

BASE PROSPECTUS



Almarai Sukuk Ltd.

(an exempted company incorporated with limited liability under the laws of the Cayman Islands)

U.S.\$2,000,000,000 Trust Certificate Issuance Programme

Under the trust certificate issuance programme described in this Base Prospectus (the "**Programme**"), Almarai Sukuk Ltd. (in its capacity as issuer, the "**Issuer**", and, in its capacity as trustee, the "**Trustee**"), subject to compliance with all applicable laws, regulations and directives, may from time to time issue trust certificates (the "**Trust Certificates**"), each of which shall represent an undivided ownership interest in the relevant Trust Assets (as defined below), in any currency agreed between the Trustee and the relevant Dealer (as defined below).

Trust Certificates may only be issued in registered form. The maximum aggregate face amount of all Trust Certificates from time to time outstanding under the Programme will not exceed U.S.\$2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described in the Programme Agreement.

Each Tranche (as defined herein) of Trust Certificates issued under the Programme will be constituted by (i) a master trust deed (the "**Master Trust Deed**") dated 18 February 2019 entered into between the Trustee, Almarai Company ("**Almarai**") and HSBC Corporate Trustee Company (UK) Limited as delegate of the Trustee (the "**Delegate**") and (ii) a supplemental trust deed (the "**Supplemental Trust Deed**") in relation to the relevant Tranche. Trust Certificates of each Series (as defined herein) confer on the holders thereof from time to time (the "**Certificateholders**") the right to receive certain payments (as more particularly described herein) arising from the assets of a trust declared by the Trustee in relation to the relevant Series (the "**Trust**") over certain assets including, in particular, the rights, title, interests, benefits and entitlements of the Trustee in, to and under the Lease Assets of the relevant Series (the "**Lease Assets**") (as set out in (i) a master lease agreement (the "**Master Lease Agreement**") dated 18 February 2019, entered into between the Trustee (in its capacity as lessee, the "**Lessor**") and Almarai (in its capacity as lessee, the "**Lessee**") and the Delegate and (ii) a supplemental lease agreement (as may from time to time be replaced in accordance with the provisions of the Sale Undertaking, the Purchase Undertaking and/or the Substitution and Purchase of Additional Assets Undertaking (each as defined herein), the "**Supplemental Lease Agreement**") for the relevant Series between the same parties) together with the right to receive the Deferred Sale Price under each Murabaha Transaction (as defined herein), if any, relating to such Series (such assets forming part of the "**Trust Assets**" for the relevant Series).

The Trust Certificates may be issued on a continuing basis to one or more of the Dealers specified under "*General Description of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Trustee and Almarai (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the "**relevant Dealer**" shall, in the case of an issue of Trust Certificates being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Trust Certificates.

The Trust Certificates will be limited recourse obligations of the Trustee. An investment in Trust Certificates issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*".

This Base Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**") as competent authority under Directive 2003/71/EC, as amended or superseded (the "**Prospectus Directive**"). The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union ("**EU**") law pursuant to the Prospectus Directive and such approval relates only to the Trust Certificates which are admitted to trading on the Regulated Market (as defined below) or another regulated market for the purposes of MiFID II. Application has been made to the Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**") for Trust Certificates issued under this Programme during the period of 12 months from the date of this Base Prospectus to be admitted to its official list (the "**Official List**") and to be admitted to trading on the regulated market of Euronext Dublin (the "**Regulated Market**"), a regulated market for the purposes of Directive 2014/65/EU, as amended ("**MiFID II**").

References in this Base Prospectus to Trust Certificates being "listed" (and all related references, unless the context otherwise requires) shall mean that such Trust Certificates have been admitted to listing on the Official List and admitted to trading on the Regulated Market.

The Programme provides that Trust Certificates may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Trustee, Almarai and the relevant Dealer. The Trustee may also issue unlisted Trust Certificates and/or Trust Certificates not admitted to trading on any market.

Notice of the aggregate face amount of the Trust Certificates, periodic distribution amounts (if any) payable in respect of the Trust Certificates, the issue price of the Trust Certificates and certain other information which is applicable to each Tranche will be set out in a final terms document (the "**applicable Final Terms**") which, with respect to Trust Certificates to be listed on Euronext Dublin, will be delivered to the Central Bank and Euronext Dublin.

The Trust Certificates have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act) unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable security laws of any state of the United States. For a description of certain restrictions on offers and sales of Trust Certificates and on the distribution of this Base Prospectus, see "*Subscription and Sale*".

The Trustee and Almarai may agree with any Dealer that Trust Certificates may be issued with terms and conditions not contemplated by the Terms and Conditions of the Trust Certificates herein, in which event a supplemental Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Trust Certificates.

Almarai has been assigned long term credit ratings of Baa3 with a "stable outlook" by Moody's Investors Service Limited ("**Moody's**") and BBB- with a "stable outlook" by S&P Global Ratings, acting through Standard & Poor's Credit Market Services Europe Limited ("**S&P**"). The rating of certain Series of Trust Certificates to be issued under the Programme and the credit rating agency issuing such rating may be specified in the applicable Final Terms.

Each of Moody's and S&P is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). As such, each of Moody's and S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with the CRA Regulation. Limited information with respect to ratings will be disclosed in the applicable Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, change or withdrawal at any time by the assigning rating agency and each rating should be evaluated independently of any other rating.

The transaction structure relating to the Trust Certificates (as described in this Base Prospectus) has been approved by the Shariah Supervisory Board of First Abu Dhabi Bank PJSC, the Executive Shariah Committee of HSBC Saudi Arabia, the Shariah Supervisory Committee of Standard Chartered Bank and the Global Shariah Supervisory Board of Gulf International Bank. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Trust Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with *Shari'a* principles.

Global Coordinators and Arrangers

First Abu Dhabi Bank

HSBC

Dealers

First Abu Dhabi Bank

HSBC

Gulf International Bank

J.P. Morgan

Standard Chartered Bank

The date of this Base Prospectus is 18 February 2019.

IMPORTANT NOTICES

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.

Each of the Trustee and Almarai accepts responsibility for the information contained in this Base Prospectus and the applicable Final Terms for each Tranche of Trust Certificates issued under the Programme. To the best of the knowledge of the Trustee and Almarai (each having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Each Tranche of Trust Certificates will be issued on the terms set out herein under "*Terms and Conditions of the Trust Certificates*" as completed by the applicable Final Terms. This Base Prospectus must be read and construed together with any supplements hereto, and, in relation to any Tranche of Trust Certificates, the applicable Final Terms.

Copies of Final Terms will be available from the registered office of each of the Trustee and Almarai and the specified office set out below of the Principal Paying Agent (as defined below).

Certain information contained in "*Industry*", "*Description of Almarai and the Group*" and "*Overview of the Kingdom of Saudi Arabia*" (as indicated therein) has been extracted from independent, third party sources. Each of the Trustee and Almarai confirms that all third party information contained in this Base Prospectus has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant third party sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of any third party information contained in this Base Prospectus is stated where such information appears in this Base Prospectus.

Save for the Trustee and Almarai, no other party (including the Dealers (as defined under "*Subscription and Sale*"), the Agents or the Delegate) has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of them as to the accuracy, adequacy, reasonableness or completeness of the information contained in this Base Prospectus or any other information provided by the Trustee or Almarai in connection with the Programme or for any acts or omissions of the Trustee, Almarai or any other person in connection with this Base Prospectus or the issue and offering of Trust Certificates under the Programme. To the fullest extent permitted by law, no Dealer, Agent or the Delegate accepts any responsibility for the contents of this Base Prospectus or for any other statement made, or purported to be made, by any Dealer, Agent or the Delegate or on its behalf in connection with the Trustee, Almarai, the Programme or the Trust Certificates. Each Dealer, Agent and the Delegate accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement.

No person is or has been authorised by the Trustee, Almarai, the Dealers, the Agents or the Delegate to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Trust Certificates and, if given or made, such information or representation must not be relied upon as having been authorised by the Trustee, Almarai, the Dealers, the Agents or the Delegate.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Trust Certificates (a) is intended to provide the basis of any credit or other evaluation save for making an investment decision on the Trust Certificates or (b) should be considered as a recommendation by the Trustee, Almarai, the Dealers, the Agents or the Delegate that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or the issue of any Trust Certificates should purchase any Trust Certificates. Each investor contemplating purchasing any Trust Certificates should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Trustee and Almarai. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Trust Certificates constitutes an offer or invitation by or on behalf of the Trustee, Almarai, any of the Dealers, the Agents or the Delegate to any person to subscribe for or to purchase any Trust Certificates.

Neither the delivery of this Base Prospectus nor any sale of any Trust Certificates shall, under any circumstances, constitute a representation or create any implication that the information contained herein concerning the Trustee and/or Almarai is correct as of any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Delegate, the Agents and the Dealers expressly do not undertake to review the financial condition or affairs of the Trustee or Almarai during the life of the Programme or to advise any investor in the Trust Certificates of any information coming to their attention.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Trust Certificates in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Trust Certificates may be restricted by law in certain jurisdictions. None of the Trustee, Almarai, the Dealers, the Agents or the Delegate represents that this Base Prospectus may be lawfully distributed, or that any Trust Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Trustee, Almarai, the Dealers, the Agents or the Delegate which is intended to permit a public offering of any Trust Certificates or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Trust Certificates may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Trust Certificates may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of the Trust Certificates. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Trust Certificates in the United States, the European Economic Area (including the United Kingdom), the Kingdom of Bahrain, the Cayman Islands, the Dubai International Financial Centre, Japan, Singapore, Hong Kong, Malaysia, the Kingdom of Saudi Arabia, the State of Qatar (excluding the Qatar Financial Centre) and the United Arab Emirates (excluding the Dubai International Financial Centre), see "*Subscription and Sale*".

The Trust Certificates may not be a suitable investment for all investors. Each potential investor in the Trust Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the Trust Certificates, the merits and risks of investing in the Trust Certificates and the information contained in this Base Prospectus or any applicable supplement;
- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Trust Certificates and the impact the Trust Certificates will have on its overall investment portfolio;
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Trust Certificates, including Trust Certificates with principal or profit (howsoever described) payable in one or more currencies, or where the currency for principal or profit (howsoever described) is different from the potential Investor's Currency (as defined herein);
- (d) understands thoroughly the terms of the Trust Certificates and is familiar with the behaviour of any relevant indices and financial markets; and
- (e) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Trust Certificates are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Trust Certificates which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the

Trust Certificates will perform under changing conditions, the resulting effects on the value of the Trust Certificates and the impact this investment will have on the potential investor's overall investment portfolio.

This Base Prospectus has been prepared on the basis that would permit an offer of Trust Certificates with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under the Prospectus Directive to publish a prospectus. As a result, any offer of Trust Certificates in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") must be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Trust Certificates. Accordingly any person making or intending to make an offer of Trust Certificates in that Relevant Member State may only do so in circumstances in which no obligation arises for the Trustee, Almarai, any Dealer, Agent or the Delegate to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. None of the Trustee nor any Dealer has authorised, nor do they authorise, the making of any offer of Trust Certificates in circumstances in which an obligation arises for the Trustee or any Dealer to publish or supplement a prospectus for such offer.

In making an investment decision, investors must rely on their own independent examination of the Trustee and Almarai and the terms of the Trust Certificates being offered, including the merits and risks involved. The Trust Certificates have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Base Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Base Prospectus. Any representation to the contrary is unlawful.

None of the Dealers, the Trustee, Almarai, the Agents or the Delegate makes any comment in respect of taxation matters relating to the Trust Certificates or any representation to any investor in the Trust Certificates regarding the legality of its investment under any applicable laws. Any investor in the Trust Certificates should be able to bear the economic risk of an investment in the Trust Certificates for an indefinite period of time.

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER AND BUSINESS ADVISER AS TO TAX, LEGAL, BUSINESS AND RELATED MATTERS CONCERNING THE PURCHASE OF TRUST CERTIFICATES.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) the Trust Certificates are legal investments for it, (b) the Trust Certificates can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of any Trust Certificates. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Trust Certificates under any applicable risk-based capital or similar rules.

The language of the Base Prospectus is English. Any foreign language text that is included with or within this document has been included for convenience purposes only and does not form part of the Base Prospectus.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the issuing entity in such jurisdiction.

VOLCKER RULE

Section 619 of the U.S. Dodd-Frank Act and the corresponding implementing regulations (the "**Volcker Rule**"), which became effective on 1 April 2014, but was subject to a conformance period for certain entities that concluded on 21 July 2015, generally prohibits "banking entities" (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from: (i) engaging in proprietary trading; (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund"; and (iii) entering into certain relationships with "covered funds". The general effects of the Volcker Rule remain uncertain; any prospective investor in the Trust Certificates and any entity that is a "banking entity" as defined under the Volcker Rule which is considering an

investment in the Trust Certificates should consult its own legal advisors and consider the potential impact of the Volcker Rule in respect of such investment. If investment by "banking entities" in the Trust Certificates is prohibited or restricted by the Volcker Rule, this could impair the marketability and liquidity of such Trust Certificates. No assurance can be made as to the effect of the Volcker Rule on the ability of certain investors subject thereto to acquire or retain an interest in the Trust Certificates, and accordingly none of the Trustee, Almarai, the Dealers, the Delegate or the Agents, or any of their respective affiliates makes any representation regarding: (a) the status of the Trustee under the Volcker Rule (including whether it is a "covered fund" for their purposes); or (b) the ability of any purchaser to acquire or hold the Trust Certificates, now or at any time in the future.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The applicable Final Terms in respect of any Tranche of Trust Certificates may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Trust Certificates and which channels for distribution of the Trust Certificates are appropriate. Any person subsequently offering, selling or recommending the Trust Certificates (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of any Trust Certificates (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made at the time of issue about whether, for the purpose of the MiFID Product Governance Rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Trust Certificates is a manufacturer in respect of such Trust Certificates, but otherwise neither the Global Coordinators and Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

NOTICE TO UK RESIDENTS

Any Trust Certificates to be issued under the Programme which do not constitute "alternative finance investment bonds" ("**AFIBs**") within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010 will represent interests in a collective investment scheme (as defined in the Financial Services and Markets Act 2000 (the "**FSMA**")) which has not been authorised, recognised or otherwise approved by the United Kingdom Financial Conduct Authority. Accordingly, this Base Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom.

The distribution in the United Kingdom of this Base Prospectus, any Final Terms and any other marketing materials relating to the Trust Certificates is being addressed to, or directed at: (A) if the Trust Certificates are AFIBs and the distribution is being effected by a person who is not an authorised person under the FSMA, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**"), (ii) persons falling within any of the categories of persons described in Article 49 (High net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order; and (B) if the Trust Certificates are not AFIBs and the distribution is effected by a person who is an authorised person under the FSMA, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the "**Promotion of CISs Order**"), (ii) persons falling within any of the categories of person described in Article 22 (High net worth companies, unincorporated associations, etc.) of the Promotion of CISs Order and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Promotion of CISs Order. Persons of any other description in the United Kingdom may not receive and should not act or rely on this Base Prospectus, any Final Terms or any other marketing materials in relation to the Trust Certificates.

Potential investors in the United Kingdom in any Trust Certificates which are not AFIBs are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in such Trust Certificates and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme. Any individual intending to invest in any investment described in this Base Prospectus should consult his professional adviser and ensure that he fully understands all the risks associated

with making such an investment and that he has sufficient financial resources to sustain any loss that may arise from such investment.

NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS

No invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for any Trust Certificates and this Base Prospectus shall not be construed as an invitation to the public of the Cayman Islands to subscribe for any Trust Certificates.

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

In relation to investors in the Kingdom of Bahrain, securities issued in connection with this Base Prospectus and related offering documents may only be offered in registered form to existing accountholders and accredited investors as defined by the Central Bank of Bahrain (the "CBB") in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.\$100,000 or any equivalent amount in another currency or such other amount as the CBB may determine.

This Base Prospectus does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Base Prospectus and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Base Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Base Prospectus or related offering documents and it has not in any way considered the merits of the securities to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Base Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Base Prospectus. No offer of securities will be made to the public in the Kingdom of Bahrain and this Base Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

This Base Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**Capital Market Authority**").

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Base Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Base Prospectus. Prospective purchasers of the Trust Certificates issued under the Programme should conduct their own due diligence on the accuracy of the information relating to the Trust Certificates. If a prospective purchaser does not understand the contents of this Base Prospectus he or she should consult an authorised financial adviser.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

The Trust Certificates will not be offered, sold or delivered, at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Base Prospectus has not been and will not be reviewed or approved by or registered with the Qatar Central Bank, the Qatar Stock Exchange, the Qatar Financial Centre Regulatory Authority or the Qatar Financial Markets Authority in accordance with their regulations or any other regulations in the State of Qatar. The Trust Certificates are not and will not be traded on the Qatar Stock Exchange. The Trust Certificates and interests therein will not be offered to investors domiciled or resident in the State of Qatar (including the Qatar Financial Centre) and do not constitute debt financing in the State of Qatar under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of the State of Qatar.

NOTICE TO RESIDENTS OF MALAYSIA

Any Trust Certificates to be issued under the Programme may not be offered for subscription or purchase and no invitation to subscribe for or purchase such Trust Certificates in Malaysia may be made, directly or indirectly, and this Base Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons or in categories falling within Schedule 6 (or Section 229(1)(b)), Schedule 7 (or Section 230(1)(b)) and Schedule 8 (or Section 257(3)) of the Capital Market and Services Act 2007 of Malaysia ("**CMSA**"). The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Trustee or Almarai and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Base Prospectus.

NOTICE TO RESIDENTS OF SINGAPORE

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise specified before an offer of Trust Certificates, each of the Trustee and Almarai has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Trust Certificates are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in Singapore Monetary Authority (the "**MAS**") Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

STABILISATION

In connection with the issue of any Tranche of Trust Certificates, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the relevant Subscription Agreement may over-allot Trust Certificates or effect transactions with a view to supporting the market price of the Trust Certificates at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action or over-allotment may begin on the Issue Date of the relevant Tranche of Trust Certificates and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Issue Date of the relevant Tranche of Trust Certificates and 60 days after the date of the allotment of the relevant Tranche of Trust Certificates. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

USE OF BENCHMARKS

Amounts payable under the Trust Certificates may be calculated by reference to:

- the London Interbank Offered Rate ("**LIBOR**"), which is provided by the ICE Benchmark Administration Limited;
- the Pound Sterling LIBOR ("**GBP LIBOR**"), which is provided by the ICE Benchmark Administration Limited;
- the US dollar LIBOR ("**USD LIBOR**"), which is provided by the ICE Benchmark Administration Limited;
- the Euro LIBOR ("**EUR LIBOR**"), which is provided by the ICE Benchmark Administration Limited;
- the Swiss Franc LIBOR ("**CHF LIBOR**"), which is provided by the ICE Benchmark Administration Limited;
- the Japanese Yen LIBOR ("**JPY LIBOR**"), which is provided by the ICE Benchmark Administration Limited;
- the Euro Interbank Offered Rate ("**EURIBOR**"), which is provided by the European Money Markets Institute; and

- the Saudi Arabian Interbank Offered Rate ("**SAIBOR**"), which is provided by Thomson Reuters,

such provider of LIBOR, GBP LIBOR, USD LIBOR, EUR LIBOR, CHF LIBOR and JPY LIBOR (or, as the case may be, its successor provider) being the "**LIBOR Administrator**" and, together with other such providers (or, as the case may be, any successor providers), are together referred to as the "**Administrators**".

As at the date of this Base Prospectus, the LIBOR Administrator is included in the register of administrators of the European Securities and Markets Authority ("**ESMA**") under Article 36 of the Regulation (EU) No. 2016/1011 (the "**Benchmarks Regulation**").

As at the date of this Base Prospectus, the Administrators other than the LIBOR Administrator do not appear on the register of administrators and benchmarks established and maintained by ESMA pursuant to article 36 of the Benchmarks Regulation.

As far as each of the Trustee and Almarai is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that the Administrators are not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Historical Financial Information

The audited consolidated financial statements of Almarai and its subsidiaries (together, the "**Group**") as at and for the year ended 31 December 2017 (the "**2017 Financial Statements**") and the audited consolidated financial statements of the Group as at and for the year ended 31 December 2018 (the "**2018 Financial Statements**") (together the "**Financial Statements**") have been prepared in accordance with International Financial Reporting Standards, as endorsed in the Kingdom of Saudi Arabia (the "**Kingdom**" or "**KSA**"), and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants ("**SOCPA**") (together, the "**IFRS**"). IFRS as endorsed in KSA became effective for financial periods starting at 1 January 2017, with the transition date applied on 1 January 2016. Hence, the comparative financial information for the year ended 31 December 2016 has been adjusted to comply with the new standards. The nature and effect of significant changes in accounting policies from those used in the Group's financial statements for the year ended 31 December 2016 are provided in "*Summary of Significant Differences between IFRS and SOCPA Standards*" below.

KPMG has audited in accordance with International Standards on Auditing as endorsed in KSA and has issued an unqualified auditor's report on the 2017 Financial Statements. PricewaterhouseCoopers has audited in accordance with International Standards on Auditing as endorsed in KSA and has issued an unqualified auditor's report on the 2018 Financial Statements.

The Group's financial year ends on 31 December and references in this Base Prospectus to "**2018**", "**2017**" and "**2016**" are to the 12-month period ending on 31 December in each year. Unless otherwise stated, financial information relating to the financial year ended 31 December 2016 in this Base Prospectus has been extracted from the comparatives included in the 2017 Financial Statements.

Certain figures and some percentages included in this Base Prospectus have been subject to rounding adjustments. Accordingly, the totals included in certain tables contained in this Base Prospectus may not correspond to the arithmetic aggregation of the figures or percentages that precede them.

In the 2018 Financial Statements, the Group made reclassifications to the comparative financial information for the year ended 31 December 2017. The comparative figures for the year ended 31 December 2017 have been reclassified to conform to the presentation of the figures for the year ended 31 December 2018. However, such reclassifications did not have any effect on the consolidated profit for the year, the consolidated comprehensive income for the year and the consolidated total equity for the comparative information as at and for the year ended 31 December 2017.

In respect of the consolidated statement of profit or loss for the year ended 31 December 2017, selling and distribution expenses before reclassification were SAR 2,391.9 million and after reclassification were SAR 2,343.0 million. In addition, impairment reversal/(loss) on financial assets before reclassification was nil and after reclassification was SAR 48.8 million.

In respect of the consolidated statement of comprehensive income for the year ended 31 December 2017, settlement of cash flow hedges transferred to inventory/property, plant and equipment before reclassification was nil and after reclassification was SAR 13,728.0 million. In addition, settlement of cash flow hedges transferred to profit or loss before reclassification was SAR 16,318.0 million and after reclassification was SAR 2,590.0 million.

Almarai Sukuk Ltd., the Trustee and Issuer, is a special purpose company established in the Cayman Islands. It is not required by Cayman Islands law, and does not intend, to publish audited financial statements or to appoint an auditor.

Non-IFRS Information

The Base Prospectus includes certain financial measures that are not measures of performance specifically defined by IFRS. The non-IFRS measures described below are alternative performance measures ("**APMs**") as

defined in the European Securities and Market Authority Guidelines on Alternative Performance Measures dated 5 October 2015 (the "**ESMA Guidelines**"). Where used, the relevant metrics are identified as APMs and accompanied by an explanation of each such metric's components and calculation method.

The Company supplements its use of IFRS financial measures with non-IFRS financial measures. These non-IFRS financial measures do not have a standardised meaning and other companies may calculate them differently. Therefore, they may not be comparable to similarly titled measures presented by other companies and should not be relied upon to the exclusion of IFRS financial measures. The Company believes that the historical non-IFRS measures are useful as an additional tool to help management and investors make informed decisions about the Company's financial and operating performance.

Profit before zakat and foreign income tax, share of results of associates and joint ventures, net finance cost, net exchange gain, depreciation of property, plant and equipment, depreciation/appreciation of biological assets and amortisation of intangible assets ("**EBITDA**"), profit before zakat and foreign income tax, net finance cost and net exchange gain ("**EBIT**"), EBITDA Margin (which is calculated by dividing EBITDA by revenue, net sale after discounts and sales returns provisions ("**EBITDA Margin**")) and EBIT Margin (which is calculated by dividing EBIT by revenue, net sale after discounts and sales returns provisions ("**EBIT Margin**")) are financial measures. EBITDA, EBITDA Margin, EBIT and EBIT Margin (collectively, "**EBITDA Measures**") are derived from the Financial Statements.

The Group has presented these figures in this document because Management uses EBITDA Measures as tools to measure the Group's operational performance and the profitability of its operations. Prospective investors should use caution when reviewing EBITDA Measures and should not consider EBITDA Measures as absolute measures of the Group's financial performance or liquidity, as alternatives to operating profit, net income or any other performance measures derived in accordance with IFRS, or as alternatives to cash flow from operating activities as a measure of the Group's performance, or consider it to be comparable to other companies' EBITDA Measures calculations. In addition, these measures should not be used instead of, or considered as an alternative to, the Financial Statements.

EBITDA Measures are not uniformly or legally defined measures and are not recognised under IFRS or any other generally accepted accounting principles. The Group is not presenting EBITDA Measures as measures of its financial performance. EBITDA Measures have important limitations as analytical tools and prospective investors should not consider these financial measures in isolation or as a substitute for analysis of the Group's results of operations. The Company considers EBITDA Measures to be important indicators of its representative recurring operations.

The Group has presented figures detailing foreign exchange loss (or gain) related to non-operating cash flow items in this document because the Group's management uses this measure to reconcile cash flow using the indirect method. This can be calculated by determining the foreign currency loss (or gain) principally attributable to borrowings, debt securities issued, derivative financial instruments and amounts due from credit institutions.

Other APMs presented in this document are as follows:

- net debt is calculated as bank overdrafts plus short term loans, plus long term loans, less cash and bank balances;
- aggregate current financial debt is calculated as the bank overdrafts plus short term loans, plus current portion of long term loans;
- current financial indebtedness is calculated as aggregate current financial debt less cash and bank balances;
- net financial indebtedness is calculated as current financial indebtedness plus non current financial indebtedness (being the long term loans);
- net debt/EBITDA is calculated as net debt divided by EBITDA;

- total capitalisation is calculated as total equity plus long term loans;
- net working capital is calculated as current assets (inventories, trade receivables, prepayments and other receivables, and biological assets) less current liabilities (trade and other payables, zakat and income tax payable);
- cash available for distribution is calculated as net operating cash flows from operating activities plus cash flows from investing activities; and
- total capital expenditure is calculated by adding the costs incurred in manufacturing and farming capacity expansion projects, sales depots, poultry and logistics expansion projects, and replacement and other capital expenditure including IDJ and US land acquisition.

Market, Industry and Economic Information

KSA macroeconomic data was principally obtained from AC Nielsen, the KSA's General Authority for Statistics ("GASTAT"), and the International Monetary Fund ("IMF"). The Group accepts responsibility for having accurately reproduced information obtained from third parties, and, so far as the Group is aware and have been able to ascertain from information published by those third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Currency

In this Base Prospectus, all references to "**Pound Sterling**", "**£**" and "**GBP**" are to the lawful currency of the United Kingdom; all references to "**CHF**" and "**Swiss Franc**" are to the lawful currency of Switzerland; all references to the "**Yen**", "**¥**" and "**JPY**" are to the lawful currency of Japan; all references to "**Euros**", "**€**" and "**EUR**" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended; all references to "**SAR**" are to the lawful currency of the Kingdom of Saudi Arabia; all references to "**US dollars**", "**U.S.\$**" and "**USD**" are to the lawful currency of the United States of America; all references to the "**Argentine Peso**" and "**ARS**" are to the lawful currency of the Argentine Republic; all references to the "**Bahraini Dinar**" and "**BHD**" are to the lawful currency of the Kingdom of Bahrain; all references to the "**Egyptian Pound**" and "**EGP**" are to the lawful currency of the Arab Republic of Egypt; all references to the "**Jordanian Dinar**" and "**JOD**" are to the lawful currency of the Hashemite Kingdom of Jordan; all references to the "**Sudanese Pound**" and "**SDG**" are to the lawful currency of the Republic of the Sudan; all references to the "**UAE Dirham**" or "**AED**" are to the lawful currency of the United Arab Emirates; all references to the "**Omani Rial**" and "**OMR**" are to the lawful currency of the Sultanate of Oman; and all references. References to **billions** are to thousands of millions.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Some statements in this Base Prospectus may be deemed to be forward looking statements. Forward looking statements include statements concerning Almarai's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward looking statements. When used in this Base Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward looking statements. These forward looking statements are contained in the sections entitled "*Risk Factors – Risks relating to the Group and factors that may affect the Group's ability to fulfil its obligations under the sukuk and the Transaction Documents*", "*Operating and Financial Review*" and "*Description of Almarai and the Group*" and other sections of this Base Prospectus. Almarai has based these forward looking statements on the current view of its management with respect to future events and financial performance. Although Almarai believes that the expectations, estimates and projections reflected in its forward looking statements are reasonable as at the date of this Base Prospectus, if one or more of the risks or uncertainties materialise, including those identified below or which Almarai has otherwise identified in this Base Prospectus, or if Almarai's underlying assumptions prove to be incomplete or inaccurate, Almarai's actual results of operation may vary from those expected, estimated or predicted. Investors are therefore strongly advised to read the sections "*Risk Factors – Risks relating to the Group and factors that may affect the Group's ability to fulfil its obligations under the sukuk and the Transaction*

Documents", "*Operating and Financial Review*" and "*Description of Almarai and the Group*", which include a more detailed description of the factors that might have an impact on the Group's business development and on the industry sectors in which the Group operates.

The risks and uncertainties referred to above include:

- Almarai's ability to realise the benefits it expects from existing and future investments it is undertaking or plans to or may undertake;
- Almarai's ability to obtain external financing or maintain sufficient capital to fund its existing and future investments and capital expenditures;
- actions taken by Almarai's joint venture partners or associates that may not be in accordance with its policies and objectives;
- the economic and political conditions in the markets in KSA and the wider region in which Almarai operates; and
- changes in political, social, legal or economic conditions in the markets in which Almarai and its customers operate.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*".

Any forward looking statements contained in this Base Prospectus speak only as at the date of this Base Prospectus. Without prejudice to any requirements under applicable laws and regulations, Almarai expressly disclaims any obligation or undertaking to disseminate after the date of this Base Prospectus any updates or revisions to any forward looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward looking statement is based.

TABLE OF CONTENTS

Overview of the Programme.....	1
Risk Factors.....	10
Structure Diagram and Cash flows.....	30
Form of the Trust Certificates.....	36
Form of Final Terms.....	38
Terms and Conditions of the Trust Certificates.....	48
Use of Proceeds.....	90
Description of the Trustee.....	91
Capitalisation.....	93
Selected Historical Financial Data.....	94
Operating and Financial Review.....	98
Industry.....	107
Overview of the Kingdom of Saudi Arabia.....	115
Description of Almarai and the Group.....	129
Management.....	149
Summary of the Principal Transaction Documents.....	160
Taxation.....	171
Subscription and Sale.....	176
General Information.....	182
Summary of Significant Differences between IFRS and SOCPA Standards.....	185
Index to Financial Statements.....	F-1

OVERVIEW OF THE PROGRAMME

This overview must be read as an introduction to this Base Prospectus. Any decision by any investor to invest in any Trust Certificates should be based on a consideration of this Base Prospectus as a whole. The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Trust Certificates, is completed by the applicable Final Terms.

The Trustee and Almarai may agree with any Dealer and the Delegate (as defined herein) that Trust Certificates may be issued in a form not contemplated by the Terms and Conditions of the Trust Certificates (the "**Conditions**") herein, in which event a supplemental Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Trust Certificates.

This overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive.

Words and expressions defined in "*Form of the Trust Certificates*" and "*Terms and Conditions of the Trust Certificates*" shall have the same meanings in this overview.

Certain Transaction Documents are described in more detail in "*Summary of the Principal Transaction Documents*" below.

Trustee, Purchaser (under the Master Purchase Agreement), Lessor and Seller (under the Master Murabaha Agreement).....	Almarai Sukuk Ltd., an exempted company with limited liability incorporated on 24 September 2018 under the laws of the Cayman Islands with registration number 342975 and its registered office at c/o Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands. The Trustee has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents (as defined below) to which it is a party. The Legal Entity Identifier of the Trustee is 549300R2WJK99D0C8819.
Seller (under the Master Purchase Agreement), Lessee, Servicing Agent, Obligor and Purchaser (under the Master Murabaha Agreement).....	Almarai Company.
Ownership of the Trustee	The authorised share capital of the Trustee is U.S.\$50,000 consisting of 50,000 shares with a nominal value of U.S.\$1.00 each, of which 250 shares have been fully paid up and issued. The Trustee's entire issued share capital is held on trust for charitable purposes by Walkers Fiduciary Limited as share trustee under the terms of the share declaration of trust dated 18 February 2019 (" Share Declaration of Trust ").
Administration of the Trustee.....	The affairs of the Trustee are managed by Walkers Fiduciary Limited (the " Trustee Administrator "), who has agreed to perform certain management functions and provide certain clerical, administrative and other services pursuant to a corporate services agreement dated 18 February 2019 between the Trustee, the Trustee Administrator and Almarai (the " Corporate Services Agreement ").
Risk Factors	There are certain factors that may affect the Trustee's ability to fulfil its obligations under Trust Certificates issued under the Programme and Almarai's ability to fulfil its obligations under the Transaction Documents to which it is a party. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Trust

Certificates issued under the Programme. These are set out under "*Risk Factors*".

Description	Trust Certificate Issuance Programme.
Global Coordinators and Arrangers	First Abu Dhabi Bank PJSC and HSBC Bank plc.
Dealers	First Abu Dhabi Bank PJSC, HSBC Bank plc, Gulf International Bank B.S.C., J.P. Morgan Securities plc and Standard Chartered Bank, and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions	Each Tranche denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see " <i>Subscription and Sale</i> ") including the following restrictions applicable at the date of this Base Prospectus.

Trust Certificates having a maturity of less than one year

Trust Certificates having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 (or if the Trust Certificates are denominated in a currency other than sterling, the equivalent amount in such currency), see "*Subscription and Sale*".

Delegate	HSBC Corporate Trustee Company (UK) Limited.
Principal Paying Agent	HSBC Bank plc.
Registrar	HSBC Bank plc.
Programme Size	Up to U.S.\$2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Trustee and Almarai may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Issuance in Series	Trust Certificates will be issued in Series. Each Series may comprise one or more Tranches issued on different Issue Dates. The Trust Certificates of each Series will have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of Periodic Distribution Amounts thereon and the date from which Periodic Distribution Amounts start to accrue.
Distribution	Trust Certificates may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Trustee, Almarai and the relevant Dealer.
Maturities	The Trust Certificates will have such maturities as may be agreed between the Trustee, Almarai and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Trustee or the relevant Specified Currency.

Issue Price	Trust Certificates may be issued on a fully-paid basis and at an issue price as specified in the applicable Final Terms.
Form of Trust Certificates	The Trust Certificates will be issued in registered form as described in " <i>Form of the Trust Certificates</i> ".
Clearance and Settlement	Holders of the Trust Certificates must hold their interest in the relevant Global Trust Certificate in book-entry form through Euroclear or Clearstream, Luxembourg. Transfers within and between Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing systems.
Periodic Distributions	Certificateholders are entitled to receive Periodic Distribution Amounts calculated on the basis specified in the applicable Final Terms.
Scheduled Redemption of Trust Certificates.....	Unless the Trust Certificates are previously redeemed or purchased and cancelled, the Trust Certificates shall be redeemed by the Trustee at the Final Dissolution Amount specified in the applicable Final Terms together with all accrued and unpaid Periodic Distribution Amounts on the Maturity Date specified in the applicable Final Terms and the relevant Trust will be dissolved by the Trustee following payment of such amount in full.
Dissolution Date.....	The Dissolution Date shall be, as the case may be: (i) following the occurrence of a Dissolution Event (as defined in Condition 13), the date on which the Trust Certificates are dissolved in accordance with the provisions of Condition 13; (ii) the Optional Dissolution Date; (iii) the Tax Dissolution Date; (iv) the Certificateholder Put Right Date; (v) the Total Loss Dissolution Date; or (vi) such other date as is specified in the applicable Final Terms for the redemption of Trust Certificates and dissolution of the Trust in whole or in part prior to the Maturity Date.
Dissolution Events	The Dissolution Events are described in Condition 13. Upon the occurrence of any Dissolution Event, the Trust Certificates may be redeemed in full on the applicable Dissolution Date at the applicable Dissolution Amount together with all accrued and unpaid Periodic Distribution Amounts and the relevant Return Accumulation Period may be adjusted accordingly. See Condition 13.
Early Dissolution for Tax Reasons	Upon the occurrence of a Tax Event and subject to certain conditions, the Trustee shall, following receipt of an exercise notice from Almarai pursuant to the Sale Undertaking, redeem the Trust Certificates in whole but not in part at an amount equal to the Tax Dissolution Amount together with any accrued but unpaid Periodic Distribution Amounts on the relevant Tax Dissolution Date and, if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable, the Tax Dissolution Date must be a Periodic Distribution Date.
Optional Dissolution (Call)	If so specified in the applicable Final Terms, Almarai may, in accordance with Condition 10.3, require the Trustee to redeem all or some of the Trust Certificates of the relevant Series at the applicable Optional Dissolution Amount together with all accrued and unpaid Periodic Distribution Amounts in accordance with Condition 10.3.
Certificateholder Put Right ...	If so specified in the applicable Final Terms, Certificateholders may, in accordance with Condition 10.5(a), elect to redeem their Trust Certificates on any Certificateholder Put Right Date(s) specified in the applicable Final Terms at the applicable Optional Dissolution Amount together with all

accrued and unpaid Periodic Distribution Amounts in accordance with Condition 10.5(a).

Total Loss Event

The occurrence of a Total Loss Event will (unless the relevant Total Loss Assets are replaced with Replacement Assets in accordance with the terms of the Service Agency Agreement) result in the redemption of the Trust Certificates of that Series and the consequent dissolution of the relevant Trust. The Servicing Agent is responsible for ensuring that, subject to the following paragraph, in the event of a Total Loss Event occurring, all insurance proceeds in respect thereof are paid in the Specified Currency directly into the relevant Transaction Account by no later than the 30th day after the occurrence of the Total Loss Event.

Subject to the below, if, after the occurrence of a Total Loss Event and before the proceeds of any insurances in respect of the Total Loss Assets are paid into the relevant Transaction Account:

- (i) the Trustee receives a Total Loss Replacement Notice from Almarai; and
- (ii) the Trustee elects to purchase the relevant Replacement Assets pursuant to the Servicing Agency Agreement,

the Servicing Agent shall pay and apply (on behalf of the Trustee) the proceeds of any insurances in respect of the Total Loss Assets as, and towards, payment to Almarai (or, as the case may be, the relevant Subsidiary of Almarai) of the relevant Replacement Assets Purchase Price on the relevant Total Loss Replacement Date.

If, following the occurrence of a Total Loss Event, no Total Loss Replacement Notice is delivered by Almarai to the Trustee (or, if such notice has been delivered, the relevant Replacement Assets Purchase Price is not paid in full for whatever reason on the relevant Total Loss Replacement Date), then the proceeds of any insurances in respect of the relevant Total Loss Assets shall be paid in the Specified Currency directly into the Transaction Account by no later than the 30th day after the occurrence of the Total Loss Event, no Replacement Assets will be purchased by the Trustee and the paragraph immediately below will apply.

If, following the occurrence of a Total Loss Event, no Total Loss Replacement Notice is delivered by Almarai to the Trustee (or, if such notice has been delivered, the relevant Replacement Assets Purchase Price is not paid in full for whatever reason on the relevant Total Loss Replacement Date), or the obligations of the Servicing Agent to insure the relevant Lease Assets under the Servicing Agency Agreement are not strictly complied with and any insurance amounts paid as aforesaid are less than the Full Reinstatement Value of the Lease Assets (the difference between the amount (if any) paid as aforesaid into the Transaction Account and such Full Reinstatement Value being the "**Total Loss Shortfall Amount**"), the Servicing Agent (unless it proves beyond any doubt that any shortfall in the insurance proceeds is not attributable to its negligence or its failing to comply with the terms of the Servicing Agency Agreement relating to insurance) will irrevocably and unconditionally indemnify the Trustee for the Total Loss Shortfall Amount, which will be payable directly into the relevant Transaction Account on the 31st day following the occurrence of the Total Loss Event or, if such day is not a Payment Business Day, on the immediately following Payment Business Day.

For these purposes, "**Full Reinstatement Value**" means, in relation to each Series, at any time, an amount equal to the aggregate of:

- (a) the aggregate face amount of Trust Certificates then outstanding for the relevant Series;
- (b) all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Trust Certificates at that time;
- (c) an amount equal to the Periodic Distribution Amounts relating to such Trust Certificates then outstanding which would accrue for a period of 30 days in relation to the Trust Certificates then outstanding;
- (d) an amount equal to any outstanding Services Charge Amount (to the extent not already paid as part of any Rental payment made in accordance with the Master Lease Agreement and the relevant Supplemental Lease Agreement) and Liquidity Facility Amount; and
- (e) all other amounts then due and payable by the Trustee under the Trust Certificates,

less,

- (f) where one or more Murabaha Transactions (as defined herein) forms part of the Asset Portfolio of the relevant Series, the then Total Deferred Sale Price Outstanding of the Series.

"Total Deferred Sale Price Outstanding" means, from time to time and at any time, in respect of a Series of Trust Certificates and the corresponding Murabaha Transactions (if any), the aggregate amount of the applicable Deferred Sale Price(s) under all Murabaha Transactions (if any) of such Series that has not yet been paid by Almarai (as purchaser) to the Trustee (as seller) at the relevant time.

Upon the occurrence of a Total Loss Event where the relevant Total Loss Assets are not replaced with Replacement Assets on or before the 30th day after the occurrence of the Total Loss Event pursuant to the terms of the Service Agency Agreement, all of the accrued but unpaid Rental pursuant to the relevant Lease Agreement, together with (where one or more Murabaha Transactions form part of the Asset Portfolio of such Series) the then Total Deferred Sale Price Outstanding of the Series, shall be credited to the Transaction Account by the Lessee. The aggregate of such amounts and any insurance proceeds and/or Total Loss Shortfall Amount are intended to be equal to the aggregate face amount of the Trust Certificates together with all accrued and unpaid Periodic Distribution Amounts.

**Cancellation of Trust
Certificates held by Almarai
and/or its Subsidiaries.....**

Almarai and/or any of its Subsidiaries may at any time purchase Trust Certificates at any price in the open market or otherwise. Following any purchase of Trust Certificates, Almarai or its Subsidiary, as the case may be, may at its option hold or resell such Trust Certificates. Should Almarai wish to cancel any Trust Certificates so purchased, it shall deliver an Exercise Notice to the Trustee (in accordance with the terms of the Sale Undertaking) whereupon the Trustee shall, in accordance with the terms of the Sale Undertaking, be obliged to transfer all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Cancelled Lease Assets (as specified in the relevant Exercise Notice) to Almarai in consideration for which the Trust Certificates shall be cancelled. The transfer of the Cancelled Lease Assets will take effect by Almarai and the Trustee entering into a sale agreement (in the form scheduled to the Sale Undertaking). Following the

entry into such sale agreement, the Trustee shall procure the cancellation of the relevant Trust Certificates identified for cancellation (the "**Cancelled Trust Certificates**") in the Exercise Notice on the Cancellation Date (which shall be a Periodic Distribution Date).

Pursuant to the Master Murabaha Agreement, the parties thereto have acknowledged and agreed that where Almarai or any of its Subsidiaries have purchased Trust Certificates and Almarai wishes to cancel such Trust Certificates and issues an Exercise Notice to that effect pursuant to the Sale Undertaking and Condition 10.7, the relevant *pro rata* portion of the Deferred Sale Price(s) corresponding to the Murabaha Transactions relating to such Cancelled Trust Certificates shall be cancelled and no Deferred Sale Price(s) shall be payable in respect of the Cancelled Trust Certificates.

**Substitution of Lease Assets
by Almarai**

Pursuant to the Substitution and Purchase of Additional Assets Undertaking, Almarai may, at any time (*provided that* no Dissolution Event has occurred and no Total Loss Event has occurred (or, if a Total Loss Event has occurred, the relevant Total Loss Assets have been replaced with Replacement Assets in accordance with the terms of the Service Agency Agreement)), exercise its option to substitute on any Substitution Date some or all of the relevant Lease Assets with new Tangible Assets (as specified in the relevant Substitution Notice) having a Value which is equal to or greater than the Value of the Lease Assets being substituted.

