

Press Release 01.07.2009

ALMARAI COMPANY ANNOUNCES ITS FIRM INTENTION TO ACQUIRE THE ENTIRE ISSUED SHARE CAPITAL OF HAIL AGRICULTURE DEVELOPMENT COMPANY



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• **Introduction**

The boards of Almarai Company ("**Almarai**") and Hail Agriculture Development Company ("**Hadco**") have reached an agreement on the terms by which Almarai proposes to acquire the entire issued share capital of Hadco (the "**Transaction**") in accordance with the applicable rules and regulations of the Capital Market Authority ("**CMA**") (including the Regulations) and the Companies Law. Upon completion of the Transaction, Hadco will be a wholly-owned subsidiary of Almarai. Almarai is making this announcement of its firm intention to proceed with the Transaction in accordance with Article 6(f) of the Regulations.

Almarai has been informed by the Hadco Directors that, provided the terms of the Offer Document reflect the terms of the Transaction as set out in this Announcement, they intend to recommend that Hadco Shareholders vote in favour of the proposed resolutions to approve the Transaction at the Hadco EGM. This recommendation, and any views of the Hadco Directors on the Transaction, will be contained in the Hadco Circular (which will be included within the Offer Document) to be prepared in accordance with the Regulations.

2. Terms of the Transaction

Under the terms of the Transaction, Almarai is proposing to acquire, on the terms set out below and subject to the Conditions, the entire issued share capital of Hadco on the following basis:

For every 5 Hadco Shares held: 1 New Almarai Share; and
For every 1 Hadco Share held: a cash payment of SAR0.50

The terms of the Transaction represent:

- a transaction value of SAR30.1 per Hadco Share, based on Almarai's Closing Price of SAR148.0 on 6 May 2009 (being the last trading day prior to the announcement by Almarai that it had reached an agreement with Hadco dated 9 May 2009 in relation to the Transaction) and the SAR0.50 per Hadco Share cash payment, which together represents a premium of approximately 16 percent in relation to Hadco's Closing Price of SAR26.0 on 6 May 2009 (being the last trading day prior to the announcement by Almarai that it had reached an agreement with Hadco dated 9 May 2009 in relation to the Transaction); and
- a premium of approximately 58 per cent. in relation to Hadco's Closing Price of SAR18.15 on 5 November 2008 and based on Almarai's Closing Price of SAR140.5 on the same date (being the last trading day prior to the announcement by Almarai on 8 November 2008 that it had submitted a formal offer to Hadco).

On the basis of Almarai's Closing Price of SAR 155.75 on 30 June 2009 (being the last trading day prior to this Announcement), and the SAR0.50 per Hadco Share cash payment, the Transaction values Hadco at approximately SAR 949.5 million.

The total consideration payable by Almarai to Hadco Shareholders consists of six million New Almarai Shares and SAR15 million in cash. In the event that Almarai declares and pays a dividend or makes a distribution or issues any further Almarai Shares (by way of a capitalisation issue, rights issue, reduction or any alteration to the rights attached to any part of Almarai's issued share capital) or reorganises its share capital before closing of the Transaction (a "**Restructuring**"), the consideration payable by Almarai to Hadco Shareholders will be adjusted to the extent necessary to ensure that Hadco Shareholders will receive the same economic value for their Hadco Shares as if the Restructuring had not taken place.

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Assuming the Transaction is approved by the Hadco Shareholders at the Hadco EGM, and that the Transaction and the Capital Increase are approved by the Almarai Shareholders at the Almarai EGM and that all the other Conditions are satisfied (or, where appropriate, waived), Hadco Shareholders will hold approximately 5.2 per cent. of the enlarged issued ordinary share capital of Almarai (based on the existing issued ordinary share capital of Almarai and the proposed ordinary share capital of Almarai to be issued to Hadco Shareholders).

3. Financing the Transaction

Almarai will fund the cash consideration payable under the Transaction from its own resources. Morgan Stanley Saudi Arabia is satisfied that Almarai has sufficient resources to satisfy the full amount of the cash consideration payable under the terms of the Transaction.

