



**ALMARAI COMPANY**  
**A SAUDI JOINT STOCK COMPANY**

**THE INTERIM CONSOLIDATED FINANCIAL**  
**STATEMENTS AND REVIEW REPORT FOR THE**  
**THREE MONTHS**  
**ENDED 31 MARCH 2013**

**ALMARAI COMPANY**  
**A SAUDI JOINT STOCK COMPANY**

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**REVIEW REPORT  
TO THE SHAREHOLDERS OF ALMARAI COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**SCOPE OF REVIEW:**

We have reviewed the accompanying interim consolidated balance sheet of **Almarai Company - A Saudi Joint Stock Company** ("the Company") and its subsidiaries ("the Group") as at 31 March 2013, and the related interim consolidated statements of income, cash flows and changes in equity for the three month period then ended and notes 1 to 9 which form part of these interim consolidated financial statements.

These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA).

A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

**CONCLUSION:**

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

**For KPMG Al Fozan & Al Sadhan**

**Abdullah H. Al Fozan**  
License No. 348

Date: 25 Jumaada-Al-Awal 1434H  
Corresponding to: 6 April 2013



**ALMARAI COMPANY**  
**A SAUDI JOINT STOCK COMPANY**

**INTERIM CONSOLIDATED BALANCE SHEET**  
**AS AT 31 MARCH 2013**

	<b>Notes</b>	<b>31 March 2013 (Unaudited) SAR '000</b>	<b>31 December 2012 (Audited) SAR '000</b>	<b>31 March 2012 (Unaudited) SAR '000</b>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents		1,793,596	417,304	287,859
Derivative Financial Instruments		5,304	34,934	15,016
Receivables and Prepayments		949,512	791,688	870,520
Inventories		2,517,373	2,317,097	1,825,417
<b>Total Current Assets</b>		<b>5,265,785</b>	<b>3,561,023</b>	<b>2,998,812</b>
<b>Non Current Assets</b>				
Investments	4	251,501	244,327	546,672
Property, Plant and Equipment		13,845,000	13,415,836	11,853,786
Biological Assets		918,512	901,029	854,584
Intangible Assets - Goodwill		1,335,455	1,335,455	1,382,978
Deferred Charges		46,491	50,756	49,351
Deferred Tax Asset		9,836	10,222	16,094
<b>Total Non Current Assets</b>		<b>16,406,795</b>	<b>15,957,625</b>	<b>14,703,465</b>
<b>TOTAL ASSETS</b>		<b>21,672,580</b>	<b>19,518,648</b>	<b>17,702,277</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Short Term Loans	5	1,355,375	1,399,818	1,186,329
Payables and Accruals		2,093,554	2,176,575	1,658,613
Derivative Financial Instruments		103,407	102,977	88,622
<b>Total Current Liabilities</b>		<b>3,552,336</b>	<b>3,679,370</b>	<b>2,933,564</b>
<b>Non Current Liabilities</b>				
Long Term Loans	5	9,323,512	7,254,743	6,477,712
Employees' Termination Benefits		301,974	287,056	253,927
Deferred Tax Liability		123,393	126,489	145,794
<b>Total Non Current Liabilities</b>		<b>9,748,879</b>	<b>7,668,288</b>	<b>6,877,433</b>
<b>TOTAL LIABILITIES</b>		<b>13,301,215</b>	<b>11,347,658</b>	<b>9,810,997</b>
<b>EQUITY</b>				
<b>Shareholders' Equity</b>				
Share Capital		4,000,000	4,000,000	2,300,000
Share Premium		-	-	1,600,500
Statutory Reserve		912,917	912,917	768,854
Other Reserves		(237,979)	(189,861)	121,790
Treasury Shares		(95,282)	(95,282)	(97,757)
Retained Earnings		3,176,752	2,921,667	2,484,221
<b>Total Shareholders' Equity</b>		<b>7,756,408</b>	<b>7,549,441</b>	<b>7,177,608</b>
<b>Minority Interest</b>		<b>614,957</b>	<b>621,549</b>	<b>713,672</b>
<b>TOTAL EQUITY</b>		<b>8,371,365</b>	<b>8,170,990</b>	<b>7,891,280</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>21,672,580</b>	<b>19,518,648</b>	<b>17,702,277</b>

The accompanying notes form an integral part of these interim consolidated financial statements.

**ALMARAI COMPANY**  
**A SAUDI JOINT STOCK COMPANY**

**INTERIM CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2013**

	<u>Notes</u>	<b>31 March 2013 (Unaudited) SAR '000</b>	<b>31 March 2012 (Unaudited) SAR '000</b>
Sales	6	2,411,031	2,040,349
Cost of Sales		(1,583,236)	(1,333,045)
<b>Gross Profit</b>		<b>827,795</b>	<b>707,304</b>
Selling and Distribution Expenses		(450,124)	(344,710)
General and Administration Expenses		(76,835)	(70,138)
<b>Net Operating Income</b>		<b>300,836</b>	<b>292,456</b>
Share of Results of Associates and Joint Ventures		(5,989)	(12,314)
Finance Charges		(38,768)	(27,384)
<b>Income from Main Operations</b>		<b>256,079</b>	<b>252,758</b>
Zakat and Foreign Income Tax		(7,586)	(7,886)
<b>Income before Minority Interest</b>		<b>248,493</b>	<b>244,872</b>
Minority Interest		6,592	(2,753)
<b>Net Income for the Period</b>		<b>255,085</b>	<b>242,119</b>
<b>Earnings per Share (SAR)</b>	<b>7</b>		
- Income from Main Operations		0.64	0.63
- Net Income for the Period		0.64	0.61

The accompanying notes form an integral part of these interim consolidated financial statements.