**Purchase of Additional Assets
upon issuance of Additional
Trust Certificates pursuant to
Condition 19**

Pursuant to the Substitution and Purchase of Additional Assets Undertaking and in connection with the exercise by the Trustee of its rights under Condition 19 to issue additional Trust Certificates ("**Additional Trust Certificates**"), Almarai may require the Trustee to purchase all of Almarai's, or as the case may be, the applicable seller entity's, rights, title, interests, benefits and entitlements in, to and under certain Additional Tangible Assets in consideration for the payment by the Trustee (as purchaser) to Almarai (as seller) of the purchase price therefor pursuant to the relevant sale agreement (such purchase price being equal to the proceeds of the related issuance of Additional Trust Certificates less, if applicable, the Cost Price (as defined herein) of the Murabaha Transaction entered into in relation to the Additional Trust Certificates, in respect of which see further "*Structure Diagram and Cash Flows – Principal cash flows – Purchase of the Tangible Assets and entry into Murabaha Transactions*").

On the date upon which any sale agreement is entered into in connection with the creation and issuance of Additional Trust Certificates pursuant to the provisions described in the preceding paragraph (being the relevant Issue Date for that Tranche of Trust Certificates), the Trustee and Almarai will execute a Declaration of Commingling of Assets for and on behalf of the holders of the existing Trust Certificates and the holders of such Additional Trust Certificates so created and issued, declaring that the relevant Additional Tangible Assets and the Lease Assets in respect of the relevant Series in existence immediately prior to the creation and issue of the Additional Trust Certificates, together with each Murabaha Transaction (if any) relating to the relevant Series and all other rights arising under or with respect to the relevant Tangible Asset Portfolio and Murabaha Transactions (including the right to receive payment of the Deferred Sale Prices and any other amounts or distributions due in connection with the relevant Tangible Asset Portfolio), are commingled and shall collectively comprise the "**Asset Portfolio**" in respect of the relevant Series and part of the Trust Assets for the benefit of the holders of the existing Trust Certificates and the holders of such Additional Trust Certificates as beneficiaries *pro rata* according to the

face amount of Trust Certificates held by each Certificateholder, in accordance with the Master Trust Deed. In addition, the Trustee and Almarai will re-execute the relevant Supplemental Lease Agreement in the manner described in the relevant Additional Tangible Assets Notice delivered in accordance with the Substitution and Purchase of Additional Assets Undertaking.

For the avoidance of doubt, an Asset Portfolio for a relevant Series of Trust Certificates may comprise solely Tangible Assets, without any Issue Proceeds being applied towards any Murabaha Transaction.

Face Amount of Trust Certificate.....

The Trust Certificates will be issued in such face amounts as may be agreed between the Trustee, Almarai and the relevant Dealer save that the minimum face amount of each Trust Certificate will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions*" above, and save that the minimum face amount of each Trust Certificate admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Trust Certificates are issued in a currency other than euro, the equivalent amount in such currency).

Taxation.....

All payments by Almarai under the Transaction Documents shall be made without withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other governmental charges of whatever nature. In the event that any such withholding or deduction is made, Almarai will be required to pay additional amounts so that the Trustee will receive the full amounts that it would have received in the absence of such withholding or deduction.

All payments in respect of the Trust Certificates shall be made without withholding or deduction for, or on account of, any taxes, levies, imposts, duties, fees, assessments or other governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction. In the event that any such withholding or deduction is made, the Trustee will, save in the limited circumstances provided in Condition 11, be required to pay additional amounts so that the holders of the Trust Certificates will receive the full amounts that they would have received in the absence of such withholding or deduction.

See "*Taxation*" for a description of certain tax considerations applicable to the Trust Certificates.

Negative Pledge.....

The Trust Certificates will have the benefit of a negative pledge granted by Almarai, as described in Condition 5.2.

Almarai Covenants.....

Almarai has agreed to certain restrictive covenants under certain circumstances as set out in Condition 5.3.

Trustee Covenants.....

The Trustee has agreed to certain restrictive covenants as set out in Condition 5.

Cross Default.....

The Trust Certificates will have the benefit of a cross default provision, as described in Condition 13.

Status of the Trust Certificates	<p>Each Trust Certificate will evidence an undivided ownership interest in the Trust Assets of the relevant Series, subject to the terms of the Trust Deed and the Conditions, and will be a direct, unsubordinated, unsecured and limited recourse obligation of the Trustee. Each Trust Certificate of each Series will rank <i>pari passu</i>, without any preference or priority, with all other Trust Certificates of such Series.</p> <p>The payment obligations of Almarai under the Transaction Documents to which it is a party will constitute direct, unconditional, unsubordinated and (save as described in "Negative Pledge" above) unsecured monetary obligations of Almarai and shall (save as aforesaid and for certain obligations required to be preferred by law) rank <i>pari passu</i> with all other outstanding unsecured, unsubordinated monetary obligations of Almarai, present and future.</p>
Ratings.....	<p>Trust Certificates to be issued under the Programme will be rated or unrated. Where a Series of Trust Certificates is to be rated, the relevant rating(s) (and the credit rating agency issuing such rating(s)) will be specified in the applicable Final Terms.</p> <p><i>A securities rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, change or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independently of any other rating.</i></p>
Certificateholder Meetings	<p>A summary of the provisions for convening meetings of Certificateholders of each Series to consider matters relating to their interests as such is set out in Condition 17.</p>
Listing and Admission to Trading	<p>This Base Prospectus, as approved and published by the Central Bank, in accordance with the requirements of the Prospective Directive, comprises a Base Prospectus for the purposes of the Prospectus Directive and the Prospectus (Directive 2003/71/EC) Regulations 2005, and for the purpose of giving information with regard to the issue of Trust Certificates issued under this Programme, during the period of 12 months after the date hereof. Application has been made to Euronext Dublin for such Trust Certificates to be admitted to the Official List and to trading on the Regulated Market.</p> <p>Trust Certificates may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Trustee, Almarai and the relevant Dealer in relation to the Tranche. Trust Certificates which are neither listed nor admitted to trading on any market may also be issued.</p> <p>The applicable Final Terms will state whether or not the relevant Trust Certificates are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.</p>
Transaction Documents	<p>The Transaction Documents are the Master Trust Deed, each Supplemental Trust Deed, the Agency Agreement, the Master Purchase Agreement, each Supplemental Purchase Agreement, the Master Lease Agreement, each Supplemental Lease Agreement, the Servicing Agency Agreement, each Replacement Sale and Purchase Agreement, the Purchase Undertaking, the Sale Undertaking, the Substitution and Purchase of Additional Assets Undertaking and the Master Murabaha Agreement.</p>
Governing Law and Dispute Resolution.....	<p>The Master Purchase Agreement, each Supplemental Purchase Agreement, the Master Lease Agreement, each Supplemental Lease Agreement, each Replacement Sale and Purchase Agreement and each sale agreement to be</p>

entered into pursuant to the Purchase Undertaking, the Sale Undertaking and/or the Substitution and Purchase of Additional Assets Undertaking, as applicable, will be governed by the laws of the Kingdom of Saudi Arabia and will be subject to the exclusive jurisdiction of the Committee for the Regulation of Securities Disputes and the Appeal Panel, subject to the option of the Trustee to require that any other court of competent jurisdiction hears the dispute.

Each other Transaction Document, the Trust Certificates and any non-contractual disputes arising out of or in connection with the same are governed by, and shall be construed in accordance with, English law. In respect of any dispute under any such Transaction Document to which it is a party or the Trust Certificates, the parties have consented to arbitration in London under the Arbitration Rules of the London Court of International Arbitration. Any dispute may also be referred to the courts in England (which shall have exclusive jurisdiction to settle any dispute arising from such documents, subject to the option of certain parties thereunder to require that any other court of competent jurisdiction hears the dispute).

Clearing Systems Euroclear and/or Clearstream, Luxembourg or, in relation to any Tranche of Trust Certificates, any other clearing system.

Selling Restrictions There are restrictions on the distribution of this Base Prospectus and the offer or sale of Trust Certificates in the United States, the European Economic Area (including the United Kingdom), the Kingdom of Bahrain, the Cayman Islands, the DIFC, Japan, Singapore, Hong Kong, Malaysia, the Kingdom of Saudi Arabia, the State of Qatar (excluding the Qatar Financial Centre), the United Arab Emirates (excluding the DIFC) and Malaysia and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Trust Certificates, see "*Subscription and Sale*".

United States Selling Restrictions Regulation S, Category 2.

RISK FACTORS

Each of the Trustee and Almarai believes that the following factors may affect its ability to fulfil its obligations in respect of the Trust Certificates issued under the Programme. All of these factors are contingencies which may or may not occur and neither the Trustee nor Almarai is in a position to express a view on the likelihood of any such contingency occurring. References herein to the "Trustee" shall mean Almarai Sukuk Ltd. acting in any capacity, except where the context does not permit.

In addition, factors which are material for the purpose of assessing the market risks associated with Trust Certificates issued under the Programme are also described below.

If any of the risks described below actually materialise, the Trustee, Almarai and/or the Group's business, results of operations, financial condition or prospects could be materially and adversely affected. If that were to occur, the trading price of the Trust Certificates could decline and investors could lose all or part of their investment.

Each of the Trustee and Almarai believes that the factors described below represent all the material risks inherent in investing in the Trust Certificates issued under the Programme, but the inability of the Trustee or Almarai to pay periodic distribution amounts, principal or other amounts on or in connection with any Trust Certificates, may occur for other reasons which may not be considered significant risks by the Trustee and Almarai based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

In purchasing the sukuk, investors assume the risk that the Group may become insolvent or otherwise be unable to make all payments due in respect of the sukuk. There are a wide range of factors which individually or together could result in the Group becoming unable to make all payments that are due. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Group may not be aware of all relevant factors which it currently deems not to be material, and which may become material as a result of the occurrence of events outside of the Group's control. The Group has identified in this Base Prospectus a number of factors which could materially adversely affect its business and its ability to make payments when due. Although The Group believes that the various structural elements described in this Base Prospectus mitigate some of these risks for sukukholders, there can be no assurance that these measures will be sufficient to ensure payment to sukukholders of any Periodic Distribution Amount or the sukuk capital in respect of the sukuk on a timely basis or at all.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Factors that may affect the Trustee's ability to fulfil its obligations under Trust Certificates issued under the Programme

The Trustee has no material assets and will depend on the receipt of payments from Almarai to make payments to Certificateholders

The Trustee is a newly formed entity and has no operating history. The Trustee will not engage in (and has not to date engaged in) any business activity other than the issuance of Trust Certificates under the Programme, the acquisition of the Trust Assets as described herein, acting in the capacity of Trustee, the issuance of shares in its capital and other activities incidental or related to the foregoing as required under the Transaction Documents.

The ability of the Trustee to pay amounts due on any Trust Certificates will be dependent upon receipt by it from Almarai of all amounts due under the Transaction Documents to which it is a party which, in the aggregate, may not be sufficient to meet all claims under the relevant Trust Certificates and the Transaction Documents. As a result, the Trustee is subject to all the risks to which Almarai is subject, to the extent such risks could limit Almarai's ability to satisfy in full and on a timely basis, its obligations under the Transaction Documents to which it is a party.

Risks relating to the Group and factors that may affect the Group's ability to fulfil its obligations under the sukuk and the Transaction Documents

Risks relating to the markets in which the Group operates

The Group's sales and profits are dependent on it being able to anticipate and react to changing customer preferences

Consumer preferences continually change, and the Group's failure to anticipate, identify or react to these changes (including activity and commentary by its customers on social media) could result in reduced demand for the Group's products, which in turn could result in the Group not being able to recover development, production and marketing costs, thereby leading to a decline in profitability. The Group's wide range of products is marketed and sold across KSA and a number of other different countries, and this, together with classification issues in respect of the product categories applicable to its products, makes the compilation of reliable and comprehensive market share data and statistics in respect of its products difficult. Accordingly, there can be no assurance that the customer preference and market share data available to the Group in respect of its existing products provides an accurate reflection of current trends. The success of new products introduced by the Group depends on its ability to anticipate and react to trends in consumer behaviour (including activity and commentary by its customers on social media) and tastes. Any failure by the Group to anticipate, identify or react to changing trends could mean that the Group's business, financial condition, prospects and results of operations could be materially adversely affected.

The Group operates in a competitive market and there can be no assurance that it will be able to continue to compete effectively

There can be no assurance that the Group will be able to continue to compete effectively against current and/or future competitors. Changes in the competitive environment (including through competitor consolidation) may result in price reductions, reduced margins or loss of market share, any of which could materially adversely affect the Group's profit margins. Increased competition may lead competitors to increase their advertising expenditures and promotional activities and/or to engage in aggressive pricing behaviour. The Group's ability to compete against regional and international companies is, to a certain extent, dependent on its ability to distinguish its products from those of its competitors by providing high quality products at reasonable prices that appeal to consumers' tastes and preferences. In addition, the Group's ability to set or raise its selling prices may, in the future, be restricted or limited by price control measures imposed by governments in the GCC. Either of these events occurring could materially adversely affect the Group's business, financial condition, prospects and results of operations.

The dairy industry in KSA has a history of price wars, and any repeat of such events could adversely impact the Group

Previously in KSA, there have been ongoing price wars in the dairy industry leading to significant downward pressure on the pricing of dairy products. Whilst the Group believes that the likelihood of further price wars being initiated in the dairy sector in KSA by its current or future competitors is lower than it has been previously, because raw material costs have increased substantially in the intervening period, along with demand, while production capacity has remained below growth in demand, there can be no assurance that such a price war will not be instigated within the dairy industry in the future. If a future price war were to materialise, this could materially adversely affect the Group's business, financial condition, prospects and results of operations.

Exchange rate fluctuations could result in greater costs to the Group which could adversely affect the Group's results of operations

The Group's operations involve the purchase of goods denominated in currencies other than the Saudi Riyal, principally the US dollar (to which the Saudi Riyal is pegged), and the Euro. Fluctuations between the value of the Saudi Riyal and foreign currencies may have a material adverse effect on the costs of raw materials for the Group, its investments in other countries and its profits. Commission payments under the Group's debt facilities are also calculated by reference to prevailing international market commission rates. An unfavourable shift in

international market commission rates could have a material adverse effect on the Group's financial position and cash flows.

In addition to transacting in foreign currencies, the Group has investments in foreign subsidiaries. Currently, the only material investments denominated in currencies that are not pegged to the US dollar are investments in Egyptian and Jordanian subsidiaries of International Dairy and Juice Limited ("**IDJ**"), and in an Argentinian subsidiary. Therefore, adverse movements in the exchange rate with the Egyptian Pound, Jordanian Dinar and/or the Argentinian Peso could have a negative impact on the Group's financial position.

A significant portion of the Group's costs derive from purchases of commodity products

A significant portion of the Group's costs derive from purchases of commodity products, particularly feed, dairy and juice ingredients on the international market, the prices of which are mainly denominated in US dollars. Although the Group does have an established commodity product hedging programme, the prices of such commodities have been subject to fluctuations in the past and may be subject to substantial increases or decreases in the future. In addition, the price of certain commodities could also be affected by a poor harvest in source markets or a change in government intervention policies. Any increases in commodity prices could have a material adverse impact on the Group's business, financial condition, prospects and results of operations.

Political and economic developments in KSA and the GCC region may have a material adverse effect on the Group's business, financial condition and operations

The vast majority of the Group's assets are located in KSA. As a result, the Group's operating results and growth are, and will be, affected in general by economic and political developments in KSA and the Gulf Co-operation Council ("**GCC**") and, in particular, by the level of economic activity in KSA and the GCC. Although KSA continues to pursue a policy of diversification to enhance the contribution of the non-oil sector to its gross domestic product, oil income will continue to play a pivotal role in its economic planning and development.

Like other countries in the Middle East, KSA has been affected by the recent political and social unrest in the region, including the recent armed conflict in Yemen and the impact of sanctions imposed on Qatar. Continuous political and social unrest could have significant long term negative implications for KSA, the GCC and the region as a whole. In particular, given that the Group through IDJ, its joint venture with PepsiCo, is focused on developing opportunities in the dairy and juice market in the Middle East (outside of the GCC) and Africa, any political or social unrest in such regions could also have an adverse effect on the Group's business, financial condition, results of operations and prospects.

Within KSA, the government of KSA faces a number of challenges arising mainly from the relatively high levels of population growth (although this has been slowing down in recent years) and unemployment among its youth and the security threat posed by certain groups of extremists, all of which could have an adverse effect on the economy of KSA and the Group's business. In addition, any negative change in one or more macroeconomic factors, such as exchange rates, commission rates, inflation, wage levels, unemployment, foreign investment and international trade, could have a material adverse effect on the Group's business in KSA, financial conditions, results of operations and prospects.

Some countries in the GCC are also in the process of transitioning to a market economy and, as a result, may experience changes in their economies and government/regulatory policies (including, without limitation, policies relating to foreign ownership, repatriation of profits, property, contractual rights, planning and permit granting regimes) that may materially and adversely affect the sukuk and payments to be made thereunder. The GCC region has enjoyed significant economic growth and some countries within the GCC have also enjoyed relative political stability. However, there can be no assurance that such growth or political stability will continue in the future and it is difficult to predict the likelihood of instability in one country or territory contributing to instability in other countries or territories within the region.

The Group operates in a developing regulatory environment

Investors should be aware that any investments in emerging markets, such as in KSA, are subject to greater risk than investments in more developed markets, particularly because such emerging markets are in the process of developing institutions and legal and regulatory systems which are not yet as firmly established as they are in

Western Europe and the United States of America. KSA has seen recent changes in regulatory administration such as a governmental ban on forage production in KSA, issued by the Ministry of Environment, Water and Agriculture, and the introduction of value added tax ("VAT"), an expat levy, and changes in economic policy which have impacted the price of energy and transport (which has indirectly impacted consumers), as well as a Saudisation target programme in the workforce (known as the Nitaqat) (see "*Risks Relating to the Group's Business Operations—The Group is subject to labour quotas in KSA*" below). In addition, the establishment, application and administration of regulations, for which the Saudi Food and Drug Authority ("SFDA") is now responsible, has been separated from the maintenance and issuance of standards, for which the Saudi Standards, Metrology and Quality Organization ("SASO") remains responsible. Any change in existing or future regulations by the SFDA and/or existing or future standards by SASO and/or any other law or regulation by any other governmental entity or regulatory authority in KSA could adversely impact the Group's business. Within the GCC, standards in general are issued by the Gulf Standards Organisation (the "GSO") which aims to harmonise standards across the GCC, although from time to time in certain GCC countries there are additional import and export regulations imposed. The Group faces compliance risk with these developing import and export regimes and any relevant change in existing or future standards by the GSO or any other regional or international organisations could adversely impact the Group's business.

Any major outbreak of illness or disease relating to dairy cows or poultry could lead to significant shortfalls in the supply of raw milk to the Group and could cause consumers to avoid dairy and/or poultry products, resulting in the Group suffering substantial declines in sales, harm to its reputation and/or possibly serious losses

A major outbreak of any illness or disease in dairy cows and poultry in KSA could lead to a serious loss of consumer confidence in, and demand for, dairy and/or poultry products, including a perception that the Group's animals have been affected (and potential damage to the Group's reputation including through its customers' social media activity). A major outbreak of mad cow disease (bovine spongiform encephalopathy), bovine tuberculosis or other serious disease in the principal regions supplying raw milk to the Group could lead to significant shortfalls in the supply of the Group's raw milk. If consumers generally were to avoid dairy and poultry products, or the Group's products, the Group's sales would decline substantially and the Group could suffer serious losses. For risks relating to the effect of an outbreak of disease to the Group's operations, see "*Risks Relating to the Group's Business Operations—Outbreak of disease among the Group's livestock and poultry*" below.

The Group faces risks relating to the sales channels

Whilst the majority of the Group's end customers are currently individual consumers to whom the Group sells its products through traditional local/small shops (bakalas), there is a growing trend in KSA and the GCC of customers shopping for the Group's products online and at supermarkets and hypermarkets. This in line with a global trend, where the market for sales of products such as those of the Group has become increasingly concentrated. A continuation of the online, supermarket and hypermarket trend emerging in KSA and the GCC may result in a smaller number of sales through bakalas. Such changes in the channel of sales could affect the Group's operating margins and impact its market share.

Risks Relating to the Group's Business Operations

The Group faces food safety and quality risks relating to the production, distribution and sale of its products

The Group's operations are subject to a number of risks related to the production, distribution and sale of its products including but not limited to potential contamination of ingredients or products either during the internal production process or by external agents or pathogens at any stage of the collection, storage, production, packaging and delivery of its products. Any such contamination, or allegation of such contamination, could materially adversely impact the quality (or perceived quality) of the Group's products and therefore sales, profitability and/or goodwill associated with the Group's brands. In addition, the Group could be forced to recall any products which are contaminated or otherwise defective. All of the Group's products are required to adhere to strict regulatory requirements (such as in infant nutrition products in particular) pertaining to food processing plants, and in particular, incoming materials, product safety, packaging materials, cold chain and distribution. In addition, poultry products are subject to further requirements regarding Islamic slaughter. There can be no assurance that the Group will be able to manage or control these risks and should any of the risks described

above materialise, the Group's business, financial condition, prospectus and results of operations could be materially adversely affected. For risks relating to customer preferences, see "*The Group's sales and profits are dependent on it being able to anticipate and react to changing customer preferences*" above.

The Group is dependent on suppliers in a number of different geographies

Whilst the Group does not depend on any one key supplier (as no supplier accounts for 5% or more of the Group's supplies), the Group's operations may be interrupted or otherwise adversely affected by delays in the supply of utilities or materials from third party suppliers other than those which are connected parties of the Group, by any change in the terms on which these are available, or by any deterioration in the quality of such utilities or materials provided. The Group purchases a substantial proportion of the packaging, utilities and raw materials necessary to produce its products from third party suppliers, some of which are located in different parts of the world including Europe, New Zealand, the United States of America and South Africa. An increase in the costs of import, a change in a supplier, or the occurrence of a geopolitical event in any country in which a supplier is located could interrupt supply continuity, quality or result in additional cost, adversely affecting the Group's business, financial condition, prospects and results of operations.

The Group is exposed to unexpected business interruptions which are outside of its control

The performance of the Group is dependent on the ongoing efficient operations of its systems and infrastructure. Inherent risks to its systems and infrastructure, including farming, include the failure of critical machinery, power supply, flooding, water supply, progress of building projects and computer equipment (including malicious cyber attacks on any of the Group's information technology ("IT") systems), all of which are unpredictable and often outside of the control of the Group (see "*Failure in the Group's IT systems could result in delays to the Group's business operations*" below). Severe weather conditions and natural disasters, such as droughts, may also affect the supply of the Group's products and progress in relation to the Group's developments. These business interruption risks are particularly relevant since the Group's main dairy processing facilities are concentrated on large sites in Al Kharj and Hail areas of KSA. There can be no assurance that the Group will be able to manage or control these risks and should any of the risks described above materialise, the Group's business, financial condition, prospects and results of operations could be materially adversely affected.

Outbreak of disease among the Group's livestock and poultry

A major outbreak of any illness or disease within the Group's dairy herd or the poultry flock could lead to significant shortfalls in the supply of milk and other dairy products, or eggs and other poultry products, and thereby materially adversely impact the Group's business. Adverse publicity about these types of concerns, whether or not valid, may also discourage consumers from buying dairy products or poultry products which could consequently lead to a substantial decline in sales for the Group.

Further, the Group does not maintain insurance coverage for its livestock. While the Group manages the risk of an outbreak of disease among its livestock, and it has not witnessed any major losses in the last twenty years, any major outbreak of any illness or disease within the Group's dairy herd could adversely affect the Group's operations.

The Group sources over 90% of its GCC milk requirements from its own dairy herd. Contingency plans are in place, which involve government bodies, milk processors and milk suppliers, as well as with poultry suppliers, to mitigate the consequences should an outbreak of disease occur. There can be no assurance that the Group will be able to prevent a major outbreak of any illness or disease within either its dairy herd or poultry flock, which could have a significant adverse impact on the Group's business.

Contamination of products and any similar incidents in the future could have a significant adverse impact on the Group's reputation, business performance and financial conditions

As a manufacturer of products designed for human consumption, the Group is subject to product liability claims if the use of the Group's products is alleged to have resulted in any adverse reaction, illness or injury. The Group may also experience losses from product recalls resulting from suspected or actual defects in the development or manufacturing of the Group's products or even the sale of counterfeit products. Further, the Group's insurance

may not cover it for all losses suffered if a product was recalled. While the Group seeks to maintain comprehensive insurance coverage at commercially reasonable rates, there can be no assurance that the Group's insurance coverage will be sufficient to cover the full extent of all losses or liabilities if a product was recalled, and there can be no guarantee that it will be able to renew its current insurance policies on acceptable terms, or at all. The Group's business is also highly sensitive to consumers' perception of the safety of the Group's products. Any publicity regarding the safety of particular ingredients or products in general, of other companies, or of the Group's products or ingredients specifically, or arising from any alleged regulatory investigations or product liability claims may affect customer confidence in the Group's products.

Any occurrence of contamination (whether it occurred as a result of internal or external production) could negatively impact the Group's results of operations, the corporate and brand image or consumers' perception of the Group's products or similar nutritional products generally, particularly if the contaminated products have caused fatalities, injuries or illnesses to consumers. It cannot be guaranteed that there will not be any negative publicity in the future concerning the Group's products and/or brands, which may have a material adverse effect on the Group's reputation, business, financial conditions and results of operations.

The Group is dependent on energy, water supplies and imports of forage

The Group uses large amounts of energy and water in sustaining its dairy herd and poultry flock, and indirectly through importing forage (as the KSA government has implemented a three-year phase out plan to terminate the local production of green forage, which the Group adhered to by 3 November 2018). The Group's operations, profit margins and financial condition may be adversely affected if restrictions are placed by the relevant regulatory authorities in KSA on energy and water supplies and/or on imports of forage. In addition, the Group's operations, profit margins and financial condition may be adversely affected if the potential physical consequences of climate change (such as changes in rainfall patterns) were to interrupt the Group's supply of energy, water and forage. Should there be a shortage in supply, an increase in costs of the supply, or restrictions on the Group's supply of energy and/or water, or should the Group require further amounts of forage from overseas, the Group could suffer reductions in production quality and volume and profit margins.

The Group's competitive position could be adversely affected if it fails to adequately protect its intellectual property and in addition the Group's reputation is linked to its brand, and any damage to its brand may adversely affect its results

The inability of the Group to retain control over and protect or, in some cases, take the action necessary to protect its intellectual property may adversely affect its business. The Group owns and maintains a number of trademarks including "Almarai", "Alyoum", "L'usine", "Nuralac", "EvoLac", "Nijoom", "Teeba" and "Beyti" which are registered in various countries under one or more of Classes 29, 30, 31, 32 or 5 of the international trademark classification system (Group trademarks). The "7 Days" trademark is owned by Chipita S.A., a joint venture partner in the Modern Food Industries joint venture company. The Group's competitive position depends, inter alia, upon its ability to continue to utilise its trademarks used on its products in the jurisdictions where the products are sold, and to protect those trademarks from infringement.

The Group is aware that third parties, from time to time, use the word "Almarai" in their trademarks. The inability to register the Group trademarks, prevent infringement in jurisdictions where the Group operates or any liability claim of a third party in relation to the use of such trademarks by the Group made or threatened, regardless of its merits, may make it more expensive to do business in such jurisdictions and thus adversely affect the Group's operating results and the goodwill associated with such trademarks.

In addition, the Group's business is supported by strong brands: Almarai, L'usine, 7 Days and Alyoum. Some of these brands (Almarai and 7 Days) have been developed over more than 30 years and this has significantly contributed to the success of the Group's business. Maintaining and enhancing these brands will largely depend on the success of the Group's marketing efforts and ability to provide its customers with high quality products. A failure to maintain and enhance these brands could potentially lead to the loss of the Group's position as the market leader in the segments in which it operates. An event adversely affecting the value of a brand in one jurisdiction could have a negative effect in another jurisdiction with a resultant adverse effect on the Group's financial performance.

The Group's expansion strategy may be unsuccessful

The Group's financial condition and results of operations could be adversely affected if its expansion strategy is unsuccessful or its existing investments outside of the GCC do not meet intended performance targets. The Group intends to continue to expand the volume and variety of products it offers to its customers. The Group's ability to manage this expansion and its existing investments outside of the GCC will depend on its ability to continue to implement and improve its operational, financial and management information systems on a timely basis, and to expand, train, motivate and manage its workforce. Any delays in the Group's efforts to expand production or the failure to increase sales in existing and/or new markets may result in the Group not being able to recover production, distribution, promotional and marketing expenses, as well as administrative costs incurred in developing such infrastructure or markets. If the Group decides to further expand its operations outside the countries of the GCC, it could, and in some instances does, face a number of risks, primarily due to its inexperience in operating outside the GCC. These risks could adversely affect the Group's expansion efforts, which would in turn harm the Group's business and operating results. In addition, where the Group operates businesses through joint ventures, this may mean that the Group does not have full control over these businesses. This may expose the Group to greater risk including circumstances where the business interests of its partner(s) in a joint venture conflict with the Group's interests and such partner(s) have the ability to block certain business or financial decisions viewed by the Group as critical to the success of that joint venture business.

The Group is subject to labour quotas in KSA

Companies in KSA are required by the Ministry of Labour to ensure that a certain percentage of their staff are Saudi nationals. The Group aims to recruit, train and retain Saudi nationals to comply with all relevant regulations. However, the Group experiences competition in this area and may occasionally find it difficult to recruit and retain qualified Saudi nationals. Failing to achieve the stipulated percentage could cause the Group to be questioned by the Ministry of Labour for non-compliance with these requirements which could in turn have an adverse effect on the availability of visas for non-Saudi nationals and hence on the Group's operations.

The Group is to some extent reliant on certain key personnel

The Group's sales, business, financial condition and results of operations may be adversely affected if it is unsuccessful in either retaining qualified employees or replacing them with equally qualified personnel. There can be no assurance that the Group will be able to retain the services of its existing key management employees or to attract and retain additional qualified personnel as and when needed.

Any disruption or breach of the Group's key agency and distribution arrangements could have a negative effect on profitability

Any disruption to the agency or distributorship arrangements through which the Group's business is conducted in Oman and Kuwait, or the amendment or termination of such arrangements, could have a significant negative impact on profitability. The Group's Almarai products are marketed in these countries through agency or distributorship arrangements, which collectively account for a significant portion of sales. Many of these arrangements have been in place for a considerable period of time. The Group has structured these arrangements in a manner that gives it substantial management control over the local operations and allows it to retain ownership of the key assets used in these operations. Whilst the Group intends to continue to ensure that the agency or distribution arrangements continue to be fulfilled and that they are mutually beneficial, such arrangements, however, require the Group's business in those jurisdictions to be conducted through, and legal title to its assets to be held in the name of, the local agent or distributor. These arrangements therefore entail a degree of legal and commercial risk, particularly if the agent or distributor (or a successor or heir) should choose not to give effect to the arrangements. Moreover, if an agent or distributor chooses not to co-operate in the event that the Group elects to terminate an agency or distributorship arrangement, local legislation may make it difficult to ensure that there is a smooth transition to a new agent or distributor, which could have a material adverse effect on the Group's business in such jurisdiction.

The production and packaging of the Group's products rely significantly on third party production equipment, packaging technology and packaging materials

The Group's production facilities rely significantly on third party equipment, packaging technology and packaging materials, including almost half of the Group's equipment and technology relating to pre-treatment of raw materials, ultra-high temperature treatment, homogenisation, packaging, as well as engineering and maintenance services in relation to such equipment. Many of the Group's production facilities rely to a significant extent on third party equipment and technology. Third parties also manufacture packaging materials that the Group uses for its primary ultra-high temperature ("UHT") milk products and other beverage products. The majority of these packaging materials are fundamental to maintaining the quality and freshness of the Group's products. If there are any product quality or safety issues with third party equipment and technology or packaging materials, the quality (in the case of all packaged products) and freshness (in the case of fresh milk/labani) of the Group's products will be adversely affected which in turn may adversely impact the Group's reputation, operations, and financial performance and condition.

Failure in the Group's IT systems could result in delays to the Group's business operations

The Group's IT systems are designed to enable the Group to use its infrastructure and resources as efficiently as possible and monitor and control all aspects of its operations. Although each of the Group's sites, based on the nature of its business, is configured to keep its systems operational under abnormal conditions and there are back up systems, including with respect to business processes and procedures, any failure or breakdown in these systems or the related back up systems could interrupt its normal business operations and result in a significant slowdown in operational and management efficiency for the duration of such failure or breakdown. Any prolonged failure or breakdown could dramatically impact the Group's ability to offer services to its customers, which could have a material adverse effect on the Group's business and results of operations.

Factors which are Material for the Purpose of Assessing the Market Risks Associated with Trust Certificates Issued under the Programme

Risks related to the Trust Certificates

The Trust Certificates are limited recourse obligations

Trust Certificates to be issued under the Programme are not debt obligations of the Trustee. Instead, the Trust Certificates represent an undivided ownership interest solely in the Trust Assets. Recourse to the Trustee in respect of each Series is limited to the Trust Assets of that Series and proceeds of such Trust Assets are the sole source of payments on the relevant Trust Certificates. Upon the occurrence of a Dissolution Event or any early redemption of the Trust Certificates at the option of the Certificateholders pursuant to Condition 10.5, the sole rights of each of the Trustee and/or the Delegate (acting on behalf of the Certificateholders of the relevant Series) will be against Almarai to perform its obligations under the Transaction Documents. Certificateholders will otherwise have no recourse to any assets of the Trustee (other than the Trust Assets) or (to the extent that it fulfils all of its obligations under the Transaction Documents) Almarai in respect of any shortfall in the expected amounts due under the relevant Trust Assets.

Almarai is obliged to make certain payments under the Transaction Documents directly to the Trustee, and the Trustee and/or the Delegate (acting on behalf of the Certificateholders of the relevant Series) will have direct recourse against Almarai to recover such payments pursuant to the Transaction Documents. After enforcing or realising the Trust Assets of a Series and distributing the net proceeds of such Trust Assets in accordance with Condition 4.2, the obligations of the Trustee in respect of the Trust Certificates of the relevant Series shall be satisfied and neither the Delegate nor any Certificateholder may take any further steps against the Trustee to recover any further sums in respect of such Trust Certificates and the right to receive any such sums unpaid shall be extinguished. In particular, neither the Delegate nor any Certificateholder shall be entitled in respect thereof to petition or take any steps for the winding-up of the Trustee and under no circumstances shall the Trustee, the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Transaction Documents and the sole rights of the Trustee, the Delegate (acting on behalf of the Certificateholders) and the Certificateholders against Almarai shall be to enforce the obligation of Almarai to perform its obligations under the Transaction Documents.

The Trust Certificates may be subject to optional redemption by the Trustee

If so provided in the applicable Final Terms, a Series may be redeemed early at the option of the Trustee. Any such optional redemption feature of any Trust Certificates is likely to limit their market value. During any period when the Trustee may elect to redeem Trust Certificates, the market value of those Trust Certificates generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Trustee may be expected to redeem Trust Certificates when Almarai's cost of financing is lower than the profit rate on the Trust Certificates. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective profit rate as high as the profit rate on the Trust Certificates being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Trust Certificates may be redeemed prior to their final maturity date for tax reasons

In the event that the amount payable on the Trust Certificates by the Trustee is required to be increased to include additional amounts as provided or if referred to in Condition 11 or if Almarai (acting in its capacity as lessee) is required to pay such additional amounts pursuant to the terms of the relevant Lease Agreement to the extent they are required to be paid pursuant to the federal laws or regulations of the Kingdom then in force, in either case in certain circumstances as a result of any change in, or amendment to, the laws or regulations of (in the case of the Trustee) the Cayman Islands or any political subdivision or authority thereof or therein having power to tax or (in the case of Almarai) the Kingdom or any political subdivision or any authority thereof or therein having power to tax, or in either case any change in the application of official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issuance of the first Tranche of the relevant Series of Trust Certificates, and in connection therewith Almarai delivers an exercise notice to the Trustee in accordance with the Sale Undertaking, the Trustee shall redeem all (but not some only) of the Trust Certificates upon giving notice in accordance with the Conditions of the Trust Certificates.

Consents to variation of Transaction Documents and other matters

The Conditions of the Trust Certificates contain provisions for calling meetings of Certificateholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Certificateholders including Certificateholders who did not attend and vote at the relevant meeting and Certificateholders who voted in a manner contrary to the majority.

The Conditions of the Trust Certificates also provide that the Delegate may agree, without the consent of the Certificateholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the Conditions or any of the provisions of the Trust Deed, the Agency Agreement or any other Transaction Document, or determine, without any such consent as aforesaid, that any Dissolution Event (as defined in Condition 13) or potential Dissolution Event shall not be treated as such if, in the opinion of the Delegate, (a) such modification is of a formal, minor or technical nature, (b) such modification is made to correct a manifest error or (c) such modification (other than where it relates to a Reserved Matter), waiver, authorisation or determination is not, in the opinion of the Delegate, materially prejudicial to the interests of the Certificateholders.

Reliance on Euroclear and Clearstream, Luxembourg procedures

The Trust Certificates of each Tranche will be represented on issue by a Global Trust Certificate that will be deposited with a common depository for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Except in the circumstances described in each Global Trust Certificate, investors will not be entitled to receive Trust Certificates in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in Global Trust Certificates. While the Trust Certificates of any Tranche are represented by a Global Trust Certificate, investors will be able to trade their beneficial interests in the Global Trust Certificates only through Euroclear and Clearstream, Luxembourg and their respective participants.

While the Trust Certificates are represented by a Global Trust Certificate, the Trustee will discharge its payment obligations under the Trust Certificates by making payments through the relevant clearing systems. A holder of

a beneficial interest in a Global Trust Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Trust Certificates. The Trustee has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Trust Certificate.

Holders of beneficial interests in a Global Trust Certificate will not have a direct right to vote in respect of the Trust Certificates so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Shari'a requirements in relation to judgment interest

In accordance with applicable *Shari'a* principles, each of the parties thereto will waive all and any entitlement it may have to judgment interest awarded in its favour by any court in connection with any dispute under any Transaction Document to which it is a party. Should there be any delay in the enforcement of a judgment given against Almarai, judgment interest could accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive any part of such interest.

Shari'a rules are subject to different interpretations by different Shari'a boards and Shari'a scholars

Each of the Shariah Supervisory Board of First Abu Dhabi Bank PJSC, the Executive Shariah Committee of HSBC Saudi Arabia, the Shariah Supervisory Committee of Standard Chartered Bank and the Global Shariah Supervisory Board of Gulf International Bank has confirmed that the Transaction Documents are, in their view, *Shari'a* compliant. However, there can be no assurance that the Transaction Documents or any issue and trading of any Certificates will be deemed to be *Shari'a* compliant by any other *Shari'a* board or *Shari'a* scholars. None of the Trustee, Almarai, the Delegate, the Agents or the Dealers makes any representation as to the *Shari'a* compliance of any Series and potential investors are reminded that, as with any *Shari'a* views, differences in opinion are possible. Prospective purchasers of the Trust Certificates should therefore not rely on the approvals referred to above and should obtain their own independent *Shari'a* advice as to the compliance of the Transaction Documents and the issue and trading of any Series with *Shari'a* principles.

In the event the status of any such *Shari'a* compliance should change, the Trustee accepts no liability in relation to such change and has no obligation to inform or otherwise notify the Certificateholders of such change.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties would, if in dispute, either be the subject of court or judicial committee proceeding under English or Saudi law. In such circumstances, the judge may apply the relevant law of the Transaction Document rather than core *Shari'a* principles in determining the obligation of the parties. See also "*Risk factors relating to enforcement—The interpretation of the compliance of the Transaction Documents with Shari'a principles may differ amongst Saudi courts and judicial committees*" below.

Credit ratings assigned to Almarai and/or the Trust Certificates are subject to ongoing evaluation and there can be no assurance that the ratings currently assigned to Almarai and/or the Trust Certificates will not be placed on credit watch or downgraded

As at the date of this Base Prospectus, Almarai has been assigned a rating of Baa3 with a "stable outlook" by Moody's and BBB- with a "stable outlook" by S&P. Each of Moody's and S&P is established in the European Union and is registered under the CRA Regulation. One or more independent credit rating agencies may also assign credit ratings to the Trust Certificates. Any ratings of either Almarai or the Trust Certificates may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this Base Prospectus and other factors that may affect the value of the Trust Certificates. Nevertheless, real or anticipated changes in Almarai's credit ratings or the ratings of the Trust Certificates generally will affect the market value of the Trust Certificates. Any adverse change in the applicable credit rating could adversely affect the trading price of the Trust Certificates.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the European Union and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-European Union credit rating agencies, unless the relevant credit ratings are endorsed by a European Union-registered credit rating agency or the relevant non-European Union rating agency is certified in accordance with the CRA Regulation (and such

endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency being included in such list as there may be delays between certain supervisory measures being taken against a relevant rating agency and publication of an updated ESMA list. Limited information with respect to ratings will be disclosed in the applicable Final Terms. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning rating agency at any time.

Risk factors relating to taxation

Taxation risks on payments

Payments made by Almarai to the Trustee under the Transaction Documents or by the Trustee in respect of the Trust Certificates could become subject to taxation. The Transaction Documents each require Almarai to pay additional amounts in the event that any withholding or deduction is required by applicable law to be made in respect of payments made by it to the Trustee which are intended to fund Periodic Distribution Amounts and Dissolution Amounts. Condition 11 provides that the Trustee is required to pay additional amounts in respect of any such withholding or deduction imposed by or on behalf of Cayman Islands or the Kingdom in certain circumstances. In the event that the Trustee fails to pay any such additional amounts in respect of any such withholding or deduction on payments due in respect of the Trust Certificates to Certificateholders, Almarai (acting in its capacity as Obligor) has in the Purchase Undertaking unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to pay to the Trustee (for the benefit of the Certificateholders) by payment to the Transaction Account in the Specified Currency by wire transfer for same day value an amount equal to such additional amounts so that the full amount which would otherwise have been due and payable under the Trust Certificates is received by the Trustee.

Risk factors relating to the Lease Assets

Ownership of Lease Assets

In order to comply with the requirements of *Shari'a*, an undivided ownership interest in the Tangible Assets (as defined in the relevant Supplemental Purchase Agreement) will pass to the Trustee under the relevant Purchase Agreement (as defined in the Conditions) and the Trustee will lease them as the relevant Lease Assets to Almarai under the relevant Lease Agreement (as defined in the Conditions). The Trustee will declare a trust in respect of the relevant Lease Assets and the other Trust Assets in favour of the Certificateholders of the relevant Series pursuant to the relevant Trust Deed (as defined in the Conditions). Accordingly, Certificateholders will, through the ownership interest obtained by the Trustee pursuant to the terms of the relevant Purchase Agreement, have an undivided ownership interest in the relevant Lease Assets.

No investigation or enquiry will be made and no due diligence will be conducted in respect of any relevant Tangible Assets (and therefore, any relevant Lease Assets) of any Series. The relevant Tangible Assets will be selected by Almarai, and the Certificateholders, the Trustee and/or the Delegate will have no ability to influence such selection. Only limited representations will be obtained from Almarai in respect of the relevant Tangible Assets of any Series. No steps will be taken (including registration) to perfect the transfer of the legal title to the relevant Tangible Assets of any Series.

Transfer of the Lease Assets

No investigation has been or will be made as to whether the Tangible Assets in respect of any Series may be transferred as a matter of the law governing the contracts, the law of the jurisdiction where such assets are located or any other relevant law. No investigation will be made to determine if the relevant Purchase Agreement will have the effect of transferring the relevant Tangible Assets of the relevant Series.

Nevertheless, as indicated earlier, the Certificateholders will not have any rights of enforcement as against the relevant Lease Assets and their rights are limited to: (i) enforcement against Almarai of its obligation to purchase all or part (as the case may be) of the relevant Lease Assets pursuant to the terms of the Purchase Undertaking in accordance with the terms of the Transaction Documents; and (ii) upon any failure to comply with its obligations under the Transaction Documents as described in this Base Prospectus, a *pro rata* share of the proceeds of the enforcement thereof.