4. Conditions to the Transaction

The Transaction is (from the time of the release of this Announcement) subject to the Conditions, including (but not limited to) the following:

- Almarai acquiring the entire issued share capital of Hadco.
- The requisite approval of the Transaction by the Hadco Shareholders at the Hadco EGM.
- The passing at the Almarai EGM (or at any adjournment of the meeting) of all resolutions necessary to (i) approve the terms of the Transaction and the related consideration to be received by Hadco Shareholders from Almarai; (ii) approve, fund, effect and implement the Transaction and the acquisition of the entire issued share capital of Hadco; (iii) approve the increase in the share capital of Almarai; and (iv) confer authorities for the creation and allotment of the New Almarai Shares.
- The Hadco Directors recommending, and not having withdrawn or adversely modified their recommendation, to Hadco Shareholders to vote in favour of the Hadco Resolutions.
- The Transaction completing before the Longstop Date.
- The Transaction Agreement not having being terminated by Almarai or Hadco serving notice in writing on the other at any time after a failure by the other to comply with any terms of the Transaction Agreement or any applicable laws or regulations.
- The Transaction being approved by the CMA and other regulatory authorities and the applications for the listing of the New Almarai Shares on the Exchange being approved by the Exchange and the CMA and the New Almarai Shares being admitted to listing and trading by the Exchange in accordance with the Listing Rules.

In addition to the Conditions set out above, the Transaction is subject to other Conditions. All the Conditions will be set out in full in the Offer Document, which will also contain financial and other information in relation to Almarai and the Transaction, and this will be made available in due course (including on Almarai's website on www.almarai.com).



5. Information relating to Almarai

Almarai commenced business in 1397H (corresponding to 1976G) under the leadership of HH Prince Sultan bin Mohammed bin Saud Al Kabeer. On 19/12/1411H (corresponding to 1/7/1991G), "Almarai Company Limited" was established as a Saudi Arabian limited liability company with Commercial Registration Number 1010084223. In August 2005, Almarai entered into a new phase of its business development and converted from a private company to a joint stock company and its shares were listed on the Exchange. Almarai is headquartered in Riyadh, Saudi Arabia and its registered office address is Exit 7, North Circle Road, Al Izdihar District, P.O. Box 8524, Riyadh 11492, Kingdom of Saudi Arabia. As at the date of this Announcement, Almarai employs approximately 12,000 employees.

Almarai is the largest integrated dairy foods company in the world. The vertically integrated company covers all key supply chain activities, including dairy farming, food processing, marketing, sales and distribution.

For the fiscal year ended 31 December 2008, Almarai generated a consolidated net profit of SAR910.3 million, which represents an increase of SAR243.0 million or 36.4 per cent. compared to the fiscal year ended 2007, when Almarai posted results of SAR667.3 million.

Further details in relation to Almarai will be contained in the Offer Document.

6. Information relating to Hadco

Hadco was established in 1403H (corresponding to 1982G), with Commercial Registration Number 3350003931. Hadco is a Saudi Arabian joint stock company with its shares listed on the Exchange. Hadco is currently headquartered in Hail, Saudi Arabia and its registered office address is Hail Qassim Main Road, P.O. Box 106, Hail 81411. As at the date of this Announcement, Hadco employs approximately 1,850 employees.

Hadco's primary business activities are poultry-related (including breeding, broiler production, poultry feed production, processing and distribution) and farming (including grain, fodder and vegetable production, poultry feed, horticulture and cold storage).

For the fiscal year ended 31 December 2008, Hadco generated a consolidated net profit of SAR65.4 million, which represents an increase of SAR11.9 million or 22.2 per cent. compared to the fiscal year ended 2007 when Hadco posted results of SAR53.5 million.

7. Transaction Agreement

Almarai and Hadco have entered into the Transaction Agreement which sets out the terms on which the parties intend to complete the Transaction.

Full details on the terms of the Transaction Agreement will be contained in the Offer Document.

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8. Interests over Hadco Shares as at 30 June 2009

Except as set out below, Almarai, and persons acting in concert with Almarai (within the meaning given in the Regulations), do not hold any direct or indirect interests in Hadco or Hadco Shares or options to purchase Hadco Shares.