**ALMARAI COMPANY**  
**A SAUDI JOINT STOCK COMPANY**

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2013**

	<b>Note</b>	<b>31 March 2013 (Unaudited) SAR '000</b>	<b>31 March 2012 (Unaudited) SAR '000</b>
<b><u>OPERATING ACTIVITIES</u></b>			
Net Income for the Period		255,085	242,119
Adjustments for:			
Depreciation of Property, Plant and Equipment		258,569	205,379
Net Appreciation of Biological Assets		(49,665)	(50,305)
Profit on Sale of Property, Plant and Equipment		(2,915)	(4,576)
Loss on Sale of Biological Assets		7,989	9,547
Finance Charges Accrued		38,768	27,384
Zakat and Foreign Income Tax Accrued		7,586	7,886
Share of Results of Associates and Joint Ventures		5,989	12,314
Change in Employees' Termination Benefits		14,918	10,446
Share Based Payment Expense		1,632	1,540
Minority Interest		(6,592)	2,753
Zakat and Foreign Income Tax Paid		(719)	(1,343)
Changes in:			
Receivables and Prepayments		(163,532)	(110,458)
Inventories		(210,282)	(19,131)
Payables and Accruals		(103,230)	49,878
<b>Cash Flows from Operating Activities</b>		<b>53,601</b>	<b>383,433</b>
<b><u>INVESTING ACTIVITIES</u></b>			
Additions to Property, Plant and Equipment		(714,682)	(883,781)
Additions to Biological Assets		(14,772)	(6,450)
Proceeds from the Sale of Property, Plant and Equipment		10,899	7,589
Proceeds from the Sale of Biological Assets		38,965	33,183
Acquisition of Subsidiaries, Net of Cash Acquired		-	17,008
Investment in Associates and Joint Ventures	4	(2,830)	-
<b>Cash Flows used in Investing Activities</b>		<b>(682,420)</b>	<b>(832,451)</b>
<b><u>FINANCING ACTIVITIES</u></b>			
Increase in Loans, net		2,037,568	513,350
Finance Charges Paid		(35,850)	(52,153)
Change in Deferred Charges		4,265	4,485
Distribution to Minority Interests		-	(784)
<b>Cash Flows from Financing Activities</b>		<b>2,005,983</b>	<b>464,898</b>
<b>Currency Translation Impact on Cash and Cash Equivalents</b>		<b>(872)</b>	<b>-</b>
<b>Increase in Cash and Cash Equivalents</b>		<b>1,376,292</b>	<b>15,880</b>
Cash and Cash Equivalents at 1 January		417,304	271,979
<b>Cash and Cash Equivalents at 31 March</b>		<b>1,793,596</b>	<b>287,859</b>

The accompanying notes form an integral part of these interim consolidated financial statements.

**ALMARAI COMPANY**  
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**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2013**

	Attributable to equity holders of the Company						Total Shareholders' Equity (Unaudited) SAR '000	Minority Interest (Unaudited) SAR '000	Total Equity (Unaudited) SAR '000
	Share Capital (Unaudited) SAR '000	Share Premium (Unaudited) SAR '000	Statutory Reserve (Unaudited) SAR '000	Other Reserves (Unaudited) SAR '000	Treasury Shares (Unaudited) SAR '000	Retained Earnings (Unaudited) SAR '000			
<b>Balance at 1 January 2012</b>	<b>2,300,000</b>	<b>1,600,500</b>	<b>768,854</b>	<b>(95,238)</b>	<b>(97,757)</b>	<b>2,242,102</b>	<b>6,718,461</b>	<b>59,191</b>	<b>6,777,652</b>
Net Income for the Period	-	-	-	-	-	242,119	242,119	2,753	244,872
Acquisition of Subsidiaries	-	-	-	-	-	-	-	652,512	652,512
Distribution to Minority Interests	-	-	-	-	-	-	-	(784)	(784)
Share Based Payment Transactions	-	-	-	1,540	-	-	1,540	-	1,540
Net Movement in available for sale Investments	-	-	-	189,000	-	-	189,000	-	189,000
Net Movement on Cash Flow Hedges	-	-	-	26,488	-	-	26,488	-	26,488
<b>Balance at 31 March 2012</b>	<b>2,300,000</b>	<b>1,600,500</b>	<b>768,854</b>	<b>121,790</b>	<b>(97,757)</b>	<b>2,484,221</b>	<b>7,177,608</b>	<b>713,672</b>	<b>7,891,280</b>
<b>Balance at 1 January 2013</b>	<b>4,000,000</b>	-	<b>912,917</b>	<b>(189,861)</b>	<b>(95,282)</b>	<b>2,921,667</b>	<b>7,549,441</b>	<b>621,549</b>	<b>8,170,990</b>
Net Income for the Period	-	-	-	-	-	255,085	255,085	(6,592)	248,493
Share Based Payment Transactions	-	-	-	1,632	-	-	1,632	-	1,632
Net Movement in available for sale Investments	-	-	-	10,333	-	-	10,333	-	10,333
Net Movement on Cash Flow Hedges	-	-	-	(30,060)	-	-	(30,060)	-	(30,060)
Currency Translation Differences	-	-	-	(30,023)	-	-	(30,023)	-	(30,023)
<b>Balance at 31 March 2013</b>	<b>4,000,000</b>	-	<b>912,917</b>	<b>(237,979)</b>	<b>(95,282)</b>	<b>3,176,752</b>	<b>7,756,408</b>	<b>614,957</b>	<b>8,371,365</b>