By way of further assurance, Almarai has covenanted in the Master Trust Deed and the Purchase Undertaking, among other things, that (i) it shall irrevocably and unconditionally fully accept all or any ownership interest the Trustee may have in the relevant Lease Assets, (ii) to the extent that any transfer of any of the Lease Assets is not (or is alleged not to be) effective in any jurisdiction for any reason, it will make restitution in respect of those Lease Assets in an amount equal to the purchase price therefor and (iii) if that interest is disputed or challenged or if such transfer is not effective as aforesaid, it shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full or in part, as the case may be, of the Trust Certificates and, accordingly, the amount payable under such indemnity will equal the relevant Exercise Price (as defined in the Purchase Undertaking) (see "*Summary of the Principal Transaction Documents—Purchase Undertaking*").

Total Loss Event

As owner of the Lease Assets relating to each Series, the Trustee (in its capacity as Lessor) is required, among other things, to insure the relevant Lease Assets. The Trustee has delegated this obligation to Almarai, as its servicing agent, which has undertaken in the Servicing Agency Agreement, *inter alia*, to insure the relevant Lease Assets in the name of the Trustee against the occurrence of a Total Loss Event in an amount which is at all times at least equal to the Full Reinstatement Value. A "**Total Loss Event**" is defined as the total loss or destruction of, or damage to the whole of, the relevant Lease Assets or any event or occurrence that renders the whole of the relevant Lease Assets permanently unfit for any economic use and (but only after taking into consideration any insurances or other indemnity granted by any third party in respect of the relevant Lease Assets) the repair or remedial work in respect thereof is wholly uneconomical.

Nevertheless, should such an event occur and the relevant Total Loss Assets are not replaced with Replacement Assets on or before the 30th day after the occurrence of the Total Loss Event pursuant to the terms of the Service Agency Agreement, the relevant Lease will terminate, Almarai (as lessee) will be obliged to pay all accrued but unpaid rental up to (and including) the date on which the Total Loss Event occurred and the Trust Certificates of the relevant Series will be repaid using the proceeds of the insurance received by the Trustee, together with (where one or more Murabaha Transactions form part of the Asset Portfolio of such Series) the then Total Deferred Sale Price Outstanding of the Series. In this scenario, potential investors should be aware that there may be a delay in the Trustee receiving the proceeds of insurance and therefore in the relevant Certificateholders receiving a Dissolution Amount in respect of their Trust Certificates. In this regard, the Servicing Agency Agreement provides that if the insurance proceeds for an amount equal to the Full Reinstatement Value are not paid into the relevant Transaction Account within 30 days of the occurrence of the Total Loss Event, Almarai, as Servicing Agent, shall have failed in its responsibility to properly insure the relevant Lease Assets and accordingly (unless it proves beyond any doubt that any shortfall in the insurance proceeds is not attributable to its negligence or its failing to comply with the terms of the Servicing Agency Agreement relating to insurance) Almarai shall be responsible for paying any Total Loss Shortfall Amount on the 31st day after the occurrence or the Total Loss Event or, if such day is not a Payment Business Day (as defined in the Conditions) on the immediately following Payment Business Day. The Delegate will be entitled to enforce this undertaking against Almarai on behalf of the Certificateholders of the relevant Series.

Risks factors relating to the Murabaha Contracts

Taxation risk

Pursuant to the terms of the Master Murabaha Agreement, in connection with each Tranche of Trust Certificates issued from time to time under the Programme, the Trustee (in its capacity as seller) may enter into a Murabaha Transaction with Almarai (in its capacity as purchaser) using no more than 66 per cent. of the issue proceeds of the relevant Tranche. Upon the receipt of and pursuant to a purchase order from Almarai (in its capacity as purchaser), the Trustee (in its capacity as seller) will purchase certain commodities from certain suppliers at the spot price and Almarai (in its capacity as purchaser) will irrevocably undertake to purchase such commodities from the Seller in consideration for a deferred sale price.

Upon purchasing and prior to on-selling any commodities, Almarai will for a limited period assume the legal and beneficial title to such commodities. It is possible that the acquisition of the commodities, or the disposal thereof, may be, or may by virtue of a change in law become, subject to increased taxation. To the extent that taxation costs arise in respect of Almarai's acquisition, ownership or disposition of the commodities, there may

be a material adverse effect on Almarai's ability to perform its obligations (including payment obligations) under the Master Murabaha Agreement and, in turn, in respect of the Trust Certificates.

Price fluctuation risk

The price at which a commodity changes hands is determined as a function of its market as a whole, and both under-supply and over-supply of a commodity can have significant implications for the price at which it is traded. If, after Almarai (in its capacity as purchaser) has purchased any commodities, the market for the commodities becomes over-supplied or flooded, the price at which the commodities can be on-sold or traded subsequently may be adversely affected. Similarly, if after Almarai has purchased the commodities, additional governmental or import or export licences become applicable to the market for the commodities, the price at which the commodities can be sold or traded subsequently may also be adversely affected. The effect of such price fluctuations may have a material adverse impact on Almarai's ability to secure satisfactory on-sale prices for the commodities and, in turn, have a material adverse effect on Almarai's ability to perform its obligations (including payment obligations) under the Master Murabaha Agreement and, in turn in respect of the Trust Certificates.

Commodity risk

Upon purchasing commodities from the Trustee (in its capacity as seller) and prior to selling the commodities to an independent third party purchaser, Almarai will for a limited period assume the operational risks associated with taking ownership of the commodities. These risks include, without limitation, that:

- (a) the commodities may suffer damage of a nature that reduces their value whilst in storage or during transit;
- (b) Almarai's storage and/or transfer of the commodities may cause environmental damage, such as pollution, leakage or contamination, which may breach environmental laws or regulations making the Buyer susceptible to legal or financial recourse;
- (c) the commodities may be liable to theft and or vandalism; and
- (d) the commodities may be damaged by terrorist attacks, natural disasters, fire or other catastrophic events that are beyond the control of Almarai.

To the extent that these risks are not mitigated, or fully covered, by any insurance taken out in respect of the commodities, the occurrence of any of these events may have a material adverse effect on the value of the commodities and/or Almarai's ability to on-sell the commodities which may, in turn, affect Almarai's ability to perform its obligations (including payment obligations) under the Master Murabaha Agreement and, in turn in respect of the Trust Certificates.

Risk factors relating to enforcement

No assurances can be given as to any change of law after the date of this Base Prospectus

The structure of each issue of Trust Certificates under the Programme is based on English law, Cayman Islands law, the laws of the Kingdom and administrative practices therein in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible change to, or interpretation of, English, Cayman Islands or Saudi law or administrative practices in such jurisdiction after the date of this Base Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Trustee to make payments under the Trust Certificates or of Almarai or any of its subsidiaries to comply with its obligations under the Transaction Documents to which it is a party.

There are uncertainties around the choice of English law as the governing law of certain Transaction Documents and around enforcement of foreign judgments

The Trust Certificates and certain of the Transaction Documents are expressed to be governed by English law as set out below and provide for the resolution of disputes in the English courts, subject only to an option for the Trust Certificateholders to bring proceedings before any other court of competent jurisdiction. Despite this, the courts and judicial committees of the Kingdom may not recognise the choice of English law or submission

to jurisdiction of English courts at the option of the Certificateholders. Accordingly, in any proceedings relating to the Trust Certificates in the Kingdom, *Shari'a*, as interpreted in the Kingdom, may be applied by the relevant court or judicial committee. The courts and judicial committees of the Kingdom have the discretion to deny the enforcement of any contractual or other obligations, if, in their opinion, the enforcement thereof would be contrary to the principles of *Shari'a*.

In addition to the above, courts in the Kingdom are unlikely to enforce any foreign judgment without re-examining the merits of the claim. Moreover, provisions of foreign law which are deemed contrary to public policy, order or morals in the Kingdom (including *Shari'a* principles), or to any mandatory law of, or applicable in, the Kingdom, may not be enforceable in the Kingdom.

Until recently, disputes of a commercial nature in the Kingdom were heard before a court called the Board of Grievances, which strictly applies *Shari'a* law. However, with the enactment of the Law of the Judiciary that was issued pursuant to Royal Decree No. M/78 dated 19/09/1428H (corresponding to 01/10/2007G), and pursuant to the Circular of the Supreme Court of Justice no. T/967 dated 01/01/1439H (corresponding to 22/09/2017G) (the "**Supreme Court of Justice Circular**"), this jurisdiction has been transferred to the Commercial Courts in the Kingdom (except for certain claims of a commercial nature which will continue to be heard by the relevant committees, including, for example, disputes relating to banking transactions).

Further, a new Bankruptcy Law was issued and published in the Kingdom on 22 February 2018 pursuant to Royal Decree No. M/50 dated 28/05/1439H (corresponding to 14/02/2018G) (the "**Bankruptcy Law**"), which came into effect on 18 August 2018. The Bankruptcy Law has transferred the jurisdiction to supervise insolvency and bankruptcy proceedings of commercial entities from the Board of Grievances to the Commercial Courts.

Until recently, the Board of Grievances also had exclusive jurisdiction to consider the enforcement of foreign judgments and arbitral awards. However, with the enactment of the Enforcement Law (Royal Decree No. M/53 dated 13/08/1433H corresponding to 07/03/2012G) (the "**Enforcement Law**"), this jurisdiction has been transferred to newly-created "Enforcement Departments" within the General Courts staffed by specialised "enforcement judges". Accordingly, if a judgment from an English court or a U.S. court were to be enforced in the Kingdom, it would need to be submitted to the Enforcement Departments in the General Courts for enforcement.

The Enforcement Departments may, at their discretion, enforce all or any part of a foreign judgment or arbitral award provided that: (a) there is reciprocity in the enforcement of Saudi Arabian judgements or arbitral awards in the courts of the relevant jurisdiction; (b) the courts of the Kingdom do not hold jurisdiction over the dispute and the foreign judgment or arbitral award was issued in accordance with the jurisdictional rules of that country; (c) the respective parties to the foreign judgement or arbitral award were present, duly represented and able to defend themselves; (d) the judgment or arbitral award is final; (e) the judgment or arbitral award does not conflict with any ruling or order issued by a court of competent jurisdiction on the same matter in the Kingdom; and (f) the judgment or arbitral award is not contrary to any public policy of the Kingdom. Reciprocity may be demonstrated by way of the existence of a treaty or protocol between the Kingdom and the relevant jurisdiction or by virtue of a plaintiff providing evidence that the relevant foreign court has recognised and enforced a Saudi Arabian judgment on a previous occasion. In the case of an English judgment or a judgment predicated upon United States federal law or state securities law, there is no relevant treaty and, accordingly, Certificateholders seeking to enforce an English judgment or a judgment predicated upon United States federal law or state securities law might be required to adduce other evidence of such reciprocity. No assurance can be given that investors would be able to meet the requirements of reciprocity of enforcement. In addition, even if Certificateholders were able to meet this requirement, they should be aware that if any terms of the Trust Certificates or the Transaction Documents (including any provisions relating to the payment of profit) were found to be inconsistent with *Shari'a*, they would not be enforced by the Enforcement Departments (see "*Factors which are Material for the Purpose of Assessing the Market Risks Associated with Trust Certificates Issued under the Programme—Enforcing foreign arbitral awards against Almarai*" below).

The interpretation of the compliance of the Transaction Documents with Shari'a principles may differ amongst Saudi courts and judicial committees

The Master Purchase Agreement, each Supplemental Purchase Agreement, the Master Lease Agreement, each Supplemental Lease Agreement, each Replacement Sale and Purchase Agreement, and each sale agreement to be entered into pursuant to the Purchase Undertaking, the Sale Undertaking and/or the Substitution and Purchase of Additional Assets Undertaking, as applicable, will be governed by, and will be construed in accordance with, the laws of the Kingdom. Prospective Certificateholders should note that the various courts and judicial committees of the Kingdom applying Saudi law, and in particular the relevant principles of Islamic law are generally construed and applied pursuant to the teachings of the *Hanbali* school of jurisprudence, which may interpret or enforce, or reinterpret, the aforementioned agreements other than in accordance with their respective terms. There are majority and minority views within the *Hanbali* school of jurisprudence either of which may be applied in any particular case. In this regard, the courts and judicial committees of the Kingdom may decline to enforce any contractual or other obligations (including any provisions relating to the payment of profit) if it is their view that the enforcement thereof would be contrary to principles of *Shari'a*.

Almarai has agreed in each Transaction Document to which it is a party that the Saudi Arabian Committee for the Resolution of Securities Disputes and the Appeal Committee for the Resolution of Securities Conflicts (the "**Appeal Panel**") may have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with matters related to those Transaction Documents. Prospective Certificateholders should note that to the best of the Trustee's and Almarai's knowledge, no securities of a similar nature to the Trust Certificates have previously been the subject of adjudicatory interpretation or enforcement in the Kingdom. Accordingly, it is uncertain exactly how and to what extent the Transaction Documents to which Almarai is a party (or any of them), would be enforced by the Committee for the Resolution of Securities Disputes and the Appeal Panel or any other adjudicatory authority in the Kingdom.

Prospective Certificateholders should note that different *Shari'a* advisers and courts and judicial committees in the Kingdom may form different opinions on identical issues and therefore prospective Certificateholders should consult their own legal and *Shari'a* advisers to receive an opinion, as to the compliance or otherwise of the Trust Certificates and the Transaction Documents with *Shari'a* principles (see "*Factors which are Material for the Purpose of Assessing the Market Risks Associated with Trust Certificates Issued under the Programme—Risks related to the Trust Certificates—Shari'a Rules are subject to different interpretations by different Shari'a boards and Shari'a scholars*" above). Prospective Certificateholders should also note that although the Shariah Supervisory Board of First Abu Dhabi Bank PJSC, the Executive Shariah Committee of HSBC Saudi Arabia, the Shariah Supervisory Committee of Standard Chartered Bank and the Global Shariah Supervisory Board of Gulf International Bank have confirmed that the Transaction Documents are in compliance with *Shari'a* principles, such approvals and confirmations would not bind a court or judicial committee in the Kingdom, including in the context of any insolvency or bankruptcy proceedings relating to Almarai, and any court or judicial committee in the Kingdom will have the discretion to make its own determination about whether the Transaction Documents comply with the laws of the Kingdom and *Shari'a* principles and therefore are enforceable in the Kingdom.

Courts and judicial committees of the Kingdom may not give effect to certain Almarai Events

Prospective Certificateholders should note that the courts and judicial committees of the Kingdom may not give effect to any of the Almarai Events (as set out in the Conditions) other than those Almarai Events relating to the non-payment of amounts due under the Transaction Documents.

Courts and judicial committees of the Kingdom will not give effect to penalties and certain types of indemnities

Prospective Certificateholders should note that should any provision of the Transaction Documents be construed by a court or judicial committee in the Kingdom to be an agreement to pay a penalty rather than a genuine estimate of loss incurred, such provision would not be enforced in the Kingdom. Further, any indemnity provided by Almarai pursuant to the Transaction Documents or in relation to any Series may not be enforceable under the laws and regulations of the Kingdom to the extent that it (a) purports to be effective notwithstanding any judgment or order of a court to the contrary or (b) is contrary to any applicable law or public policy relating thereto. Compliance with bankruptcy law in the Kingdom may affect Almarai's ability to perform its obligations under the Transaction Documents to which it is a party. In the event of Almarai's insolvency, Saudi Arabian

bankruptcy law may adversely affect Almarai's ability to perform its obligations under the Transaction Documents to which it is a party and, in turn, affect the Trustee's ability to perform its obligations in respect of the Trust Certificates. Specific performance, injunctive relief and declaratory judgments and remedies are rarely available as judicial and other adjudicative remedies in the Kingdom. There is little precedent to predict how claims by or on behalf of the Certificateholders and/or the Delegate would be resolved, and therefore there can be no assurance that Certificateholders will receive repayment of their claims in full or at all in these circumstances.

A court may not grant an order for specific performance

In the event that Almarai fails to perform its obligations under any Transaction Document to which it is a party, the potential remedies available to the Trustee and the Delegate include (i) obtaining an order for specific performance of Almarai's obligations, or (ii) a claim for damages. There is no assurance that a court will provide an order for specific performance, as this is generally a matter for the discretion of the relevant court. Specific performance, injunctive relief and declaratory judgments and remedies are rarely available as judicial and other adjudicative remedies in the Kingdom, and in any event such interpretations and remedies are discretionary in Saudi Arabian adjudicatory bodies. The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors, including an obligation on the Trustee and the Delegate to mitigate any loss arising as a result of such breach. No assurance is provided on the level of damages which a court may award in the event of a failure by Almarai to perform its obligations set out in the Transaction Documents to which it is a party. Damages for loss of profits, consequential damages or other speculative damages are not awarded in the Kingdom by the courts or other adjudicatory authorities, and only actual, direct and proven damages are awarded.

The terms of Trust Deeds may not be enforceable in the Kingdom

The laws of the Kingdom do not recognise the concept of a trust or beneficial interests. Accordingly, there is no certainty that the terms of the Master Trust Deed and any Supplemental Trust Deed (each of which will be governed by English law) would be enforced by the courts of the Kingdom and, as such, there can be no assurance that the obligations of the Trustee and/or the Delegate under the Master Trust Deed and any Supplemental Trust Deed to act on behalf of the Certificateholders in accordance with their instructions (given in accordance with the Conditions of the Trust Certificates) are enforceable as a matter of contract under the laws of the Kingdom.

Compliance with bankruptcy law in the Kingdom may affect Almarai's ability to perform its obligations under the Transaction Documents to which it is a party

In the event of Almarai's insolvency, bankruptcy laws in the Kingdom may adversely affect Almarai's ability to perform its obligations under the Transaction Documents to which it is a party and, in turn, affect the Trustee's ability to perform its obligations in respect of the Trust Certificates. There is little precedent to predict how claims by or on behalf of the Certificateholders and/or the Delegate would be resolved in the event of Almarai's bankruptcy and accordingly it is uncertain exactly how and to what extent the Transaction Documents would be enforced by a Saudi Arabian adjudicatory body if such Saudi Arabian adjudicatory body were to void or otherwise cause such document, or any part thereof, to be void or ineffective and therefore there can be no assurance that Certificateholders will receive repayment of their claims in full or at all in these circumstances.

The Bankruptcy Law provides various procedures with respect to protective settlement, financial restructuring, liquidation, and administrative liquidation and provides, among other things, that contract termination provisions triggered as a result of certain bankruptcy procedures are generally void with exceptions stipulated in relation to government contracts. Further exceptions in relation to finance transactions are to be determined by the Saudi Arabian Monetary Authority and the Capital Market Authority after liaising and agreeing with the Saudi Arabian Ministry of Commerce and Investment. The Bankruptcy Law also provides that a trustee may terminate a contract if such termination: (a) is in the interest of the majority of the relevant creditors; (b) would not harm the counterparty; and (c) is necessary to implement the relevant proposal. The Bankruptcy Law defers to the implementing regulations. The Bankruptcy Law repeals the articles 103-137 of the Commercial Court Law issued pursuant to Royal Decree No. 32 dated 15/1/1350H (corresponding to 1/06/1931G), the Law on settlements for the avoidance of bankruptcy issued by Royal Decree No. M/16 dated 4/9/1416H (corresponding to 24/01/1996G) as well as any other provision that contradicts the Bankruptcy Law.

The implementing regulations to the Bankruptcy Law issued pursuant to the Council of Ministers Resolution No. 622 dated 24/12/1439H (corresponding to 4/09/2018G) and published in the official gazette on 30/12/1439H (corresponding to 10/09/2018G) (the "**Bankruptcy Law Implementing Regulations**") further provide for the bankruptcy rules and procedures in the Kingdom. The Bankruptcy Law Implementing Regulations provide that a debtor (in respect of a protective settlement) may request that the court terminates any contract that such debtor is a party to by submitting a report issued by a registered custodian that proves that such termination: (a) is in the interest of the majority of the relevant creditors; (b) would not harm the counterparty; and (c) will protect the business of the debtor.

A court may, after accepting a request to open any of the liquidation procedures set out in the Bankruptcy Law, take certain precautionary measures, at its own discretion or upon a request by an interested party, such as seizing the assets of the debtor whether such assets are held by the debtor or by third parties.

The Bankruptcy Law and its implementing regulations are recent and hence their application, and how the Saudi Arabian courts and judicial committees will apply them, is yet to be seen in full effect in practice.

Enforcing foreign arbitral awards against Almarai

Almarai has irrevocably agreed that any dispute, claim, difference or controversy arising out of, relating to, or having any connection with the Trust Certificates and the Transaction Documents shall be referred to, and finally resolved by, arbitration under the LCIA Rules.

According to the Enforcement Law enacted in March 2012, the provisions and requirements applicable to foreign judgments are similarly applicable to foreign arbitral awards. In addition, KSA is a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "**New York Convention**"). Any foreign arbitral award, including an LCIA award, should therefore be enforceable in KSA in accordance with the terms of the New York Convention, subject to filing a legal action for recognition and enforcement of foreign arbitral awards with the Enforcement Departments of the General Courts. Under the New York Convention, KSA has an obligation to recognise and enforce foreign arbitral awards unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the Saudi courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement or would be contrary to the public policy of KSA. There can therefore be no assurance that the Saudi courts will enforce a foreign arbitral award in accordance with the terms of the New York Convention (or any other multilateral or bilateral enforcement convention).

Risks related to the market generally

The secondary market generally

Trust Certificates may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Trust Certificates easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

Exchange rate risks and exchange controls

The Trustee will pay the face amount and profit on the Trust Certificates and Almarai will make any payments under the Transaction Documents in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls which could adversely affect an applicable exchange rate. The Trustee does not have any control over the factors that generally affect these risks, such as economic, financial and political events and the supply and demand for applicable currencies. In recent years, exchange rates between certain currencies have been volatile and volatility between such currencies or with other currencies may be expected in the future. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (a) the Investor's Currency-equivalent yield on the Trust Certificates; (b) the Investor's Currency equivalent value of

the face amount payable on the Trust Certificates; and (c) the Investor's Currency equivalent market value of the Trust Certificates.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Trustee or Almarai to make payments in respect of the Trust Certificates. As a result, investors may receive less profit or amount in respect of the face amount of such Trust Certificates than expected, or no such profit or face amount. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Trust Certificate may not be available at such Trust Certificate's maturity.

Interest or profit rate risks

Investment in Fixed Rate Trust Certificates involves the risk that if market interest or profit rates subsequently increase above the rate paid on the Fixed Rate Trust Certificates, this will adversely affect the value of the Fixed Rate Trust Certificates.

Reform of LIBOR and EURIBOR and other interest rate index and equity, commodity and foreign exchange rate index "benchmarks"

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other indices which are deemed "benchmarks" are the subject of recent national, international and other regulatory guidance and reform. Some of these reforms are already effective whilst others are yet to apply. These reforms may cause such "benchmarks" to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted.

In particular, the sustainability of LIBOR has been questioned by the United Kingdom Financial Conduct Authority (the "**FCA**") as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to the calculation of LIBOR. In a speech on 27 July 2017, Andrew Bailey, the Chief Executive of the FCA, announced the expectation of the FCA that LIBOR will cease to be sustained in its current form from the end of 2021 (at the latest). The FCA has statutory powers to require panel banks to contribute to LIBOR where necessary. The FCA has decided not to ask, or to require, that panel banks continue to submit contributions to LIBOR beyond the end of 2021. The FCA has indicated that it expects that the current panel banks will voluntarily sustain LIBOR until the end of 2021, although there can be no assurance that they will not cease to do so sooner. Therefore, the continuation of LIBOR in its current form (or at all) after 2021 cannot be guaranteed. In a further speech on 12 July 2018, Andrew Bailey emphasised that market participants should not rely on the continued publication of LIBOR after the end of 2021. The FCA's current intentions, as well as the reforms described above, might: (a) cause the LIBOR benchmark to disappear entirely or (as a result of a change in methodology or otherwise) perform differently than in the past, (b) create disincentives for market participants to continue to administer or contribute to the calculation of LIBOR and/or (c) have other consequences that cannot be predicted.

Key international reforms of "benchmarks" include International Organization of Securities Commissions' ("**IOSCO**") Principles for Financial Market Benchmarks (July 2013) (the "**IOSCO Benchmark Principles**") and the Benchmarks Regulation.

The IOSCO Benchmark Principles aim to create an overarching framework of principles for benchmarks to be used in financial markets, specifically covering governance and accountability as well as the quality and transparency of benchmark design and methodologies. The first review published by IOSCO in February 2015 of the status of the voluntary market adoption of the IOSCO Benchmark Principles noted that, as the benchmarks industry is in a state of change, further steps may need to be taken by IOSCO in the future, but that it is too early to determine what those steps should be. The first review noted that there has been a significant market reaction to the publication of the IOSCO Benchmark Principles, and widespread efforts being made to implement the IOSCO Benchmark Principles by the majority of administrators surveyed.

In February 2016, IOSCO published its second review of the implementation of the IOSCO Benchmark Principles by administrators of EURIBOR, LIBOR and the Tokyo Inter-Bank Offer Rate ("**TIBOR**"). The second review noted that the administrators of LIBOR, EURIBOR and TIBOR had been proactively engaged in addressing the issues raised in the first review. Nevertheless, the second review set out recommendations for

each administrator in order to strengthen the implementation of the IOSCO Benchmark Principles and proposed that relevant national authorities monitor the progress made by the three administrators in order to implement those recommendations.

The Benchmarks Regulation entered into force on 30 June 2016, the provisions of which became fully effective on 1 January 2018. The Benchmarks Regulation applies to "administrators" of, "contributors" to, and "users" of "benchmarks" in the EU. Among other things, the Benchmarks Regulation: (i) requires EU benchmark administrators to be authorised or registered by a national regulator (unless an exemption applies); (ii) provides that in order to be used by supervised entities in the EU, a non-EU benchmark must be qualified for use in the EU under the third-country regime (through equivalence, recognition or endorsement) and comply with extensive requirements in relation to the administration of the non-EU benchmark; and (iii) bans the use by "supervised entities" (including the Trustee) of: (a) EU "benchmarks" whose administrators are not authorised or registered; and (b) non-EU "benchmarks" that are not qualified for use in the EU under the third-country regime.

The scope of the Benchmarks Regulation is wide and, in addition to so-called "critical benchmarks" such as EURIBOR, could also potentially apply to many other interest rate indices, as well as equity, commodity and foreign exchange rate indices and other indices (including "proprietary" indices or strategies) which are referenced in certain financial instruments (including securities or over-the-counter ("**OTC**") derivatives traded on an EU regulated market, EU multilateral trading facility ("**MTF**"), EU organised trading facility ("**OTF**") or via a "systematic internaliser"), certain financial contracts and investment funds. Different types and categories of "benchmark" are subject to more or less stringent requirements, and in particular a lighter touch regime may apply where a "benchmark" is not based on interest rates or commodities and the value of financial instruments, financial contracts or investment funds referring to a benchmark is less than EUR50 billion, subject to further conditions.

The Benchmarks Regulation and/or any other international, national or other reforms and/or the general increased regulatory scrutiny of "benchmarks" could have a material impact on any Trust Certificates linked to a "benchmark" index, including in any of the following circumstances:

- the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements could increase, discouraging market participants from continuing to administer or participate in certain "benchmarks" and/or leading to the disappearance of certain "benchmarks". The disappearance of a "benchmark" (including, without limitation, the LIBOR benchmark) could result in such benchmark being deemed replaced (for the purposes of the Notes) with an alternative benchmark selected using the alternative methods described in Condition 7.3 (*Screen Rate Determination*), early redemption or termination, de-listing or other consequences in relation to Trust Certificates linked to such "benchmark";
- the administrator of a rate or index which is a "benchmark" could not be used as such if its administrator may not obtain authorisation/registration or is not be able to rely on one of the regimes available to non-EU benchmarks. In such event, depending on the particular "benchmark" and the applicable terms of the Trust Certificates, such benchmark may be deemed replaced (for the purposes of the Trust Certificates) with an alternative benchmark selected using the alternative methods described in Condition 7.3 (*Screen Rate Determination*), the terms and conditions of the Trust Certificates might be adjusted and may result in early redemption or termination, de-listing or other consequences in relation to Trust Certificates linked to such "benchmark"; and
- the methodology or other terms of the "benchmark" could be changed in order to comply with the terms of the Benchmarks Regulation or other reforms, and such changes could have the effect of reducing or increasing the rate or level or affecting the volatility of the published rate or level and, depending on the particular "benchmark" and the applicable terms of the Trust Certificates, could lead to adjustments to the terms of the Trust Certificates, including Independent Adviser (as defined in the Conditions) determination of the applicable rate or level in its discretion.

To the extent payments of Periodic Distribution Amounts in respect of a Tranche of Trust Certificates where Floating Periodic Distribution Provisions are applicable are linked to a specific "benchmark" that is discontinued or is no longer quoted, the applicable base rate will be determined using the alternative

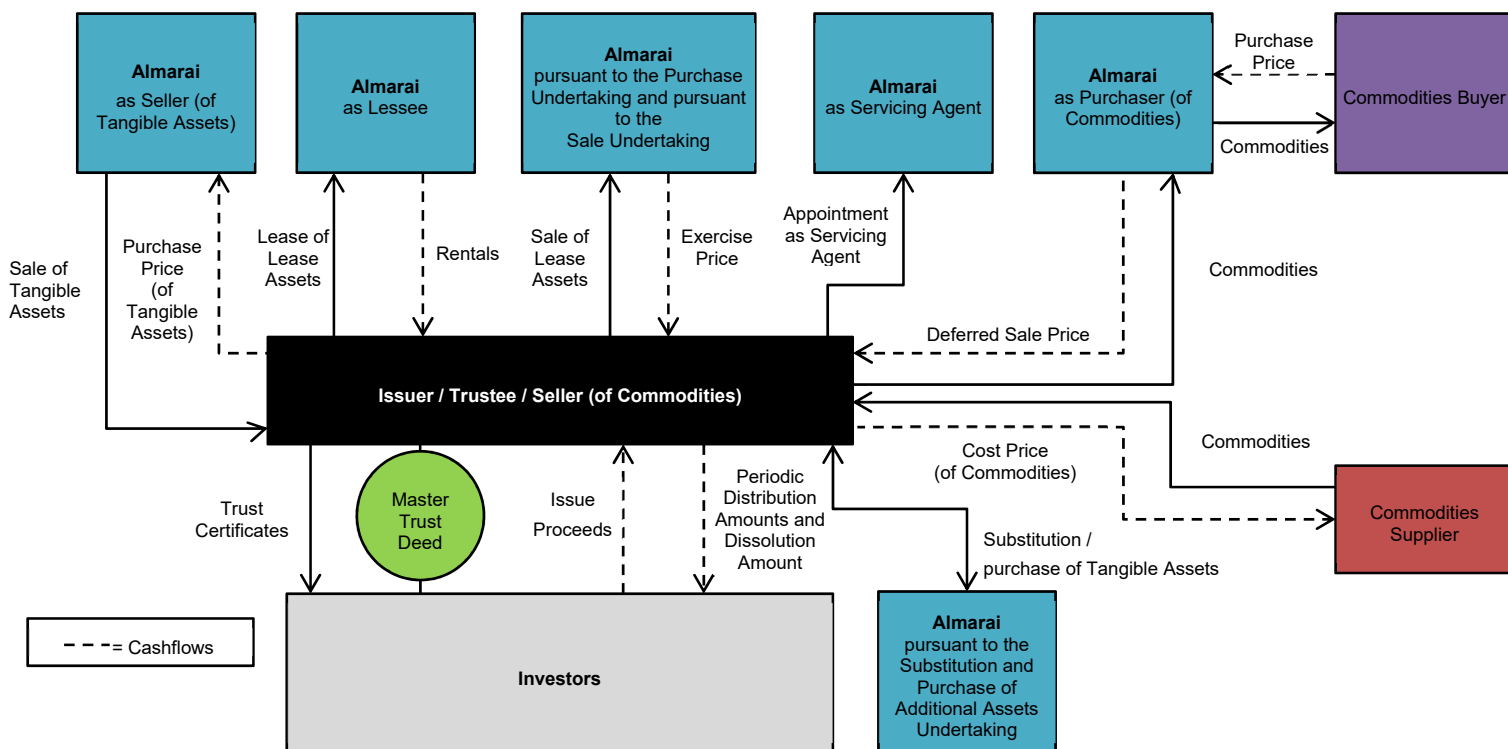
methods described in Condition 7.3 (*Screen Rate Determination*). Any of these alternative methods might result in payments of Periodic Distribution Amounts that are lower than or that do not otherwise correlate over time with the payments that would have been made on that Trust Certificate if the relevant "benchmark" were available in its current form. Further, the same costs and risks that might lead to the discontinuation or unavailability of a "benchmark" might make one or more of the alternative methods impossible or impracticable to determine. Under most of the base rates described herein, the ultimate alternative method described in Condition 7.3 (*Screen Rate Determination*) sets the Rate for the relevant Return Accumulation Period at the same Rate as the immediately preceding Return Accumulation Period. As a result, the affected Trust Certificates will effectively become fixed rate Trust Certificates for the relevant Return Accumulation Period. In addition, due to the uncertainty concerning the availability of Alternative Benchmark Rates (as defined in the Conditions) and the involvement of an Independent Adviser, there is a risk that the alternative methods described in Condition 7.3 (*Screen Rate Determination*) may not operate as intended at the relevant time.

Any of the above consequences could have a material adverse effect on the value of and return on any such Trust Certificates.

STRUCTURE DIAGRAM AND CASH FLOWS

Set out below is a simplified structure diagram and description of the principal cash flows underlying each Tranche issued. Potential investors are referred to the terms and conditions of the Trust Certificates and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Base Prospectus for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below.

Structure Diagram



Principal cash flows

Purchase of the Tangible Assets and entry into Murabaha Transactions

On the Issue Date of each Tranche, the relevant Certificateholders will pay the issue price in respect of the issue of Trust Certificates to the Trustee and the Trustee will use the issuance proceeds of the relevant Tranche (the "**Issue Proceeds**") in the manner described below.

In relation to the first Tranche to be issued under a Series, the Trustee will apply the Issue Proceeds of that Tranche as follows:

- (a) pursuant to the terms of the Master Purchase Agreement and the relevant Supplemental Purchase Agreement, to use the requisite portion of the Issue Proceeds to pay the amount specified in the applicable Final Terms as the purchase price (the "**Purchase Price**") for the relevant tangible assets (the "**Tangible Assets**") (being an amount equal to the relevant Issue Proceeds less the Cost Price (as defined below) (if any)) to Almarai (in its capacity as seller) as consideration for the purchase by the Trustee of the Tangible Assets (as may be substituted or added to from time to time pursuant to the Substitution and Purchase of Additional Assets Undertaking), *provided that* the Value of the Tangible Assets as at the relevant Issue Date is no less than 34 per cent. of the aggregate face amount of the relevant Tranche. Each such Tangible Asset shall immediately be leased (each a "**Lease Asset**") by the Trustee (in such capacity, the "**Lessor**") to Almarai (in such capacity, the "**Lessee**") in return for periodic rental payments to the Trustee ("**Rental**") pursuant to the Master Lease Agreement, as supplemented by the relevant Supplemental Lease Agreement (together with the Master Lease Agreement, the "**Lease Agreement**"). The term of such lease will equal the tenor of the Trust Certificates of the relevant Series

and the amount of each such Rental will (after satisfaction of certain prior ranking expenses (as further described below)) be equal to the Periodic Distribution Amount payable for the corresponding period under the Trust Certificates which the Trustee will pay the Certificateholders on each Periodic Distribution Date; and

- (b) pursuant to the terms of the Master Murabaha Agreement:
 - (i) to use the remainder of the Issue Proceeds (if any) (in the Trustee's capacity as seller) (being an amount that is (A) no more than 66 per cent. of the aggregate face amount of the relevant Tranche and (B) equal to the Issue Proceeds of the relevant Tranche *less* the Purchase Price of the Tangible Assets as at the relevant Issue Date) to purchase commodities ("**Commodities**") (at the cost price (if any) specified in the applicable Final Terms (the "**Cost Price**") to be sold to Almarai (in its capacity as purchaser) for an amount to be paid on a deferred payment basis (the "**Deferred Sale Price**") (each a "**Murabaha Transaction**"). Upon purchasing Commodities from the Trustee, Almarai shall be entitled to on-sell such Commodities directly to another purchaser *provided that* such other purchaser is not the same person from which the relevant Commodities were originally purchased by the Trustee pursuant to the relevant Murabaha Transaction; and
 - (ii) the Deferred Sale Price in respect of each Murabaha Transaction will comprise the Cost Price of the relevant Commodities and a profit mark-up being at least 1 per cent. of the relevant Cost Price (the "**Murabaha Profit**"). Subject to the immediately following sentence, each Deferred Sale Price shall, to the extent not previously paid in full, be payable in full upon maturity of the relevant Murabaha Transaction, which date will coincide with the redemption of the Trust Certificates on the relevant Maturity Date or, if earlier, other final Dissolution Date. Any Murabaha Profit shall be payable in instalments prior to each Periodic Distribution Date as described in the Master Murabaha Agreement.

In relation to each other Tranche of Trust Certificates (such additional Trust Certificates, the "**Additional Trust Certificates**") to be issued under a Series, the Trustee will apply the Issue Proceeds of any such Additional Trust Certificates as follows:

- (a) pursuant to the Substitution and Purchase of Additional Assets Undertaking and the relevant sale agreement:
 - (i) to use the requisite portion of the Issue Proceeds to pay the amounts specified in the applicable Final Terms as the purchase price (the "**Additional Purchase Price**") for the relevant additional tangible assets (the "**Additional Tangible Assets**") (being an amount equal to the relevant Issue Proceeds less the Cost Price (if any)) to Almarai (in its capacity as seller) as consideration for the purchase by the Trustee of the Additional Tangible Assets, *provided that* the Value of the Additional Tangible Assets as at the relevant Issue Date is no less than 34 per cent. of the aggregate face amount of the relevant Tranche; and
 - (ii) upon issue of the Additional Trust Certificates, the Trustee and Almarai will execute a Supplemental Lease Agreement for the Series pursuant to which the Additional Tangible Assets, together with the Tangible Assets and any other Additional Tangible Assets relating to the Series (collectively, the "**Tangible Asset Portfolio**") will constitute the new Lease Assets and be leased by the Trustee (acting in its capacity as Lessor) to Almarai (acting in its capacity as Lessee). The Supplemental Lease Agreement for the Series, together with the Master Lease Agreement, will constitute a new Lease Agreement; and
- (b) to use the remainder of the Issue Proceeds (if any) (in the Trustee's capacity as seller) as the Cost Price (being an amount that is (i) no more than 66 per cent. of the aggregate face amount of the relevant Tranche and (ii) equal to the Issue Proceeds of the relevant Tranche *less* the Additional Purchase Price of the Additional Tangible Assets as at the relevant Issue Date) to be used to enter into a Murabaha Transaction with Almarai (in its capacity as purchaser) on a deferred payment basis for the relevant Deferred Sale Price.

On the date upon which any sale agreement is entered into in connection with the creation and issuance of Additional Trust Certificates as described above (being the relevant Issue Date for that Tranche of Trust Certificates), the Trustee and Almarai will execute a Declaration of Commingling of Assets for and on behalf of the holders of the existing Trust Certificates and the holders of such Additional Trust Certificates so created and issued, declaring that the relevant Additional Tangible Assets and the Lease Assets in respect of the relevant Series in existence immediately prior to the creation and issue of the Additional Trust Certificates, together with each Murabaha Transaction (if any) relating to the relevant Series and all other rights arising under or with respect to the relevant Tangible Asset Portfolio and Murabaha Transactions (including the right to receive payment of the Deferred Sale Prices and any other amounts or distributions due in connection with the relevant Tangible Asset Portfolio), are commingled and shall collectively comprise the Asset Portfolio in respect of the relevant Series and part of the Trust Assets for the benefit of the holders of the existing Trust Certificates and the holders of such Additional Trust Certificates as beneficiaries *pro rata* according to the face amount of Trust Certificates held by each Certificateholder, in accordance with the Master Trust Deed. For the avoidance of doubt, an Asset Portfolio for a relevant Series of Trust Certificates may comprise solely Tangible Assets, without any Issue Proceeds being applied towards any Murabaha Transaction.

In respect of any asset, "**Value**" means, at any time: (i) in respect of any Tangible Asset, the replacement value thereof as determined by Almarai at such time; and (ii) in respect of any Murabaha Transaction, the Deferred Sale Price thereof.

Collection Accounts and Reserve Account

In respect of each Series, pursuant to the Servicing Agency Agreement, the Trustee will appoint Almarai as its servicing agent (the "**Servicing Agent**") for so long as any Trust Certificates are outstanding to, pursuant to the Servicing Agency Agreement and the servicing plan contained therein, on behalf of the Trustee:

- (a) service and manage the relevant Asset Portfolio, in particular, to carry out certain of its obligations under the relevant Lease Agreement, namely the obligation to undertake any major maintenance, insurance and payment of taxes in connection with the Lease Assets; and
- (b) to collect revenues generated under or in respect of the Asset Portfolio (including all Rental) on behalf of the Trustee.

The Trustee will reimburse Almarai for any expenses ("**Services Charge Amounts**") incurred by it in undertaking these duties.

In relation to each Series, the Servicing Agent will maintain three ledger accounts (such accounts being the "**Principal Collection Account**", the "**Income Collection Account**" (together, the "**Collection Accounts**") and the "**Reserve Account**", each of which shall be denominated in the Specified Currency (as set out in the applicable Final Terms) in which all monies collected and received by the Servicing Agent in respect of the Asset Portfolio of each Series ("**Asset Portfolio Revenues**") will be recorded. All Asset Portfolio Revenues in relation to each Series will be recorded:

- (a) to the extent that any such amounts comprise amounts in the nature of sale, capital or principal payments (including any applicable Exercise Price payable under the Purchase Undertaking or Sale Undertaking and the Cost Price components of all Deferred Sale Prices payable under the relevant Murabaha Transaction(s)) ("**Asset Portfolio Principal Revenues**"), in the Principal Collection Account;
- (b) to the extent that any such amounts comprise any other amounts (including all Rental payable under the relevant Lease Agreement and the Murabaha Profit components of all applicable Deferred Sale Prices payable under the relevant Murabaha Transaction(s)) ("**Asset Portfolio Income Revenues**"), in the Income Collection Account; and
- (c) to the extent that any such amounts remain after all amounts of Asset Portfolio Income Revenues have been paid to the Trustee in accordance with sub-paragraph (b) above, in the Reserve Account.

Amounts standing to the credit of the Income Collection Account (i.e., the Asset Portfolio Income Revenues) relating to each Series will be applied by the Servicing Agent on each "**Income Revenues Payment Date**"

(being the Business Day immediately prior to the relevant Periodic Distribution Date under the Trust Certificates of the relevant Series) in the following order of priority:

- (a) *first*, in repayment of any outstanding amounts advanced by way of a Liquidity Facility (as defined below) which have not been paid (such outstanding amounts, the "**Liquidity Facility Amount**");
- (b) *second*, in payment of any outstanding Services Charge Amounts which have not been paid;
- (c) *third*, the Servicing Agent shall procure the payment into the Transaction Account of an amount equal to the lesser of:
 - (i) the Required Amount (as defined in the Conditions) payable by the Trustee in respect of the relevant Trust Certificates on the immediately following Periodic Distribution Date, *less* any amounts standing to the credit of the Transaction Account on such Income Revenues Payment Date; and
 - (ii) the balance of the Income Collection Account; and
- (d) *fourth*, any amounts standing to the credit of the Income Collection Account immediately following payment of all of the above amounts shall be debited from the Income Collection Account and credited to the Reserve Account.

The Servicing Agent will be entitled under the Servicing Agency Agreement to deduct amounts standing to the credit of the Reserve Account at any time and use such amounts for its own account, provided that such amounts shall be repaid by it if so required to fund a Shortfall or as required following the occurrence of a Total Loss Event (where the relevant Total Loss Assets are not replaced with Replacement Assets on or before the 30th day after the occurrence of the Total Loss Event pursuant to the terms of the Service Agency Agreement).