The directors, members of committees formed by the board and executives of Almarai own the following Hadco Shares:

Director / committee member	Number of shares	Percentage of issued share capital (%)
Ibrahim Hasan Mohammed Al Madhun	100	0.00
Abdulrahman bin Abdulaziz Al Muhanna	65,000	0.22
Dr. Majed Abdullah Al Gassabi	260,028	0.87
Mosa Omran Al Omran	100	0.00
Total – Directors and committee members	325,228	1.08
Executives	Number of shares	Percentage of issued share capital (%)
Abdulrahman Al Fadley	1,000	0.00
Andrew Mackie	67,562	0.23
Georges Schorderet	30,000	0.10
Total - Executives	98,562	0.33
Total – Directors, committee members and executives	423,790	1.41

Almarai has not received any irrevocable commitments from Hadco Shareholders stating that they intend to vote in favour of the terms of the Transaction at the Hadco EGM.

There are no indemnity arrangements involving Almarai, Hadco, or any person acting in concert with Almarai or Hadco, in relation to Hadco Shares.

9. Hadco Shareholder approval

In order for Almarai to acquire the entire issued share capital of Hadco and therefore complete the Transaction, Hadco Shareholders will need to vote in favour of the proposed resolutions to approve the Transaction at the Hadco EGM. Further details on the Hadco EGM, including its timing and the voting and quorum requirements, will be disclosed in the Hadco Circular (which will be included within the Offer Document).

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10. Important Information

This Announcement does not constitute an offer or an invitation to purchase or subscribe for any securities.

The implications of the Transaction for persons resident in, or citizens of, jurisdictions outside of Saudi Arabia may be affected by the laws of the relevant jurisdictions. The availability of the Transaction to persons not resident in Saudi Arabia may be affected by the laws of the relevant jurisdictions. Such persons should inform themselves about and observe any applicable requirements.

This Announcement is not being and must not be published or distributed, in whole or in part, in, into or from any Restricted Jurisdiction.

This Announcement is not intended to, and does not, constitute or form part of any offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities pursuant to the Transaction, this Announcement or otherwise. The offer by Almarai to Hadco Shareholders will be made solely pursuant to the Offer Document, which will contain the full terms and conditions of the Transaction.

This Announcement will be available on Almarai's website at www.almarai.com by no later than 5pm on the date of this Announcement.

Morgan Stanley Saudi Arabia, which is authorised and regulated in Saudi Arabia by the CMA, is acting exclusively for Almarai and no one else in connection with the Transaction and will not be responsible to anyone other than Almarai for providing the protections afforded to clients of Morgan Stanley Saudi Arabia nor for giving advice in relation to the Transaction or any matter or arrangement referred to in this Announcement.

This is an unofficial English translation of the announcement of a firm intention to make an offer published in the Arabic language. No reliance should be placed on this English translation, which may not entirely reflect the official Arabic language announcement.

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APPENDIX 1 DEFINITIONS

The following definitions apply throughout this Announcement, unless the context requires otherwise:

"Almarai"	Almarai Company
"Almarai EGM"	the extraordinary general meeting of Almarai convened for the purpose, <i>inter alia</i> , of approving the Transaction and the Capital Increase
"Almarai Shareholders"	holders of Almarai Shares registered on Almarai's share register at the close of trading on Tadawul on the date of the Almarai EGM
"Almarai Shares"	ordinary shares of SAR10 each in the capital of Almarai
"Announcement"	this announcement
"Annual Report and Accounts"	the annual report and audited accounts of Hadco for the year ended 31 December 2008
"Authorisations"	authorisations, orders, grants, recognitions, confirmations, consents, licences, clearances, certificates, permissions or approvals
"Capital Increase"	the proposed increase in the share capital of Almarai from SAR1,090,000,000 to SAR1,150,000,000 by the issue of the New Almarai Shares
"Closing Price"	the closing middle market price of a relevant share as derived from Tadawul on any particular date
"CMA"	the Capital Market Authority in KSA
"Companies Law"	the Companies Regulations issued under Royal Decree M/6, dated 22/3/1386H, as amended
"Conditions"	the conditions to the Transaction, to be set out in full in the Offer Document
"EGM"	the extraordinary general meeting (including any adjournment thereof) of Hadco Shareholders or Almarai Shareholders, as the context may require, to be convened in connection with the Transaction
"Exchange" or "Tadawul"	the Saudi Arabian Stock Exchange established in the Kingdom of Saudi Arabia pursuant to the Saudi Arabian Capital Market Law