The accompanying notes form an integral part of these interim consolidated financial statements.

**ALMARAI COMPANY**  
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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD**  
**ENDED 31 MARCH 2013**

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**1. THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS DESCRIPTION**

Almarai Company (the "Company") is a Saudi Joint Stock Company, which was converted on 2 Rajab 1426 A.H. (8 August 2005). The Company initially commenced trading on 19 Di' Hijjah 1411 A.H. (1 July 1991) and operates under Commercial Registration No. 1010084223. Prior to the consolidation of activities in 1991, the core business traded between 1976 and 1991 under the Almarai brand name.

The Company and its subsidiaries (together, "the Group") are a major integrated consumer food group in the Middle East with leading market shares in Saudi Arabia and the neighbouring Gulf Cooperation Council (GCC) countries.

The dairy, fruit juices and related food business is operated under the Almarai, Beyti and Teeba brand names. All raw milk production and related processing along with dairy food manufacturing activities are undertaken in Saudi Arabia, United Arab Emirates (UAE), Egypt and Jordan. Final consumer products are distributed from the manufacturing facilities in these countries to local distribution centres by the Group's long haul distribution fleet.

Bakery products are manufactured and traded by Western Bakeries Company Limited and Modern Food Industries Limited under the brand names L'usine and 7 Days respectively. International Baking Services Company Limited has ceased trading. These are Limited Liability companies registered in Saudi Arabia and based in Jeddah.

Poultry products are manufactured and traded by Hail Agricultural Development Company (HADCO) under the Alyoum brand. HADCO is a closed joint stock company registered in Saudi Arabia and based in Hail.

Almarai Baby Food Company Limited is a limited liability company registered in Saudi Arabia. It owns a modern infant formula manufacturing plant in Al Kharj, which is leased to International Pediatric Nutrition Company (a joint venture between Mead Johnson and the Company).

The distribution centres in the GCC countries (except for Bahrain and Oman) are managed by the Group and operate within Distributor Agency Agreements as follows:

Kuwait	- Al Kharafi Brothers Dairy Products Company Limited
Qatar	- Khalid for Foodstuff and Trading Company
United Arab Emirates	- Bustan Al Khaleej Establishment

The Group operates in Bahrain through its subsidiary Almarai Company Bahrain S.P.C and in Oman through its subsidiaries Arabian Planets for Trade and Marketing L.L.C. and Alyoum for Food Products Company L.L.C.

The Group owns and operates arable farms in Argentina through three of its Argentinean subsidiaries Fondomonte Inversiones Argentina S.A., Fondomonte El Descanso S.A. and Fondomonte Sandoval S.A.

The Group owns and operates milk production, processing and dairy food manufacturing in Egypt and Jordan through its subsidiaries International Company For Agricultural Industries Projects (Beyti) and Teeba Investment For Developed Food Processing Company respectively.

The Group's Head Office is located at the following address:

Exit 7, North Circle Road  
Al Izdihar District  
P.O. Box 8524  
Riyadh 11492  
Saudi Arabia

On 13 Jamad Awal 1434 A.H. (25 March 2013) United Farmers Holding Company ("UFHC") was incorporated as a limited liability company in the Kingdom of Saudi Arabia. Almarai Company has contributed SAR 330,000 for a 33% share holding. UFHC has been incorporated to make long term investments in the agricultural sector in order to develop sustainable sources of food, grain and fodder on a global scale.



**ALMARAI COMPANY**  
**A SAUDI JOINT STOCK COMPANY**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2013**

Details of subsidiary companies are as follows:

Name of Subsidiary	Country of Incorporation	Business Activity	Functional Currency	Direct and Beneficial Ownership Interest		Shares	
				2013	2012	Capital	Issued
Almarai Investment Company Limited	Saudi Arabia	Holding Company	SAR	100%	100%	SAR 1,000,000	100,000
Almarai Baby Food Company Limited	Saudi Arabia	Manufacturing and Trading Company	SAR	100%	100%	SAR 200,000,000	20,000,000
Hail Agricultural Development Company	Saudi Arabia	Poultry / Agricultural Company	SAR	100%	100%	SAR 300,000,000	30,000,000
Western Bakeries Company Limited	Saudi Arabia	Bakery Company	SAR	100%	100%	SAR 200,000,000	200,000
International Baking Services Company Limited	Saudi Arabia	Holding Company	SAR	100%	100%	SAR 500,000	500
Modern Food Industries Limited	Saudi Arabia	Bakery Company	SAR	60%	60%	SAR 70,000,000	70,000
Agricultural Input Company Limited (Mudkhalat)	Saudi Arabia	Agricultural Company	SAR	52%	52%	SAR 25,000,000	250
Nourlac Company Limited	Saudi Arabia	Trading Company	SAR	100%	100%	SAR 3,000,000	3,000
Fondomonte El Descanso S.A.	Argentina	Agricultural Company	ARG	100%	100%	ARG 27,475,914	27,475,914
Fondomonte Inversiones Argentina S.A.	Argentina	Agricultural Company	ARG	100%	100%	ARG 17,849,997	17,849,997
Fondomonte Sandoval S.A.	Argentina	Agricultural Company	ARG	100%	100%	ARG 4,383,432	4,383,432
Agro Terra S.A.	Argentina	Dormant	ARG	100%	100%	ARG 475,875	475,875
Almarai Company Bahrain S.P.C.	Bahrain	Sales Company	BHD	100%	100%	BHD 100,000	1,000
Almarai International Holding W.L.L.	Bahrain	Holding Company	BHD	100%	100%	BHD 250,000	2,500
Almarai Investment Holding Company W.L.L.	Bahrain	Holding Company	BHD	100%	100%	BHD 250,000	2,500
IDJ Bahrain Holding Company W.L.L.	Bahrain	Holding Company	BHD	52%	52%	BHD 250,000	2,500

**ALMARAI COMPANY**  
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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2013**

Name of Subsidiary	Country of Incorporation	Business Activity	Functional Currency	Direct and Beneficial Ownership Interest		Shares	
				2013	2012	Capital	Issued
International Dairy and Juice Limited	Bermuda	Holding Company	USD	52%	52%	USD 7,000,000	7,000,000
International Dairy and Juice (Egypt) Limited	Egypt	Holding Company	EGP	52%	52%	EGP 50,000,000	5,000,000
International Company for Agricultural Industries Projects (Beyti) (SAE)	Egypt	Manufacturing and Trading Company	EGP	52%	52%	EGP 317,159,000	31,715,900
Markley Holdings Limited	Jersey	Dormant	GBP	100%	100%	-	-
Teeba Investment for Developed Food Processing	Jordan	Manufacturing Company	JOD	39%	39%	JOD 49,675,352	49,675,352
Al Rawabi for juice and UHT milk Manufacturing	Jordan	Manufacturing Company	JOD	39%	39%	JOD 500,000	500,000
Al Muthedoon for Dairy Production	Jordan	Manufacturing Company	JOD	39%	39%	JOD 500,000	500,000
Al Atheer Agricultural Company	Jordan	Agricultural Company	JOD	39%	39%	JOD 750,000	750,000
Al Namouthjya for Plastic Production	Jordan	Manufacturing Company	JOD	39%	39%	JOD 250,000	250,000
Arabian Planets for Trade and Marketing L.L.C.	Oman	Sales Company	OMR	90%	90%	OMR 150,000	150,000
Alyoum for Food Products Company L.L.C.	Oman	Sales Company	OMR	100%	100%	OMR 20,000	20,000
Fondomonte Inversiones S.L.	Spain	Holding Company	EUR	100%	100%	EUR 13,047,134	13,047,134
International Dairy and Juice (Dubai) Limited	United Arab Emirates	Holding Company	AED	52%	52%	USD 22,042,183	22,042,183
Almarai Emirates Company L.L.C.	United Arab Emirates	Sales Company	AED	100%	100%	AED 300,000 (Unpaid)	300

**ALMARAI COMPANY**  
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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD  
ENDED 31 MARCH 2013**

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**2. BASIS OF ACCOUNTING, PREPARATION, CONSOLIDATION AND PRESENTATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

- (a) The interim consolidated financial statements have been prepared on the accrual basis under the historical cost convention (except for derivative financial instruments and investments that have been measured at fair value) and in compliance with the accounting standards issued by the Saudi Organisation for Certified Public Accountants (SOCPA).
- (b) When necessary, prior period comparatives have been regrouped or adjusted on a basis consistent with current period classification.
- (c) These interim consolidated financial statements include assets, liabilities and the results of the operations of Almarai Company ("the Company") and its subsidiaries ("the Group") as set out in note (1) above. A subsidiary company is that in which the Company has, directly or indirectly, a long term investment comprising an interest of more than 50% in the voting capital or over which it exerts practical control. A subsidiary company is consolidated from the date on which the Company obtains control until the date that control ceases. The interim consolidated financial statements are prepared on the basis of the individual financial statements of the Company and the financial statements of its subsidiaries, as adjusted by the elimination of all significant inter group balances and transactions. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. The Company and its Subsidiaries have identical reporting periods. Minority interests represent the portion of profit or loss and net assets not controlled by the Group and are presented separately in the interim consolidated statement of income and within equity in the interim consolidated balance sheet.
- (d) The preparation of interim consolidated financial statements, in conformity with accounting standards generally accepted in Saudi Arabia, requires the use of estimates and assumptions. Such estimates and assumptions may affect the balances reported for certain assets and liabilities as well as the disclosure of certain contingent assets and liabilities as at the balance sheet date. Any estimates or assumptions affecting assets and liabilities may also affect the reported revenues and expenses for the same reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.
- (e) The figures in these interim consolidated financial statements are rounded to the nearest thousand.
- (f) The operating results reported in the interim consolidated statement of income, present a fair picture of the past performance of the Group, but are not necessarily indicative of future results.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**A. Cash and Cash Equivalents**