On each Income Revenues Payment Date, if there is a shortfall between:

- (a) the amounts standing to the credit of the Transaction Account (at such time after the application of funds pursuant to sub-paragraph (c) above); and
- (b) the Required Amount payable by the Trustee in respect of the relevant Trust Certificates on the immediately following Periodic Distribution Date,

(a "**Shortfall**"), the Servicing Agent shall first apply the amounts standing to the credit of the relevant Reserve Account (if any) towards payment of such Shortfall by transferring into the relevant Transaction Account from the Reserve Account on that Income Revenues Payment Date (or procuring such transfer of) an amount equal to the Shortfall (or such lesser amount as is then standing to the credit of the Reserve Account). If, having so applied such amounts standing to the credit of the relevant Reserve Account (if any) on the relevant Income Revenues Payment Date, any part of the Shortfall remains, the Servicing Agent may then either:

- (i) provide *Shari'a*-compliant funding to the Trustee itself; or
- (ii) procure *Shari'a*-compliant funding from a third party to be paid to the Trustee,

in each case in the amount required (and not exceeding such amount required) to ensure that there is no Shortfall, on terms that such funding is repayable from Asset Portfolio Income Revenues and/or Asset Portfolio Principal Revenues on the Maturity Date or relevant Dissolution Date (as applicable) of the Trust Certificates of the relevant Series (each a "**Liquidity Facility**").

In respect of the Asset Portfolio Principal Revenues of a Series, on the Maturity Date or the relevant Dissolution Date (as applicable), any Asset Portfolio Principal Revenues credited to the Principal Collection Account will be applied by the Servicing Agent by procuring the payment into the Transaction Account of an amount equal to the lesser of:

- (a) the Required Amount payable on such Maturity Date or Dissolution Date (as applicable), *less* any amounts standing to the credit of the Transaction Account on such Maturity Date or Dissolution Date; and

(b) the balance of the Principal Collection Account,
for payment by the Trustee *pari passu* to the Certificateholders in settlement of the relevant Dissolution Amount.

Following payment of all amounts due and payable under the Trust Certificates of each Series on the Maturity Date or the relevant Dissolution Date (as applicable), the Servicing Agent shall be entitled to retain any amounts that remain standing to the credit of the Collection Accounts and the Reserve Account for its own account as an incentive payment for acting as Servicing Agent.

Redemption of the Trust Certificates

At maturity of the relevant Series of Trust Certificates or upon any earlier date for redemption or repayment of all or some (as the case may be) of the Trust Certificates:

(a) pursuant to the Purchase Undertaking or, as applicable, the Sale Undertaking, the Trustee will sell, and Almarai will buy, all or part of (as the case may be) the Lease Assets at an Exercise Price which will be equal to:

(i) the aggregate of:

- (A) the aggregate face amount of the Trust Certificates being redeemed; *plus*
- (B) all accrued but unpaid Periodic Distribution Amounts (if any) owing to the Certificateholders in respect of such Trust Certificates; *plus*
- (C) (only where the relevant Trust Certificates are to be redeemed in full) an amount equal to any outstanding Services Charge Amount (to the extent not already paid as part of any Rental payment made in accordance with the Master Lease Agreement and the relevant Supplemental Lease Agreement) and Liquidity Facility Amount; *plus*
- (D) any other amounts payable on redemption of the relevant Trust Certificates as specified in the applicable Final Terms,

less

(i) where one or more Murabaha Transactions form part of the Asset Portfolio of such Series, an amount equal to the Relevant Percentage of the Total Deferred Sale Price of such Series; and

(b) pursuant to the Master Murabaha Agreement, the *pro rata* portion of the Deferred Sale Price(s) of the relevant Series corresponding *pro rata* to the Trust Certificates being redeemed shall be paid to the Trustee.

In respect of the above:

"Relevant Percentage" means, with respect to each Series of Trust Certificates and the corresponding Murabaha Transactions (if any), the percentage calculated as follows:

$$\frac{P}{C} \times 100$$

where P = the aggregate face amount of the relevant Trust Certificates being redeemed; and

C = the Aggregate Face Amount of the relevant Series of Trust Certificates; and

"Total Deferred Sale Price" means, from time to time and at any time, in respect of a Series of Trust Certificates and the corresponding Murabaha Transactions (if any), the aggregate amount of the applicable Deferred Sale Price(s) under all Murabaha Transactions (if any) of such Series.

The Trustee will use the Exercise Price and any applicable Deferred Sale Price(s) received to pay the Dissolution Amount and all accrued but unpaid Periodic Distribution Amounts to the holders of such Trust Certificates.

Substitution of Lease Assets

In relation to each Series, the Trustee has also granted Almarai the right to require the Trustee to sell any or all of the relevant Lease Assets (the "**Substituted Tangible Assets**") to it in exchange for new assets of a Value which is equal to or greater than the Value of the Substituted Tangible Assets. Such right has been granted by the Trustee to Almarai pursuant to the Substitution and Purchase of Additional Assets Undertaking, to be supplemented at the time of each such substitution by a sale agreement substantially in the form annexed to the Substitution and Purchase of Additional Assets Undertaking and containing the specific terms applicable to the relevant substitution.

FORM OF THE TRUST CERTIFICATES

The Trust Certificates of each Tranche will be in registered form. Trust Certificates will be offered and sold outside the United States to persons who are not U.S. persons (as defined in Regulation S) in reliance on Regulation S of the Securities Act.

Each Tranche will initially be represented by a global trust certificate in registered form (a "**Global Trust Certificate**"). Each Global Trust Certificate will represent undivided ownership interests in the relevant Trust Assets. Global Trust Certificates will be deposited with a common depository for Euroclear and Clearstream, Luxembourg and will be registered in the name of a nominee for the common depository. Persons holding ownership interests in Global Trust Certificates will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Trust Certificates in fully registered form.

Payments of any amount in respect of each Global Trust Certificate will, in the absence of provision to the contrary, be made to the person shown on the relevant Register (as defined in Condition 1.2) as the registered holder of the relevant Global Trust Certificate. None of the Trustee, Almarai, the Delegate, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Trust Certificates or for maintaining, supervising or reviewing any records relating to such ownership interests.

Payment of any amounts in respect of Trust Certificates in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the relevant Register on the relevant Record Date (as defined in Condition 8.1) in the manner provided in the Conditions.

Payments of the applicable Dissolution Amount, Periodic Distribution Amounts or any other amount in respect of the Global Trust Certificate will be made to the persons shown on the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Trust Certificate is being held is open for business.

Interests in a Global Trust Certificate will be exchangeable (free of charge), in whole but not in part, for definitive Trust Certificates only upon the occurrence of an Exchange Event. The Trustee will promptly give notice to Certificateholders in accordance with Condition 16 if an Exchange Event occurs. For these purposes, "**Exchange Event**" means that (i) a Dissolution Event (as defined in Condition 13) has occurred and is continuing or (ii) the Trustee has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Global Trust Certificate) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (ii) above, the Delegate may also give notice to the Registrar requesting exchange.

In such circumstances, the relevant Global Trust Certificate shall be exchanged in full for Definitive Trust Certificates (as defined in the Master Trust Deed) and the Trustee will, at the cost of the Trustee (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Trust Certificates to be executed and delivered to the Registrar within 15 days following the request for exchange for completion and dispatch to the relevant Certificateholders. A person having an interest in a Global Trust Certificate must provide the Registrar with a written order containing instructions and such other information as the Trustee and the Registrar may require to complete, execute and deliver such Definitive Trust Certificates.

For so long as any of the Trust Certificates is represented by a Global Trust Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular face amount of such Trust Certificates (in which regard any certificate or other document issued by

Euroclear or Clearstream, Luxembourg as to the face amount of such Trust Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Trustee, the Delegate and their respective agents as the holder of such face amount of such Trust Certificates for all purposes other than with respect to any payment on such face amount of such Trust Certificates, for which purpose the registered holder of the relevant Global Trust Certificate shall be treated by the Trustee, the Delegate and their respective agents as the holder of such face amount of such Trust Certificates in accordance with and subject to the terms of the relevant Global Trust Certificate and the expressions "**Certificateholder**" and "**holder of Trust Certificates**" and related expressions shall be construed accordingly.

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Trust Certificates*"), the Principal Paying Agent shall arrange that, where a further Tranche is issued which is intended to form a single Series with an existing Tranche at a point after the Issue Date of the further Tranche, the Trust Certificates of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Trust Certificates of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

The Trustee and Almarai may agree with any Dealer and the Delegate that Trust Certificates may be issued in a form not contemplated by the Conditions herein, in which event a supplemental Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Trust Certificates.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche issued under the Programme.

[MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Trust Certificates has led to the conclusion that: (i) the target market for the Trust Certificates is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU, as amended ("**MiFID II**"); and (ii) all channels for distribution of the Trust Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Trust Certificates (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Trust Certificates (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]¹

[Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the "**CMP Regulations 2018**"), each of the Trustee and Almarai has determined the classification of the Trust Certificates as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the Singapore Monetary Authority (the "**MAS**") Notice SFA 04-N12: Notice on the Sale of Investment Products and the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]²

[Date]

Almarai Sukuk Ltd.

Legal Entity Identifier (LEI): 549300R2WJK99D0C8819

Issue of [Aggregate Face Amount of Tranche] [Title of Trust Certificates]

under the

U.S.\$2,000,000,000

Trust Certificate Issuance Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 18 February 2019 [and the supplement[s] to the Base Prospectus dated [•] [and [•]]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC, as amended or superseded (the "**Prospectus Directive**") (the "**Base Prospectus**"). This document constitutes the Final Terms of the Trust Certificates described herein [for the purposes of Article 5.4 of the Prospectus Directive]³ and must be read in conjunction with the Base Prospectus. Full information on the Trustee, Almarai and the offer of the Trust Certificates is only available on the basis of a combination of these Final Terms and the Base Prospectus. The Base Prospectus [and these Final Terms]⁴ [is/are] available for viewing on the website of the Central Bank of Ireland (www.centralbank.ie) and during normal business hours at the registered office of the Trustee at Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands and at the registered office of Almarai at Exit 7 Northern Ringroad, Izdihar District, P.O. Box 8524 Riyadh 11492, Kingdom of Saudi Arabia.

[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]

¹ Include where one/more of the Managers considers themselves a manufacturer for MiFID II purposes.

² Legend to be included on front of the Final Terms if the Trust Certificates are being sold into Singapore.

³ To be included only if the Trust Certificates are to be admitted to listing on the official list, and to trading on the regulated market, of Euronext Dublin or other regulated market for the purposes of the Prospectus Directive.

⁴ To be included only if the Trust Certificates are to be admitted to listing on the official list, and to trading on the regulated market, of Euronext Dublin or other regulated market for the purposes of the Prospectus Directive.

[If the Trust Certificates have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1. Trustee, Purchaser (under the Master Purchase Agreement), Lessor and Seller (under the Master Murabaha Agreement): Almarai Sukuk Ltd.
2. Seller (under the Master Purchase Agreement), Lessee, Servicing Agent, Obligor and Purchaser (under the Master Murabaha Agreement): Almarai Company ("**Almarai**")
3. (a) Series Number: [•]
 (b) Tranche Number: [•]
 (c) Date on which the Trust Certificates will be consolidated and form a single Series [The Trust Certificates will be consolidated and form a single Series with [identify earlier Tranche(s)] on the [Issue Date/the date that is 40 days after the Issue Date]/[Not Applicable]
4. Specified Currency: [•]
5. Aggregate Face Amount of:
 - (a) Series: [•]
 - (b) Tranche: [•]
6. Issue Price: [100] per cent. of the Aggregate Face Amount [plus accrued Periodic Distribution Amounts from [insert date] (if applicable)]
7. (a) Specified Denominations: [•]
(this means the minimum integral face amount in which transfers can be made) *(N.B. If an issue of Trust Certificates is (i) NOT admitted to trading on a European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive, the €100,000 minimum denomination is not required.)*
 (b) Calculation Amount: *(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
8. (a) Issue Date: [•]
 (b) Return Accrual Commencement Date: [•]/[Issue Date]/[Not Applicable]
9. Maturity Date: [Specify date or (for Floating Periodic Distribution Trust Certificates) Periodic Distribution Date falling in or nearest to the relevant month and year.]
10. Periodic Distribution Amount Basis: [[•] per cent. Fixed Periodic Distribution Amount] [specify reference rate] +/- [•] per cent. per annum

- Floating Periodic Distribution Amount] (*further particulars specified in paragraph [14][15] below*)
11. Dissolution Basis: Subject to any purchase and cancellation or early redemption, the Trust Certificates will be redeemed at 100 per cent. of their aggregate face amount
12. Put/Call Options: [Not Applicable]
[Certificateholder Put Right]
[Optional Dissolution (Call)]
[further particulars specified in paragraph [16][17][18] below]
13. (a) Status: Unsubordinated
- (a) [Date [Board] approval for issuance of Trust Certificates [and entry into the related Transaction Documents] obtained: [•] [and [•], respectively]]
(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Trust Certificates or related Transaction Documents)

PROVISIONS RELATING TO PERIODIC DISTRIBUTIONS PAYABLE

14. Fixed Periodic Distribution Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate[(s)]: [•] per cent. per annum [payable [annually/ semi-annually/quarterly/monthly] in arrear]
- (b) Periodic Distribution Date(s): [[•] in each year up to and including the Maturity Date]
(NB: This will need to be amended in the case of long or short return accumulation periods)
- (c) Fixed Amount(s): [•] per Calculation Amount
- (d) Broken Amount(s): [[•] per Calculation Amount, payable on the Periodic Distribution Date falling [in/on] [•]][Not Applicable]
(Insert particulars of any initial or final broken Periodic Distribution Amounts which do not correspond with the Fixed Amount(s) specified under paragraph 14(c))
- (e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (f) Determination Date(s): [[•] in each year] [Not Applicable]
(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular Periodic Distribution Dates, ignoring issue date or maturity date in the case of Periodic Distribution Dates which are not in respect of periods of equal duration)
15. Floating Periodic Distribution Provisions: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Specified Period(s)/Specified Periodic Distribution Dates: [•] [, [in each case] subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
- (Specified Period and Specified Periodic Distribution Dates are alternatives. If the Business Day Convention is the Floating Rate Convention, insert "Not Applicable")*
- (b) Business Day Convention: [Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention]
[Not Applicable]
- (c) Additional Business Centre(s): [Not Applicable/give details]
- (d) Manner in which the Rate(s) is/are to be determined: Screen Rate Determination (Condition 7.3 applies)
- (i) Reference Rate: [•] month [LIBOR/EURIBOR/SAIBOR/CHF LIBOR/JPY LIBOR/GBP LIBOR/USD LIBOR/EUR LIBOR]
- (ii) Periodic Distribution Determination Date: [•]
- (Second London business day prior to the start of each Return Accumulation Period if LIBOR (other than GBP LIBOR or EUR LIBOR), first day of each Return Accumulation Period if GBP LIBOR and the second day on which the TARGET2 System is open prior to the start of each Return Accumulation Period if EURIBOR or EUR LIBOR and second Riyadh business day prior to the start of each Return Accumulation Period if SAIBOR)*
- (iii) Relevant Screen Page: [•]
- (In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fall-back provisions appropriately or, in the case of SAIBOR, if not Reuters SAIBOR, ensure it is a page which shows a composite rate.)*
- (e) Linear Interpolation: [Not Applicable/Applicable – the Rate for the [long/short] [first/last] Return Accumulation Period shall be calculated using Linear Interpolation (*specify for each short or long return accumulation period*)]
- (f) Margin: [+/-][•] per cent. per annum
- (g) Minimum Profit Rate: [[•] per cent. per annum][Not Applicable]
- (h) Maximum Profit Rate: [[•] per cent. per annum][Not Applicable]

- (i) Day Count Fraction: [[Actual/Actual (ISDA)][Actual/Actual]
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360
30E/360
30E/360 (ISDA)]
- (j) Calculation Agent: [Principal Paying Agent]/[•]

PROVISIONS RELATING TO DISSOLUTION

16. Optional Dissolution (Call): [Applicable/Not Applicable] *(If not applicable, delete the remaining sub paragraphs of this paragraph)*
- (a) Optional Dissolution Amount: [Final Dissolution Amount] [[•] per Calculation Amount]
- (b) Optional Dissolution Date: [Any Periodic Distribution Date]/ [•]
- (c) If dissolution in part:
- (i) Minimum Optional [•]
Dissolution Amount:
- (ii) Maximum Optional [•]
Dissolution Amount:
- (d) Notice periods: Minimum period: [15] days
Maximum period: [30] days
- (N.B. When setting notice periods, the Trustee is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Trustee and/or Almarai and the Principal Paying Agent or the Delegate)*
17. Certificateholder Put Right: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Certificateholder Put Right Date(s): [•]
- (b) Optional Dissolution Amount: [•] per Calculation Amount
- (c) Notice periods: Minimum period: [15] days
Maximum period: [30] days
- (N.B. When setting notice periods, the Trustee is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put)*

and custodians, as well as any other notice requirements which may apply, for example, as between the Trustee and/or Almarai and the Principal Paying Agent or Delegate)

18. Dissolution following a Tax Event:

(a) Notice periods: Minimum period: [30] days

Maximum period: [60] days

(N.B. When setting notice periods, the Trustee is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Trustee and/or Almarai and the Principal Paying Agent or Delegate)

(b) Tax Dissolution Amount [•] per Calculation Amount

19. Final Dissolution Amount: [•] per Calculation Amount]

20. Dissolution Amount pursuant to Condition 13: [•] per Calculation Amount]

GENERAL PROVISIONS APPLICABLE TO THE TRUST CERTIFICATES

21. Form of Trust Certificates: Global Trust Certificate exchangeable for Trust Certificates in definitive registered form in the limited circumstances specified in the Global Trust Certificate

22. Additional Financial Centre(s): [Not Applicable/give details]

(Note that this paragraph relates to the date of payment and not Return Accumulation Period end dates, to which sub-paragraph 15(c) relates)

PROVISIONS IN RESPECT OF THE TRUST ASSETS

23. Purchase Price of Tangible Assets: [•]

24. Cost Price of Commodities: [•] [Not Applicable]

25. Lease Assets on the Issue Date: As scheduled to the Supplemental Lease Agreement specified below

26. Rental Rate: [•]

27. Trust Assets: Condition 4.1 applies

28. Transaction Account: Almarai Sukuk Ltd. Transaction Account No: [•] with [•] for Series No.: [1/2/3 etc.]

29. Other Transaction Document Information:

(a) Supplemental Trust Deed: Supplemental Trust Deed dated [•] between the Trustee, Almarai and the Delegate

- (b) Supplemental Purchase Agreement: Supplemental Purchase Agreement dated [•] between Almarai Sukuk Ltd. (in its capacity as Purchaser)[, [*insert name of seller entity if not Almarai*]] and Almarai
- (c) Supplemental Lease Agreement: Supplemental Lease Agreement dated [•] between the Lessor, the Lessee and the Delegate
- (d) Master Murabaha Agreement: Master Murabaha Agreement dated [•] between the Trustee, Almarai and the Delegate
- (e) Declaration of Commingling of Assets: [Declaration of Commingling of Assets dated [•] executed by the Trustee and Almarai] [Not Applicable]

(N.B. This will only be executed upon the issuance of Additional Trust Certificates pursuant to Condition 19)

Signed on behalf of
Almarai Sukuk Ltd.

By:
Duly authorised

Signed on behalf of
Almarai Company

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (a) Listing and admission to trading: [Application has been made by the Trustee (or on its behalf) for the Trust Certificates to be admitted to the Official List and trading on the Regulated Market with effect from [•].]
- [Application is expected to be made by the Trustee (or on its behalf) for the Trust Certificates to be admitted to the Official List and trading on the Regulated Market with effect from [•].]
- (where documenting a fungible issue indicate that original Trust Certificates are already admitted to trading)*
- [Not Applicable]
- (b) Estimate of total expenses related to admission to trading: [•]

2. [RATINGS]

- Ratings: [The Trust Certificates to be issued [[have been]/[are expected to be]] rated *[insert details]* by *[insert the legal name of the relevant credit rating agency entity(ies)]*.]
- (The above disclosure should reflect the rating allocated to Trust Certificates of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*
- [[*Insert the legal name of the relevant credit rating agency entity*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended).]
- [[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended).]
- [[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). The ratings [[have been]/[are expected to be]] endorsed by *[insert the legal name of the relevant EU-registered credit rating agency entity]*
- in accordance with the CRA Regulation. [*Insert the legal name of the relevant EU-registered credit rating agency entity*] is established in the European Union and registered under the CRA Regulation.]

[[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"), but it [is]/[has applied to be] certified in accordance with the CRA Regulation.]

[[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). However, the application for registration under the CRA Regulation of [insert the legal name of the relevant EU credit rating agency entity that applied for registration], which is established in the European Union, disclosed the intention to endorse credit ratings of [insert the legal name of the relevant non-EU credit rating agency entity].]

[Not Applicable]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Trustee and Almarai are aware, no person involved in the issue of the Trust Certificates has an interest material to the offer. The [Manager/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for the Trustee or Almarai or their affiliates in the ordinary course of business for which they may receive fees – *Amend as appropriate if there are other interests.*]

4. [PROFIT OR RETURN (*Fixed Periodic Distribution Trust Certificates only*)

Indication of profit or return: [•]

The profit or return is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future profit or return.]

5. HISTORIC RATES (*Floating Rate Distribution Trust Certificates only*)

Details of historic [LIBOR/EURIBOR/SAIBOR/CHF LIBOR/JPY LIBOR/GBP LIBOR/USD LIBOR/EUR LIBOR] rates can be obtained from [Reuters].

6. OPERATIONAL INFORMATION

(a) ISIN Code: [•]

(b) Common Code: [•]

(c) CFI: [•]

(d) FISN: [•]

(e) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

- (f) Delivery: Delivery [against/free of] payment
- (g) Names and addresses of additional Paying Agent(s) (if any): [•]

7. DISTRIBUTION

- (a) Method of distribution: [Syndicated/Non-syndicated]
- (b) If syndicated, names of Managers: [Not Applicable/*give names*]
- (c) Stabilising Manager(s) (if any): [Not Applicable/*give name*]
- (d) If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
- (e) U.S. Selling Restrictions: Regulation S, Category 2

TERMS AND CONDITIONS OF THE TRUST CERTIFICATES

The following is the text of the Terms and Conditions of the Trust Certificates which (subject to modification and except for the text in italics) will be endorsed on each Trust Certificate in definitive form issued under the Programme and will apply to each Global Trust Certificate.

Almarai Sukuk Ltd. (in its capacity as issuer, the "**Issuer**", and, in its capacity as trustee, the "**Trustee**") has established a programme (the "**Programme**") for the issuance of up to U.S.\$2,000,000,000 in aggregate face amount of trust certificates. In these terms and conditions (the "**Conditions**"), references to "**Trust Certificates**" shall be references to the trust certificates of this Series (as defined below) and references to the "**applicable Final Terms**" are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Trust Certificate.

As used herein, "**Tranche**" means Trust Certificates which are identical in all respects (including as to listing and admission to trading), "**Issue Date**" means the issue date of a Tranche of Trust Certificates as specified in the applicable Final Terms and "**Series**" means a Tranche of Trust Certificates together with any further Tranche or Tranches of Trust Certificates which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for their respective Issue Dates, the amount and date of the first payment of Periodic Distribution Amounts (as defined below) thereon and the date from which Periodic Distribution Amounts start to accrue. Additionally, "**Aggregate Face Amount**" means, in respect of a Series or Tranche (as applicable) of Trust Certificates, the amount specified as such in the applicable Final Terms.

Each of the Trust Certificates will represent an undivided ownership interest in the Trust Assets (as defined in Condition 4.1) which are held by the Trustee on trust (the "**Trust**") for, *inter alia*, the benefit of the registered holders of the Trust Certificates pursuant to (i) a Master Trust Deed (the "**Master Trust Deed**") dated 18 February 2019 and made between the Trustee, Almarai Company (acting in any capacity, "**Almarai**") and HSBC Corporate Trustee Company (UK) Limited (the "**Delegate**") and (ii) a supplemental trust deed (the "**Supplemental Trust Deed**" and, together with the Master Trust Deed, the "**Trust Deed**") having the details set out in the applicable Final Terms.

Payments relating to the Trust Certificates will be made pursuant to an agency agreement dated 18 February 2019 (the "**Agency Agreement**") made between the Trustee, the Delegate, Almarai, HSBC Bank plc in its capacities as principal paying agent (in such capacity, the "**Principal Paying Agent**", which expression shall include any successor and, together with any other paying agents appointed, the "**Paying Agents**", which expression shall include any successors) and calculation agent (in such capacity, the "**Calculation Agent**", which expression shall include any successor) and HSBC Bank plc in its capacities as registrar (in such capacity, the "**Registrar**", which expression shall include any successor) and as transfer agent (in such capacity and together with the Registrar, the "**Transfer Agents**", which expression shall include any successors). The Paying Agents, the Calculation Agent, the Transfer Agents and the Registrar are together referred to in these Conditions as the "**Agents**".

Words and expressions defined in the Trust Deed and the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and *provided that*, in the event of inconsistency between any such document and the applicable Final Terms, the applicable Final Terms will prevail. In addition, in these Conditions:

- (a) any reference to face amount shall be deemed to include the relevant Dissolution Amount (as defined in Condition 8.1), any additional amounts (other than relating to Periodic Distribution Amounts (as defined in Condition 6.2)) which may be payable under Condition 11, and any other amount in the nature of face amounts payable pursuant to these Conditions;
- (b) any reference to Periodic Distribution Amounts shall be deemed to include any additional amounts in respect of profit distributions which may be payable under Condition 11 and any other amount in the nature of a profit distribution payable pursuant to these Conditions;
- (c) references to Trust Certificates being "outstanding" shall be construed in accordance with the Master Trust Deed; and

- (d) any reference to a Transaction Document (as defined below) shall be construed as a reference to that Transaction Document as amended and/or supplemented from time to time.

Subject as set out below, copies of the documents set out below are available for inspection and obtainable free of charge by the Certificateholders upon reasonable notice and during normal business hours at the specified office for the time being of the Principal Paying Agent. The holders of the Trust Certificates are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the documents set out below:

- (a) a master purchase agreement between the Trustee (in its capacity as trustee and as purchaser) and Almarai Company (in its capacity as seller, the "**Seller**") dated 18 February 2019 (the "**Master Purchase Agreement**");
- (b) the supplemental purchase agreement (the "**Supplemental Purchase Agreement**" and, together with the Master Purchase Agreement, the "**Purchase Agreement**") having the details set out in the applicable Final Terms;
- (c) a master lease agreement between the Trustee (in its capacity as trustee and as lessor, the "**Lessor**"), Almarai Company (in its capacity as lessee, the "**Lessee**") and the Delegate dated 18 February 2019 (the "**Master Lease Agreement**");
- (d) the supplemental lease agreement (the "**Supplemental Lease Agreement**" and, together with the Master Lease Agreement, the "**Lease Agreement**", which expression includes any replacement Supplemental Lease Agreement entered into pursuant to the Purchase Undertaking, the Sale Undertaking, the Substitution and Purchase of Additional Assets Undertaking and/or the Servicing Agency Agreement (each as defined below), as the case may be) having the details set out in the applicable Final Terms;
- (e) a purchase undertaking entered into by Almarai (in its capacity as obligor) as a deed dated 18 February 2019 (the "**Purchase Undertaking**") and containing the form of sale agreement to be executed by Almarai and the Trustee on the Maturity Date or, as the case may be, the relevant Dissolution Date (as defined in Condition 10.9);
- (f) a sale undertaking entered into by Almarai Sukuk Ltd. (in its capacity as issuer and as trustee) as a deed dated 18 February 2019 (the "**Sale Undertaking**") containing the form of sale agreement to be executed by Almarai and Almarai Sukuk Ltd. on the relevant Dissolution Date or (as applicable) Cancellation Date (as defined in Condition 10.7);
- (g) a substitution and purchase of additional assets undertaking entered into by Almarai Sukuk Ltd. (in its capacity as issuer and as trustee) as a deed dated 18 February 2019 (the "**Substitution and Purchase of Additional Assets Undertaking**") containing the form of sale agreement to be executed by Almarai, Almarai Sukuk Ltd. and (where applicable) the relevant seller entity specified therein on the exercise by Almarai of its rights under the Substitution and Purchase of Additional Assets Undertaking;
- (h) a master murabaha agreement entered into by the Trustee (in its capacity as seller), Almarai (in its capacity as purchaser) and the Delegate dated 18 February 2019 (the "**Master Murabaha Agreement**");
- (i) a servicing agency agreement between the Lessor and Almarai (in its capacity as servicing agent, the "**Servicing Agent**") dated 18 February 2019 (the "**Servicing Agency Agreement**") and any replacement sale and purchase agreement entered into by the Trustee and Almarai pursuant to the Servicing Agency Agreement in substantially the form set out in schedule 3 (*Form of Replacement Sale and Purchase Agreement*) to the Servicing Agency Agreement (the "**Replacement Sale and Purchase Agreement**");
- (j) the Trust Deed;
- (k) the Agency Agreement; and
- (l) the applicable Final Terms.

The documents listed in paragraphs (a) to (k) above are referred to in these Conditions as the "**Transaction Documents**". The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Each initial Certificateholder, by its acquisition and holding of its interest in a Trust Certificate, shall be deemed to authorise and direct the Trustee (acting as trustee, on behalf of the Certificateholders) (i) to apply the sums paid by it in respect of its Trust Certificates in making payment (x) (in the case of the first Tranche of each Series) to the Seller (or, as applicable, the relevant seller entity) as the purchase price for the Lease Assets or, as the case may be, (y) (in the case each subsequent Tranche of such Series issued in accordance with Condition 19) to Almarai or (as applicable) the relevant seller entity pursuant to the applicable sale agreement entered into pursuant to the Substitution and Purchase of Additional Assets Undertaking and (ii) to enter into each Transaction Document to which it is a party, subject to the provisions of the Trust Deed and these Conditions.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Trust Certificates are issued in registered form in the Specified Denominations and, in the case of Trust Certificates in definitive form, are serially numbered.

For so long as any of the Trust Certificates is represented by a Global Trust Certificate held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular face amount of such Trust Certificates (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the face amount of such Trust Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Trustee, the Delegate, Almarai and the Agents as the holder of such face amount of such Trust Certificates for all purposes other than with respect to payment in respect of such Trust Certificates, for which purpose the registered holder of the Global Trust Certificate shall be treated by the Trustee, the Delegate, Almarai and any Agent as the holder of such face amount of such Trust Certificates in accordance with and subject to the terms of the relevant Global Trust Certificate and the expressions "**Certificateholder**" and "**holder**" in relation to any Trust Certificates and related expressions shall be construed accordingly.

Trust Certificates which are represented by a Global Trust Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Trustee, Almarai, the Principal Paying Agent and the Delegate.

1.2 Register

The Registrar will maintain a register (the "**Register**") of Certificateholders in respect of the Trust Certificates in accordance with the provisions of the Agency Agreement. In the case of Trust Certificates in definitive form, a definitive Trust Certificate will be issued to each Certificateholder in respect of its registered holding of Trust Certificates.

1.3 Title

The Trustee, the Delegate, Almarai and the Agents may (to the fullest extent permitted by applicable laws) deem and treat the person in whose name any outstanding Trust Certificate is for the time being registered (as set out in the Register) as the holder of such Trust Certificate or of a particular face amount of the Trust Certificates for all purposes (whether or not such Trust Certificate or face amount shall be overdue and notwithstanding any notice of ownership thereof or of trust or other interest with regard thereto, and any notice of loss or theft or any writing thereon), and the Trustee, the Delegate, Almarai and the Agents shall not be affected by any notice to the contrary.

All payments made to such registered holder shall be valid and, to the extent of the sums so paid, effective to satisfy and discharge the liability for monies payable in respect of such Trust Certificate or face amount.

2. TRANSFERS OF TRUST CERTIFICATES

2.1 Transfers of beneficial interests in the Global Trust Certificate

Transfers of beneficial interests in the Global Trust Certificate will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. An interest in the Global Trust Certificate will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Trust Certificates in definitive form only in the Specified Denomination or integral multiples thereof and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement.

2.2 Transfers of Trust Certificates in definitive form

Upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Trust Certificate in definitive form may be transferred in whole or in part (in the Specified Denomination or an integral multiple thereof). In order to effect any such transfer the holder or holders must (i) surrender the definitive Trust Certificate for registration of the transfer thereof (or the relevant part thereof) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent. Any such transfer will be subject to such reasonable regulations as the Trustee, Almarai, the Delegate and the Registrar may from time to time prescribe (the initial such regulations being scheduled to the Master Trust Deed).

Subject as provided above, the relevant Transfer Agent will, as soon as reasonably practicable, and in any event within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), and following receipt of a signed new Trust Certificate in definitive form from the Trustee, deliver at its specified office to the transferee or (at the risk of the transferee) send by regular uninsured mail to such address as the transferee may request a new Trust Certificate in definitive form of a like aggregate face amount to the Trust Certificate (or the relevant part of the Trust Certificate) transferred. In the case of the transfer of part only of a Trust Certificate in definitive form, a new Trust Certificate in definitive form in respect of the balance of the Trust Certificate not transferred will be so delivered or (at the risk of the transferor) sent to the transferor.

No Certificateholder may require the transfer of a Trust Certificate in definitive form to be registered during the period of 15 days ending on a Periodic Distribution Date, the Maturity Date, a Dissolution Date or any other date on which any payment of the face amount or payment of any profit in respect of a Trust Certificate falls due.

2.3 Costs of registration

Certificateholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Trustee may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

3. STATUS AND LIMITED RECOURSE

3.1 Status

Each Trust Certificate evidences an undivided ownership interest in the Trust Assets, subject to the terms of the Trust Deed and these Conditions, and is a direct, unsubordinated, unsecured and limited

recourse obligation of the Trustee. Each Trust Certificate ranks *pari passu*, without any preference or priority, with all other Trust Certificates.

3.2 Limited Recourse

The proceeds of the Trust Assets are the sole source of payments on the Trust Certificates. The Trust Certificates do not represent an interest in any of the Trustee, Almarai, the Delegate, the Agents or any of their respective affiliates. Accordingly, Certificateholders will have no recourse to any assets of the Trustee (other than the Trust Assets), Almarai (to the extent that it fulfils all of its obligations under the Transaction Documents), the Delegate, the Agents or any of their respective affiliates in respect of any shortfall in the expected amounts from the Trust Assets to the extent the Trust Assets have been exhausted following which all obligations of the Trustee shall be extinguished.

Almarai is obliged to make certain payments under the Transaction Documents directly to the Trustee and the Trustee and/or the Delegate (acting on behalf of the Certificateholders) will have direct recourse against Almarai to recover such payments.

The net proceeds of the realisation of, or enforcement with respect to, the Trust Assets may not be sufficient to make all payments due in respect of the Trust Certificates. If, following the distribution of such proceeds, there remains a shortfall in payments due under the Trust Certificates, subject to Condition 14, no holder of Trust Certificates will have any claim against the Trustee (to the extent the Trust Assets have been exhausted), Almarai (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Delegate, the Agents or any of their respective affiliates in respect of such shortfall and any unsatisfied claims of Certificateholders shall be extinguished. In particular, neither the Delegate nor any Certificateholder will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of the Trustee as a consequence of such shortfall or otherwise.

3.3 Agreement of Certificateholders

By purchasing the Trust Certificates, each Certificateholder agrees that notwithstanding anything to the contrary contained herein or in any Transaction Document:

- (a) no payment of any amount whatsoever shall be made by the Trustee or any of its directors, officers, employees or agents on its behalf except to the extent funds are available therefor from the Trust Assets and further agrees that no recourse shall be had for the payment of any amount due and owing hereunder or under any other Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or thereunder or any other obligation or claim arising out of or based upon, these Conditions or any other Transaction Document, against the Trustee to the extent the Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished;
- (b) it will not petition for, institute, or join with any other person in instituting proceedings for, the reorganisation, arrangement, liquidation, bankruptcy, winding-up or receivership or other proceedings under any bankruptcy or similar law against the Trustee or any of its directors, officers, employees, agents, shareholders or affiliates as a consequence of such shortfall or otherwise;
- (c) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee arising under or in connection with these Conditions or any other Transaction Document by virtue of any customary law, statute or otherwise shall be had against any shareholder, officer, director or corporate services provider of the Trustee in their capacity as such. The obligations of the Trustee under these Conditions and each other Transaction Document to which it is a party are corporate or limited liability obligations of the Trustee and no personal liability shall attach to or be incurred by the shareholders, members, officers, agents, directors or corporate services provider of the Trustee (in their capacity as such), save in the case of their wilful default or actual fraud. Reference in this Condition to wilful default or actual fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party.

4. THE TRUST

4.1 The Trust Assets

Pursuant to the Trust Deed, the Trustee holds the Trust Assets upon trust absolutely for the holders of the Trust Certificates *pro rata* according to the face amount of Trust Certificates held by each holder. For the purposes of these Conditions:

"**Asset Portfolio**" means, in respect of each Series, the assets comprised in the relevant Tangible Asset Portfolio together with each Murabaha Transaction (if any) relating to the Series and all other rights arising under or with respect to such Tangible Asset Portfolio and Murabaha Transactions (including the right to receive payment of the Deferred Sale Prices and any other amounts or distributions due in connection with the relevant Tangible Asset Portfolio), as the same may be commingled from time to time pursuant to clause 3.16 of the Master Trust Deed. For the avoidance of doubt, an Asset Portfolio for a Series may comprise solely of a Tangible Asset Portfolio (and no Murabaha Transactions);

"**Specified Currency**" means the currency specified as such in the applicable Final Terms;

"**Tangible Assets**" means the tangible assets described in the Schedule to the relevant Supplemental Purchase Agreement;

"**Tangible Asset Portfolio**" means, in respect of each Series, the Tangible Assets, together (collectively) with any Additional Tangible Assets, of such Series;

"**Transaction Account**" means, in respect of any Series, the non-interest bearing account, denominated in the Specified Currency and operated by the Principal Paying Agent (or other relevant Paying Agent, as applicable) on behalf of the Trustee for the benefit and use of the Certificateholders, specified as such in the applicable Final Terms; and

"**Trust Assets**" means, in respect of each Series:

- (a) the cash proceeds of the issue of Trust Certificates, pending the application thereof in accordance with the terms of the Transaction Documents;
- (b) all of the Trustee's rights, title, interests, benefits and entitlement, present and future, in, to and under the relevant Asset Portfolio;
- (c) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than in relation to any representations given to the Trustee by Almarai pursuant to any of the Transaction Documents and any rights which have been waived by the Trustee in any of the Transaction Documents);
- (d) all monies standing from time to time to the credit of the Transaction Account,

and all proceeds of the foregoing.

4.2 Application of Proceeds from the Trust Assets

On each Periodic Distribution Date and on the Maturity Date or any Dissolution Date, the Principal Paying Agent shall apply the monies standing to the credit of the Transaction Account in the following order of priority:

- (a) *first*, (to the extent not previously paid) to the Delegate, Agents and/or any Appointee (as defined in the Master Trust Deed) in respect of all amounts owing to it under the Transaction Documents;
- (b) *second*, (to the extent not previously paid) to the Trustee Administrator in respect of all amounts owing to it under the Corporate Services Agreement;

- (c) *third*, in or towards reimbursement *pari passu* and rateably of any amounts paid by any Indemnifying Parties (as defined in the Master Trust Deed) as provided in the Master Trust Deed;
- (d) *fourth*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due and unpaid;
- (e) *fifth*, only if such payment is due on the Maturity Date or a Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of the relevant Dissolution Amount; and
- (f) *sixth*, only on the Maturity Date or any Dissolution Date and *provided that* all amounts required to be paid on the Trust Certificates have been discharged in full, in payment of any residual amount, to Almarai.

For the purposes of these Conditions:

"Required Amount" means the aggregate of the amounts described in paragraphs (a), (b), (c) and (d) of Condition 4.2 and, in relation to the Maturity Date or a Dissolution Date, the aggregate of the amounts described in paragraphs (a), (b), (c), (d) and (e) of Condition 4.2; and

"Trustee Administrator" means Walkers Fiduciary Limited acting as the administrator of the Trustee and any of its successors.

4.3 Purchase of the Tangible Assets and entry into Murabaha Transactions

On the Issue Date of each Tranche, upon receipt by the Trustee of the issue price in respect of the issue of the relevant Trust Certificates, the Trustee will use such amount (the **"Issue Proceeds"**) as described below.

- (a) In relation to the first Tranche to be issued under a Series, the Trustee will apply the Issue Proceeds of that Tranche as follows:
 - (i) pursuant to the terms of the Master Purchase Agreement and the relevant Supplemental Purchase Agreement, to use the requisite portion of the Issue Proceeds to pay the amount specified in the applicable Final Terms as the purchase price (the **"Purchase Price"**) for the relevant tangible assets (the **"Tangible Assets"**) (being an amount equal to the relevant Issue Proceeds less the Cost Price (as defined below) (if any)) to Almarai (in its capacity as seller) as consideration for the purchase by the Trustee of the Tangible Assets (as may be substituted or added to from time to time pursuant to the Substitution and Purchase of Additional Assets Undertaking), *provided that* the Value of the Tangible Assets as at the relevant Issue Date is no less than 34 per cent. of the Aggregate Face Amount of the relevant Tranche. Each such Tangible Asset shall immediately be leased (each a **"Lease Asset"**) by the Trustee (in such capacity, the **"Lessor"**) to Almarai (in such capacity, the **"Lessee"**) in return for periodic rental payments to the Trustee (**"Rental"**) pursuant to the Master Lease Agreement, as supplemented by the relevant Supplemental Lease Agreement (together with the Master Lease Agreement, the **"Lease Agreement"**). *The term of such lease will equal the tenor of the Trust Certificates of the relevant Series and the amount of each such Rental will (after satisfaction of certain prior ranking expenses (as further described below)) be equal to the Periodic Distribution Amount payable for the corresponding period under the Trust Certificates which the Trustee will pay the Certificateholders on each Periodic Distribution Date; and*
 - (ii) pursuant to the terms of the Master Murabaha Agreement:
 - (A) to use the remainder of the Issue Proceeds (if any) (in the Trustee's capacity as seller) (being an amount that is (x) no more than 66 per cent. of the Aggregate Face Amount of the relevant Tranche and (y) equal to the Issue Proceeds of the relevant Tranche *less* the Purchase Price of the Tangible Assets as at the

relevant Issue Date) to purchase (acting through a purchase agent) commodities ("**Commodities**") (at the cost price (if any) specified in the applicable Final Terms (the "**Cost Price**") to be sold to Almarai (in its capacity as purchaser) for an amount to be paid on a deferred payment basis (the "**Deferred Sale Price**") (the "**Murabaha Transaction**"). Upon purchasing Commodities from the Trustee, Almarai shall be entitled to on-sell such Commodities directly to another purchaser *provided that* such other purchaser is not the same person from which the relevant Commodities were originally purchased by the Trustee pursuant to the relevant Murabaha Transaction; and

(B) the Deferred Sale Price in respect of each Murabaha Transaction will comprise the Cost Price of the relevant Commodities and a profit mark-up being at least 1 per cent. of the relevant Cost Price (the "**Murabaha Profit**"). Subject to the immediately following sentence, each Deferred Sale Price shall, to the extent not previously paid in full, be payable in full upon maturity of the Murabaha Transaction, which date will coincide with the redemption of the Trust Certificates on the relevant Maturity Date or, if earlier, other final Dissolution Date. Any Murabaha Profit shall be payable in instalments prior to each Periodic Distribution Date as described in the Master Murabaha Agreement.

(b) In relation to each other Tranche of Trust Certificates (such additional Trust Certificates, the "**Additional Trust Certificates**") to be issued under a Series, the Trustee will apply the Issue Proceeds of any such Additional Trust Certificates as follows:

(i) pursuant to the Substitution and Purchase of Additional Assets Undertaking and the relevant sale agreement:

(A) to use the requisite portion of the Issue Proceeds to pay the amounts specified in the applicable Final Terms as the purchase price (the "**Additional Purchase Price**") for the relevant additional tangible assets (the "**Additional Tangible Assets**") (being an amount equal to the relevant Issue Proceeds less the Cost Price (if any)) to Almarai (in its capacity as seller) as consideration for the purchase by the Trustee of the Additional Tangible Assets, *provided that* the Value of the Additional Tangible Assets as at the relevant Issue Date is no less than 34 per cent. of the Aggregate Face Amount of the relevant Tranche; and

(B) upon issue of the Additional Trust Certificates, the Trustee and Almarai will execute a Supplemental Lease Agreement for the Series pursuant to which the Additional Tangible Assets, together with the Tangible Assets and any other Additional Tangible Assets relating to the Series (collectively, the "**Tangible Asset Portfolio**") will constitute the new Lease Assets and be leased by the Trustee (acting in its capacity as Lessor) to Almarai (acting in its capacity as Lessee). The Supplemental Lease Agreement for the Series, together with the Master Lease Agreement, will constitute a new Lease Agreement; and

(ii) to use the remainder of the Issue Proceeds (if any) (in the Trustee's capacity as seller) as the Cost Price (being an amount that is (i) no more than 66 per cent. of the Aggregate Face Amount of the relevant Tranche and (ii) equal to the Issue Proceeds of the relevant Tranche *less* the Additional Purchase Price of the Additional Tangible Assets as at the relevant Issue Date) to be used to enter into a Murabaha Transaction with Almarai (in its capacity as purchaser) on a deferred payment basis for the relevant Deferred Sale Price.