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"Hadco"	Hail Agriculture Development Company
"Hadco Circular"	the document to be addressed and made available to Hadco Shareholders in relation to the Transaction containing, among other things, the invitation to the Hadco EGM and the voting and proxy forms in respect of the Hadco EGM together with any other document relating to the Transaction where the context so requires (a copy of which will be included within the Offer Document)
"Hadco Directors"	the board of directors of Hadco
"Hadco EGM"	the extraordinary general meeting of Hadco convened for the purpose, <i>inter alia</i> , of approving the Transaction
"Hadco Group"	Hadco, its subsidiaries and subsidiary undertakings
"Hadco Resolutions"	the resolutions to be voted on by the Hadco Shareholders at the Hadco EGM to approve the Transaction
"Hadco Shareholders"	holders of Hadco Shares registered on Hadco's share register at the close of trading on Tadawul on the date of the Hadco EGM
"Hadco Shares"	the existing and issued fully paid ordinary shares of SAR10 each in the capital of Hadco
"KSA"	the Kingdom of Saudi Arabia
"Listing Rules"	the listing rules issued by the board of the CMA pursuant to resolution number 3-11-2004 dated 20/8/1425H (corresponding to 4/10/2004G) based on the Capital Market Law and as amended from time to time
"Longstop Date"	23:59 hours on the date falling 90 days after the Hadco EGM (provided that such longstop date is not later than 30 November 2009) or such other time or date as the parties may agree in writing
"New Almarai Shares"	6,000,000 new Almarai Shares
"Offer Document"	the document required by Article 26 of the Regulations to be addressed and made available to, among others, Hadco Shareholders in relation to the Transaction (which will include a copy of the Hadco Circular)

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"Regulations"	the Merger and Acquisition Regulations issued by the board of the CMA pursuant to resolution number 1-50-2007 dated 21/9/1428H (corresponding to 3/10/2007G), as amended from time to time
"Restricted Jurisdiction"	any jurisdiction outside Saudi Arabia where the distribution of this Announcement, or the making, extension or acceptance of any offer in relation to the Transaction, would or may violate the law of, or regulation applicable to, that jurisdiction including, without limitation, Australia, Canada, the Dubai International Financial Centre, Japan, Jordan, the Kingdom of Bahrain, Kuwait, Oman, Qatar, the United Arab Emirates, the United Kingdom or the United States
"SAR"	Saudi Arabian Riyals
"Transaction"	the proposed acquisition by Almarai of the entire issued ordinary share capital of Hadco in accordance with the applicable rules and regulations of the CMA (including the Regulations and the Listing Rules) and the Companies Law and substantially on the terms set out in this Announcement (subject to the inclusion of any alternative or additional terms and conditions as may be (i) required to comply with the requirements of the CMA, (ii) required by applicable law or regulation or (iii) agreed between Almarai and Hadco) and shall include any new, increased, renewed or revised offer made by or on behalf of Almarai, howsoever to be effected
"Transaction Agreement"	the transaction agreement entered into by Almarai and Hadco dated 30 June 2009
"Wider Almarai Group"	Almarai and associated undertakings and any other body corporate, partnership, joint venture or person in which Almarai and such undertakings (aggregating their interests) have an interest of more than 30 per cent. of the voting or equity capital or the equivalent
"Wider Hadco Group"	Hadco and associated undertakings and any other body corporate, partnership, joint venture or person in which the Hadco and such undertakings (aggregating their interests) have an interest of more than 30 per cent. of the voting or equity capital or the equivalent