For the purposes of the interim consolidated statement of cash flows, cash and cash equivalents consists of cash at bank, cash on hand, and short-term deposits that are readily convertible into known amounts of cash and have a maturity of three months or less when purchased.

**B. Accounts Receivable**

Accounts receivable are carried at the original invoiced amount less any provision made for doubtful debts. Provision is made for all debts for which the collection is considered doubtful or which are more than three months due. Bad debts are written off as incurred.

**C. Inventory Valuation**

Inventory is stated at the lower of cost and net realisable value. In general, cost is determined on a weighted average basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure based on the normal level of activity. Net realisable value comprises estimated selling price less further production costs to completion and appropriate selling and distribution costs. Provision is made, where necessary, for obsolete, slow moving and defective stocks.

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD**  
**ENDED 31 MARCH 2013**

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**D. Investments**

**a. Investment in Associates and Joint Ventures**

The investments in associates and joint ventures are accounted for under the equity method of accounting when the Company exercises significant influence over the entity and where the entity is not a subsidiary. Investments in associates and joint ventures are carried in the interim consolidated balance sheet at cost, plus post-acquisition changes in the Company's share of net assets of the associates and joint ventures less any impairment in value. The interim consolidated statement of income reflects the Company's share of the results of its associates and joint ventures. Unrealized gains and losses resulting from transactions between the Company, its associates and joint ventures are eliminated to the extent of the Company's interest in the associates and joint ventures.

**b. Available for Sale Investments**

Available for Sale Investments are measured and carried in the interim consolidated balance sheet at fair value with unrealised gains or losses recognised directly in equity. When the investment is disposed of or impaired the cumulative gain or loss previously recorded in equity is recognised in the interim consolidated statement of income. Where there is no market for the investments, cost is taken as the most appropriate, objective and reliable measurement of fair value of the investments.

**E. Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and depreciated on a straight line basis according to the following useful economic lives:

Buildings	5 – 33 years
Plant, Machinery and Equipment	1 – 20 years
Motor Vehicles	6 – 8 years
Land and Capital Work in Progress are not depreciated.	

**F. Biological Assets**

Biological assets are stated at cost of purchase or at the cost of rearing or growing to the point of commercial production, less accumulated depreciation. The costs of immature biological assets are determined by the cost of rearing or growing to their respective age. Biological assets are depreciated on a straight line basis to their estimated residual value based on commercial production periods ranging from 36 weeks to 50 years summarized below:

Dairy Herd	4 years
Plantations	12 – 50 years
Poultry Flock	36 weeks

**G. Impairment**

The carrying values of property, plant and equipment, biological assets and investments and financial assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. Impairment losses are expensed in the interim consolidated statement of income.

For property, plant and equipment and biological assets, where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately in the interim consolidated statement of income.

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**H. Intangibles - Goodwill**

Goodwill represents the difference between the cost of businesses acquired and the Group's share in the net fair value of the acquiree's assets, liabilities and contingent liabilities at the date of acquisition. Goodwill arising on acquisitions is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

**I. Accounts payable and accruals**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

**J. Zakat and Foreign Income Tax**

Zakat is provided for in the interim consolidated financial statements on the basis of an estimated Zakat assessment carried out in accordance with Saudi Department of Zakat and Income Tax (DZIT) regulations. Income tax for foreign entities is provided for in the interim consolidated financial statements on the basis of an estimated income tax assessment carried out in accordance with the relevant income tax regulations of the countries in which they operate. Adjustments arising from final Zakat and Foreign income tax assessments are recorded in the period in which such assessments are made.

**K. Deferred Tax**

Deferred income tax is provided for foreign subsidiaries, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted in the respective countries at the reporting date. Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised. The carrying amount of deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

**L. Derivative Financial Instruments and Hedging**

Forward foreign exchange contracts are entered into to hedge exposure to changes in currency rates on purchases and other expenditures of the Group.

Commission rate swap agreements are entered into to hedge the exposure to commission rate changes of the Group's borrowings.

Forward purchase commodity contracts are entered into to hedge exposure to changes in the price of commodities used by the Group.

All hedges are expected to be in the range of 80 – 125% effective and are assessed on an ongoing basis. All hedges are treated as cash flow hedges and gains / losses at market valuation are recorded as derivative financial instruments in the interim consolidated balance sheet and taken to other reserves in Shareholders' Equity. When the hedging instrument matures or expires any associated gain or loss in Other Reserves is reclassified to the interim consolidated statement of income, or the underlying asset purchased that was subjected to the hedge.