On the date upon which any sale agreement is entered into in connection with the creation and issuance of Additional Trust Certificates as described above (being the relevant Issue Date for that Tranche of Trust Certificates), the Trustee and Almarai will execute a declaration of commingling of assets (the "**Declaration of Commingling of Assets**") for and on behalf of the holders of the existing Trust Certificates and the holders of such Additional Trust Certificates

so created and issued, declaring that the relevant Additional Tangible Assets and the Lease Assets in respect of the relevant Series in existence immediately prior to the creation and issue of the Additional Trust Certificates, together with each Murabaha Transaction (if any) relating to the relevant Series and all other rights arising under or with respect to the relevant Tangible Asset Portfolio and Murabaha Transactions (including the right to receive payment of the Deferred Sale Prices and any other amounts or distributions due in connection with the relevant Tangible Asset Portfolio), are commingled and shall collectively comprise the Asset Portfolio in respect of the relevant Series and part of the Trust Assets for the benefit of the holders of the existing Trust Certificates and the holders of such Additional Trust Certificates as beneficiaries *pro rata* according to the aggregate face amount of Trust Certificates held by each Certificateholder, in accordance with the Master Trust Deed. For the avoidance of doubt, an Asset Portfolio for a relevant Series of Trust Certificates may comprise solely Tangible Assets, without any Issue Proceeds being applied towards any Murabaha Transaction.

- (c) In respect of each Series, pursuant to the terms of the Master Murabaha Agreement and the relevant Murabaha Transaction(s), the Total Deferred Sale Price of such Series shall be payable upon maturity of the Murabaha Transactions and will coincide with the Maturity Date or, as the case may be, the relevant Dissolution Date of the Trust Certificates. The Total Deferred Sale Price shall be credited directly to the Transaction Account on the Payment Business Day immediately preceding the Maturity Date or, as the case may be, the relevant Dissolution Date. In respect of a redemption of less than 100 per cent. of the Trust Certificates on a Certificateholder Put Right Date or Optional Dissolution Date, the relevant *pro rata* proportion of the Total Deferred Sale Price of a Series which shall be payable on the relevant Dissolution Date will be determined by multiplying the Total Deferred Sale Price of the relevant Series by the applicable Relevant Percentage.

For the purposes of these Conditions:

"**Relevant Percentage**" means, with respect to each Series of Trust Certificates and the corresponding Murabaha Transactions (if any), the percentage calculated as follows:

$$\frac{P}{C} \times 100$$

where P = the aggregate face amount of, as the case may be, the relevant: (i) Certificateholder Put Right Trust Certificates; (ii) Optional Dissolution Trust Certificates; or (iii) other specified Trust Certificates; and

C = the Aggregate Face Amount of the relevant Series of Trust Certificates;

"**Total Deferred Sale Price**" means, from time to time and at any time, in respect of a Series of Trust Certificates and the corresponding Murabaha Transactions (if any), the aggregate amount of the applicable Deferred Sale Price(s) under all Murabaha Transactions (if any) of such Series; and

"**Value**" means, at any time: (i) in respect of any Tangible Asset, the replacement value thereof as determined by Almarai at such time; and (ii) in respect of any Murabaha Transaction, the Deferred Sale Price thereof.

Pursuant to the terms of the Master Murabaha Agreement, the Trustee may appoint a purchase agent to perform on its behalf all acts and execute all documents necessary for the purchase of the Commodities from the relevant commodity supplier(s) in accordance with the terms of Master Murabaha Agreement.

In respect of any Series, the applicable Exercise Price payable by Almarai under the Purchase Undertaking or the Sale Undertaking (as applicable), together with the applicable Deferred Sale Price(s) payable to the Trustee under the Master Murabaha Agreement and the relevant Murabaha Transactions (if any), are intended to fund the relevant Dissolution Amount and all

accrued but unpaid Periodic Distribution Amounts payable by the Trustee under the Trust Certificates.

5. COVENANTS

5.1 Trustee Covenants

The Trustee covenants that, for so long as any Trust Certificate is outstanding, it will not (without the prior written consent of the Delegate):

- (a) incur any indebtedness in respect of borrowed money whatsoever (whether structured in accordance with the principles of the *Shari'a* or otherwise), or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) or any other certificates except, in all cases, as contemplated in the Transaction Documents;
- (b) grant or permit to be outstanding any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law);
- (c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interest in any of the Trust Assets except pursuant to the Transaction Documents;
- (d) use the proceeds of the issue of the Trust Certificates for any purpose other than as stated in the Transaction Documents;
- (e) except as provided in Condition 17, amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its memorandum and articles of association;
- (f) act as trustee in respect of any trust other than a trust corresponding to any other Series issued under the Programme;
- (g) have any subsidiaries or employees;
- (h) redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders;
- (i) put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; and
- (j) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or any permitted amendment or supplement thereto or as expressly permitted or required thereunder or engage in any business or activity other than:
 - (i) as provided for or permitted in the Transaction Documents;
 - (ii) the ownership, management and disposal of Trust Assets as provided in the Transaction Documents; and
 - (iii) such other matters which are incidental thereto.

5.2 Almarai Negative Pledge

Almarai has undertaken in the Master Trust Deed and the Purchase Undertaking that for so long as any of the Trust Certificates remains outstanding, it will not, and it will procure that no Material Subsidiary will: (i) create or permit to subsist any mortgage, charge, lien, pledge or other security interest

(including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction) (each, a "**Security Interest**"), other than a Permitted Security Interest (as defined below), upon, or with respect to, the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure (i) any Relevant Indebtedness (as defined below), or (ii) any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto securing its obligations under the Transaction Documents to which it is a party (in whatever capacity) equally and rateably with the same Security Interest as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other Security Interest as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Certificateholders.

For the purposes of these Conditions:

"Material Subsidiary" has the meaning given to it in Condition 13.2;

"Non-recourse Project Financing" means any financing of all or part of the costs of the acquisition, construction or development of any project, *provided that*:

- (a) any Security Interest given by Almarai in connection therewith is limited solely to the assets of the project;
- (b) the persons providing such financing expressly agree to limit their recourse to the project financed and the revenues derived from such project as the sole source of repayment for the moneys advanced; and
- (c) there is no other recourse to Almarai in respect of any default by any person under the financing;

"Permitted Security Interest" means:

- (a) any Security Interest created or outstanding with the approval of an Extraordinary Resolution of the Certificateholders;
- (b) any Security Interest existing on the date on which agreement is reached to issue the first Tranche of the Trust Certificates;
- (c) any Security Interest granted to secure a Non-recourse Project Financing or to secure any indebtedness incurred in connection with a Securitisation;
- (d) any Security Interest granted in favour of:
 - (i) the Saudi Industrial Development Fund; or
 - (ii) the Agricultural Development Fund,

in respect of Relevant Indebtedness incurred by the Purchaser from such entities;

- (e) any Security Interest arising by operation of law in the ordinary course of trading;
- (f) any Security Interest securing Relevant Indebtedness of a person existing at the time that such person is merged into, or consolidated with, or acquired by, Almarai, *provided that* such Security Interest was not created in contemplation of such merger, consolidation or acquisition and does not extend to any other assets or property of Almarai;
- (g) any Security Interest existing on any property or assets prior to the acquisition thereof by Almarai and not created in contemplation of such acquisition;
- (h) any renewal of or substitution for any Security Interest permitted by any of sub-paragraphs (a) to (g) (inclusive) of this definition, *provided that* with respect to any such Security Interest the principal amount secured has not increased and the Security Interest has not been extended to any additional assets (other than the proceeds of such assets); or
- (i) any Security Interest in respect of any Relevant Indebtedness not otherwise permitted under any paragraph of this definition, *provided that* the aggregate outstanding amount secured

thereby shall not at any time exceed an amount equal to 10% of the Total Assets of the Company;

"Relevant Indebtedness" means any present or future indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, debenture stock, loan stock, Sukuk Obligations in respect of certificates or other securities, in each case which for the time being are, or are intended to be or are capable of being, quoted, listed, dealt in or traded on any stock exchange, over-the-counter or other securities market;

"Securitisation" means any securitisation of existing or future assets and/or revenues, *provided that*:

- (a) any Security Interest given by Almarai in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation;
- (b) each person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues so securitised as the sole source of repayment for the money advanced or payment of any other liability; and
- (c) there is no other recourse to Almarai in respect of any default by any person under the securitisation;

"Sukuk Obligation" means any undertaking or other obligation to pay money given in connection with the issue of sukuk certificates or other securities intended to be issued in compliance with the principles of *Shari'a*, whether or not in return for consideration of any kind; and

"Total Assets" means at any time, the consolidated total assets of the Group, calculated by reference to the then latest audited consolidated financial statements of the Group.

5.3 Disposals

The provisions of this Condition 5.3 shall not apply for so long as Almarai has Investment Grade Status. However, the provisions of this Condition 5.3 shall immediately apply if and for so long as Almarai ceases to have Investment Grade Status.

Almarai covenants that, for so long as any of the Trust Certificates remains outstanding (as defined in the Master Trust Deed), it will not, and will ensure that none of its Material Subsidiaries will, directly, or indirectly, enter into an Asset Sale that exceeds, either individually or in aggregate with any other Asset Sale(s), 10 per cent. of the Total Assets of the Group unless:

- (a) such Asset Sale has been approved by Almarai's board of directors;
- (b) the consideration received by Almarai or its Material Subsidiary should be at least equal to the Fair Market Value for such an Asset Sale (the determination as to whether such Asset Sale complies with the above will be made either an Independent Appraiser or by the majority of the independent members of the board of directors of Almarai disinterested with respect to such Asset Sale); and
- (c) at least 80 per cent. of the net proceeds of such Asset Sale received by Almarai or its Material Subsidiary, as the case may be, are applied directly or indirectly towards any business of the Group (including, for the avoidance of doubt, without limitation, towards the acquisition of any asset (whether directly or indirectly) or towards the payment (including early payment) of any outstanding debt, liability or obligation of Almarai or any of its Material Subsidiaries), such that the balance of such net proceeds, being up to 20 per cent. of such net proceeds may be used to pay dividends and distributions to Almarai's shareholders, or may otherwise be returned to Almarai's shareholders, provided that, nothing in this Condition 5.3 shall restrict Almarai from:
 - (i) using any other source of funds to pay dividends, distributions or other amounts to Almarai's shareholders; or

- (ii) distributing any percentage of the net proceeds of any Asset Sale (in excess of 20 per cent.) to its shareholders if Almarai holds an amount in Cash and Cash Equivalents at least equal to the sum of: (x) the aggregate outstanding face amount of the Trust Certificates at the time of the relevant Asset Sale; and (y) the remaining Periodic Distribution Amounts up to (and including) the Dissolution Date, at the time of the relevant Asset Sale.

In this Condition 5.3:

"Asset Sale" means any sale, sale and lease back, lease, licence, transfer or other disposition (other than in accordance with the terms of the Transaction Documents) by any member of the Group of all or any of the legal or beneficial interest in any Capital Stock or any property or assets of any member of the Group (either in one transaction or in a series of transactions at the same time or over a period of time) to any Person who is not a member of the Group;

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such Person's equity, including any preferred stock of such Person, including without limitation, all series and classes of such Capital Stock;

"Cash and Cash Equivalents" means, at any time:

- (a) cash in hand or on deposit with any acceptable bank, net of bank overdrafts;
- (b) certificates of deposit, maturing within one year after the relevant date of calculation, issued by an acceptable bank;
- (c) any investment in marketable obligations issued or guaranteed by the government of the United States of America or the United Kingdom or any other government of a state having an equivalent credit rating (an **"Acceptable Government"**) or by an instrumentality or agency of an Acceptable Government having an equivalent credit rating; or
- (d) open market commercial paper:
 - (i) for which a recognised trading market exists;
 - (ii) issued in the United States of America or the United Kingdom;
 - (iii) which matures within one (1) year after the relevant date of calculation; and
 - (iv) which has a credit rating of either A-1 by S&P or Fitch or P-1 by Moody's, or, if no rating is available in respect of the commercial paper, the issuer of which has, in respect of its long-term debt obligations, an equivalent rating; or
 - (v) Sterling bills of exchange eligible for rediscount at the Bank of England and accepted by an acceptable bank or any dematerialised equivalent, in each case, to which any member of the Group is beneficially entitled at that time. An acceptable bank for this purpose is a commercial bank or trust company which has a rating of BBB minus or higher by S&P or Fitch or Baa3 or higher by Moody's or a comparable rating from a nationally recognised credit rating agency for its long-term obligations;

"Fair Market Value" means, with respect to any Capital Stock, asset or property, the sale value that would be paid in an arm's-length transaction between an independent, informed and willing seller under no compulsion to sell and an independent, informed and willing buyer under no compulsion to buy;

"Independent Appraiser" means: (i) for the purposes of assets comprising interests in real estate and leases, an independent registered firm of chartered surveyors; and (ii) for the purposes of any assets other than those described in (i), any independent firm of appraisers or internationally recognised investment banking firm or firm of public accountants, in the case of (i) and (ii) being of international standing, selected by Almarai;

"Investment Grade Rating" means a rating equal to or higher than: (i) Baa3 (or the equivalent) by Moody's Investors Service Limited (**"Moody's"**); (ii) BBB- (or the equivalent) by Fitch Ratings Limited (**"Fitch"**); or (iii) BBB- (or the equivalent) by S&P Global Ratings, acting through Standard & Poor's Credit Market Services Europe Limited (**"S&P"**), or in each case the equivalent thereof from any other Rating Agency (as applicable);

"Investment Grade Status" means that Almarai has an Investment Grade Rating from at least two Rating Agencies;

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality; and

"Rating Agencies" means (i) Moody's, (ii) Fitch, (iii) S&P; and (iv) if any one or more of Moody's, Fitch or S&P do not make a rating of Almarai publicly available, one or more internationally recognised securities rating agencies selected by Almarai.

6. FIXED PERIODIC DISTRIBUTION PROVISIONS

6.1 Application

This Condition is applicable to the Trust Certificates only if the Fixed Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable.

6.2 Periodic Distribution Amount

Subject to Condition 4.2 and Condition 8 and unless otherwise specified in the applicable Final Terms, the Principal Paying Agent shall distribute to holders *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account, a distribution in relation to the Trust Certificates on each Periodic Distribution Date equal to the Periodic Distribution Amount payable in arrear in respect of the Return Accumulation Period ending immediately before that Periodic Distribution Date.

In these Conditions:

"Periodic Distribution Amount" means, in relation to a Trust Certificate and a Return Accumulation Period, the amount of profit distribution payable in respect of that Trust Certificate for that Return Accumulation Period which amount may be a Fixed Amount, a Broken Amount or an amount otherwise calculated in accordance with this Condition 6 or Condition 7; and

"Return Accumulation Period" means the period from (and including) a Periodic Distribution Date (or the Return Accrual Commencement Date) to (but excluding) the next (or first) Periodic Distribution Date.

6.3 Determination of Periodic Distribution Amount

Except as provided in the applicable Final Terms, the Periodic Distribution Amount payable in respect of each Trust Certificate in definitive form for any Return Accumulation Period shall be the Fixed Amount or, if so specified in the applicable Final Terms, the Broken Amount so specified.

Except in the case of Trust Certificates in definitive form where a Fixed Amount or Broken Amount is specified in the applicable Final Terms, the Periodic Distribution Amount payable in respect of each Trust Certificate shall be calculated by applying the rate or rates (expressed as a percentage per annum) specified in the applicable Final Terms or calculated or determined in accordance with the provisions of these Conditions as completed by the applicable Final Terms (the **"Rate"**) applicable to the relevant Return Accumulation Period to:

- (a) in the case of Trust Certificates which are represented by a Global Trust Certificate, the aggregate outstanding face amount of the Trust Certificates represented by such Global Trust Certificate; or

- (b) in the case of Trust Certificates in definitive form, the Calculation Amount (as defined in this Condition 6.3),

and, in each case, multiplying such sum by the applicable Day Count Fraction (as defined in this Condition 6.3), and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Trust Certificate in definitive form is a multiple of the Calculation Amount, the Periodic Distribution Amount payable in respect of such Trust Certificate shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"Calculation Amount" means the amount specified as such in the applicable Final Terms;

"Day Count Fraction" means, in respect of the calculation of Periodic Distribution Amount in accordance with this Condition:

- (a) if **"Actual/Actual (ICMA)"** is specified in the applicable Final Terms:
- (i) in the case of Trust Certificates where the number of days in the relevant period from (and including) the most recent Periodic Distribution Date (or, if none, the Return Accrual Commencement Date) to (but excluding) the relevant payment date (the **"Accrual Period"**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (A) the number of days in such Determination Period and (B) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (ii) in the case of Trust Certificates where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (b) if **"30/360"** is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Periodic Distribution Date (or, if none, the Return Accrual Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

"Determination Period" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Return Accrual Commencement Date or the final Periodic Distribution Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

"sub-unit" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

6.4 Cessation of Profit Entitlement

No further amounts will be payable on any Trust Certificate from and including the Maturity Date or, as the case may be, the relevant Dissolution Date, unless a sale agreement has not been executed in accordance with the provisions of the Purchase Undertaking or the Sale Undertaking, as the case may be, in which case Periodic Distribution Amounts will continue to accrue in respect of the Trust Certificates in the manner provided in this Condition, *provided that* no such amounts will continue to accrue following the occurrence of a Total Loss Event where the relevant Total Loss Assets are not replaced with Replacement Assets on or before the 30th day after the occurrence of the Total Loss Event pursuant to the terms of the Service Agency Agreement.

7. FLOATING PERIODIC DISTRIBUTION PROVISIONS

7.1 Application

This Condition is applicable to the Trust Certificates only if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable.

7.2 Periodic Distribution Amount

Subject to Condition 4.2 and 8 and unless otherwise specified in the applicable Final Terms, the Principal Paying Agent shall distribute to holders *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account, a distribution in relation to the Trust Certificates in arrear on either:

- (a) the Specified Periodic Distribution Date(s) in each year specified in the applicable Final Terms; or
- (b) if no Specified Periodic Distribution Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Periodic Distribution Date, a "**Periodic Distribution Date**") which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Periodic Distribution Date or, in the case of the first Periodic Distribution Date, after the Return Accrual Commencement Date.

In relation to each Periodic Distribution Date, the distribution payable will be equal to the Periodic Distribution Amount payable in respect of the Return Accumulation Period ending immediately before that Periodic Distribution Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which a Periodic Distribution Date should occur or (y) if any Periodic Distribution Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (a) in any case where Specified Periods are specified in accordance with Condition 7.2(b) above, the Floating Rate Convention, such Periodic Distribution Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Periodic Distribution Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Periodic Distribution Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Periodic Distribution Date occurred; or
- (b) the Following Business Day Convention, such Periodic Distribution Date shall be postponed to the next day which is a Business Day; or
- (c) the Modified Following Business Day Convention, such Periodic Distribution Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Periodic Distribution Date shall be brought forward to the immediately preceding Business Day; or

- (d) the Preceding Business Day Convention, such Periodic Distribution Date shall be brought forward to the immediately preceding Business Day.

In these Conditions:

"Business Day" means a day which is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation and any Additional Business Centre (other than TARGET2 System) specified in the applicable Final Terms;
- (b) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **"TARGET2 System"**) is open; and
- (c) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the relevant place of presentation and any Additional Business Centre) or (ii) in relation to any sum payable in euro, a TARGET Settlement Day;

"Business Day Convention" in relation to any particular date, has the meaning given in the Final Terms and, if so specified in the Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day; and
- (d) **"FRN Convention"**, **"Floating Rate Convention"** or **"Eurodollar Convention"** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the Final Terms as the Specified Period after the calendar month in which the preceding such date occurred provided that:
- (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
- (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
- (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

"TARGET Settlement Day" means any day on which the TARGET2 System is open.

7.3 Screen Rate Determination

(a) If Screen Rate Determination is specified in the applicable Final Terms as the manner in which the rate or rates (expressed as a percentage per annum) specified in the applicable Final Terms (being any of LIBOR, EURIBOR, CHF LIBOR, JPY LIBOR, GBP LIBOR, USD LIBOR, EUR LIBOR or SAIBOR) or calculated or determined in accordance with the provisions of these Conditions as completed by the applicable Final Terms (the "**Rate**") is to be determined, the Rate applicable to the Trust Certificates for each Return Accumulation Period will, subject as provided below, be either:

- (i) the offered quotation; or
- (ii) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum), for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time, in the case of LIBOR, GBP LIBOR, USD LIBOR, EUR LIBOR, CHF LIBOR or JPY LIBOR, Brussels time, in the case of EURIBOR or Riyadh time, in the case of SAIBOR) (the "**Relevant Time**") on the Periodic Distribution Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one highest quotation, one only of those quotations) and the lowest (or, if there is more than one lowest quotation, one only of those quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of the offered quotations.

(b) If the Relevant Screen Page is not available or if, in the case of Condition 7.3(a)(i), no offered quotation appears or, in the case of Condition 7.3(a)(ii), fewer than three offered quotations appear, in each case as at the Relevant Time, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Periodic Distribution Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with offered quotations, the Rate for such Return Accumulation Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

(c) If on any Periodic Distribution Determination Date one only or none of the Reference Banks provides the Calculation Agent with an offered quotation as provided in the preceding paragraph, the Rate for such Return Accumulation Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Relevant Time on the relevant Periodic Distribution Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR, GBP LIBOR, USD LIBOR, EUR LIBOR, CHF LIBOR or JPY LIBOR), the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Saudi Arabian inter-bank market (if the Reference Rate is SAIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Relevant Time on the relevant Periodic Distribution Determination Date, any one or more banks (which bank or banks is or are in the opinion of Almarai suitable

for the purpose) informs the Calculation Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR, GBP LIBOR, USD LIBOR, EUR LIBOR, CHF LIBOR or JPY LIBOR), the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Saudi Arabian inter-bank market (if the Reference Rate is SAIBOR) plus or minus (as appropriate) the Margin (if any), *provided that*, if the Rate for such Return Accumulation Period cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate for such Return Accumulation Period shall be determined as at the last preceding Periodic Distribution Determination Date (though substituting, where a different Margin is to be applied to the relevant Return Accumulation Period from that which applied to the last preceding Return Accumulation Period, the Margin relating to the relevant Return Accumulation Period in place of the Margin relating to that last preceding Return Accumulation Period).

- (d) Notwithstanding the foregoing provisions of this Condition 7.3, if the Calculation Agent determines that the relevant Reference Rate has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered, then the following provisions shall apply:
- (A) Almarai shall use reasonable endeavours to appoint an Independent Adviser for the determination of an alternative rate (the "**Alternative Benchmark Rate**") and an alternative screen page or source (the "**Alternative Relevant Screen Page**") no later than three (3) Business Days prior to the relevant Periodic Distribution Determination Date relating to the next succeeding Return Accumulation Period (the "**IA Determination Cut-off Date**") for the purposes of determining the Rate applicable to the Certificates for all future Return Accumulation Periods (subject to the subsequent operation of this Condition 7.3(d));
 - (B) the Alternative Benchmark Rate shall be such rate as the Independent Adviser (acting in good faith and in a commercially reasonable manner) determines has replaced the relevant Reference Rate in customary market usage for the purposes of determining floating rates of profit in respect of eurobonds or sukuk certificates denominated in the Specified Currency, or, if the Independent Adviser determines that there is no such rate, such other rate as the Independent Adviser (acting in good faith and in a commercially reasonable manner) determines is most comparable to the relevant Reference Rate, and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Benchmark Rate;
 - (C) if Almarai is unable to appoint an Independent Adviser, or if the Independent Adviser cannot select the Alternative Benchmark Rate and Alternative Relevant Screen Page prior to the IA Determination Cut-off Date in accordance with subparagraph (B) above, then the Rate applicable to such Return Accumulation Period shall be equal to the Rate last determined in relation to the Trust Certificates in respect of a preceding Return Accumulation Period as applicable (or alternatively, if there has not been a preceding Return Accumulation Period, the Rate shall be determined as at the Issue Date) (though substituting, where a different Margin is to be applied to the relevant Return Accumulation Period from that which applied to the last preceding Return Accumulation Period, the Margin relating to the relevant Return Accumulation Period, in place of the Margin relating to that last preceding Return Accumulation Period);
 - (D) if an Alternative Benchmark Rate and Alternative Relevant Screen Page is determined in accordance with the preceding provisions, such Alternative Benchmark Rate and Alternative Relevant Screen Page shall be the benchmark and the Relevant Screen Page in relation to the Trust Certificates for all future Return Accumulation Periods (subject to the subsequent operation of this Condition 7.3(d));
 - (D) if an Alternative Benchmark Rate is determined in accordance with the above provisions, the Independent Adviser may also, following consultation with the Calculation Agent, specify changes to the Day Count Fraction, Business Day Convention, Business Days, Periodic Distribution Determination Date and/or the

definition of Reference Rate applicable to the Trust Certificates, and the method for determining the fallback rate in relation to the Trust Certificates, in order to follow market practice in relation to the Alternative Benchmark Rate, which changes shall apply to the Trust Certificates for all future Return Accumulation Periods (subject to the subsequent operation of this Condition 7.3(d)); and

- (E) Almarai shall promptly following the determination of any Alternative Benchmark Rate and Alternative Relevant Screen Page give notice thereof and of any changes pursuant to subparagraph (E) above to the Calculation Agent, the Delegate and, in accordance with Condition 16, the Certificateholders.

In this Condition the following expressions have the following meanings:

"Independent Adviser" means an independent financial institution of international repute or other independent financial adviser of recognised standing with relevant experience in the international capital markets, in each case appointed by Almarai at its own expense;

"Reference Banks" means, in the case of a determination of LIBOR, GBP LIBOR, USD LIBOR, EUR LIBOR, CHF LIBOR or JPY LIBOR, the principal London office of four major banks in the London inter-bank market, in the case of a determination of SAIBOR, the principal Saudi Arabian office of four major banks in the Saudi Arabian inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent and approved in writing by the Delegate;

"Reference Rate" means, unless otherwise specified in the applicable Final Terms: (a) the London Interbank Offered Rate ("**LIBOR**"), which is provided by the ICE Benchmark Administration Limited; (b) the Pound Sterling LIBOR ("**GBP LIBOR**"), which is provided by the ICE Benchmark Administration Limited; (c) the US dollar LIBOR ("**USD LIBOR**"), which is provided by the ICE Benchmark Administration Limited; (d) the Euro LIBOR ("**EUR LIBOR**"), which is provided by the ICE Benchmark Administration Limited; (e) the Swiss Franc LIBOR ("**CHF LIBOR**"), which is provided by the ICE Benchmark Administration Limited; (f) the Japanese Yen LIBOR ("**JPY LIBOR**"), which is provided by the ICE Benchmark Administration Limited; (g) the Euro Interbank Offered Rate ("**EURIBOR**"), which is provided by the European Money Markets Institute; and (h) the Saudi Arabian Interbank Offered Rate ("**SAIBOR**"), which is provided by Thomson Reuters, in each case as specified in the applicable Final Terms; and

"Relevant Screen Page" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the applicable Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate.

7.4 Cessation of Profit Entitlement

No further amounts will be payable on any Trust Certificate from and including the Maturity Date or, as the case may be, the relevant Dissolution Date, unless a sale agreement has not been executed in accordance with the provisions of the Purchase Undertaking or the Sale Undertaking, as the case may be, in which case Periodic Distribution Amounts will continue to accrue in respect of the Trust Certificates in the manner provided in this Condition, *provided that* no such amounts will continue to accrue following the occurrence of a Total Loss Event where the relevant Total Loss Assets are not replaced with Replacement Assets on or before the 30th day after the occurrence of the Total Loss Event pursuant to the terms of the Service Agency Agreement.

7.5 Calculation of Periodic Distribution Amount

The Calculation Agent will, as soon as practicable after the time at which the Rate is to be determined in relation to each Return Accumulation Period, calculate the Periodic Distribution Amount payable in respect of each Trust Certificate for such Return Accumulation Period. The Periodic Distribution Amount will be calculated by applying the Rate (subject to any Maximum Profit Rate or Minimum Profit Rate as specified in the applicable Final Terms) applicable to:

- (a) in the case of Trust Certificates which are represented by a Global Trust Certificate, the aggregate outstanding face amount of the Trust Certificates represented by such Global Trust Certificate; or
- (b) in the case of Trust Certificates in definitive form, the Calculation Amount (as defined in this Condition 7.5),

and, in each case, multiplying such sum by the applicable Day Count Fraction (as defined in this Condition 7.5), and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Trust Certificate in definitive form is a multiple of the Calculation Amount, the Periodic Distribution Amount payable in respect of such Trust Certificate shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"**Calculation Amount**" means the amount specified as such in the applicable Final Terms; and

"**Day Count Fraction**" means, in respect of the calculation of a Periodic Distribution Amount in accordance with this Condition:

- (a) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Return Accumulation Period divided by 365 (or, if any portion of that Return Accumulation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Return Accumulation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Return Accumulation Period falling in a non-leap year divided by 365);
- (b) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Return Accumulation Period divided by 365;
- (c) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Return Accumulation Period divided by 365 or, in the case of a Periodic Distribution Date falling in a leap year, 366;
- (d) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Return Accumulation Period divided by 360;
- (e) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Return Accumulation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Return Accumulation Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Return Accumulation Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

D₁ is the first calendar day, expressed as a number, of the Return Accumulation Period, unless such number is 31, in which case **D₁** will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Return Accumulation Period, unless such number would be 31 and **D₁** is greater than 29, in which case **D₂** will be 30;

- (f) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Return Accumulation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y₁ is the year, expressed as a number, in which the first day of the Return Accumulation Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Return Accumulation Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

D₁ is the first calendar day, expressed as a number, of the Return Accumulation Period, unless such number would be 31, in which case **D₁** will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Return Accumulation Period, unless such number would be 31, in which case **D₂** will be 30; and

- (g) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Return Accumulation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y₁ is the year, expressed as a number, in which the first day of the Return Accumulation Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Return Accumulation Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

D₁ is the first calendar day, expressed as a number, of the Return Accumulation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D₁** will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Return Accumulation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D₂** will be 30.

7.6 Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of a Return Accumulation Period in the applicable Final Terms, the Rate for such Return Accumulation Period shall be calculated by the Principal Paying Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate, one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Return Accumulation Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Return Accumulation Period *provided however that* if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Principal Paying Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"**Designated Maturity**" means the period of time designated in the Reference Rate.

7.7 Publication

The Calculation Agent will cause each Rate and Periodic Distribution Amount determined by it, together with the relevant Periodic Distribution Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Trustee, Almarai, the Delegate, the Paying Agents and any stock exchange on which the relevant Trust Certificates in respect of which Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable are for the time being listed and notice thereof to be published in accordance with Condition 16 as soon as possible after their determination but in any event not later than the fourth London Business Day thereafter. Each Periodic Distribution Amount and Periodic Distribution Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Return Accumulation Period. Any such amendment will be promptly notified to each stock exchange on which such Trust Certificates are for the time being listed and to the Certificateholders in accordance with Condition 16. For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

7.8 Determination by the Delegate

The Delegate may (but shall not be obliged to), if the Calculation Agent defaults at any time in its obligation to determine any Rate, Periodic Distribution Amount and/or Periodic Distribution Date in accordance with the above provisions or otherwise as specified in the applicable Final Terms, determine in accordance with Condition 7.5 above the relevant Rate, Periodic Distribution Amount and/or Periodic Distribution Date, the former at such rate as, in its discretion (having such regard as it shall think fit to the procedure described above but subject always to any Minimum Profit Rate or Maximum Profit Rate specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances (having such regard as it thinks fit to Condition 7.3 above) and the Periodic Distribution Amount and the Periodic Distribution Date in the manner provided in this Condition and the determinations shall be deemed to be determinations by the Calculation Agent.

7.9 Notifications, etc. to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition, whether by the Calculation Agent or, in accordance with Condition 7.8 above, the Delegate will (in the absence of wilful default, gross negligence or manifest error) be binding on the Trustee, the Delegate, Almarai, the

Agents and all Certificateholders and (in the absence of wilful default or bad faith) no liability shall attach to the Calculation Agent or the Delegate in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition.

8. PAYMENT

8.1 Payments in respect of the Trust Certificates

Subject to Condition 8.2, payment of the Dissolution Amount and any Periodic Distribution Amount will be made by transfer to the registered account of each Certificateholder. Payments of any Dissolution Amount will only be made against surrender of the relevant Trust Certificate at the specified office of any of the Paying Agents. Each Dissolution Amount and each Periodic Distribution Amount will be paid to the holder shown on the Register at the close of business on the relevant Record Date.

For the purposes of these Conditions:

- (a) **"Dissolution Amount"** means, as appropriate, the Final Dissolution Amount, the Tax Dissolution Amount, the Optional Dissolution Amount, the Dissolution Amount specified in the applicable Final Terms for the purposes of Condition 13, the amount payable pursuant to the Transaction Documents following the occurrence of a Total Loss Event (where the relevant Total Loss Assets are not replaced with Replacement Assets on or before the 30th day after the occurrence of the Total Loss Event pursuant to the terms of the Service Agency Agreement), or such other amount in the nature of a redemption amount as may be specified in the applicable Final Terms;
- (b) **"Payment Business Day"** means:
 - (i) in the case where presentation and surrender of a definitive Trust Certificate is required before payment can be made, a day on which banks in the relevant place of surrender of the definitive Trust Certificate are open for presentation and payment of securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account:
 - (A) if the currency of payment is euro, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
 - (B) if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the principal financial centre of the currency of payment and in each (if any) Additional Financial Centre;
- (c) a Certificateholder's **"registered account"** means the account maintained by or on behalf of such Certificateholder with a bank that processes payments in the Specified Currency, details of which appear on the Register at the close of business on the relevant Record Date;
- (d) a Certificateholder's **"registered address"** means its address appearing on the Register at that time; and
- (e) **"Record Date"** means (i) (where the Trust Certificate is represented by a Global Trust Certificate), at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the Periodic Distribution Date, Maturity Date or the relevant Dissolution Date, as the case may be; or (ii) (where the Trust Certificate is in definitive form), in the case of the payment of a Periodic Distribution Amount, the date falling on the 15th day before the relevant Periodic Distribution Date and, in the case of the payment of a Dissolution Amount, the date falling two Payment Business Days before the Maturity Date or the relevant Dissolution Date, as the case may be.

8.2 Payments subject to Applicable Laws

Payments in respect of Trust Certificates are subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 11, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 11) any law implementing an intergovernmental approach thereto.

8.3 Payment only on a Payment Business Day

Payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment or, in the case of a payment of the Dissolution Amount, if later, on the Payment Business Day on which the relevant definitive Trust Certificate is surrendered at the specified office of a Paying Agent for value as soon as practicable thereafter.

Certificateholders will not be entitled to any additional payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day, if the relevant Certificateholder is late in surrendering its definitive Trust Certificate (if required to do so).

If the amount of any Dissolution Amount or Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount in fact paid.

9. AGENTS

9.1 Agents of Trustee

In acting under the Agency Agreement and in connection with the Trust Certificates, the Agents act solely as agents of the Trustee and (to the extent provided therein) the Delegate and do not assume any obligations towards or relationship of agency or trust for or with any of the Certificateholders. If any additional Agents are appointed in connection with any Series, the names of such Agents will be specified in Part B of the applicable Final Terms. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

9.2 Specified Offices

The names of the initial Agents and their initial specified offices are set out in the Agency Agreement. The Trustee reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents *provided, however, that:*

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) if a Calculation Agent (other than the Principal Paying Agent) has been appointed in the applicable Final Terms, there will at all times be a Calculation Agent; and
- (c) so long as any Trust Certificates are admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system, there will at all times be a Paying Agent, Registrar and a Transfer Agent having its specified office in such place (if any) as may be required by the rules of such listing authority, stock exchange and/or quotation system.

Notice of any variation, termination, appointment or change will be given to the Certificateholders promptly by the Trustee in accordance with Condition 16 and will take effect on such date as complies with the provisions of the Agency Agreement.

10. CAPITAL DISTRIBUTIONS OF THE TRUST

10.1 Scheduled Dissolution

Unless the Trust Certificates are previously redeemed or purchased and cancelled, the Trustee will redeem each Trust Certificate on the Maturity Date at the Final Dissolution Amount together with any Periodic Distribution Amount payable. Upon payment in full of such amounts to the Certificateholders, the Trust will be dissolved, the Trust Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

In respect of any Series, the applicable exercise price payable by Almarai under the Purchase Undertaking, together with the Total Deferred Sale Price Outstanding payable to the Trustee under the Master Murabaha Agreement and the relevant Murabaha Transactions (if any), are intended to fund the aggregate Final Dissolution Amount and all accrued but unpaid Periodic Distribution Amounts payable by the Trustee in respect of the Trust Certificates.

10.2 Early Dissolution for Tax Reasons

Upon the occurrence of a Tax Event (as defined below), Almarai may in its sole discretion deliver to the Trustee a duly completed Exercise Notice (as defined in the Sale Undertaking) in accordance with the provisions of the Sale Undertaking and, upon receipt of such notice, the Trustee shall, having given:

- (a) not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Certificateholders in accordance with Condition 16; and
- (b) not less than the minimum period of days before the giving of the notice referred to in (a) above, to the Delegate, the Principal Paying Agent and the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption, being the "**Tax Dissolution Date**") redeem the Trust Certificates in whole, but not in part (x) at any time (if the Fixed Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable) or (y) on any Periodic Distribution Date (if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable) at the Tax Dissolution Amount together with any accrued but unpaid Periodic Distribution Amounts.

For the purposes of these Conditions, "**Tax Event**" means:

- (i) (A) on the occasion of the next payment due under the Trust Certificates the Trustee has or will become obliged to pay additional amounts as provided or referred to in Condition 11 as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands (or any political subdivision or authority thereof or therein having the power to tax) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issuance of the first Tranche of the relevant Series of Trust Certificates and (B) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or
- (ii) (A) the receipt by the Trustee of notice from Almarai that Almarai (acting in its capacity as Lessee) has or will become obliged to pay additional amounts pursuant to the terms of the relevant Lease Agreement to the extent they are required to be paid pursuant to the federal laws or regulations of the Kingdom of Saudi Arabia then in force as a result of any change in, or amendment to, the federal laws or regulations of the Kingdom of Saudi Arabia (or any political subdivision or authority thereof or therein having the power to tax) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issuance of the first Tranche of the relevant Series of Trust Certificates and (B) such obligation cannot be avoided by Almarai taking reasonable measures available to it,

provided, that no such notice of redemption shall be given (x) unless an Exercise Notice has been received by the Trustee from Almarai under the Sale Undertaking as aforesaid and (y) earlier than 90 days prior to the earliest date on which (in the case of (i) above) the Trustee would be obliged to pay such additional amounts if a payment in respect of the Trust Certificates were then due or (in the case of (ii) above) Almarai would be obliged to pay such additional amounts if a payment to the Trustee under the relevant Lease Agreement was then due.

Prior to the publication of any notice of redemption pursuant to this Condition 10.2, the Trustee shall deliver to the Delegate and the Principal Paying Agent (to make available at its specified office to the Certificateholders) (1) a certificate signed by one Authorised Signatory (in the case of (i) above) or two Authorised Signatories of Almarai (in the case of (ii) above) stating that the Trustee is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent in (i) or (ii) above to the right of the Trustee so to redeem have occurred and (2) an opinion of independent legal advisers of recognised standing to the effect that the Trustee or, as the case may be, Almarai has or will become obliged to pay such additional amounts as a result of such change or amendment and the Delegate shall be entitled to accept the certificate as sufficient evidence of the conditions precedent set out above, in which event it shall be conclusive and binding on the Certificateholders.

Upon the expiry of any such notice as is referred to in this Condition 10.2, the Trustee shall be bound to redeem the Trust Certificates at the Tax Dissolution Amount together with any accrued but unpaid Periodic Distribution Amounts and, upon payment in full of such amounts to the Certificateholders, the Trust will be dissolved, the Trust Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

In respect of any Series, the applicable exercise price payable by Almarai under the Sale Undertaking, together with the Total Deferred Sale Price Outstanding payable to the Trustee under the Master Murabaha Agreement and the relevant Murabaha Transactions (if any), are intended to fund the aggregate Tax Dissolution Amount and all accrued but unpaid Periodic Distribution Amounts payable by the Trustee in respect of the Trust Certificates.

10.3 Dissolution at the Option of the Trustee

If Optional Dissolution (Call) is specified in the applicable Final Terms as being applicable, Almarai may in its sole discretion deliver to the Trustee a duly completed Exercise Notice (as defined in the Sale Undertaking) in accordance with the provisions of the Sale Undertaking and, upon receipt of such notice, the Trustee shall, having given:

- (a) not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Certificateholders in accordance with Condition 16; and
- (b) not less than the minimum period of days before the giving of the notice referred to in (a) above, to the Delegate, the Principal Paying Agent and the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Trust Certificates then outstanding on any Optional Dissolution Date and at the Optional Dissolution Amount(s) specified in the applicable Final Terms together with all unpaid Periodic Distribution Amounts accrued to (but excluding) the relevant Optional Dissolution Date, *provided that* no such notice of redemption shall be given unless an Exercise Notice has been received by the Trustee under the Sale Undertaking as aforesaid. Any such redemption must be of an aggregate face amount not less than the Minimum Optional Dissolution Amount and not more than the Maximum Optional Dissolution Amount in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Trust Certificates, the Trust Certificates to be redeemed ("**Redeemed Trust Certificates**") will (i) in the case of Redeemed Trust Certificates represented by definitive Trust Certificates, be selected individually by lot, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**") and (ii) in the case of Redeemed Trust Certificates represented by a Global Trust Certificate, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg. In the case of Redeemed Trust Certificates represented by

definitive Trust Certificates, a list of the serial numbers of such Redeemed Trust Certificates will be published in accordance with Condition 16 not less than 15 days prior to the date fixed for redemption.

Upon such redemption, (*provided that* the Trust Certificates are redeemed in their entirety) the Trust will be dissolved, the Redeemed Trust Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

For the purposes of these Conditions:

"Maximum Optional Dissolution Amount" shall mean, in relation to any Trust Certificates to be redeemed pursuant to this Condition 10.3, the amount specified as such in the applicable Final Terms;

"Minimum Optional Dissolution Amount" shall mean, in relation to any Trust Certificates to be redeemed pursuant to this Condition 10.3, the amount specified as such in the applicable Final Terms; and

"Optional Dissolution Amount" shall mean, in relation to each Trust Certificate to be redeemed pursuant to this Condition 10.3, an amount equal to the aggregate face amount of such Trust Certificate or such other amount as may be specified in the applicable Final Terms.

In respect of any Series, the applicable exercise price payable by Almarai under the Sale Undertaking, together with the Total Deferred Sale Price Outstanding (or, where some but not all of the Trust Certificates then outstanding are being redeemed, the relevant portion thereof) payable to the Trustee under the Master Murabaha Agreement and the relevant Murabaha Transactions (if any), are intended to fund the relevant Optional Dissolution Amount and all accrued but unpaid Periodic Distribution Amounts payable by the Trustee in respect of the relevant Trust Certificates.

10.4 Dissolution following a Total Loss Event

Upon the occurrence of a Total Loss Event, and unless the relevant Total Loss Assets are replaced with Replacement Assets on or before the 30th day after the occurrence of the Total Loss Event pursuant to the terms of the Service Agency Agreement, the Trust Certificates shall be redeemed and the Trust dissolved on the Total Loss Dissolution Date. The Trust Certificates will be redeemed using the proceeds of insurance payable in respect of the Total Loss Event which are required to be paid into the Transaction Account by no later than the 30th day after the occurrence of the Total Loss Event, together with (where one or more Murabaha Transactions form part of the Asset Portfolio of such Series) the then Total Deferred Sale Price Outstanding of the Series. Upon such redemption, the Trust will be dissolved, the Trust Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

For the purposes of these Conditions:

"Replacement Assets" means the assets specified as such in a Replacement Sale and Purchase Agreement executed pursuant to clause 4 (*Purchase of Replacement Assets*) of the Service Agency Agreement, the identity of which shall be determined by Almarai in its sole and absolute discretion;

"Replacement Sale and Purchase Agreement" means an agreement substantially in the form set out in schedule 3 (*Form of Replacement Sale and Purchase Agreement*) of the Service Agency Agreement;

"Total Loss Assets" means the Lease Assets in respect of which the Total Loss Event has occurred;

"Total Loss Dissolution Date" means the date falling 31 days after the occurrence of a Total Loss Event or, if such day is not a Payment Business Day, on the immediately following Payment Business Day; and

a **"Total Loss Event"** is the total loss or destruction of, or damage to the whole of, the Lease Assets or any event or occurrence that renders the whole of the Lease Assets permanently unfit for any economic use and (but only after taking into consideration any insurances or other indemnity granted by any third

party in respect of the Lease Assets) the repair or remedial work in respect thereof is wholly uneconomical.

*Under the Servicing Agency Agreement, the Servicing Agent undertakes to be responsible for ensuring that the Lease Assets are properly insured (and to use reasonable endeavours to obtain such insurances on a takaful basis if available or available on commercially viable terms) against the occurrence of a Total Loss Event in an amount equal to its "**Full Reinstatement Value**" (such value being, in relation to each Series, at any time, an amount equal to the aggregate of: (a) the aggregate face amount of Trust Certificates then outstanding for the relevant Series; (b) all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Trust Certificates at that time; (c) an amount equal to the Periodic Distribution Amounts relating to such Trust Certificates then outstanding which would accrue for a period of 30 days in relation to the Trust Certificates then outstanding; (d) an amount equal to any outstanding Services Charge Amount (to the extent not already paid as part of any Rental payment made in accordance with the Master Lease Agreement and the relevant Supplemental Lease Agreement) and Liquidity Facility Amount; and (e) all other amounts then due and payable by the Trustee under the Trust Certificates, less, (f) where one or more Murabaha Transactions forms part of the Asset Portfolio of the relevant Series, the then Total Deferred Sale Price Outstanding of the Series).*

Under the Servicing Agency Agreement, the Servicing Agent is also responsible for ensuring that, subject to the following paragraph, in the event of a Total Loss Event occurring, all insurance proceeds in respect thereof are paid in the Specified Currency directly into the relevant Transaction Account by no later than the 30th day after the occurrence of the Total Loss Event.

Subject to the below, if, after the occurrence of a Total Loss Event and before the proceeds of any insurances in respect of the Total Loss Assets are paid into the relevant Transaction Account:

- (i) the Trustee receives a Total Loss Replacement Notice from Almarai; and*
- (ii) the Trustee elects to purchase the relevant Replacement Assets pursuant to the Servicing Agency Agreement,*

the Servicing Agent shall pay and apply (on behalf of the Trustee) the proceeds of any insurances in respect of the Total Loss Assets as, and towards, payment to Almarai (or, as the case may be, the relevant Subsidiary of Almarai) of the relevant Replacement Assets Purchase Price on the relevant Total Loss Replacement Date.

If, following the occurrence of a Total Loss Event, no Total Loss Replacement Notice is delivered by Almarai to the Trustee (or, if such notice has been delivered, the relevant Replacement Assets Purchase Price is not paid in full for whatever reason on the relevant Total Loss Replacement Date), then the proceeds of any insurances in respect of the relevant Total Loss Assets shall be paid in the Specified Currency directly into the Transaction Account by no later than the 30th day after the occurrence of the Total Loss Event, no Replacement Assets will be purchased by the Trustee and the paragraph immediately below will apply.

*If, following the occurrence of a Total Loss Event, no Total Loss Replacement Notice is delivered by Almarai to the Trustee (or, if such notice has been delivered, the relevant Replacement Assets Purchase Price is not paid in full for whatever reason on the relevant Total Loss Replacement Date), or the obligations of the Servicing Agent thereunder are not strictly complied with and any insurance proceeds paid into the Transaction Account are less than the Full Reinstatement Value of the Lease Assets (the difference between the insurance proceeds (if any) paid into the Transaction Account and such Full Reinstatement Value being the "**Total Loss Shortfall Amount**"), the Servicing Agent (unless it proves beyond any doubt that any shortfall in the insurance proceeds is not attributable to its negligence or its failing to comply with the terms of the Servicing Agency Agreement relating to insurance) irrevocably and unconditionally indemnifies the Trustee for the Total Loss Shortfall Amount, which will be payable directly into the Transaction Account on the 31st day following the occurrence of the Total Loss Event or, if such day is not a Payment Business Day, on the immediately following Payment Business Day.*

Upon the occurrence of a Total Loss Event where the relevant Total Loss Assets are not replaced with Replacement Assets on or before the 30th day after the occurrence of the Total Loss Event pursuant to

the terms of the Service Agency Agreement, all of the Rental that has accrued pursuant to the relevant Lease Agreement, together with (where one or more Murabaha Transactions form part of the Asset Portfolio of such Series) the then Total Deferred Sale Price Outstanding of the Series, shall be credited to the Transaction Account by the Lessee. The aggregate of such amounts and any insurance proceeds and/or Total Loss Shortfall Amount are intended to be equal to the aggregate face amount of the Trust Certificates together with all accrued and unpaid Periodic Distribution Amounts.

*Under the Servicing Agency Agreement, "**Total Deferred Sale Price Outstanding**" means, from time to time and at any time, in respect of a Series of Trust Certificates and the corresponding Murabaha Transactions (if any), the aggregate amount of the applicable Deferred Sale Price(s) under all Murabaha Transactions (if any) of such Series that has not yet been paid by Almarai (as purchaser) to the Trustee (as seller) at the relevant time;*

10.5 Redemption at the option of the Certificateholders

- (a) If Certificateholder Put Right is specified in the applicable Final Terms as being applicable, upon the holder of any Trust Certificate giving to the Trustee in accordance with Condition 16 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Trustee will, upon the expiry of such notice, redeem, or, at the Trustee's option, purchase (or procure the purchase of) such Trust Certificate on the Certificateholder Put Right Date and at the Optional Dissolution Amount specified in the applicable Final Terms together with all unpaid Periodic Distribution Amounts accrued to (but excluding) the relevant Certificateholder Put Right Date. Trust Certificates may be redeemed or, as the case may be, purchased under this Condition 10.5(a) in any multiple of their lowest Specified Denomination.
- (b) To exercise the right to require redemption of any Trust Certificate pursuant to this Condition 10.5 the holder thereof must, if the Trust Certificate is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of the Registrar at any time during normal business hours of such Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of the Registrar (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 10.5 and the aggregate face amount thereof to be redeemed and, if less than the full aggregate face amount of the Trust Certificates so surrendered is to be redeemed, an address to which a new Trust Certificate in definitive form in respect of the balance of such Trust Certificates is to be sent subject to and in accordance with the provisions of Condition 2.2.

If the relevant Trust Certificate is represented by a Global Trust Certificate or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption thereof the holder of such Trust Certificate must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on such Certificateholder's instruction by Euroclear, Clearstream, Luxembourg or any depositary for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and if the relevant Trust Certificate is represented by a Global Trust Certificate, at the same time present or procure the presentation of the relevant Global Trust Certificate to the Principal Paying Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Trust Certificate pursuant to this Condition 10.5 shall be irrevocable except where, prior to the due date of redemption, a Dissolution Event has occurred and the Delegate has declared the Trust Certificates are to be redeemed pursuant to Condition 13, in which event such holder, at its option, may elect by notice to the Trustee to withdraw the notice given pursuant to this Condition 10.5.

10.6 No other Dissolution

The Trustee shall not be entitled to redeem the Trust Certificates, and the Trustee shall not be entitled to dissolve the Trust, otherwise than as provided in this Condition 10 and Condition 13.

10.7 Purchases

Almarai or any of its Subsidiaries may at any time purchase Trust Certificates at any price in the open market or otherwise. Such Trust Certificates may be held, reissued, resold or, at the option of Almarai, surrendered to the Registrar for cancellation. In the case of such cancellation, Almarai shall deliver an Exercise Notice to the Trustee (in accordance with the terms of the Sale Undertaking) whereupon the Trustee shall, in accordance with the terms of the Sale Undertaking, be obliged to transfer all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Cancelled Lease Assets to Almarai in consideration for which the Trust Certificates shall be cancelled. The transfer of the Cancelled Lease Assets will take effect by Almarai and the Trustee entering into a sale agreement (in the form scheduled to the Sale Undertaking). Following the entry into such sale agreement, the Trustee shall surrender to the Registrar the relevant Trust Certificates identified for cancellation (the "**Cancelled Trust Certificates**") in the Exercise Notice on the Cancellation Date.

For the purposes of these Conditions:

"**Cancellation Date**" means the date on which Trust Certificates are to be cancelled as specified in the Exercise Notice and which shall be a Periodic Distribution Date; and

"**Cancelled Lease Assets**" means the assets to be sold by the Trustee to Almarai in accordance with the Sale Undertaking following the delivery of, and as specified in, the applicable Exercise Notice.

In respect of any Series, pursuant to the Master Murabaha Agreement, the parties thereto have acknowledged and agreed that where Almarai or any of its Subsidiaries have purchased Trust Certificates and Almarai wishes to cancel such Trust Certificates and issues an Exercise Notice to that effect pursuant to the Sale Undertaking and this Condition 10.7, the relevant pro rata portion of the Deferred Sale Price(s) corresponding to the Murabaha Transactions relating to such Cancelled Trust Certificates shall be cancelled and no Deferred Sale Price(s) shall be payable in respect of the Cancelled Trust Certificates.

10.8 Cancellations

All Trust Certificates which are redeemed will forthwith be cancelled. All Trust Certificates so cancelled and any Trust Certificates purchased and cancelled pursuant to Condition 10.7 above shall be forwarded to the Registrar and cannot be reissued or resold.

10.9 Dissolution Date

In these Conditions, the expression "**Dissolution Date**" means, as the case may be:

- (a) following the occurrence of a Dissolution Event (as defined in Condition 13), the Dissolution Event Redemption Date (as defined in Condition 13);
- (b) the Optional Dissolution Date;
- (c) the Tax Dissolution Date;
- (d) the Certificateholder Put Right Date;
- (e) the Total Loss Dissolution Date; or
- (f) such other date as is specified in the applicable Final Terms for the redemption of Trust Certificates and dissolution of the Trust in whole or in part prior to the Maturity Date.

11. TAXATION

All payments in respect of the Trust Certificates will be made free and clear of and without withholding or deduction for or on account of any present or future Taxes, unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay such additional amounts as shall be necessary in order that the net amounts received by the Certificateholders after such withholding or deduction shall equal the amounts which would otherwise have been receivable in respect of the Trust Certificates in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Trust Certificate:

- (a) presented for payment (where presentation is required) by or on behalf of a holder who is liable for such Taxes in respect of such Trust Certificate by reason of having some connection with a Relevant Jurisdiction other than the mere holding of such Trust Certificate; or
- (b) presented for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Payment Business Day.

As used in these Conditions:

"Relevant Date" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the principal financial centre of the currency of payment by the Principal Paying Agent on or prior to such due date, the date on which the full amount has been so received and notice to that effect has been given to Certificateholders in accordance with Condition 16;

"Relevant Jurisdiction" means the Cayman Islands or the Kingdom of Saudi Arabia or, in either case, any political subdivision or authority thereof or therein having the power to tax; and

"Taxes" means any present or future taxes, levies, imposts, duties, fees, assessments or other governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction.

The Lease Agreement, the Servicing Agency Agreement and the Purchase Undertaking each provide that payments thereunder by the Lessee, the Servicing Agent and the Obligor, respectively, shall be made without withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other governmental charges of whatever nature imposed, levied, collected, withheld or assessed, unless the withholding or deduction is required by law and, in such case, provide for the payment by the Lessee, the Servicing Agent and the Obligor, respectively, of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee. In addition, pursuant to the Purchase Undertaking Almarai has irrevocably and unconditionally undertaken (irrespective of the payment of any fee), as a continuing obligation, that, if additional amounts are payable by the Trustee in respect of the Trust Certificates in accordance with Condition 11, it will pay to the Trustee (for the benefit of the Certificateholders) an amount equal to such additional amounts by payment to the Transaction Account in the Specified Currency by wire transfer for same day value so that the full amount which would otherwise have been due and payable under the Trust Certificates is received by the Trustee.

12. PRESCRIPTION

The right to receive distributions in respect of the Trust Certificates will be forfeited unless claimed within periods of 10 years (in the case of Dissolution Amounts) and five years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect thereof, subject to the provisions of Condition 8.

13. DISSOLUTION EVENTS

13.1 Dissolution Events

Upon the occurrence and continuation of any of the following events ("**Dissolution Events**"):

- (a) **Non-payment:** default is made in the payment of the Dissolution Amount or any Periodic Distribution Amount on the due date for payment thereof and such default continues for a period of five (5) Payment Business Days; or
- (b) **Breach of other obligations:** the Trustee defaults in the performance or observance of or compliance with any of its other obligations or undertakings in the Trust Certificates or the Transaction Documents and such default is not capable of remedy or (if capable of remedy) is not remedied within thirty (30) days after written notice of such default shall have been given to the Trustee by the Delegate; or
- (c) **Almarai Event:** an Almarai Event (as defined in Condition 13.2) occurs; or
- (d) **Repudiation:** the Trustee repudiates, disclaims or challenges the legal, valid, binding and enforceable nature of any or any part of any Transaction Document to which it is a party or does or causes to be done any act or thing evidencing an intention to repudiate, disclaim or challenge the legal, valid, binding and enforceable nature of any or any part of any Transaction Document to which it is a party; or
- (e) **Illegality:** at any time it is or will become unlawful or impossible for the Trustee (by way of insolvency or otherwise) to perform or comply with any or all of its duties, obligations and undertakings under the Trust Certificates or the Transaction Documents or any of the duties, obligations and undertakings of the Trustee under the Trust Certificates or the Transaction Documents are not or cease to be legal, valid, binding and enforceable; or
- (f) **Authorisation and consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (a) to enable the Trustee lawfully to enter into, exercise its rights and perform and comply with its obligations under the Trust Certificates and the Transaction Documents to which it is party; (b) to ensure that those obligations are legally binding and enforceable; and (c) to make the Trust Certificates and the Transaction Documents to which it is party admissible in evidence in the courts of the Cayman Islands, is not taken, fulfilled or done; or
- (g) **Insolvency:** either: (a) the Trustee is (or is deemed by law or a court to be) insolvent or is unable to pay its financial obligations as they fall due; (b) an administrator or liquidator of the whole or substantially the whole of the undertaking, assets and revenues of the Trustee is appointed (or application for any such appointment is made); (c) the Trustee takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it; or (d) the Trustee ceases or threatens to cease to carry on all or substantially the whole of its business, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Certificateholders; or
- (h) **Winding-up:** an order or decree is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Trustee; or
- (i) **Analogous event:** any event occurs which under the laws of any Relevant Jurisdiction has an analogous effect to any of the events referred to in paragraph (g) and (h) above,

the Delegate shall, promptly upon receiving written notice thereof, give notice of the occurrence of such Dissolution Event to the holders of Trust Certificates in accordance with Condition 16 with a request to such holders to indicate if they wish the Trust Certificates to be redeemed and the Trust to be dissolved

provided, however, in the case of a Dissolution Event comprising an event described in paragraph (b) above or an event described in paragraph (b) of the definition of Almarai Event, such notice may only be given if the Delegate shall have certified in writing to the Trustee and Almarai that such event is, in its opinion, materially prejudicial to the interests of the Certificateholders. If so requested in writing by the holders of at least 25 per cent. of the then aggregate face amount of the Trust Certificates outstanding or if so directed by an Extraordinary Resolution of the holders of the Trust Certificates, the Delegate shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) or, if the Delegate so decides in its discretion, the Delegate may give notice to the Trustee, Almarai and all the holders of the Trust Certificates in accordance with Condition 16 that the Trust Certificates are to be redeemed at the Dissolution Amount on the date specified in such notice (the "**Dissolution Event Redemption Date**"). Upon payment in full of such amounts, the Trust will be dissolved, the Trust Certificates shall cease to represent the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

For the purpose of (a) above, amounts shall be considered due in respect of the Trust Certificates (including any amounts calculated as being payable under Condition 6, Condition 7 and Condition 10) notwithstanding that the Trustee has, at the relevant time, insufficient funds to pay such amounts.

13.2 Almarai Events

For the purposes of this Condition, an "**Almarai Event**" means any of the following events:

- (a) **Non-payment:** Almarai (acting in any capacity) fails to pay an amount in the nature of profit or principal payable by it pursuant to any Transaction Document to which it is a party and the failure continues for a period of five (5) Payment Business Days; or
- (b) **Breach of other obligations:** if Almarai (acting in any capacity) fails to perform or observe any of its other obligations in the Transaction Documents to which it is a party and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of thirty (30) days next following the service by the Delegate or the Trustee on Almarai of notice requiring the same to be remedied; or
- (c) **Cross-acceleration:** (a) any other present or future Financial Indebtedness of Almarai or any of its Material Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any event of default or the like (howsoever described); or (b) any such Financial Indebtedness is not paid when due or, as the case may be, within any applicable grace period; or (c) Almarai or any of its Material Subsidiaries fails to pay when due or, as the case may be, within any applicable grace period any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, save in each case where the liability in respect of the relevant Financial Indebtedness, guarantee or indemnity is being contested by Almarai or such Material Subsidiary, as the case may be, in good faith and by all appropriate means and provided that the aggregate amount of the relevant Financial Indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds U.S.\$40,000,000 (or its equivalent in any other currency or currencies); or
- (d) **Enforcement proceedings:** a distress, attachment, execution or other legal process with a value of at least U.S.\$50,000,000 is levied, enforced or sued out on or against all or a material part of the property, assets or revenues of Almarai or any of its Material Subsidiaries and is not discharged, withdrawn or stayed within thirty (30) days; or
- (e) **Security enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future with a value of at least U.S.\$50,000,000, created or assumed by Almarai or any of its Material Subsidiaries in respect of all or a material part of the property, assets or revenues of Almarai or such Material Subsidiary, as the case may be, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative

receiver, manager or other similar person), and any such step is not ceased within thirty (30) days; or

- (f) **Adverse judgments:** one or more judgments or orders for the payment of any sum in excess of, whether individually or in aggregate, U.S.\$50,000,000 is rendered against Almarai or any Material Subsidiary and continues unsatisfied, unstayed and unappealed for a period of 30 days after the date thereof (or, if appealed, the appeal is unsuccessful and thereafter the judgment continues unsatisfied and unstayed for a period of thirty (30) days); or
- (g) **Insolvency:** Almarai or any of its Material Subsidiaries is (or is deemed by a court to be) insolvent or bankrupt or unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its Financial Indebtedness, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of its Financial Indebtedness (including any arrangement under the Bankruptcy Law) or a moratorium is agreed or declared in respect of or affecting all or any part of the Financial Indebtedness of Almarai or any of its Material Subsidiaries; or
- (h) **Winding-up:** an order is made or an effective resolution passed for the winding-up or dissolution of Almarai or any of its Material Subsidiaries or Almarai or any of its Material Subsidiaries ceases or threatens to cease, or is required to cease, to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Delegate or by an Extraordinary Resolution of the Certificateholders or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in another Subsidiary; or
- (i) **Authorisation and consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (i) to enable Almarai lawfully to enter into, exercise its rights and perform and comply with its obligations in respect of the Trust Certificates and under the Transaction Documents to which it is a party to which it is a party; (ii) to ensure that those obligations are legally binding and enforceable; and (iii) to make the Trust Certificates and the Transaction Documents to which it is a party admissible in evidence in the courts of the Kingdom of Saudi Arabia, is not taken, fulfilled or done; or
- (j) **Repudiation:** Almarai repudiates, disclaims or challenges the legal, valid, binding and enforceable nature of any or any part of any Transaction Document to which it is a party or does or causes to be done any act or thing evidencing an intention to repudiate, disclaim or challenge the legal, valid, binding and enforceable nature of any or any part of any Transaction Document to which it is a party; or
- (k) **Illegality:** it is or will become unlawful for Almarai to perform or comply with any one or more of its duties, obligations and undertakings under the Transaction Documents to which it is a party; or
- (l) **Government intervention:** the government of any country or any governmental agency takes any step with a view to the seizure, expropriation, nationalisation or acquisition (whether compulsory or otherwise) of Almarai, any of its Material Subsidiaries or any of their material assets; or
- (m) **Analogous event:** any event occurs which under the laws of any Relevant Jurisdiction has an analogous effect to any of the events referred to in paragraph (g) and (h) above.

In this Condition, the following expression shall have the following meaning:

"Bankruptcy Law" means the Bankruptcy Law issued pursuant to Royal Decree No. M/50 dated 28/05/1439H (corresponding to 14 February 2018) and its implementing regulations issued pursuant to the Council of Ministers Resolution No. 622 dated 24/12/1439H (corresponding to 4 September 2018)

and published in the official gazette on 30/12/1439H (corresponding to 10 September 2018) as amended, supplemented or restated from time to time;

"EBITDA" means, for the purposes of these Conditions only, in respect of any period, the consolidated operating profit of the Group before taxation and excluding the results from discontinued operations (i) before deducting any interest or profit, commission, fees, discounts, prepayment fees, premiums or charges and other recurring finance charges payable by any member of the Group in respect of that period, (ii) not including any accrued interest, profit or commission owing to any member of the Group, (iii) after adding back any amount attributable to the amortisation or depreciation of assets of members of the Group (and taking no account of the reversal of any previous impairment charge made in that period), (iv) before taking into account any exceptional, one off, non-recurring or extraordinary items for such period, (v) before taking into account any unrealised gains or losses on any investment property or derivative instrument (other than any derivative instrument which is accounted for on a hedge accounting basis), and (vi) before taking into account any gain or loss arising from an upward or downward revaluation of any other asset at any time following the end of a period, in each case, to the extent added, deducted or taken into account, as the case may be, for the purposes of determining operating profits of the Group before taxation, as reflected in the Purchaser's most recent consolidated financial statements;

"Financial Indebtedness" means, for the purposes of these Conditions only, any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any debt instrument or any similar instrument (including *Shari'a*-compliant instruments such as trust certificates and sukuk);
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any Non-Recourse Project Financing, Securitisation and any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution excluding any performance bonds;
- (i) any amount of any liability under an advance or deferred purchase agreement if one of the primary reasons behind the entry into such agreement is to raise finance; and
- (j) any obligations incurred in respect of any Islamic financing arrangements; and

(without double counting) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (j) above;

"IFRS" means the International Financial Reporting Standards as issued by the International Accounting Standards Board, as endorsed in KSA, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants, which became applicable for the Group for financial periods commencing 1 January 2017;

"Material Subsidiary" means any Subsidiary of Almarai whose EBITDA represents not less than 10 per cent. of the consolidated EBITDA of Almarai provided that it shall not apply to any subsidiary which is a joint venture of the Group; and

"Subsidiary" means, in relation to any company or corporation, a company or corporation:

- (a) which is controlled, directly or indirectly, by the first mentioned company or corporation;
- (b) more than half of the issued share capital of which is beneficially owned, directly or indirectly, by the first mentioned company or corporation; or
- (c) which is a Subsidiary of another Subsidiary of the first mentioned company or corporation.

14. ENFORCEMENT AND EXERCISE OF RIGHTS

14.1 Enforcement

Upon the occurrence of a Dissolution Event and the giving of notice to the Trustee by the Delegate, to the extent that the amounts payable in respect of the Trust Certificates have not been paid in full pursuant to Condition 13, the Delegate shall (subject to being indemnified and/or secured and/or prefunded to its satisfaction), take one or more of the following steps:

- (a) enforce the provisions of the Transaction Documents against Almarai (in whichever capacity it is acting thereunder); and/or
- (b) take such other steps as the Delegate may consider necessary in its absolute discretion to protect the interests of the Certificateholders.

Notwithstanding the foregoing but subject to Condition 14.2, the Delegate may at any time, at its discretion and without notice, take such proceedings and/or other steps as it may think fit against or in relation to each of the Trustee and/or Almarai to enforce their respective obligations under the Transaction Documents, these Conditions and the Trust Certificates.

14.2 Delegate not obliged to take Action

Neither the Delegate nor the Trustee shall be bound in any circumstances to take any action to enforce or to realise the Trust Assets or take any action against the Trustee and/or Almarai under any Transaction Document unless directed or requested to do so (a) by an Extraordinary Resolution or (b) in writing by the holders of at least 25 per cent. of the then aggregate face amount of the Trust Certificates outstanding and in either case then only if it shall be indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

14.3 Direct Enforcement by Certificateholder

No Certificateholder shall be entitled to proceed directly against the Trustee and/or Almarai under any Transaction Document unless the Delegate, having become bound so to proceed, fails to do so within a reasonable period of becoming so bound and such failure is continuing.

14.4 Limited Recourse

The foregoing paragraphs in this Condition are subject to this paragraph. After enforcing or realising the Trust Assets and distributing the proceeds of the Trust Assets in accordance with Condition 4.2 and the Trust Deed, the obligations of the Trustee in respect of the Trust Certificates shall be satisfied and no holder of the Trust Certificates may take any further steps against the Trustee (to the extent that the Trust Assets have been exhausted), Almarai (to the extent that it fulfils all of its obligations under the Transaction Documents), the Delegate, the Agents or any of their respective affiliates to recover any further sums in respect of the Trust Certificates and the right to receive any sums unpaid shall be extinguished. In particular, neither the Delegate nor any Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee nor under any

circumstances shall the Trustee, the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the relevant Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole rights of the Trustee, the Delegate (acting on behalf of the Certificateholders) and the Certificateholders against Almarai shall be to enforce its obligations under the Transaction Documents.

15. REPLACEMENT OF DEFINITIVE TRUST CERTIFICATES

Should any definitive Trust Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Trustee or Almarai may reasonably require. Mutilated or defaced Trust Certificates must be surrendered before replacements will be issued.

16. NOTICES

Notices to Certificateholders shall be deemed to be validly given if mailed to them by first class pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective registered addresses recorded in the Register.

The Trustee shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) by which the Trust Certificates have then been admitted to listing, trading and/or quotation. Any notice shall be deemed to have been given on the fourth day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

Until such time as any definitive Trust Certificates are issued, there may, so long as any Global Trust Certificate representing the Trust Certificates is held on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication or mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the Certificateholders and, in addition, for so long as any Trust Certificates are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the Certificateholders on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Certificateholder shall be in writing and given by lodging the same with the Principal Paying Agent. Whilst any of the Trust Certificates are represented by a Global Trust Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg, such notice may be given by any holder of a Trust Certificate to the Principal Paying Agent through Euroclear and/or Clearstream, Luxembourg in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

17. MEETINGS OF CERTIFICATEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

- 17.1 The Master Trust Deed contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions, the provisions of the Trust Deed or any other Transaction Document. Such a meeting may be convened by the Trustee, Almarai and/or the Delegate and shall be convened by the Trustee if required in writing by Certificateholders holding not less than one-twentieth in aggregate face amount of the Trust Certificates of any Series for the time being outstanding. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in aggregate face amount of the Trust Certificates for the time being outstanding, or at any adjourned such meeting one or more persons present or representing Certificateholders whatever the outstanding aggregate face amount of the Trust Certificates so held or represented, except that any meeting the business of which includes the modification of certain provisions of the Trust Certificates (defined in the Master Trust Deed as a Reserved Matter, and which includes changing any date fixed for payment of a Periodic Distribution Amount or Dissolution Amount

in respect of the Trust Certificates, reducing or cancelling the Periodic Distribution Amount or Dissolution Amount payable on any date in respect of the Trust Certificates (other than any modification arising from the discontinuation of any interest rate benchmark used to determine the amount of any payment in respect of the applicable Series of Trust Certificates) or, except where such alteration is in the opinion of the Delegate bound to result in an increase in the amount of such payment, altering the method of calculating the amount of any payment in respect of the Trust Certificates on redemption or maturity, altering the currency of payment of the Trust Certificates, amending Condition 5, any of the Trustee's covenants in the Master Trust Deed or Almarai's obligations to make a payment under any Transaction Document to which it is a party), the quorum shall be one or more persons present holding or representing not less than two-thirds in aggregate face amount of the Trust Certificates for the time being outstanding, or at any adjourned such meeting one or more persons present holding or representing not less than one-third in aggregate face amount of the Trust Certificates for the time being outstanding. An Extraordinary Resolution duly passed as described above will be binding on all holders of the Trust Certificates, irrespective of if, or how, they voted on such Extraordinary Resolution and whether (if applicable) they attended the meeting.

- 17.2 The Delegate may agree, without the consent or sanction of the Certificateholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or any other Transaction Document by the Trustee or Almarai, or determine, without any such consent or sanction as aforesaid, that any Dissolution Event or Potential Dissolution Event (as defined in the Master Trust Deed) shall not be treated as such if, in the opinion of the Delegate, (a) such modification is of a formal, minor or technical nature, (b) such modification is made to correct a manifest error or (c) such modification (other than where it is in respect of a Reserved Matter), waiver, authorisation or determination is not materially prejudicial to the interests of Certificateholders.
- 17.3 In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Delegate shall have regard to the general interests of the Certificateholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof) and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim from the Delegate, the Trustee, Almarai or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders except to the extent already provided for in Condition 11.
- 17.4 Any modification, abrogation, waiver, authorisation or determination shall be binding on all the Certificateholders and shall, unless the Delegate agrees otherwise, be notified to the Certificateholders as soon as practicable thereafter in accordance with Condition 16 *provided that* failure to give such notification shall not invalidate such modification, abrogation, waiver, authorisation or determination.

18. INDEMNIFICATION AND LIABILITY OF THE DELEGATE AND THE TRUSTEE

- 18.1 The Trust Deed contains provisions (i) for the indemnification of each of the Delegate and the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction and (ii) pursuant to which the Delegate is entitled, *inter alia*, (a) to enter into business transactions with the Trustee, Almarai and/or any of their respective Subsidiaries and to act as trustee for the holders of any other securities issued by, or relating to, the Trustee, Almarai or any person or body corporate associated with the Trustee or Almarai, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Certificateholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.
- 18.2 The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of Almarai under the Transaction Documents and shall not under any

circumstances have any liability or be obliged to account to the Certificateholders in respect of any payments which should have been made by Almarai but are not so made and shall not in any circumstances have any liability arising from the Trust Assets other than as expressly provided in these Conditions or in the Trust Deed.

- 18.3 Each of the Trustee and the Delegate is exempted from (i) any liability in respect of any loss or theft of the Trust Assets or any cash, (ii) any obligation to insure the Trust Assets or any cash and (iii) any claim arising from the fact that the Trust Assets or any cash are held by or on behalf of the Trustee or on deposit or in an account with any depositary or clearing system or are registered in the name of the Trustee or its nominee, unless such loss or theft arises as a result of wilful default or fraud by the Trustee or the Delegate, as the case may be.

19. FURTHER ISSUES

The Trustee shall be at liberty from time to time without the consent of the Certificateholders to create and issue additional trust certificates having terms and conditions the same as the Trust Certificates or the same in all respects (or in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue) and so that the same shall be consolidated and form a single Series with the outstanding Trust Certificates. Any additional trust certificates which are to form a single Series with the outstanding Trust Certificates previously constituted by the Trust Deed shall be constituted by a deed supplemental to the Trust Deed.

20. CURRENCY INDEMNITY

The Specified Currency is the sole currency of account and payment for all sums payable by the Trustee under or in connection with the Trust Certificates, including damages. Any amount received or recovered in a currency other than the Specified Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Certificateholder in respect of any sum expressed to be due to it from the Trustee shall only constitute a discharge to the Trustee to the extent of the amount of the Specified Currency which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount of Specified Currency is less than the amount of Specified Currency expressed to be due to the recipient under any Trust Certificate, the Trustee shall indemnify it against any loss sustained by it as a result. In any event, the Trustee shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Certificateholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Trustee's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Certificateholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Trust Certificates or any other judgment or order.

21. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

22. GOVERNING LAW AND DISPUTE RESOLUTION

- 22.1 The Trust Deed and the Trust Certificates (including the remaining provisions of this Condition) and any non-contractual obligations arising out of or in connection with the Trust Deed and the Trust Certificates are governed by, and shall be construed in accordance with, English law.

- 22.2 Without limiting the rights of the Delegate under Condition 22.3, any dispute, claim, difference or controversy arising out of, relating to, or having any connection with the Trust Deed (including these Conditions) and/or the Trust Certificates (including any dispute regarding their existence, validity,

interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them (a "**Dispute**") shall be referred to and finally resolved by arbitration under the London Court of International Arbitration ("**LCIA**") Rules (the "**Rules**"), which rules (as amended from time to time) are deemed to be incorporated by reference into this Condition 22.2. For these purposes:

- (a) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party to the Dispute and shall be an attorney experienced in international securities transactions. The parties to the Dispute shall each nominate one arbitrator and both arbitrators in turn shall appoint a further arbitrator who shall be the chairman of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly shall each nominate one arbitrator. If one party or both fails to nominate an arbitrator within the time limits specified by the Rules, such arbitrator(s) shall be appointed by the LCIA. If the party nominated arbitrators fail to nominate the third arbitrator within 15 days of the appointment of the second arbitrator, such arbitrator shall be appointed by the LCIA;
- (b) the seat of arbitration shall be London, England; and
- (c) the language of the arbitration shall be English.

22.3 Notwithstanding Condition 22.2, the Delegate (or, but only where permitted to take action in accordance with the terms of the Trust Deed, any Certificateholder) may, in the alternative, and at its sole discretion, by notice in writing to the Trustee and Almarai require that a dispute be heard by the courts of England.

If the Delegate (or any Certificateholder) gives such notice, the Dispute to which such notice refers shall be determined in accordance with this Condition 22.3 and, subject as provided below, any arbitration commenced under Condition 22.2 in respect of that Dispute will be terminated. Each person who gives such notice and the recipient of that notice will bear its own costs in relation to the terminated arbitration.

If any notice to terminate is given after service of any Request for Arbitration (as defined in the Rules) in respect of any Dispute, the Delegate (or the relevant Certificateholder) must also within 28 days of service of a Request for Arbitration give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts of England. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

- (i) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;
- (ii) his entitlement to be paid his proper fees and disbursements; and
- (iii) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

If notice is delivered to the Trustee and Almarai in accordance with this Condition 22.3, the courts of England are to have exclusive jurisdiction to settle any such Dispute and accordingly any legal action or proceedings arising out of or in connection with any Trust Certificates ("**Proceedings**") may be brought in such courts.

Each of the Trustee and Almarai has in the Trust Deed irrevocably submitted to the exclusive jurisdiction of such courts and waived any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient or inappropriate forum.

This Condition 22.3 is for the benefit of the Delegate, for and on behalf of the Certificateholders, only. As a result, and notwithstanding the remainder of this Condition 22.3, the Delegate may bring

Proceedings in any other courts with jurisdiction. To the extent allowed by law, the Delegate may take concurrent Proceedings in any number of jurisdictions.

- 22.4 The Trustee appoints (and Almarai has appointed in the Transaction Documents which are governed by English law and to which it is a party) Walkers at its registered office at 6 Gracechurch Street, London EC3V 0AT as its agent for service of process in England and undertakes (and Almarai has undertaken in such Transaction Documents as aforesaid) that, in the event of Walkers ceasing so to act or ceasing to be registered in England, it will promptly appoint another person approved by the Delegate as its agent for service of process in England in respect of any Proceedings or Disputes. The Trustee agrees (and Almarai has agreed in such Transaction Documents as aforesaid) that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.
- 22.5 Each of the Trustee, Almarai and the Delegate has agreed in the Master Trust Deed that if any arbitration or court proceedings are brought by or on behalf of a party under the Master Trust Deed and these Conditions, each party agrees that it will:
- (a) not claim any interest under, or in connection with, such proceedings; and
 - (b) to the fullest extent permitted by law, waive all and any entitlement it may have to interest awarded in its favour by any court as a result of such proceedings.

For the avoidance of doubt, nothing in this Condition 22.5 shall be construed as a waiver of rights in respect of Rental payable under the relevant Lease Agreement, Murabaha Profits or Deferred Sale Prices payable under the Master Murabaha Agreement, Periodic Distribution Amounts payable under the Trust Certificates or profit or principal of any kind howsoever described payable by Almarai Company (in any capacity) or Almarai Sukuk Ltd. (in any capacity) pursuant to the Transaction Documents and/or these Conditions, howsoever such amounts may be described or re-characterised by any court or arbitral tribunal.

USE OF PROCEEDS

The net proceeds of each Series issued will be: (a) paid by the Trustee (as Purchaser under the Master Purchase Agreement) to Almarai in consideration for the purchase from Almarai or (as applicable) the relevant seller entity specified in the relevant Supplemental Purchase Agreement of all of its rights, title, interests, benefits and entitlements in, to and under the assets described in such Supplemental Purchase Agreement; and (b) applied by the Trustee towards investments in Murabaha Transactions, each as further described in "*Structure Diagram and Cash Flows*".

DESCRIPTION OF THE TRUSTEE

General

Almarai Sukuk Ltd., a Cayman Islands exempted company with limited liability, was incorporated on 24 September 2018 pursuant to the Companies Law (as amended) of the Cayman Islands with company registration number 342975. The Trustee has been established as a company for the sole purpose of issuing Trust Certificates under the Programme and entering into the transactions contemplated by the Transaction Documents. The registered office of the Trustee is at c/o Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands and its telephone number is +1 345 814 7600.

The authorised share capital of the Trustee is U.S.\$50,000 divided into shares of U.S.\$1.00 each, of which 250 shares have been issued as at the date of this Base Prospectus. All of the issued shares (the "**Shares**") are fully-paid and are held by Walkers Fiduciary Limited as share trustee (the "**Share Trustee**") under the terms of the Share Declaration of Trust dated 18 February 2019 under which the Share Trustee holds the Shares in trust until the Termination Date (as defined in the Share Declaration of Trust). Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has the power to benefit the Charity (as defined in the Share Declaration of Trust). It is not anticipated that any distribution will be made whilst any Trust Certificate is outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to the Charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from, its holding of the Shares.

Business of the Trustee

The Trustee is a newly formed entity, and as at the date of this Base Prospectus has not commenced business and does not have any substantial assets or liabilities other than in connection with the Trust Certificates issued and to be issued under the Programme. The Trust Certificates are the obligations of the Trustee alone and not the Share Trustee.

The objects for which the Trustee is established are unrestricted provided that such objects are not contrary to the principles of Shari'a, and the Trustee has full power and authority to carry out any object not prohibited by all relevant Cayman Islands law (all as set out in clause 3 of its Memorandum of Association as registered or adopted on 24 September 2018).

Financial Statements

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

Directors of the Trustee

The Directors of the Trustee are as follows:

<u>Name:</u>	<u>Principal Occupation:</u>
Aaron Bennett	Vice President at Walkers Fiduciary Limited
Gennie Bigord	Vice President at Walkers Fiduciary Limited

The business address of Aaron Bennett is c/o Walkers (Dubai) LLP, Level 14, Burj Daman, Dubai International Financial Centre, P.O Box 506513, Dubai, United Arab Emirates. The business address of Gennie Bigord is c/o Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

Other than in their capacities as employees and officers of the Trustee Administrator (defined below) there are no potential conflicts of interest between the private interests or other duties of the Directors listed above and their duties to the Trustee.

The Trustee Administrator

Walkers Fiduciary Limited also acts as the corporate administrator of the Trustee (in such capacity, the "**Trustee Administrator**"). The office of the Trustee Administrator serves as the general business office of the Trustee. Through the office, and pursuant to the terms of the Corporate Services Agreement, the Trustee Administrator has agreed to perform in the Cayman Islands, various management functions on behalf of the Trustee and provide certain clerical, administrative and other services, until termination of the Corporate Services Agreement. In consideration of the foregoing, the Trustee Administrator will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses.

The terms of the Corporate Services Agreement provide that any party may terminate such agreement by giving not less than 30 days' notice (or such longer period as may be prescribed by law) in writing, upon the occurrence of any material breach by the other party of its obligations under such agreement. In addition, the Corporate Services Agreement provides, that any party shall be entitled to terminate such agreement by giving at least three months' notice in writing.

The Trustee Administrator's principal office is Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands.

The Directors of the Trustee are all employees or officers of the Trustee Administrator or an affiliate thereof. The Trustee has no employees and is not expected to have any employees in the future.

CAPITALISATION

The following table sets forth the total capitalisation of the Group as at the indicated dates. The following financial information has been extracted from the Financial Statements without material adjustment. This table should be read in conjunction with the Financial Statements and the notes thereto.

	As at 31 December		
	2018	2017	2016
	<i>SAR millions</i>		
EQUITY			
Share Capital	10,000.0	10,000.0	8,000.0
Statutory Reserve	2,049.3	1,848.4	1,630.2
Treasury Shares	(593.6)	(453.2)	(379.0)
Other Reserves	(520.5)	(609.1)	(712.0)
Retained Earnings	2,991.6	1,998.2	2,818.0
Equity Attributable to Shareholders	13,926.8	12,784.4	11,357.2
Perpetual Sukuk	-	1,700.0	1,700.0
Equity Attributable to Equity Holders of the Company	13,926.8	14,484.4	13,057.2
Non-Controlling Interest	589.2	396.9	421.3
Total Equity	14,516.0	14,881.2	13,478.5
Long-term Loans	11,652.0	10,543.1	10,128.3
Total Capitalisation	26,168.0	25,424.3	23,606.8

SELECTED HISTORICAL FINANCIAL DATA

The following tables contain selected historical consolidated financial information for the Group as at the dates and for the periods indicated. The selected consolidated statement of profit or loss, the consolidated statement of financial position and consolidated statement of comprehensive income for the years ended 31 December 2018 and 2017 have been derived from the Financial Statements, and for the year ended 31 December 2016 from the 2017 Financial Statements.

Prospective investors should read the following selected consolidated financial information in conjunction with the information contained in "Risk Factors" and the Financial Statements.