**M. Employees' Termination Benefits**

Employees' termination benefits are payable as a lump sum to all employees employed under the terms and conditions of the respective GCC Labour and Workman Laws on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on the employees' final salaries and allowances and their cumulative years of service, in compliance with the conditions stated in the laws of the respective GCC countries.

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**N. Statutory Reserve**

In accordance with its by-laws and the Regulations for Companies in Saudi Arabia, the Company is required each year to transfer 10% of its net income to a Statutory Reserve until such reserve equals 50% of its share capital. This Statutory Reserve is not available for distribution to Shareholders.

**O. Treasury Shares**

Own equity instruments that are reacquired (treasury shares) are recognised at cost and presented as a deduction from equity and are as adjusted for any transaction costs, dividends and gains or losses on sale of such shares. No gain or loss is recognised in the interim consolidated statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium. Share options, as contemplated in the following paragraph that were exercised during the reporting period, were satisfied with treasury shares.

**P. Share Based Payment Transactions**

Employees of the Company receive remuneration in the form of share based payment transactions under the Employee Stock Participation Program, whereby employees render services as consideration for the option to purchase equity instruments at a predetermined price (equity settled transactions).

The cost of equity settled transactions is recognised, together with a corresponding increase in other capital reserves, in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The interim consolidated statement of income expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in Employee Costs.

When the terms of an equity settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share based payment transaction, or is otherwise beneficial to the employee as measured at the date of the modification.

When an equity settled award is terminated, it is treated as if it vested on the date of termination, and any expense not yet recognised for the award is recognised immediately. This includes any award where non vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the terminated award, and designated as a replacement award on the date that it is granted, the terminated and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

**Q. Conversion of Foreign Currency Transactions**

During the financial period foreign currency transactions are converted and booked in Saudi Riyals at standard exchange rates which are periodically set to reflect average market rates or forward rates if the transactions were so covered. At the balance sheet date, assets and liabilities denominated in foreign currencies are converted into Saudi Riyals at the exchange rates ruling on such date or at the forward purchase rates if so covered. Any resulting exchange variances are charged or credited to the interim consolidated statement of income as appropriate.

The functional currencies of foreign subsidiaries are listed in note 1. As at the reporting date, the assets and liabilities of these subsidiaries are translated into the functional and presentation currency of the Group, Saudi Riyal (SAR), at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the period. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments in respect of these components of equity are recorded as a separate component of shareholders' equity.

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**R. Revenue Recognition**

Products are sold principally on a sale or return basis. Revenue is recognised on delivery of products to customers by the Group or its distributors, at which time risk and reward passes, subject to the physical return of expired products. Adjustment is made in respect of known actual returns.

Revenue from the sale of wheat guaranteed to be sold to the Government is recognised upon completion of harvest but the profit on any undelivered quantities is deferred until delivered to the Government.

**S. Government Grants**

Government grants are recognized when there is a reasonable assurance that they will be received from the state authority. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

**T. Selling, Distribution, General and Administration Expenses**

Selling, Distribution, General and Administration Expenses include direct and indirect costs not specifically part of Cost of Sales as required under accounting standards generally accepted in Saudi Arabia. Allocations between Cost of Sales and Selling, Distribution, General and Administration Expenses, when required, are made on a consistent basis. The Group charges payments in respect of long term agreements with customers and distributors to Selling and Distribution Expenses.

**U. Management Fees**

The fees charged in respect of the management of Arable Farms are credited to General and Administration Expenses.

**V. Operating Leases**

Rentals in respect of operating leases are charged to the interim consolidated statement of income over the terms of the leases.

**W. Borrowing Costs**

Borrowing costs that are directly attributable to the construction of an asset are capitalized up to stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, thereafter, such costs are charged to the consolidated statement of income.

**X. Segmental Reporting**

A segment is a distinguishable component of the group that is engaged either in selling/providing products or services (a business segment) or in selling/providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

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**4. INVESTMENTS**

The investments in associated companies, joint ventures and available for sale comprise of the following:

		<b>31 March 2013 (Unaudited) SAR '000</b>	<b>31 December 2012 (Audited) SAR '000</b>	<b>31 March 2012 (Unaudited) SAR '000</b>
<b><u>Investments in Associates and Joint Ventures</u></b>				
Pure Breed Company	21.5%	37,316	36,886	34,826
International Pediatric Nutrition Company	50.0%	7,760	11,679	4,641
Almarai Company W.L.L.	50.0%	204	204	204
United Farmers Holding Company	33.0%	330	-	-
		<u>45,610</u>	<u>48,769</u>	<u>39,671</u>
<b><u>Available for Sale Investments</u></b>				
Zain Equity Investment	2.1%	191,727	181,394	383,250
Zain Subordinated Founding Shareholders' Loan	-	-	-	109,587
Jannat for Agricultural Investment Company	10.0%	7,000	7,000	7,000
National Company for Tourism	1.1%	4,500	4,500	4,500
National Seeds and Agricultural Services Company	7.0%	2,064	2,064	2,064
United Dairy Farms Company	8.3%	600	600	600
		<u>205,891</u>	<u>195,558</u>	<u>507,001</u>
		<u><b>251,501</b></u>	<u><b>244,327</b></u>	<u><b>546,672</b></u>