Consolidated Statement of Profit or Loss

	For the year ended 31 December				
	2018	2018 - 2017	2017	2017 - 2016	2016
	<i>SAR millions</i>	<i>% change</i>	<i>SAR millions</i>	<i>% change</i>	<i>SAR millions</i>
Revenue	13,722.8	(1.5%)	13,935.5	(2.8%)	14,338.6
Cost of Sales	(8,277.4)	(0.9%)	(8,351.9)	(5.3%)	(8,816.1)
Gross Profit	5,445.4	(2.5%)	5,583.6	1.1%	5,522.5
Selling and Distribution Expenses	(2,330.9)	(0.5%)	(2,343.0)	(5.5%)	(2,480.4)
General and Administration Expenses	(376.5)	(5.2%)	(397.3)	(8.2%)	(432.9)
Other Expenses, net	(301.3)	42.7%	(211.1)	131.0%	(91.4)
Impairment Reversal/(Loss) on Financial Assets	24.7	150.6%	(48.8)	(100.0%)	-
Operating Profit	2,461.4	(4.7%)	2,583.4	2.6%	2,517.8
Exchange Gain, net	29.5	315.4%	7.1	(84.1%)	44.7
Finance Cost, net	(407.7)	1.6%	(401.3)	14.2%	(351.3)
Share of Results of Associates and Joint Venture	(5.4)	141.5%	13.0	(2.3%)	13.3
Profit before Zakat and Income Tax	2,077.7	(5.7%)	2,202.2	(1.0%)	2,224.4
Zakat and Foreign income Tax	(70.5)	(67.1%)	(42.2)	(43.2%)	(74.3)
Profit for the Year	2,007.2	(7.1%)	2,160.0	0.5%	2,150.1
Profit/(Loss) for the year attributable to					
Shareholders of the Company	2,008.9	(7.9%)	2,182.3	1.6%	2,147.8
Non-controlling Interest	(1.6)	92.8%	(22.3)	(1,069.6%)	2.3
	2,007.2	(7.1%)	2,160.0	0.5%	2,150.1
Earnings per Share (in SAR), based on Profit for the year attributable to Shareholders of the Company					
- Basic	1.97	(7.5%)	2.13	1.4%	2.10
- Diluted	1.95	(7.6%)	2.11	1.4%	2.08

Consolidated Statement of Financial Position

	As at 31 December				
	2018	2018 -2017	2017	2017 -2016	2016
	<i>SAR millions</i>	<i>% change</i>	<i>SAR millions</i>	<i>% change</i>	<i>SAR millions</i>
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	22,606.5	0.9%	22,401.7	5.9%	21,144.6
Intangible Assets and Goodwill	1,038.4	(0.8%)	1,046.6	0.6%	1,040.1
Biological Assets	1,366.6	6.5%	1,283.3	0.9%	1,271.4
Investments in Associates and Joint Ventures	0.2	(99.8%)	129.4	34.0%	96.6
Equity Investment	102.6	13.1%	90.7	(11.9%)	102.9
Prepayments	67.1	(10.1)%	74.6	(43.9%)	132.9
Deferred Tax Assets	11.5	(71.2%)	39.9	187.1%	13.9
Derivative Financial Instruments	19.7	17.3%	16.8	63.1%	10.3
	<u>25,212.6</u>	<u>0.5%</u>	<u>25,083.1</u>	<u>5.3%</u>	<u>23,812.6</u>
Current Assets					
Inventories	3,874.2	24.1%	3,121.9	4.0%	3,002.3
Biological Assets	98.4	12.7%	87.3	(9.4%)	96.4
Trade Receivables, Prepayments and Other Receivables	1,929.9	13.4%	1,702.4	9.9%	1,548.7
Derivative Financial Instruments	20.3	113.7%	9.5	102.1%	4.7
Cash and Bank Balances	1,182.9	(37.5%)	1,891.7	159.2%	729.7
	<u>7,105.8</u>	<u>4.3%</u>	<u>6,812.8</u>	<u>26.6%</u>	<u>5,381.8</u>
TOTAL ASSETS	<u>32,318.4</u>	<u>1.3%</u>	<u>31,895.8</u>	<u>9.3%</u>	<u>29,194.4</u>
EQUITY					
Share Capital	10,000.0	0%	10,000.0	25.0%	8,000.00
Statutory Reserve	2,049.3	10.9%	1,848.4	13.4%	1,630.2
Treasury Shares	(593.6)	31.0%	(453.2)	19.6%	(379.0)
Other Reserves	(520.5)	(14.5%)	(609.1)	(14.5%)	(712.0)
Retained Earnings	2,991.6	49.7%	1,998.2	(29.1%)	2,818.0
Equity Attributable to Shareholders	<u>13,926.8</u>	<u>8.9%</u>	<u>12,784.4</u>	<u>12.6%</u>	<u>11,357.2</u>
Perpetual Sukuk	-	(100%)	1,700.0	0.0%	1,700.0
Equity Attributable to Equity Holders of the Company	<u>13,926.8</u>	<u>(3.8%)</u>	<u>14,484.4</u>	<u>10.9%</u>	<u>13,057.2</u>
Non-controlling Interest	589.2	48.5%	396.9	(5.8%)	421.3
TOTAL EQUITY	<u>14,516.0</u>	<u>(2.5%)</u>	<u>14,881.2</u>	<u>10.4%</u>	<u>13,478.5</u>
Non-Current Liabilities					
Long-term Loans	11,652.0	10.5%	10,543.1	4.1%	10,128.3
Employee Retirement Benefits	699.3	12.5%	621.5	8.3%	574.0
Derivative Financial Instruments	7.1	(76.9%)	30.8	(25.2%)	41.2
Deferred Tax Liabilities	38.0	(21.0%)	48.1	(14.9%)	56.5
	<u>12,396.4</u>	<u>10.3%</u>	<u>11,243.5</u>	<u>4.1%</u>	<u>10,800.0</u>
Current Liabilities					
Bank Overdrafts	179.3	(29.9%)	255.6	54.3%	165.6
Short-term Loans	2,010.3	0.3%	2,003.4	51.9%	1,318.8
Zakat and Income Tax Payable	316.1	15.8%	272.9	27.0%	214.9
Trade and Other Payables	2,874.1	(10.9%)	3,227.5	3.6%	3,114.5
Derivative Financial Instruments	26.3	124.8%	11.7	(88.5%)	102.1
	<u>5,406.1</u>	<u>6.3%</u>	<u>5,771.1</u>	<u>17.4%</u>	<u>4,915.9</u>
TOTAL LIABILITIES	<u>17,802.4</u>	<u>4.6%</u>	<u>17,014.6</u>	<u>8.3%</u>	<u>15,716.0</u>
TOTAL EQUITY AND LIABILITIES	<u>32,318.4</u>	<u>1.3%</u>	<u>31,895.8</u>	<u>9.3%</u>	<u>29,194.4</u>

Consolidated Statement of Comprehensive Income

	For the year ended 31 December				
	2018	2018 - 2017	2017	2017 - 2016	2016
	<i>SAR millions</i>	<i>% change</i>	<i>SAR millions</i>	<i>% change</i>	<i>SAR millions</i>
Profit for the year	2,007.2	(7.1%)	2,160.0	0.5%	2,150.1
Items that will not be reclassified to profit or loss					
Actuarial (Loss)/Gain on End of Service Benefit	(18.7)	(283.3%)	10.2	180.3%	(12.7)
Changes in Fair Value of Equity Investment through FVOCI	11.9	100.0%	-	-	-
Settlement of Cash Flow Hedges transferred to Inventory/PPE	(20.5)	(49.6%)	(13.7)	-	-
Items that are or may be reclassified subsequently to profit or loss					
Foreign Currency Translation Differences	(1.9)	91.1%	(21.4)	95.8%	(514.7)
Foreign Currency Translation Difference Due to Reclassification on Disposal of Investment in Associate	64.5	100.0%	-	-	-
Movement in Fair Value on Cash Flow Hedges	39.7	(69.1%)	128.5	305.9%	(62.4)
Settlement of Cash Flow Hedges transferred to Profit or Loss	3.8	246.2%	(2.6)	-(⁽¹⁾)	20.3
Change in Fair Value of Available for Sale Investments	-	(100.0%)	(12.2)	(771.4%)	(1.4)
Share of Other Comprehensive Income/(Loss) of Associates	0.6	(111.5%)	(5.2)	50.0%	(10.4)
Other Comprehensive Income for the year, net of Income Tax	79.3	(5.1%)	83.6	114.4%	(581.2)
Total Comprehensive Income for year	2,086.5	(7.0%)	2,243.5	43.0%	1,568.9
Total Comprehensive Income/(Loss) for the year attributable to:					
Shareholders of the Company	2,090.0	(7.4%)	2,256.8	25.8%	1,794.3
Non-Controlling Interest	(3.5)	(73.7%)	(13.3)	94.1%	(225.4)
	2,086.5	(7.0%)	2,243.5	43.0%	1,568.9

⁽¹⁾ The Financial Statements provide for a breakdown of 'Settlement of Cash Flow Hedges transferred to Profit or Loss' in both 2017 and 2018, and include a separate line item 'Settlement of Cash Flow Hedges transferred to Inventory/PPE'. The 2017 Financial Statements do not provide for such breakdown and a like-for-like comparison between 2016 and 2017 is not applicable.

Consolidated Statement of Cash Flows

	For the year ended 31 December				
	2018	2018 - 2017	2017	2017 - 2016	2016
	<i>SAR millions</i>	<i>% change</i>	<i>SAR millions</i>	<i>% change</i>	<i>SAR millions</i>
Net Cash Generated from Operating Activities	3,557.7	(22.9%)	4,614.1	3.2%	4,472.5
Net Cash Used in Investing Activities	(2,340.3)	(29.3%)	(3,310.5)	(33.5%)	(4,981.4)
Net Cash Used in Financing Activities	(1,850.5)	667.8%	(241.0)	(66.4%)	(717.2)
Net Change in Cash and Cash Equivalents	(633.2)	(159.6%)	1,062.7	186.7%	(1,226.1)
Cash and Cash Equivalents at 1 January	1,636.1	190.0%	564.1	(69.0%)	1,821.1
Effect of Movements in Exchange Rates on Cash and Cash Equivalents	0.6	(93.6%)	9.3	130.0%	(31.0)
Cash and Cash Equivalents at 31 December	1,003.6	(38.7%)	1,636.1	190.0%	564.1

Net Indebtedness

	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016
	<i>SAR millions</i>		
Cash and Bank Balances	1,182.9	1,891.7	729.7
Current Financial Debt			
Bank Overdrafts	179.3	255.6	165.6
Short Term Loans	25.5	182.5	146.9
Current Portion of Long Term Loans	1,984.8	1,820.9	1,171.9
Aggregate Current Financial Debt	2,189.6	2,259.0	1,484.4
Current Financial Indebtedness	1,006.7	367.3	754.7
Non Current Financial Indebtedness			
Long Term Loan	11,652.0	10,543.1	10,128.3
Net Financial Indebtedness	12,658.7	10,910.4	10,883.0
Net Debt	12,658.7	10,910.4	10,883.0

EBITDA

	For the year ended 31 December		
	2018	2017	2016
EBITDA (SAR millions)	3,866	3,919	3,716
EBITDA Margin (per cent)	28.2%	28.1%	25.9%
EBIT (SAR millions)	2,456	2,596	2,531
EBIT Margin (per cent)	18.0%	18.6%	17.7%
Net Debt / EBITDA (times)	3.27	2.78	2.93

The following table shows a reconciliation of the Group's EBITDA to profit/(loss) as shown in the consolidated statement of profit or loss for the years ended 31 December 2018, 2017 and 2016.

	For the year ended 31 December		
	2018	2017	2016
	<i>SAR millions</i>		
Operating profit	2,461.4	2,583.4	2,517.8
Depreciation of property, plant and equipment	1,684.1	1,573.7	1,442.3
Depreciation of biological assets	313.8	295.9	342.0
Appreciation of biological assets	(639.1)	(582.9)	(618.7)
Amortisation of intangible assets	47.5	50.0	32.5
EBITDA	3,866.0	3,919.1	3,715.9

OPERATING AND FINANCIAL REVIEW

The following is a review of the Group's financial condition and results of operations for the years ended 31 December 2018, 2017 and 2016. This section should be read in conjunction with the section entitled "Selected Historical Financial Data", the Financial Statements and the notes thereto and the other information included elsewhere in this Base Prospectus.

Certain information contained in the discussion and analysis set forth below and elsewhere in this Base Prospectus includes "forward-looking statements". Such forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from those expressed or implied by such forward-looking statements. See the sections entitled "Risk Factors" and "Cautionary Statement Regarding Forward Looking Statements".

Overview

As at the date of this Base Prospectus, the Group is the largest integrated consumer food producer in the Middle East by volume and has established itself as one of the leading brands in the food and beverage sector in KSA and the GCC region (source: AC Nielsen). The Group had consolidated sales of SAR 13,723 million, SAR 13,936 million and SAR 14,339 million in 2018, 2017 and 2016, respectively, of which SAR 9,238 million, SAR 9,300 million and SAR 9,057 million represented sales in KSA. Management estimates, based on publicly available data, that the Group's current average share of the total consumer food and beverage shopping basket is approximately 5-6% higher than its regional competitors. In addition, Almarai is listed on the Saudi Arabian stock exchange ("**Tadawul**") and as at 31 December 2018, it had a market capitalisation of SAR 48,000 million.

Management believes that the Group's success can be attributed to factors such as its state-of-the-art infrastructure, which includes farms, production operations and market leading systems with a commitment to quality at every stage. Almarai's infrastructure, systems and dedication to quality enabled Almarai's Saudi Holstein cows to each produce an average of more than 14,047 litres of milk in 2018 – almost double the European figure and nearly 3,000 litres more than its nearest international competitors (Source: Eurostat, USDA 2012). As at the date of this Base Prospectus, Almarai currently has 77,896 calves, and a milking herd of over 110,110 cows producing approximately 1.5 billion litres of milk a year on seven farms covering 73,735 hectares.

Almarai's business segments can be divided broadly into the following:

- Dairy & Juice including International Dairy and Juice
- Bakery
- Poultry
- Infant Nutrition and others

Key Factors Affecting Results of Operations

Macroeconomic conditions

The vast majority of the Group's assets and operations are located in KSA. As a result, macroeconomic, demographic and other trends relating to KSA have impacted and will continue to impact the Group's operating profit from period to period.

The economy of KSA is largely dependent on the price of oil. The oil sector accounted for 43.0% and 44.0% of KSA's real GDP and 28.5% and 24.6% of KSA's nominal GDP in the years ended 31 December 2017 and 2016, respectively (Source: GASTAT), while oil revenues accounted for 63.0% and 64.2% of total government revenues in the fiscal years 2017 and 2016, respectively (Source: SAMA).

Historically, the price of oil has been volatile and over the past two decades international oil prices have fluctuated significantly. More recently, international oil prices have witnessed a significant decline since mid-2014, with the Organization of the Petroleum Exporting Countries ("**OPEC**") Reference Basket price (a weighted average of prices per barrel for petroleum blends produced by the OPEC countries) declining from a monthly average of USD 107.89 in June 2014 to a monthly average of USD 26.50 in January 2016, before

partially recovering to USD 45.84 in June 2016 and reaching USD 62.06 in December 2017. The OPEC Reference Basket price continued to climb throughout the first ten months of 2018, reaching a monthly average of USD 79.39 in October 2018 before declining to a monthly average of USD 56.94 in December 2018. The fall in the monthly average price in the last two months of 2018 is primarily attributable to an increase in oil production creating a surplus in supply. The price per barrel of Arabian Light Crude Oil (which is produced in KSA and constitutes part of the OPEC Reference Basket) has also moved in line with these trends.

The population of KSA was estimated by GASTAT to reach 33.4 million as at 31 July 2018, representing growth of 2.5% as compared to 32.6 million as at 31 July 2017. Saudi nationals comprised an estimated 20.8 million, or 62.1% of the total population, and non-Saudi nationals comprised an estimated 12.6 million, or 37.8% of the total population as at 31 July 2018. KSA has a young population, with over half of Saudi nationals being under the age of 30.

As at 31 December 2017, the total labour force in KSA was 13.9 million, of which 11.8 million, or 84.9% were male and 2.1 million, or 15.1% were female. Saudi nationals in the age group from 25 to 39 years constituted 55.8% of the Saudi labour force as at 31 December 2017 (Source: GASTAT). The accommodation of more female Saudi citizens in the Saudi workforce, especially in the private sector, has contributed to the rise in the Saudi labour force.

In recent years, KSA has seen changes in regulatory administration, such as the introduction of VAT, increased energy costs, the implementation of the expatriate levy, and the reduction of general indirect subsidies. As at the date of this Base Prospectus, the Group benefits from direct and indirect subsidies. For example, direct subsidies made available in the amount up to SAR 400 million following the ban on forage production in KSA are intended to mitigate the costs of importing forage. These direct subsidies were paid in cash. There are currently no known planned changes to how these direct subsidies operate. Indirect subsidies in respect of various costs (energy, fuel, electricity, water, and other civil government services) are being reduced as KSA moves towards reference benchmarks as announced by the KSA government. More generally, such changes in regulatory administration in KSA have impacted the business environment in which the Group operates, as well as consumer sentiment more widely, and has resulted in a reduction in sales across Tadawul's food and beverage index.

For a more detailed discussion of macroeconomic and other trends in KSA, see "*Overview of the Kingdom of Saudi Arabia*".

Exchange rates

The Group's operations involve the purchase of goods denominated in currencies other than the Saudi Riyal, principally the US Dollar (to which the Saudi Riyal is pegged) and Euro. Therefore, fluctuations between the value of the Saudi Riyal and foreign currencies impact the Group's financial results. See "*Risk Factors—Risks relating to the Group and factors that may affect the Group's ability to fulfil its obligations under the sukuk and the Transaction Documents—Risks relating to the markets in which the Group operates—Exchange rate fluctuations could result in greater costs to the Group which could adversely affect the Group's results of operations*".

In addition to transacting in foreign currencies, the Group has investments in foreign subsidiaries. Currently, the only material investments denominated in currencies that are not pegged to the US Dollar are investments in Egyptian and Jordanian subsidiaries of IDJ, and in an Argentinian subsidiary. Therefore, adverse movements in the exchange rate with the Egyptian Pound, Jordanian Dinar and/or the Argentinian Peso would have a negative impact on the Group's financial position.

The dairy and juice market

The Group's dairy and juice segment accounted for SAR 9,976 million third party revenue for the year ended 31 December 2018, accounting for 72.7% of the Group's total revenue, which was a decrease from the year ended 31 December 2017, where it accounted for SAR 10,510 million in third party revenue or 75.4% of the Group's total revenue. Despite the decrease, the dairy and juice segment remains the strongest performer among the Group's product segments, and any changes in the market would affect the Group's results. Given the proportion of revenue which the Group obtains from the dairy and juice segment of its business, and the proportion of sales in that segment which occur from small retailers, the Group's results are affected by changing customer preferences and trends. See "*Risk Factors—Risks relating to the Group and factors that may affect*

the Group's ability to fulfil its obligations under the sukuk and the Transaction Documents—Risks relating to the markets in which the Group operates—The dairy industry in KSA has a history of price wars, and any repeat of such events could adversely impact the Group" and "Risk Factors—Risks relating to the Group and factors that may affect the Group's ability to fulfil its obligations under the sukuk and the Transaction Documents—Risks relating to the markets in which the Group operates—Any major outbreak of illness or disease relating to dairy cows or poultry could lead to significant shortfalls in the supply of raw milk to the Group and could cause consumers to avoid dairy and/or poultry products, resulting in the Group suffering substantial declines in sales and possibly serious losses".

Recent Developments

On 4 February 2019, the Group signed an agreement with Alamar Foods to acquire 100 per cent. stake in Premier Foods LLC, a company providing value added meat and poultry products, for SAR 108.0 million.

Results of Operations

The following table sets forth a summary of Almarai's consolidated statements of profit or loss for the years ended 31 December 2018, 2017 and 2016.

Consolidated Statement of Profit or Loss

	For the year ended 31 December				
	2018	2018 - 2017	2017	2017 - 2016	2016
	SAR millions	% change	SAR millions	% change	SAR millions
Revenue	13,722.8	(1.5%)	13,935.5	(2.8%)	14,338.6
Cost of Sales	(8,277.4)	(0.9%)	(8,351.9)	(5.3%)	(8,816.1)
Gross Profit	5,445.4	(2.5%)	5,583.6	1.1%	5,522.5
Selling and Distribution Expenses	(2,330.9)	(0.5%)	(2,343.0)	(5.5%)	(2,480.4)
General and Administration Expenses	(376.5)	(5.2%)	(397.3)	(8.2%)	(432.9)
Other Expenses, net	(301.3)	42.7%	(211.1)	131.0%	(91.4)
Impairment Reversal/(Loss) on Financial Assets	24.7	150.6%	(48.8)	(100%)	-
Operating Profit	2,461.4	(4.7%)	2,583.4	2.6%	2,517.8
Exchange Gain, net	29.5	315.4%	7.1	(84.1%)	44.7
Finance Cost, net	(407.7)	1.6%	(401.3)	14.2%	(351.3)
Share of Results of Associates and Joint Venture	(5.4)	141.5%	13.0	(2.3%)	13.3
Profit before Zakat and Income Tax	2,077.7	(5.7%)	2,202.2	(1.0%)	2,224.4
Zakat and Foreign income Tax	(70.5)	(67.1%)	(42.2)	(43.2%)	(74.3)
Profit for the Year	2,007.2	(7.1%)	2,160.0	0.5%	2,150.1
Profit/(Loss) for the year attributable to					
Shareholders of the Company	2,008.9	(7.9%)	2,182.3	1.6%	2,147.8
Non-controlling Interest	(1.6)	92.82%	(22.3)	(1,069.6%)	2.3
	2,007.2	(7.1%)	2,160.0	0.5%	2,150.1
Earnings per Share (in SAR), based on Profit for the year attributable to Shareholders of the Company					
- Basic	1.97	(7.5%)	2.13	1.4%	2.10
- Diluted	1.95	(7.6%)	2.11	1.4%	2.08

Revenues

For the years ended 31 December, Almarai's revenues decreased from SAR 14,338.6 million in 2016 to SAR 13,935.5 million in 2017, a decrease of SAR 403.1 million, or 2.8%. This was primarily due to adverse market conditions in GCC in general and the economic environment in which the Group operates.

For the years ended 31 December, Almarai's revenues decreased from SAR 13,935.5 million in 2017 to SAR 13,722.8 million in 2018, a decrease of SAR 212.7 million or 1.5%. This was primarily due to a decline in export sales, changes in demographics, a general contraction in the market particularly in traditional trade, and an increase in product promotions.

Cost of Sales

For the years ended 31 December, Almarai's cost of sales decreased from SAR 8,816.1 million in 2016 to SAR 8,351.9 million in 2017, a decrease of SAR 464.2 million, or 5.3%. This was primarily due to continued cost optimisation, stable costs of raw materials and improvements in asset utilisation.

For the years ended 31 December, Almarai's cost of sales decreased from SAR 8,351.9 million in 2017 to SAR 8,277.4 million in 2018, a decrease of SAR 74.5 million, or 0.9%. This was primarily due to stable commodity prices and enhanced production efficiencies.

Gross Profit

For the years ended 31 December, Almarai's gross profit increased from SAR 5,522.5 million in 2016 to SAR 5,583.6 million in 2017, an increase of SAR 61.1 million, or 1.1%. This was primarily due to better cost management and lower raw material costs.

For the years ended 31 December, Almarai's gross profit decreased from SAR 5,583.6 million in 2017 to SAR 5,445.4 million in 2018, a decrease of SAR 138.2 million, or 2.5%. This was primarily due to increased alfalfa costs, higher employee costs due to the Saudi nationalisation scheme, or "Saudisation", and energy and depreciation costs, which was partially offset by stable commodity prices and enhanced production efficiencies.

Selling and Distribution Expenses

For the years ended 31 December, Almarai's selling and distribution expenses decreased from SAR 2,480.4 million in 2016 to SAR 2,343.0 million in 2017, a decrease of SAR 137.4 million, or 5.5%. This was primarily due to a focus on cost control and route to market efficiencies.

For the years ended 31 December, Almarai's selling and distribution expenses decreased from SAR 2,343.0 million in 2017 to SAR 2,330.9 million in 2018, a decrease of SAR 12.1 million, or 0.5%. This was primarily due to higher general marketing expenses and trade support, which was partially offset by increased efficiencies in logistics and distribution.

General and Administration Expenses

For the years ended 31 December, Almarai's general and administration expenses decreased from SAR 432.9 million in 2016 to SAR 397.3 million in 2017, a decrease of SAR 35.6 million, or 8.2%. This was primarily due to general cost control and a cost reduction in administrative activities.

For the years ended 31 December, Almarai's general and administration expenses decreased from SAR 397.3 million in 2017 to SAR 376.5 million in 2018, a decrease of SAR 20.8 million, or 5.2%. This was primarily due to efficiency programmes, consolidation in head office activities, and reduced labor costs as result of lower headcount.

Other Expenses, Net

For the years ended 31 December, Almarai's other expenses, net, increased from SAR 91.4 million in 2016 to SAR 211.1 million in 2017, an increase of SAR 119.7 million, or 131.0%. This was primarily due to higher sales volume for both bulls and cows.

For the years ended 31 December, Almarai's other expenses, net, increased from SAR 211.1 million in 2017 to SAR 301.3 million in 2018, an increase of SAR 90.2 million, or 42.7%. This was primarily due to discontinuation of arable operations in KSA and asset write-offs in Teeba, Jordan and other countries.

Operating Profit

For the years ended 31 December, Almarai's operating profit increased from SAR 2,517.8 million in 2016 to SAR 2,583.4 million in 2017, an increase of SAR 65.6 million, or 2.6%. This was primarily due to improvements in cost management, enhanced production efficiencies and stable costs of raw materials.

For the years ended 31 December, Almarai's operating profit decreased from SAR 2,583.4 million in 2017 to SAR 2,461.4 million in 2018, a decrease of SAR 122.0 million, or 4.7%. This was primarily due to general contraction in the market, an increase in product promotions, discontinuation of arable operations in KSA and asset write-offs, which was partially offset by stable commodity prices and enhanced production efficiencies.

Exchange Gain, Net

For the years ended 31 December, Almarai's exchange gain, net, decreased from SAR 44.7 million in 2016 to SAR 7.1 million in 2017, a decrease of SAR 37.6 million, or 84.1%. This was primarily due to the unfavourable currency movements affecting the Group, particularly the Euro.

For the years ended 31 December, Almarai's exchange gain, net, increased from SAR 7.1 million in 2017 to SAR 29.5 million in 2018, an increase of SAR 22.4 million, or 315.5%. This was primarily due to favourable currency movements.

Finance Cost, Net

For the years ended 31 December, Almarai's finance cost, net, increased from SAR 351.3 million in 2016 to SAR 401.3 million in 2017, an increase of SAR 50.0 million, or 14.2%. This was primarily due to higher overseas funding costs in Egypt, Argentina and the USA.

For the years ended 31 December, Almarai's finance cost, net, increased from SAR 401.3 million in 2017 to SAR 407.8 million in 2018, an increase of SAR 6.5 million, or 1.6%. This was primarily due to an increase in net debt, which was used for the payment of perpetual sukuk, which was classified as equity, and an increase in SAIBOR.

Share of Results of Associates and Joint Venture

For the years ended 31 December, Almarai's share of associates and joint venture decreased from SAR 13.3 million in 2016 to SAR 13.0 million in 2017, a decrease of SAR 0.3 million, or 2.3%. This was primarily due to lower operational performance of the Group's associated companies, particularly the United Farmers Holding Company ("UFHC") and Pure Breed Poultry Company.

For the years ended 31 December, Almarai's share of results of associates and joint venture decreased from a profit of SAR 13.0 million in 2017 to a loss of SAR 5.4 million in 2018, a decrease of SAR 18.4 million, or 141.5%. This was primarily due to the full acquisition of Pure Breed Poultry Company in the second quarter of 2018, and to lower operational performance of UFHC. UFHC was fully divested on 31 December 2018.

Profit before Zakat and Income Tax

For the years ended 31 December, Almarai's profit before zakat and income tax decreased from SAR 2,224.4 million in 2016 to SAR 2,202.2 million in 2017, a decrease of SAR 22.2 million, or 1.0%. This was primarily due to higher overseas funding costs, which were partially offset by improvements in cost management, enhanced production efficiencies and stable costs of raw materials.

For the years ended 31 December, Almarai's profit before zakat and income tax decreased from SAR 2,202.2 million in 2017 to SAR 2,077.7 million in 2018, a decrease of SAR 124.5 million, or 5.7%. This was primarily due to a decrease in sales, which in turn were due to write-off for one-off discontinuation of arable operations in KSA and asset write-offs in Teeba, Jordan and other countries.

Zakat and Foreign Income Tax

For the years ended 31 December, Almarai's zakat and foreign income tax decreased from SAR 74.3 million in 2016 to SAR 42.2 million in 2017, a decrease of SAR 32.1 million, or 43.2%. This was primarily due to deferred tax assets credits in Argentina and Egypt.

For the years ended 31 December, Almarai's zakat and foreign income tax increased from SAR 42.2 million in 2017 to SAR 70.5 million in 2018, an increase of SAR 28.3 million or 67.1%. This was primarily due to one-off deferred tax asset recognition in Egypt.

Profit for the year

For the years ended 31 December, Almarai's profit increased from SAR 2,150.1 million in 2016 to SAR 2,160.0 million in 2017, an increase of SAR 9.9 million, or 0.5%. This was primarily due to improvements in cost management, enhanced production efficiencies and stable costs of raw materials, which the Group achieved despite the adverse conditions prevailing in the GCC and the economic environment in which the Group operates.

For the years ended 31 December, Almarai's profit decreased from SAR 2,160.0 million in 2017 to SAR 2,007.2 million in 2018, a decrease of SAR 152.8 million or 7.1%. This was primarily due to a decrease in sales, which

in turn were due to write-off for one-off discontinuation of arable operations in KSA and asset write-offs in Teeba, Jordan and other countries.

Balance Sheet

The table below shows Almarai's balance sheet as at 31 December 2018, 2017 and 2016.

	<u>31 December 2018</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
	<i>SAR millions</i>		
Net working capital	2,712.5	1,411.0	1,318.0
Property, plant and equipment	22,606.5	22,401.7	21,144.6
Non-current biological assets	1,366.6	1,283.3	1,271.4
Intangible assets and goodwill	1,038.4	1,046.6	1,040.1
Investments (including Investments in Associates and Joint Venture plus Equity Investment)	102.8	220.1	199.5
Net debt/ Net financial indebtedness	12,658.7	10,910.5	10,883.1
Total equity	14,516.0	14,881.2	13,478.5
Total assets	32,318.4	31,895.8	29,194.4
Total liabilities	17,802.4	17,014.6	15,716.0

Net Working Capital

Almarai's net working capital increased from SAR 1,318.0 million as at 31 December 2016 to SAR 1,411.0 million as at 31 December 2017, an increase of SAR 93.0 million, or 7.1%. This was primarily due to the gradual build up of farming feed stock, particularly in alfalfa hay.

Almarai's net working capital increased from SAR 1,411.0 million as at 31 December 2017 to SAR 2,712.5 million as at 31 December 2018, an increase of SAR 1,301.5 million, or 92.2%. This exceptional increase in net working capital was primarily due to gradual build up of farming feed stock, particularly in alfalfa hay, an increase in trade receivables and a reduction of the trade payable.

Property, Plant and Equipment

Almarai's property, plant and equipment increased from SAR 21,144.6 million as at 31 December 2016 to SAR 22,401.7 million as at 31 December 2017, an increase of SAR 1,257.1 million, or 5.9%. This was primarily due to various capacity expansion projects in manufacturing and farming, including the new dairy processing plant in Al Kharj, which was commissioned in November 2017.

Almarai's net property, plant and equipment increased from SAR 22,401.7 million as at 31 December 2017 to SAR 22,606.5 million as at 31 December 2018, an increase of SAR 204.8 million, or 0.9%. This was primarily due to an increase in acquired land, partially offset by increases in depreciation.

Non-Current Biological Assets

Almarai's biological assets increased from SAR 1,271.4 million as at 31 December 2016 to SAR 1,283.3 million as at 31 December 2017, an increase of SAR 11.9 million, or 0.9%. This was primarily due to the natural positive increase in herd size due to breeding.

Almarai's biological assets increased from SAR 1,283.3 million as at 31 December 2017 to SAR 1,366.6 million as at 31 December 2018, an increase of SAR 83.3 million, or 6.5%. This was primarily due to the natural positive increase in herd size due to breeding.

Intangible Assets and Goodwill

Almarai's intangible assets and goodwill increased from SAR 1,040.1 million as at 31 December 2016 to SAR 1,046.6 million as at 31 December 2017, an increase of SAR 6.5 million, or 0.6%. This was primarily due to changes in currency translation adjustment, particularly for the Group's operations in Egypt.

Almarai's intangible assets and goodwill decreased from SAR 1,046.6 million as at 31 December 2017 to SAR 1,038.4 million as at 31 December 2018, a decrease of SAR 8.2 million, or 0.8%. This was primarily due to changes in currency translation adjustment.

Investments (including Investments in Associates and Joint Venture plus Equity Investment)

Almarai's investments (including investments in associates and joint venture plus equity investment) increased from SAR 199.5 million as at 31 December 2016 to SAR 220.1 million as at 31 December 2017, an increase of

SAR 20.6 million, or 10.3%. This was primarily due to an increase in investments in Pure Breed Poultry Company, which was offset by impairment charges in the Group's investment in Zain.

Almarai's investments (including investments in associates and joint venture plus equity investment) decreased from SAR 220.1 million as at 31 December 2017 to SAR 102.8 million as at 31 December 2018, a decrease of SAR 117.3 million, or 53.3%. This was primarily due to disinvestment in UFHC.

Net Debt

Almarai's net debt increased from SAR 10,883.1 million as at 31 December 2016 to SAR 10,910.4 million as at 31 December 2017, an increase of SAR 27.3 million, or 0.3%. This was primarily due to an increase in borrowing, particularly in Egypt and USA.

Almarai's net debt increased from SAR 10,910.4 million as at 31 December 2017 to SAR 12,658.7 million as at 31 December 2018, an increase of SAR 1,748.3 million, or 16.0%. This was primarily due to an increase in bank financing, which was used for the repayment of perpetual sukuk, which was classified as equity.

Source of financing	Amount of core funding	Financing period	Payment method	Start of year 2018	Additions during the year	Paid during the year	31 Dec 2018	Maturity Date
Banks and Financial Institutions (Islamic Banking Facilities).	12,708.4	1 to 10 years	Quarterly, semi-annual and annual	5,839.2	9,147.6	7,788.8	7,198.0	2019 to 2027
Banking Facilities of Foreign Subsidiaries	788.5	1 to 7 years	Quarterly, semi-annual and annual	462.2	0.0	123.7	338.5	2019 to 2023
Banking facility of GCC Subsidiaries	150.2	1 year	Annual	150.2	0.0	0.0	150.2	2019
Saudi Industrial Development Fund	2,339.1	1 to 11 years	Semi-annual	1,733.6	716.1	302.6	2,147.0	2019 to 2028
IFC (Member of World Bank)	556.9	1 to 9 years	Semi-annual	278.1	0.0	2.8	275.4	2019 to 2026
Agricultural Development Fund	169.2	11 years	Annual	187.9	0.0	18.8	169.1	2019 to 2027
Sukuk - First Tranche	1,000.0	7 years	Lump sum	1,000.0	0.0	0.0	1,000.0	Mar 2019
Sukuk - Second Tranche - 1	787.0	7 years	Lump sum	787.0	0.0	0.0	787.0	Mar 2020
Sukuk - Third Tranche		5 Years	Lump sum	513.0		513.0	0.0	Mar 2018
Sukuk - Fourth Tranche	1,597.0	7 years	Lump sum	1,595.3	1.7	0.0	1,597.0	Sep 2022
Total	20,096.3			12,546.6	9,863.7	8,751.4	13,662.2	

Total Equity

Almarai's total equity increased from SAR 13,478.5 million as at 31 December 2016 to SAR 14,881.2 million as at 31 December 2017, an increase of SAR 1,402.7 million, or 10.4%. This was primarily due to an increase in operational profit, which was partially offset by payment of annual dividends, coupled with negative currency translation adjustments in other reserves and an increase in treasury shares allocated to the Group's employee option plan.

Almarai's total equity decreased from SAR 14,881.2 million as at 31 December 2017 to SAR 14,516.0 million as at 31 December 2018, a decrease of SAR 365.2 million, or 2.5%. This was primarily due to repayment of perpetual sukuk.

Total Assets

Almarai's total assets increased from SAR 29,194.4 million as at 31 December 2016 to SAR 31,895.8 million as at 31 December 2017, an increase of SAR 2,701.4 million, or 9.3%. This was primarily due to the increase in fixed assets, working capital (mainly in inventory and trade receivables) and cash, which was mainly driven by an increase in borrowing from committed government funded facilities.

Almarai's total assets increased from SAR 31,895.8 million as at 31 December 2017 to SAR 32,318.4 million as at 31 December 2018, an increase of SAR 422.6 million, or 1.3%. This was primarily due to an increase in

fixed assets, inventories and trade receivables, prepayments and other receivables, partially offset by a decrease in cash and bank balances.

Total Liabilities

Almarai's total liabilities increased from SAR 15,716.0 million as at 31 December 2016 to SAR 17,014.6 million as at 31 December 2017, an increase of SAR 1,298.6 million, or 8.3%. This was primarily due to an increase in borrowing from committed government funded facilities.

Almarai's total liabilities increased from SAR 17,014.6 million as at 31 December 2017 to SAR 17,802.4 million as at 31 December 2018, an increase of SAR 787.8 million, or 4.6%. This was primarily due to increase in borrowing for payment of perpetual sukuk.

Cash Flow

The table below summarises Almarai's cash flows for the years ended 31 December 2018, 2017 and 2016.

	<u>31 December 2018</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
	<i>SAR millions</i>		
Net cash generated from operating activities	3,557.7	4,614.1	4,472.5
Net cash used in investing activities	(2,340.3)	(3,310.5)	(4,981.4)
Cash available for distribution	1,217.4	1,303.6	(508.9)
Net cash used in financing activities	(1,850.5)	(241.0)	(717.2)
Increase/(Decrease) in cash and bank balances	(633.2)	1,062.7	(1,226.1)
Effect of Movements in Exchange Rates on Cash and Cash Equivalents	0.6	9.3	(31.0)
Cash and cash equivalents at beginning of period	1,636.1	564.1	1,821.1
Cash and cash equivalents at end of period	<u>1,003.6</u>	<u>1,636.1</u>	<u>564.1</u>

Net Cash Generated from Operating Activities

Almarai's net cash from operating activities increased from SAR 4,472.5 million in 2016 to SAR 4,614.1 million in 2017, an increase of SAR 141.6 million, or 3.2%. This was primarily due to an increase in operational margin, which was partially offset by changes in working capital.

Almarai's net cash from operating activities decreased from SAR 4,614.1 million in 2017 to SAR 3,557.7 million in 2018, a decrease of SAR 1,056.4 million, or 22.9%. This was primarily due to a change in accounting treatment under IFRS, whereby poultry and crop is accounted for as biological assets through the growing season and then transferred to inventory when matured or fully grown. The decrease was also due to increases in alfalfa stock and higher prepayments related to government charges.

Net Cash Used in Investing Activities

Almarai's net cash used in investing activities decreased from SAR 4,981.4 million in 2016 to SAR 3,310.5 million in 2017, a decrease of SAR 1,670.9 million, or 33.5%. This was primarily due to reduction of capital expenditure.

Almarai's net cash used in investing activities decreased from SAR 3,310.5 million in 2017 to SAR 2,340.3 million in 2018, a decrease of SAR 970.2 million, or 29.3%. This was primarily due to planned reduction of capital expenditures, and cash received from UFHC investment disposal.

Cash Available for Distribution

Almarai's cash flow available for distribution increased from minus SAR 508.9 million in 2016 to SAR 1,303.6 million in 2017, an increase of SAR 1,812.5 million, or 356.2%. This was primarily due to an increase in operational cash flows and the general reduction in capital expenditure.

Almarai's cash available for distribution decreased from SAR 1,303.6 million in 2017 to SAR 1,217.4 million in 2018, a decrease of SAR 86.2 million, or 6.6%. This was primarily due to a change in accounting treatment under IFRS, whereby poultry and crop is accounted for as biological assets through the growing season and then transferred to inventory when matured or fully grown. The decrease was partially offset by reduction of capital expenditures.

Net Cash used in Financing Activities

Almarai's net cash used in financing activities decreased from SAR 717.2 million in 2016 to SAR 241.0 million in 2017, a decrease of SAR 476.2 million, or 66.4%. This was primarily due to a reduction in the funding requirement due to the increase in overall cash flows, which was partially offset by an increase in finance costs.

Almarai's net cash used in financing activities increased from SAR 241.0 million in 2017 to SAR 1,850.5 million in 2018, an increase of SAR 1,609.5 million, or 667.8%. This was primarily due to repayment of perpetual sukuk and acquisition of treasury shares in the amount of SAR 222.7 million.

Cash and Cash Equivalents at Beginning of Period

Almarai's cash at beginning of period decreased from SAR 1,821.1 million in 2016 to SAR 564.1 million in 2017, a decrease of SAR 1,257.0 million, or 69%. This was primarily due to the issuance of sukuk on 30 September 2015 for SAR 1,600 million, which was aimed to be utilised in 2017.

Almarai's cash at beginning of period increased from SAR 564.1 million in 2017 to SAR 1,636.1 million in 2018, an increase of SAR 1,072.0 million, or 190.0%. This was primarily due to an increase in borrowing from committed government funded facilities in 2017.

Cash and Cash Equivalents at End of Period

Almarai's cash at end of period increased from SAR 564.1 million in 2016 to SAR 1,636.1 million in 2017, an increase of SAR 1,072.0 million, or 190.0%. This was primarily due to an increase in borrowing from committed government funded facilities toward the end of 2017.

Almarai's cash at end of period decreased from SAR 1,636.1 million in 2017 to SAR 1,003.6 million in 2018, a decrease of SAR 632.5 million, or 38.7%. This was primarily due to a reduction in bank deposits.

Significant Accounting Policies

Almarai's significant accounting policies are set out in note 5 to the 2018 Financial Statements, reproduced elsewhere in this Base Prospectus.

Capital Expenditure

For the years ended 31 December 2018, 2017 and 2016, the Group made capital expenditures of SAR 1,918.8 million, SAR 2,797.3 million and SAR 4,514.6 million respectively. These capital expenditures relate to a number of items, which are outlined in the table below.

	For the year ended 31 December		
	2018	2017	2016
	<i>approximate, in SAR billions</i>		
Manufacturing and farming capacity expansion projects	1.0	1.5	2.7
Sales depots, poultry and logistics expansion	0.1	0.5	0.7
Replacement and other capital expenditure including IDJ and US land acquisition	0.8	0.8	1.1
Total capital expenditure	1.9	2.8	4.5

The Group funded these capital expenditure requirements with cash from operations and borrowing. The reduction in the Group's capital expenditure in the year ended 31 December 2017 and in the year ended 31 December 2018 is due to the fact that the Group is reaching the conclusion of a ten-year investment cycle.

INDUSTRY

Macroeconomic Overview

The population of the GCC, estimated by the IMF to be approximately 57 million people in 2018, is large and growing, with a relatively high proportion of young people. This demographic profile is an advantage for the food and beverage industry, as its products are considered important to growing families. If current trends continue, the population of the GCC, growing at around 2.3% annually, is expected by the IMF to reach approximately 63 million by 2022.

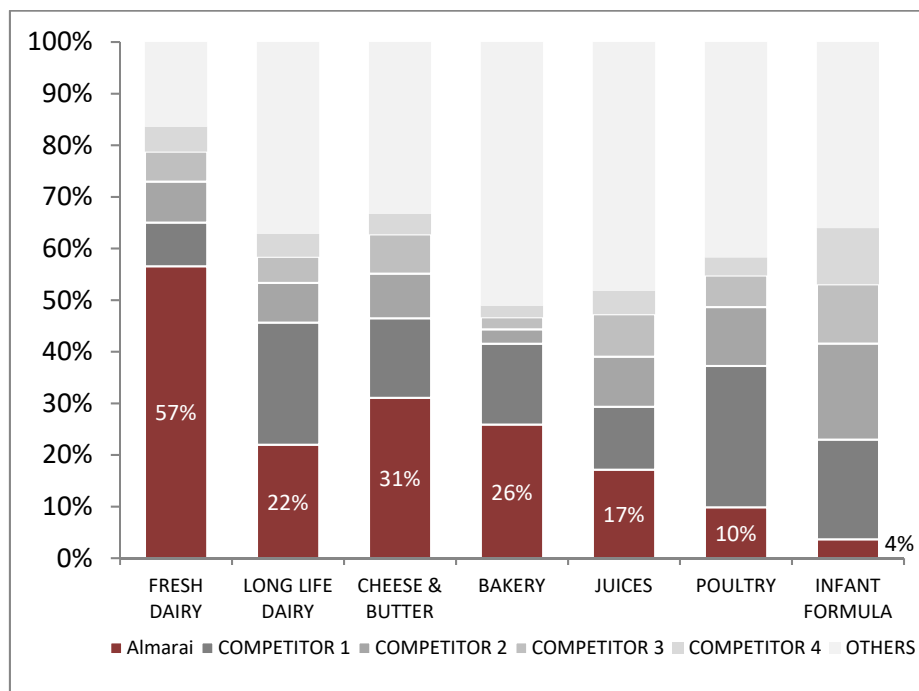
The per capita disposable income of all GCC states compares favourably to other Middle Eastern markets and to the disposable income levels of many European countries. Per capita consumption of dairy products in the GCC is growing strongly but remains relatively low by international standards, particularly compared to countries with similar levels of income.

Management believes that the KSA food market is experiencing a slowdown in growth as it faces ongoing macroeconomic pressures in the form of cost inflation, due in part to a reduction in subsidies and changes in VAT, creating a resultant pressure on prices. With these economic and regulatory challenges, management believes the KSA food market is diverging, with shifts towards online retail, an expanding HORECA (Hotels, Restaurants and Catering) market, and a growing importance in business supply for regional food companies. Management believes that with traditional product categories maturing there are longer term growth opportunities in ready-to-eat and health and wellness market segments.