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(a) The investment in associated companies and joint ventures comprises the following:

	<b>31 March 2013 (Unaudited) SAR '000</b>	<b>31 December 2012 (Audited) SAR '000</b>	<b>31 March 2012 (Unaudited) SAR '000</b>
<b><u>Pure Breed Company</u></b>			
Opening Balance	36,886	34,723	34,723
Add : Share of Results for the period	430	4,297	103
Less : Distributions	-	(2,134)	-
Closing Balance	<u>37,316</u>	<u>36,886</u>	<u>34,826</u>
<b><u>International Pediatric Nutrition Company</u></b>			
Opening Balance	11,679	10,318	10,318
Add : Capital Introduced	2,500	23,501	-
Less : Share of Results for the period	(6,419)	(22,140)	(5,677)
Closing Balance	<u>7,760</u>	<u>11,679</u>	<u>4,641</u>
<b><u>Almarai Company W.L.L.</u></b>			
Opening Balance	204	204	204
Closing Balance	<u>204</u>	<u>204</u>	<u>204</u>
<b><u>United Farmers Holding Company</u></b>			
Add : Capital Introduced	330	-	-
Closing Balance	<u>330</u>	<u>-</u>	<u>-</u>

(b) The Zain equity investment of 23.0 million shares at a par value of SAR 10 per share is measured at fair value based on a quoted market price for the shares on the Saudi Arabian (Tadawul) stock exchange at 27 March 2013 of SAR 8.35. This has resulted in an unrealised loss of SAR 112.1 million which is shown within other reserves in Shareholders' Equity.

(c) All other available for sale investments are stated at cost less impairment.

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**5. TERM LOANS**

	<b>31 March 2013 (Unaudited) SAR '000</b>	<b>31 December 2012 (Audited) SAR '000</b>	<b>31 March 2012 (Unaudited) SAR '000</b>
Islamic Banking Facilities (Murabaha)	7,199,629	6,402,409	5,564,863
Saudi Industrial Development Fund	881,260	974,219	869,960
Other Banking Facilities	295,998	275,807	226,218
Agricultural Development Fund	2,000	2,126	3,000
	<u>8,378,887</u>	<u>7,654,561</u>	<u>6,664,041</u>
Sukuk	2,300,000	1,000,000	1,000,000
	<u>10,678,887</u>	<u>8,654,561</u>	<u>7,664,041</u>

- (a) The borrowings from Islamic banking facilities (Murabaha) are secured by promissory notes given by the Group.
- (b) The borrowings of the Group from the Saudi Industrial Development Fund are secured by a mortgage on specific assets amounting to SAR 881.3 million as at 31 March 2013 (SAR 974.2 million as at 31 December 2012 and SAR 870.0 million as at 31 March 2012).
- (c) The other banking facilities represent borrowings of foreign subsidiaries from foreign banking institutions.
- (d) As per the terms of the Sukuk arrangements, the Company is entitled to commingle its own assets with the Sukuk Assets. Sukuk Assets comprise the sukukholders share in the Mudaraba Assets and the sukukholders interest in the Murabaha Transactions, together with any amounts standing to the credit of the Sukuk Account and the Reserve retained by the Company from the Sukuk Account.

On 14 Rabi Thani 1433 A.H. (7 March 2012), the Company issued its first Sukuk – Series I amounting to SAR 1,000.0 million at a par value of SAR 1.0 million each without discount or premium. The Sukuk issuance bears a return based on SIBOR plus a pre-determined margin payable semi-annually in arrears. The Sukuk is due for maturity at par on its expiry date of 30 Jumad Thani 1440 A.H. (7 March 2019).

On 20 Jamad Awal 1434 A.H. (31 March 2013), the Company issued its second Sukuk - Series II amounting to SAR 787.0 million at a par value of SAR 1.0 million each without discount or premium. The Sukuk issuance bears a return based on SIBOR plus a pre-determined margin payable semi-annually in arrears. The Sukuk is due for maturity at par on its expiry date of 7 Shabaan 1441 A.H. (31 March 2020).

On 20 Jamad Awal 1434 A.H. (31 March 2013), the Company issued its second Sukuk – Series III amounting to SAR 513.0 million at a par value of SAR 1.0 million each without discount or premium. The Sukuk issuance bears a return based on SIBOR plus a pre-determined margin payable semi-annually in arrears. The Sukuk is due for maturity at par on its expiry date of 15 Rajab 1439 A.H. (31 March 2018).

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**6. SEGMENT INFORMATION**

The Group's principal business activities involve manufacturing and trading of dairy and juice products under the Almarai, Beyti and Teeba brands, bakery products under the brands L'usine and 7 Days, poultry products under the Alyoum brand, arable and horticultural products as well as other activities. The segment "Other activities" comprises investment activities carried out by the Group and include other assets and liabilities not directly allocable to any reportable segments. Selected financial information as of 31 March 2013, 31 December 2012 and 31 March 2012 and for the periods then ended categorized by these business segments, are as follows:

	<b>Dairy and Juices</b>	<b>Bakery Products</b>	<b>Poultry</b>	<b>Arable and Horticulture</b>	<b>Other Activities</b>	<b>Total</b>
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
<b>31 March 2013 (Unaudited)</b>						
Sales	1,903,627	340,904	162,115	24,429	-	2,431,075
Third Party Sales	1,901,160	340,904	162,115	6,852	-	2,411,031
(Depreciation) / Appreciation	(140,072)	(31,672)	(15,868)	(17,648)	(3,644)	(208,904)
Income / (loss) before Minority Interest	250,425	34,325	(46,058)	26,737	(16,936)	248,493
Total Assets	12,833,243	2,023,207	4,127,664	1,683,633	1,004,833	21,672,580
Total Liabilities	(11,872,989)	(337,117)	(317,391)	(238,375)	(535,343)	(13,301,215)
<b>31 December 2012 (Audited)</b>						
Sales	7,988,406	1,290,645	504,350	386,032	-	10,169,433
Third Party Sales	7,972,686	1,290,645	504,350	115,315	-	9,882,996
(Depreciation) / Appreciation	(481,331)	(114,150)	(50,340)	(68,332)	-	(714,153)
Income / (loss) before Minority Interest	1,371,771	171,820	(96,800)	30,880	(37,761)	1,439,910
Total Assets	11,046,963	2,002,505	3,728,592	1,736,202	1,004,386	19,518,648
Total Liabilities	(10,050,022)	(233,468)	(287,503)	(243,693)	(532,972)	(11,347,658)
<b>31 March 2012 (Unaudited)</b>						
Sales	1,638,965	293,539	95,399	24,467	-	2,052,370
Third Party Sales	1,635,677	293,539	95,399	15,734	-	2,040,349
(Depreciation) / Appreciation	(102,213)	(26,108)	(10,110)	(16,643)	-	(155,074)
Income / (loss) before Minority Interest	270,869	35,210	(31,981)	(20,065)	(9,161)	244,872
Total Assets	10,363,328	1,965,294	2,471,505	1,650,391	1,251,759	17,702,277
Total Liabilities	(8,546,601)	(269,172)	(256,482)	(208,719)	(530,023)	(9,810,997)

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The business activities and operating assets of the Group are mainly concentrated in GCC countries, and selected financial information as at 31 March 2013, 31 December 2012 and 31 March 2012 and for the periods then ended, categorized by these geographic segments are as follows:

	<b>31 March 2013 (Unaudited)</b>	<b>31 March 2012 (Unaudited)</b>
	SAR '000	SAR '000
<b>Sales</b>		
Saudi Arabia	1,576,484	1,441,238
Other GCC Countries	624,173	569,471
Other Countries	210,374	29,640
Total	<u>2,411,031</u>	<u>2,040,349</u>

	<b>31 March 2013 (Unaudited)</b>	<b>31 December 2012 (Audited)</b>	<b>31 March 2012 (Unaudited)</b>
	SAR '000	SAR '000	SAR '000
<b>Non - Current Assets</b>			
Saudi Arabia	14,525,479	14,053,017	12,858,909
Other GCC Countries	309,151	300,535	194,289
Other Countries	1,572,165	1,604,073	1,650,267
Total	<u>16,406,795</u>	<u>15,957,625</u>	<u>14,703,465</u>

Analysis of sales is given by product group as shown below.

	<b>31 March 2013 (Unaudited)</b>	<b>31 March 2012 (Unaudited)</b>
	SAR '000	SAR '000
Fresh Dairy	953,692	808,243
Long Life Dairy	258,749	213,454
Fruit Juice	288,043	207,253
Cheese and Butter	394,825	394,935
Bakery	340,904	293,539
Poultry	162,115	95,399
Arable and Horticulture	6,852	15,734
Other Dairy	5,851	11,792
Total	<u>2,411,031</u>	<u>2,040,349</u>

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**7. EARNINGS PER SHARE**

Basic Earnings per Share ("EPS") is calculated by dividing net income for the period by 398.1 million shares which represent the weighted average number of shares issued at 31 March 2013 and 31 March 2012 less treasury shares.

Diluted Earnings per Share is calculated by dividing net income for the period by 400.0 million shares which represent the weighted average number of issued shares at 31 March 2013 and 31 March 2012 including treasury shares. However, as the impact of dilution is not material, the diluted EPS is approximately same as basic EPS.

In both cases the weighted average number of shares has been retrospectively adjusted for the prior period to reflect the effect of the bonus share issue.

**8. DIVIDENDS APPROVED**

On 22 Jumad Awal 1434 A.H. (2 April 2013) the Extraordinary General Assembly Meeting approved a dividend of SAR 500.0 million (SAR 1.25 per share) for the year ended 31 December 2012 which will be paid on 30 Jumad Awal 1434 A.H. (10 April 2013).

**9. SUBSEQUENT EVENTS**

In the opinion of the management, there have been no significant subsequent events since the period end that would have a material impact on the financial position of the Group as reflected in these interim consolidated financial statements.