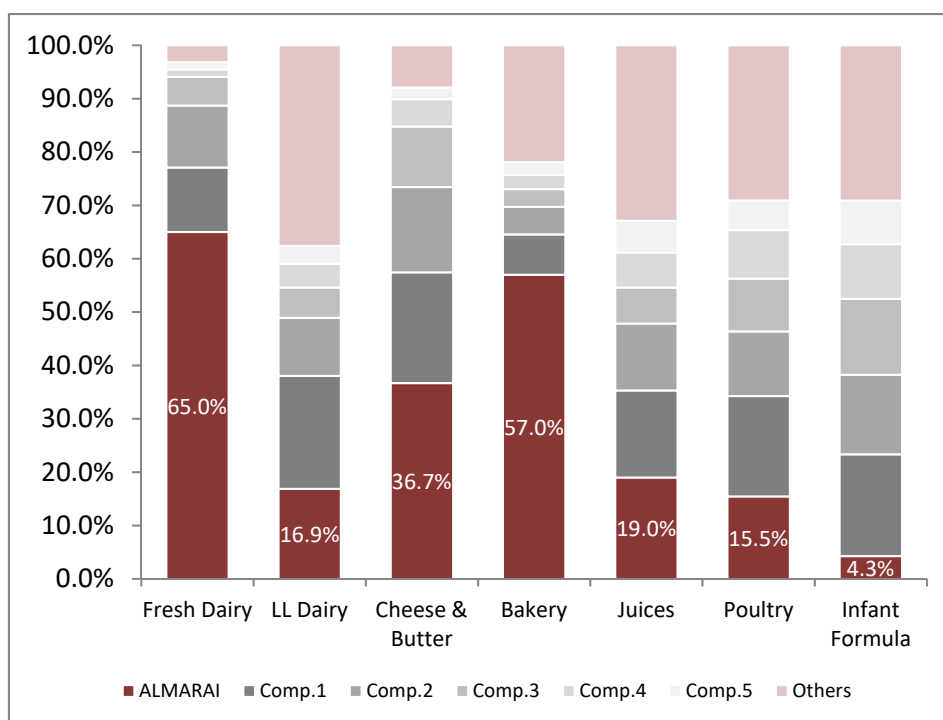
With regard to year-on-year growth of consumer staples, to date, growth in KSA is mostly negative across most retail and consumer product spaces. This reflects the current market dynamics, various structural market changes, and changes in demographics. Despite a contraction in the market economically and with regard to actual population size, within this product universe, Almarai's response has been efficient, in that it has gained market share in a declining market. Even in a challenging economic environment, Almarai continues to maintain its leadership within most of the categories in which it operates.

Most of the markets in which Almarai operates are fragmented, with a relatively high number of small players, and Almarai competes with a number of different players across each market.

The chart below sets out the market shares of the leading food and beverage companies in the GCC (source: AC Nielsen)



The chart below sets out the market shares of the leading food and beverage companies in KSA (source: AC Nielsen)



Dairy and Juice Industry Overview

Milk Production in KSA and the GCC

In many countries outside the GCC, dairy processing companies typically source their milk from a large number of independent farmers. Dairy farming in the GCC, however, is characterised by a small number of large-scale producers. Integrated dairy processing companies, such as Almarai, maintain their own dairy herds and only purchase a small proportion of their total milk requirement from third party suppliers. This gives the large dairy processors direct control over the quality, composition and timing of their milk supply.

GCC dairy farms do not have fields of grass pastures on which cows graze. The farms consist of milking parlours and animal housing, with adjacent sand-yards. Animal feed is brought to the cows. High ambient temperatures require a temperature-controlled environment during part of the year to ensure cow comfort and avoid stress. The fresh dairy industry is particularly concentrated in the central region of KSA where humidity levels are lower. In areas of high humidity, such as on the coast of the Arabian Gulf, key aspects of animal husbandry, particularly breeding, are more difficult with a negative impact on milk yield.

The cost of establishing and operating farms and keeping healthy animals of superior genetic merit in comfortable conditions on a high quality diet results in a relatively high cost structure compared to pasture farming as practised in traditional dairy farming countries. Locally produced raw milk is therefore principally used for fresh products which require a constant year-round supply and offer better returns than dairy commodity based alternatives. Milk production in the GCC is heavily dependent on imports of animal feeds. There is some local production of animal forage, but this is constrained by its usage of scarce water resources. Alternative sources of forage are available, including importation of dehydrated alfalfa silage.

In order to encourage the import of animal forage, and reduce the usage of scarce water resources, the Saudi Arabian Government provides subsidies on selected imported animal feeds. When the local fresh dairy industry was set-up thirty years ago, establishment and input costs were relatively high, but margins were attractive and there was little pressure for cost efficiency or competitiveness. These market conditions attracted many entrants to the industry. With the development of the fresh dairy industry and increased competitiveness, however,

margins throughout the GCC have tightened and all but the most efficient producers experience relatively low margins. Rationalisation of this industry over time must be seen as inevitable. Such fresh dairy industry rationalisation is anticipated to result in the emergence of a smaller number of highly efficient dairy food companies or alliances built on the achievements of the last thirty years.

Dairy Markets in the GCC

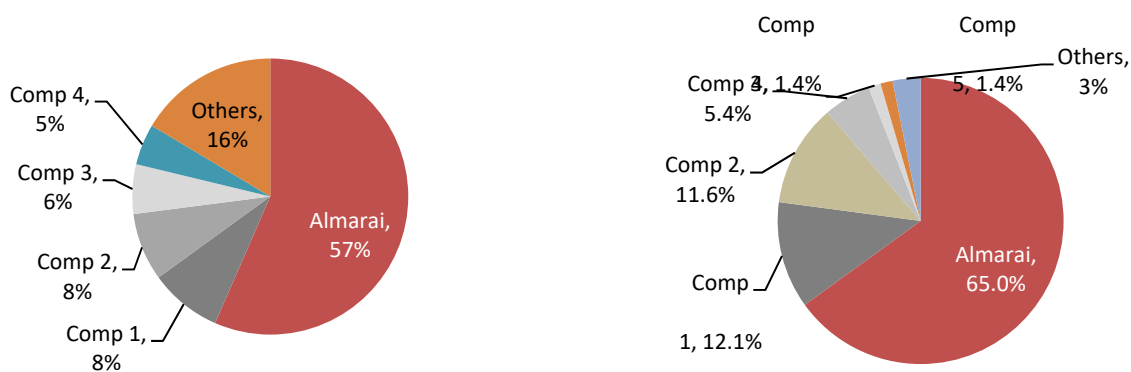
The total GCC dairy market in 2018 amounted to over SAR 12.5 billion valued at retail selling prices, of which the fresh dairy sector was SAR 7.5 billion (Source: AC Nielsen). The total dairy market includes a wide variety of products including canned milk and cream, butter and cheese. Until the 1970s, GCC dairy markets were dependent on imported milk powder and recombined products, made locally using imported milk powder. Thereafter, long-life recombined milk products, utilising imported milk powder and processed using UHT processes gained a sizeable share of the liquid milk market. With the establishment of large scale commercial dairy farming in the region, consumers were offered a more attractive option of purchasing fresh products made with locally produced raw milk.

Laban, a traditional fermented milk drink, is considered extremely popular among Arab consumers. Traditionally laban was made in the home using either locally produced milk or milk powder. Consumer packs of high quality fresh laban, made from locally produced raw milk, rapidly gained acceptance in the GCC marketplace.

Milk is available in three formats: pasteurised, UHT and powdered. Pasteurised milk is the largest segment of the milk category and continues to outperform the UHT and powder categories. UHT is the second largest category in volume and continues to perform strongly with consumers migrating to UHT from powder and milk products. Demand for natural set yoghurt, (in Arabic, "zabadi") in Middle Eastern markets is particularly strong. In the Middle East, Zabadi is frequently used for cooking, as an accompaniment for meals and as a snack. In addition, the market also contains traditional local dairy specialties including qashta (breakfast cream) and labneh (fermented soft cheese).

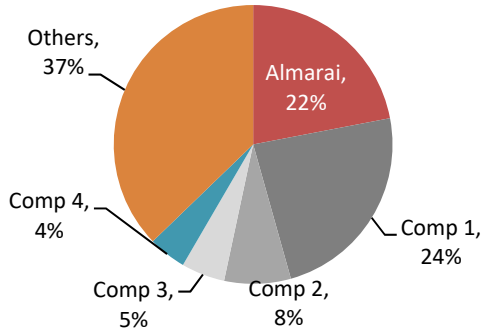
Derivatives of milk such as butter, cream and cheese fall under the umbrella of dairy foods. This encompasses a wide variety of products such as cheese triangles, halloumi, feta, and butter ghee. In recent years, there has been a significant step up in promotions and/or discounts in cheese and butter products. Such competitive landscape for dairy foods is characterised by the presence of multinational companies.

The charts below set out the market share of Almarai in fresh dairy (laban, fresh milk, yoghurt, and fresh dairy cream), long-life dairy (UHT milk, powder milk, evaporated milk, and long-life dairy creams), and dairy foods (cheese and butter) as at 31 December 2018 in the GCC (source: AC Nielsen) and in KSA (source: moving annual total ("MAT") December 2018).

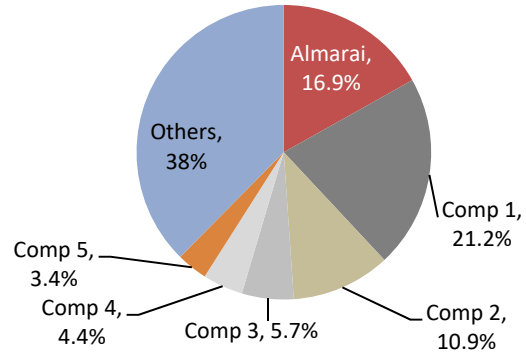


Market share in GCC for fresh dairy

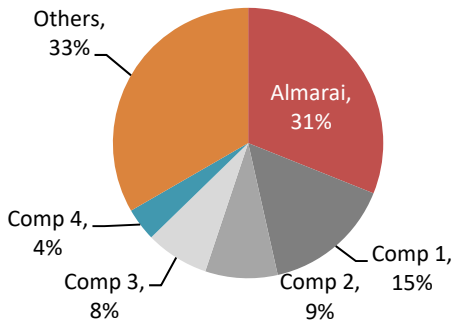
Market share in KSA for fresh dairy



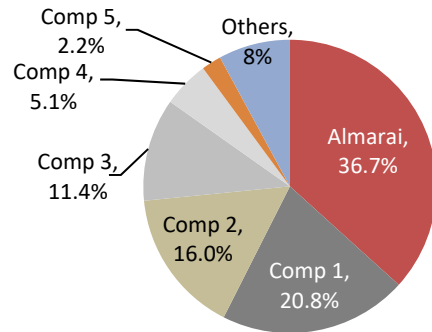
Market share in GCC for long-life dairy



Market share in KSA for long-life dairy



Market share in GCC for dairy foods



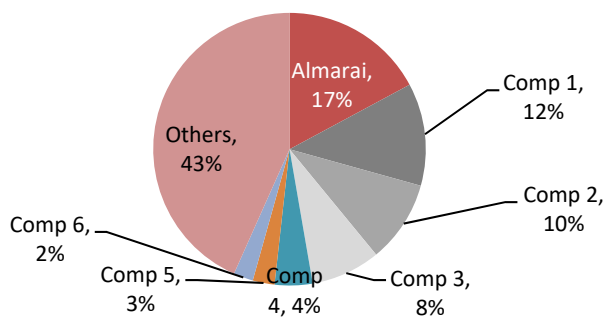
Market share in KSA for dairy foods

Juice Market in the GCC

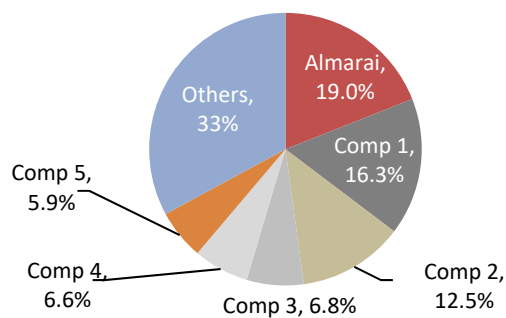
The GCC Juice market contains a wide variety of juice products, and three types of juice dominate the market. The biggest market share is held by juice drinks (49.7% market share), followed by fresh juice bottles (34.9% market share) and long-life juice (13.9% market share). KSA accounts for 66.8% of the juice market in the GCC, which closely follows its population share in the GCC, followed by UAE, which accounts for 14.3% (Source: AC Nielsen). Juices are a popular choice for many occasions in the GCC and have a deep resonance with Arab culture. Juices may be used for a variety of purposes and come in numerous flavours, thereby satisfying different tastes. Most fruit juices sold are made from either a single type of fruit or from a number of types of fruit blended together. Some fruit juices are mixed with vegetables or blended with other dairy products.

In the GCC, the five most popular fruit flavours, which account for more than 59% of total juice sales are orange, mixed fruit, mango, apple and guava. Juices with a fruit content of between 10% and 30% account for 67% of sales volume and juices which cost SAR 1 (or the currency equivalent in other GCC countries) account for 37% of total juice sales (source: AC Nielsen).

The charts below set out the market share of Almarai in juice as at 31 December 2018 in the GCC (source: AC Nielsen) and in KSA (source: MAT December 2018).



Market share in GCC for juice

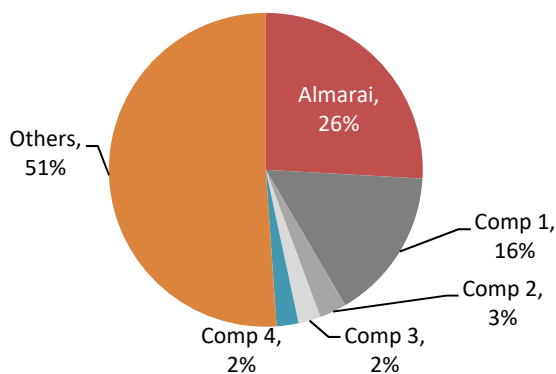


Market share in KSA for juice

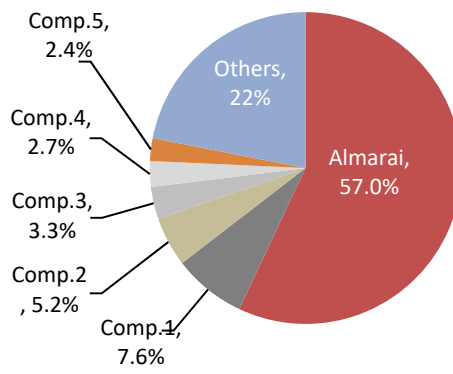
Bakery Industry Overview

The bakery industry in the region is generally seen as witnessing strong growth with its share growing year on year in a number of countries. The bakery market in KSA is dominated by breads (68.8%), followed by pastries (18.1%) and cakes (13.1%). In terms of major players, the category is highly fragmented, with the top ten players holding approximately 67.1% market share (Source: AC Nielsen). Bread constitutes an essential product for all year round consumption. The bread category consists mainly of Arabic bread, sandwich bread and buns.

The charts below set out the market share of Almarai in bakery (bread, pastry, and cake) as at 31 December 2018 in the GCC (source: AC Nielsen) and in KSA (source: MAT December 2018).



Market share in GCC for bakery



Market share in KSA for bakery

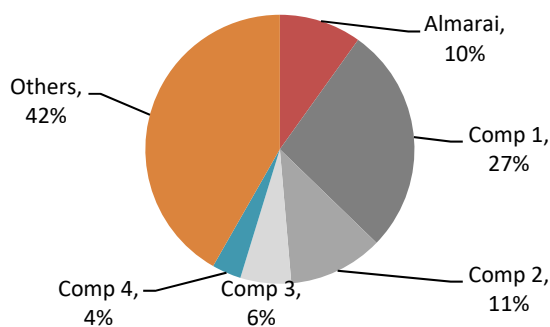
Poultry Industry Overview

The poultry market in KSA amounted to SAR 15 billion in 2017 (as per Global Data Plc).

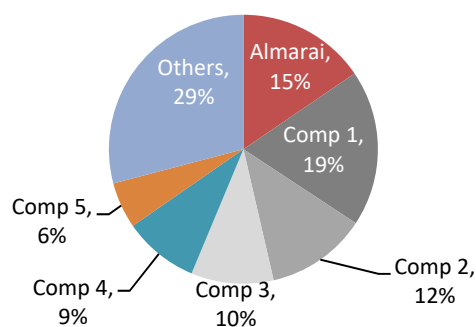
The poultry market in KSA is divided into two major segments – fresh (chilled) products and frozen products. Fresh chilled poultry is produced locally, with a shelf life of approximately six days from the production date. Frozen poultry products are both produced locally and imported. The majority of these segments are currently supplied by producers in Brazil and France. Frozen poultry comprises the largest portion of the overall poultry market. However, the fresh poultry segment grew at a compounded average annual growth rate of 24% between 2015 and 2017, as compared to the compounded average annual growth rate of 8% for the frozen poultry segment between 2015 and 2017, with a trend developing for individual consumers beginning to prefer "fresh" over "frozen" (Source: AC Nielsen).

Almarai is focusing on the chilled and value added segments (such as marinated and minced chicken) of the poultry market. The overall poultry market in KSA alone is in excess of one and a half million tons per year, with additional demand from the other GCC countries. Poultry meat consumption in KSA is among the highest in the world, with per capita consumption in 2017 estimated at approximately 44.7 kgs (source: OECD FAO Agricultural Outlook 2017). Apparent consumption in other GCC markets, particularly the United Arab Emirates ("UAE") and Kuwait, is similar.

The charts below set out the market share of Almarai in poultry (fresh poultry and frozen poultry) as at 31 December 2018 in the GCC (source: AC Nielsen) and in KSA (source: MAT December 2018).



Market share in GCC for poultry

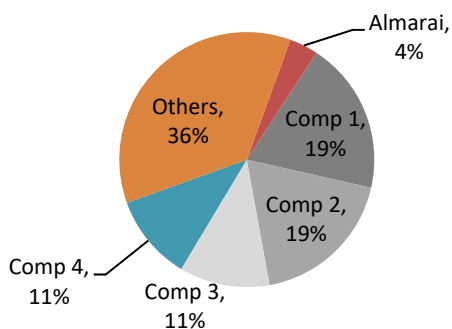


Market share in KSA for poultry

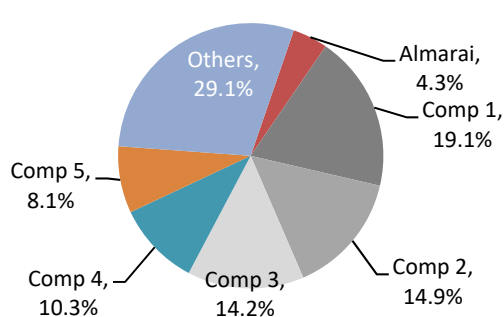
Infant Formula Industry Overview

Almarai has invested SAR 1 billion and built a state-of-the-art infant formula manufacturing facility at Al Kharj with production capacity of 20,000 tons. Almarai Nuralac is the flagship infant formula and growing up formula brand that's manufactured in the facility. The facility also manufactures export and third party private labels for customers. This category's growth is higher than population growth due to changes in consumer trends.

The charts below set out the market share of Almarai in infant formula as at 31 December 2018 in the GCC (source: AC Nielsen) and in KSA (source: MAT December 2018).



Market share in GCC for infant formula



Market share in KSA for infant formula

The Retail Market in the GCC

The retail structure in the GCC states is changing as it modernises with the emergence of new sales channels such as online delivery. Larger local retailers have begun to adopt new business models and some international retail companies have entered the market. In many areas of KSA, local grocery shops known as bakalas remain a major competitive force in the retail sector. While these have many of the characteristics of international convenience stores, including long opening hours, they enjoy a relatively low cost base and as a result, their price levels remain competitive.

Food Retail Channels in KSA

The retail structure in KSA is divided into traditional trade, and modern trade and food services.

Traditional trade refers to trade through local grocery shops known as bakalas, which represents 38% of local trade in KSA (source: Nielsen). Traditional trade represents approximately 70% of the Group's sales, and management expects bakalas to remain a popular grocery retail channel in KSA due to their convenience and affordability.

Modern trade and food services refer to trade through supermarkets, hypermarkets, hotels, coffee shops, and catering, which represents approximately 30% of the Group's sales.

International Market

Almarai has a joint venture with PepsiCo, which is 52% owned by Almarai. The joint venture operates dairy, fruit juice and food businesses in Egypt and Jordan. It also exports products to non-GCC states. Activities carried on by the joint venture include the introduction of Almarai and Tropicana brands in Egypt and Jordan, which are the leading or second largest brands in their segment.

Group Market Segments and Shares

Almarai's wide range of products is spread over a number of different countries making the compilation of reliable and comprehensive market share statistics difficult. The task is further complicated by classification issues in respect of product categories. These complications are as follows:

- Independent market statistics tend to combine fresh and recombined dairy products, while Almarai regards fresh dairy products as its traditional core business.
- Long-life milk is usually shown as a separate category and includes products made from both fresh and recombined milk.
- Market statistics for recombined laban and yoghurt are typically included with the equivalent fresh products. This can be of significance in GCC states other than KSA where sales of recombined laban and yoghurt remain significant.
- Market share statistics may be further confused by the fact that sales undertaken on a sale-or-return basis, with the possibility of confusion between products dispatched to the market and actual sales. Almarai typically experiences lower levels of returned products than market norms.
- Inclusion of catering sales at estimated retail value adds further complications.

Almarai's overall share of the fresh dairy product market for 2018, in KSA, was 65% and in the GCC as a whole 57%, as per AC Nielsen.

Almarai has traditionally held a very strong position in the fresh milk and laban segments of the dairy market. In the yoghurt market, Almarai has significantly improved its performance over recent years and has established leadership across all six GCC markets, with strong growth in both natural and fruit yoghurt products. Almarai's significant growth in the processed cheese sector has, as per market available data from AC Nielsen, enabled Almarai to become the largest cheese processor in the GCC. The cheese and butter market represents a major opportunity for continuing revenue and earnings growth.

Almarai entered the fruit juice market in November 1999 by launching juice products in fresh packaging format. In KSA, which alone represents 66.8% of the total GCC fresh juice market by volume, Almarai is the market leader (as per MAT December 2018). Almarai is also the market leader in Oman, Kuwait and Bahrain (as per AC Nielsen).

Almarai's fresh juice brand is positioned as a premium fresh juice brand with a portfolio that includes juices, nectars and still drinks with shelf lives of up to 30 days. Almarai's juices currently exist in 20 flavours with three types of packaging, including an iconic 1.5 litres 'carafe' PET bottle for sharing occasions and in single serve bottles of 200ml and 300ml capacity and a 200ml capacity bottle specifically designed for children. The

juice market in GCC is currently experiencing near negative growth and this factor will affect the Group in the future.

OVERVIEW OF THE KINGDOM OF SAUDI ARABIA

Background

KSA, situated in the south-western part of Asia, comprises almost four-fifths of the Arabian Peninsula, an area approximately one-third the size of continental United States. KSA is the largest country in the GCC and the second largest Arab country. The modern KSA was declared in 1932 by King Abdul Aziz ibn Abdul Rahman Al Saud. The capital of KSA is Riyadh.

Since the discovery of oil fields in the eastern region along the coast of the Arabian Gulf in 1938, KSA has experienced rapid growth and is now a leading producer of oil and natural gas. According to the OPEC's 2018 Annual Statistical Bulletin, KSA possessed the world's second largest proven oil reserves (accounting for 18% of the world's total oil reserves) as at 31 December 2017, was the world's second largest oil producer (accounting for 13.3% of the world's total oil production), and was the world's largest oil exporter (accounting for 15.6% of the world's total oil exports by volume) in the year ended 31 December 2017.

According to the World Bank, KSA had the nineteenth largest economy in the world and the largest economy in the GCC region in the year ended 31 December 2017. KSA's economy accounted for 47% of the combined nominal GDP of the GCC countries and 20% of the combined nominal GDP of the countries in the Middle East and North Africa ("MENA") region in the year ended 31 December 2017. KSA has a history of economic stability and a modern infrastructure. Since 2005, KSA has gained membership in the World Trade Organisation (the "WTO"). KSA joined the Group of Twenty (the "G20") in April 2009.

Geography

KSA comprises a land area of approximately 2,150,000 square km and is located in the Arabian Peninsula, a peninsula of south-west Asia situated north-east of Africa. KSA has coastlines on the Red Sea to the west and the Arabian Gulf to the east. It is bordered in the north and north-east by Jordan and Iraq, in the east by Kuwait, Qatar and the UAE, in the south-east by Oman, in the south by Yemen, and is connected to Bahrain by the King Fahd Causeway. KSA is the largest country in the GCC.

KSA has five geographical regions:

- Eastern Province, the industrial heart of KSA's oil fields and associated industries, containing the cities of Jubail, Al Khobar, Dhahran and Dammam;
- Central Province, containing the city of Riyadh, the capital and the seat of the government;
- Western Province, bordering the Red Sea and containing the holy cities of Makkah and Madinah, the major commercial city of Jeddah and the industrial city of Yanbu;
- Northern Province, a sparsely populated region containing the cities of Tabuk and Hail; and
- South West Province, a mountainous region containing the city of Abha and the port of Jizan.

Most of KSA consists of arid or semi-arid land. Uninhabitable desert covers nearly half of the country. Less than 2% of the country's land is classified as arable, and less than 1% is dedicated to permanent crops. KSA has undergone rapid urbanisation in recent decades, and over 80% of the population of KSA currently lives in cities, with approximately half the population of KSA being concentrated in the six largest cities of Riyadh, Jeddah, Makkah, Medina, Ta'if and Dammam.

Government and Legal Framework

KSA is a monarchy with a political system rooted in the traditions and culture of Islam. The Custodian of the Two Holy Mosques, the King of Saudi Arabia (the "**King**"), is both the head of state and the head of the government. Royal Decree number A/90 dated 1 March 1992 (the "**Basic Law of Governance**") provides that the Holy Quran and Sunnah (the teachings of the Prophet Muhammad, "peace be upon him") form the primary sources of law in KSA. The Basic Law of Governance specifies that the King must be chosen from among the sons of the founding King, the Late King Abdulaziz bin Abdul Rahman Al Saud ("**King Abdulaziz**"), and their male descendants.

In 2006, the Allegiance Council (hay'at al-bay'ah) was established, comprising: (a) the surviving sons of King Abdulaziz; (b) one son of each deceased/incapacitated son of King Abdulaziz; and (c) one son of the incumbent

King and one son of the incumbent Crown Prince, both appointed by the incumbent King, to determine which member of the royal family will be the next King and the next Crown Prince. The current King, Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al Saud, acceded to the throne on 23 January 2015. The current Crown Prince is His Royal Highness Prince Mohammed bin Salman bin Abdulaziz Al Saud, who also holds the positions of Deputy Prime Minister, Minister of Defence, Chairman of the Council for Economic and Development Affairs and Chairman of the Council for Political and Security Affairs.

The King controls the legislative, executive, and judicial bodies and royal orders and royal decrees that together form the basis of KSA's legislation. The King is also the Prime Minister, and he presides over the Council of Ministers (Majlis al Wuzara), which was established by Royal Decree in 1953 and comprises the first deputy Prime Minister and 23 Ministers with portfolios and five Ministers of State. The King makes appointments to and dismissals from the Council of Ministers. The Council of Ministers is responsible for, among other things, executive and administrative matters such as foreign and domestic policy, defence, finance, health and education. The King and executive officials at the local, provincial and national levels also hold regular meetings, which are open to members of the public (majalis) and where members of the public may discuss issues and raise grievances.

KSA is divided into 13 provinces, each of which has a governor and a provincial council. The provincial councils are empowered to determine the development needs of their respective provinces, make recommendations and request appropriations in the annual budget. KSA's 13 provinces comprise Riyadh, Makkah, Medina, the Eastern Province, Asir, Al-Baha, Tabuk, Al-Qassim, Ha'il, Al-Jouf, the Northern Borders, Jizan and Najran. These provinces are further divided into 118 governorates, which are in turn sub-divided into municipalities. Pursuant to the Law of Regulation of Municipalities and Rural Areas, issued by Royal Decree No. 5/M in 2003, the term of each municipal council is two years and half of the members of any municipal council must be chosen by elections, while the other half are appointed by the Minister of Municipal and Rural Affairs. In 2015, women were allowed to stand for election to, and vote for the members of, the municipal councils.

Legal and Judicial System

Since the founding of the modern KSA in 1932, and in accordance with the Basic Law of Governance, Shari'a (Islamic law) has been the pillar and source of KSA's basic system of government, and is the paramount body of law in KSA.

The Shari'a is comprised of a collection of fundamental principles derived from a number of different sources, which include the Holy Qu'ran and the Sunnah (the witnessed sayings and actions of the Prophet Mohammed, "peace be upon him"). In addition to the Shari'a, Saudi Arabian law is also derived from enacted legislation that may not conflict with Shari'a principles. Legislation is enacted in various forms, the most common of which are Royal Orders, Royal Decrees, Council of Ministers' resolutions, High Orders, ministerial resolutions and ministerial circulars having the force of law. All such laws and regulations are ultimately subject to, and may not conflict with, the Shari'a, and each Saudi Arabian court or other adjudicatory authority is required to interpret such legislation accordingly.

KSA follows a civil law system. KSA's judicial system comprises the general courts, which have general jurisdiction over most civil and criminal cases, and specialised courts covering certain specific areas of law, including a system of administrative courts known as the Board of Grievances, a Specialised Criminal Court, and various adjudicatory or quasi-judicial committees with special jurisdiction over such matters as banking transactions, securities regulation, intellectual property, labour disputes, tax, electricity industry disputes and medical malpractice.

In 2007, the government announced a restructuring of the judicial system, including the establishment of courts of appeal and a supreme court, as well as the merger of most special adjudicatory committees into the general courts, though exceptions were made for certain adjudicatory committees. The committees that are exempted from the 2007 reforms include the Banking Disputes Committee, the Committee for the Enforcement of the Banking Control Law and the Committee for Resolution of Insurance Disputes and Violations, each of which operates under the aegis of the Saudi Arabian Monetary Authority ("SAMA"); the Committee for the Resolution of Securities Disputes, which operates under the aegis of the CMA; and the Committee for Resolution of Custom Duties Disputes. The 2007 reforms also proposed the transfer of jurisdiction over commercial disputes from the Board of Grievances to the commercial courts which have started to hear disputes of a commercial nature as of 22 September 2017 pursuant to the Circular of the Supreme Court of Justice No. T/967 dated 01/01/1439H

(corresponding to 22 September 2017). As part of the ongoing restructuring of the judicial system, personal status courts, courts of appeal and a supreme court have already been established.

Until recently, disputes of a commercial nature in the Kingdom were heard before a court called the Board of Grievances, which strictly applies Shari'a law. However, with the enactment of a new Law of the Judiciary that was issued pursuant to Royal Decree No. M/78 dated 19/09/1428H (corresponding to 01/10/2007G), and pursuant to the Supreme Court of Justice Circular, this jurisdiction has been transferred to the Commercial Courts in the Kingdom (except for claims and violations of commercial laws that used to be outside the jurisdiction of the Board of Grievances under the Law of Procedure before Shari'a Courts which will continue to be heard by the Penal Courts and relevant circuits until the Supreme Court of Justice completes the mechanism of implementing suspended articles of the Shari'a Proceedings Law).

Further, the Bankruptcy Law, which came into effect on 18 August 2018, has transferred the jurisdiction to supervise insolvency and bankruptcy proceedings of commercial entities from the Board of Grievances to the Commercial Courts.

Until recently, the Board of Grievances also had exclusive jurisdiction to consider the enforcement of foreign judgments and arbitral awards. However, with the enactment of the new Enforcement Law, this jurisdiction has been transferred to newly-created "Enforcement Departments" within the General Courts staffed by specialized "enforcement judges". Accordingly, if a judgment from an English court or a U.S. court were to be enforced in the Kingdom, it would need to be submitted to the Enforcement Departments in the General Courts for enforcement. See *"Risk Factors—Risk Factors relating to Enforcement—There are uncertainties around the choice of English law as the governing law of certain Transaction Documents and around enforcement of foreign judgments"* and *"Risk Factors—Risk Factors relating to Enforcement—Enforcing foreign arbitral awards against Almarai"*.

In June 2017, a Royal Order was issued changing the name of the Bureau of Investigation and Public Prosecution to the Public Prosecution and establishing it as an independent government body that reports directly to the King, headed by a general prosecutor.

On 4 November 2017, the Supreme Anti-Corruption Committee (the "**Anti-Corruption Committee**") was formed by Royal Order No. (A/38) to investigate certain corruption allegations. On 9 November 2017, the Attorney General, as a member of the Anti-Corruption Committee, announced that 208 individuals had been called in for questioning and that the Anti-Corruption Committee suspected that an estimated U.S.\$100 billion had been misused through systematic corruption and embezzlement over several decades. On 30 January 2018, the Attorney General announced that the case review of those who were accused of corruption and the negotiation of settlements with those that had been charged had been concluded. The number of subpoenaed individuals in relation to these investigations reached 381, a significant number of which were called to testify or provide evidence. The Attorney General indicated that the value of settlements negotiated as at 30 January 2018 reached in excess of SAR 400 billion, comprising of assets including real estate, commercial entities, securities and cash. All individuals detained as part of these investigations were released, except for 56 individuals against whom cases were still pending as at 30 January 2018. The funds recovered by the government as part of the settlement of the anti-corruption cases will be used to fund initiatives to support KSA citizens. In March 2018, the King approved the establishment of specialised departments within the Public Prosecution, which are directly linked to the Attorney General, to investigate corruption cases.

Vision 2030

In April 2016, the government announced its new strategy, known as "Vision 2030", which sets forth a comprehensive agenda of socio-economic reforms with the aim of achieving fundamental economic, social and structural changes in KSA by the year 2030. Vision 2030 is based upon three fundamental existing strengths of KSA: (i) its importance in the Arab and Islamic world; (ii) its leading investment capabilities; and (iii) its unique strategic geographical location with the ability to connect the three continents of Asia, Europe and Africa.

The key objectives of Vision 2030 include the diversification of KSA's economy and decreased reliance upon oil-related revenues through, among other measures, the transformation of Saudi Aramco from an oil-producing company into a global industrial conglomerate and the transformation of the Public Investment Fund (the "**PIF**") into a sovereign wealth fund. The government expects to transfer ownership of Saudi Aramco to the PIF, and the PIF will continue to assist the private sector with the establishment of capital intensive projects. In addition, Vision 2030 aims to reform government services to increase transparency and accountability, as well as to

expand the variety and scope of digital services offered by the government in order to improve efficiency and reduce bureaucracy.

The Council of Ministers has delegated to the Council for Economic and Development Affairs ("CEDA") the overall responsibility for establishing and monitoring the measures required for the effective implementation of Vision 2030, and the CEDA has in turn established an integrated governance model to implement detailed programmes to attain the desired results.

For details on the initiatives that have already been launched, or are anticipated to be launched in connection with the implementation of Vision 2030, see "*Implementation of Vision 2030*" below. One of the key executive programmes that was launched in June 2016 in connection with the implementation of Vision 2030 is NTP 2020, which sets forth the objectives and detailed methodology, including clearly identified goals and targets, that are sought to be achieved in connection with the implementation of Vision 2030. For details on NTP 2020, see "*The National Transformation Programme 2020*" below. The Fiscal Balance Programme, launched in December 2016 in connection with the implementation of Vision 2030, is another key executive programme and sets forth objectives and measures aimed at achieving a balanced budget by 2020. In April 2017, CEDA, in connection with the implementation of Vision 2030, launched ten new executive programmes, which, in addition to the NTP 2020 and the Fiscal Balance Programmes, are known as the Vision 2030 realisation programmes.

Vision 2030 focuses on three broad themes, each of which aims to capitalise on KSA's existing strengths in its society, culture, heritage and economy. The three themes highlighted in Vision 2030 are (i) Societal Development, (ii) Economic Reform, and (iii) Effective Governance.

Societal Development

This theme focuses on individual and societal development and aims to promote national unity and values. The various measures and objectives envisaged under this theme include the following:

- A significant increase in KSA's capacity to accommodate Umrah visitors, as well as the restoration and international registration of a number of national, Arab, Islamic and ancient cultural sites, which is intended to increase their visibility and accessibility to visitors.
- The development of cultural and entertainment activities within KSA, with dedicated venues being established for this purpose.
- Recognition of the importance of youth development and the critical role that the family unit plays in such development. To this end, measures will be implemented which will seek to encourage parents to be actively engaged in school activities and the education of their children.
- An increase in the capability, efficiency and productivity of healthcare services in KSA by promoting competition and transparency among providers. To achieve this goal, the government intends to introduce corporatisation into the healthcare sector by transferring the responsibility for healthcare provision to a network of public companies that will compete both with each other and with the private sector.

Economic Reform

This theme focuses on an ambitious programme of economic reform. The various measures envisaged under this theme include the following:

- Recognising the need for high quality education that is responsive to the needs of KSA's economy. To this end, the government has launched the National Labour Gateway (*taqat*), and intends to establish sector councils to determine the skills and knowledge required by each socio-economic sector, with the aim of equipping KSA citizens with the skillset required to become an effective part of the workforce, in particular the private sector, and thereby lowering KSA's unemployment rate and encouraging women's participation in the workforce.
- While acknowledging that the oil and gas industry is an essential pillar of KSA's economy, emphasising the need for economic diversification. This is expected to be achieved through various measures, including privatisation initiatives, the development of KSA's investment vehicles and an emphasis on

the manufacturing sector (including manufacturing of military equipment to meet a substantial portion of its defence needs).

- Establishing an authority for small and medium size enterprises to encourage young entrepreneurs and introduce business-friendly regulations, easier access to funding and to encourage a greater share of national procurement and government bids.
- Targeting a significant increase in the contribution of the mining sector to KSA's economy, through a number of measures, including implementation of structural reforms that will stimulate private sector investment in the mining industry.
- Envisaging the diversification of KSA's sources of energy and implementing a legal and regulatory framework to encourage the private sector to invest in the renewable energy sector.
- Emphasising the development of the retail sector by attracting both domestic and international investors, as well as by easing restrictions on ownership and foreign investment and through encouraging financing of small retail enterprises to stimulate growth, thereby expanding the opportunities for e-commerce and the creation of additional employment opportunities in the retail sector.
- Promoting KSA as a logistical hub by strengthening interconnectivity and economic integration of infrastructure, both domestically and internationally, and developing KSA's telecommunications and information technology infrastructure.

Effective Governance

This theme focuses on building an effective, transparent and accountable government, and the need for the government to adopt world-class standards of transparency, efficiency and accountability. The various measures envisaged under this theme include the following:

- Regularly reviewing and publishing the government's goals, plans and performance, with the aim of increasing transparency and enabling monitoring of progress through performance and project management programmes.
- Expanding "smart" government services such as interactive and online government portals, with the aim of achieving global leadership in e-government.
- Offering training programmes for government employees and provision of ongoing professional development and training with the aim of increasing productivity.
- Increasing the efficiency of government spending. To this end, a comprehensive review of financial regulations across government agencies is currently being undertaken.

Implementation of Vision 2030

The government has already launched a number of programmes that seek generally to achieve the aims and objectives of Vision 2030, which include the following:

- *The Government Restructuring Programme:* This programme has, to date, included the consolidation of a number of existing government ministries under two newly-formed councils, the Council for Political and Security Affairs ("CPSA") and the CEDA, with the intention of promoting greater efficiency and productivity between the various branches of government and greater coordination between the respective ministries. A restructuring of various governmental ministries and departments has also taken place.
- *The Fiscal Balance Programme:* This programme involves reviewing KSA's existing capital expenditure, including the approval mechanisms relating to such expenditure, and its measurable economic impact. This programme envisages that further measures will be introduced with the aim of achieving economic diversification and fiscal consolidation. The Fiscal Balance Programme sets forth objectives and measures for the achievement of a balanced budget by 2020.

- *The National Transformation Programme*: This programme was launched by the government in June 2016. It establishes strategic objectives that are based on Vision 2030 and addresses various challenges involved in the implementation of Vision 2030 in accordance with the specified methodology and targets. As a result of the launch of the Vision 2030 realisation programmes, the government is re-examining the scope of the NTP 2020 in order to eliminate overlaps between the NTP 2020 and other programmes and to ensure that the NTP 2020 continues to meet the overall objectives of Vision 2030. For further details in respect of NTP 2020, see "*The National Transformation Programme 2020*" below.
- *The Regulations Review Programme*: This programme includes the review and update of several of KSA's existing laws and regulations, in order to ensure that they accord with KSA's stated goals and priorities. Such laws have included, among others, laws relating to companies, non-governmental organisations, fees on unused land and the General Authority for Endowments.
- *Enriching the Hajj and Umrah Experience Programme*: This programme aims to increase the number of people performing Hajj and Umrah including through the development of further infrastructure to support increased participation in Hajj and Umrah.
- *Lifestyle Improvement Programme*: This programme aims to increase participation in cultural, environmental and sporting activities.
- *National Companies Promotion Programme*: This programme aims to incentivise the growth and efficiency of a number of the most promising small and medium sized national companies and to create new job opportunities.
- *National Industrial Development Logistics Programme*: This programme aims to position KSA as a logistics hub that benefits from its location at the intersection of three continents through improving infrastructure and developing logistics services.
- *The Housing Programme*: This programme aims to facilitate increased private home ownership through the development of the residential and construction sectors.
- *Public Investment Fund Programme*: This programme envisages the refinement of the PIF's investment capabilities, enabling it to manage a broader portfolio of assets with the aim of transforming the PIF into an active sovereign wealth fund.
- *Strategic Partnerships Programme*: This programme aims to build and deepen strategic economic partnerships with selected countries that have the capacity to contribute to Vision 2030. It also aims to build partnerships in the GCC and the region by facilitating the movement of people, goods and capital.
- *Financial Sector Development Programme*: This programme aims to increase the size, depth, and development of KSA's capital markets, improve operators and users' experiences as well as the status of Saudi Arabian capital markets regionally, with the aim of making KSA's capital markets the primary market in the Middle East and one of the most respected markets internationally. The programme aims to help create an advanced market that attracts local and foreign investors, which enables it to take on a pivotal role in developing the national economy and diversifying sources of income.
- *Privatisation Programme*: This programme aims to identify sectors suitable for privatisation and to implement a comprehensive privatisation programme.

In addition to the programmes outlined above, which have already been initiated and are at various stages of implementation, the government is proposing to launch additional programmes that are intended to assist in achieving the aims of Vision 2030. These programmes include the Saudi Aramco Strategic Transformation Programme, a programme that envisages the transformation of Saudi Aramco from an oil producing company into a global industrial conglomerate.

National Transformation Programme 2020

The NTP 2020 was launched in June 2016 across 24 governmental bodies operating in the economic and development sectors. At the time of its launch, the NTP 2020 included 16 ministries (including all the ministries represented in the CEDA) as well as eight governmental organisations closely connected with the overall objectives of Vision 2030 (such as the Saudi Commission for Tourism and National Heritage ("SCTH"), the Royal Commission for Jubail and Yanbu ("RCJY"), Saudi Arabian General Investment Authority ("SAGIA") and the King Abdulaziz City for Science and Technology, among others).

NTP 2020 seeks to identify both the strategic objectives, as well as the challenges, involved in the implementation of Vision 2030, followed by the launch of specific initiatives and the attainment of well-defined goals to be achieved by each government entity covered by NTP 2020. At the time of its commencement, a total of 543 initiatives (with 346 targets to be achieved) were approved for launch during 2016, and the NTP 2020 anticipated that the government would spend approximately SAR 268.4 billion on these initiatives through to the year 2020. As a result of the launch of the Vision 2030 realisation programmes, the government is re-examining the scope of the NTP 2020 in order to eliminate overlaps between the NTP 2020 and other programmes and to ensure that the NTP 2020 continues to meet the overall objectives of Vision 2030.

One of the key features of NTP 2020 is maximising the private sector's participation in attaining the goals of NTP 2020, thereby reducing the costs to be borne by the government and enhancing the financial and developmental returns from NTP 2020.

The CEDA has established procedures and processes for the transparent and effective implementation of the initiatives contained in NTP 2020, including comprehensive and ongoing performance measurement mechanisms to enable the supporting agencies, such as the newly created National Centre for Performance Measurement and the Delivery Unit, to evaluate performance and recommend adjustments and corrective action where required.

KSA's Position in the International Community

As the only Arab nation member of the G20, an international forum for the governments of 20 major economies, and a founding member of several major international organisations, including the United Nations ("UN") and OPEC, KSA plays an important role in the global economy and international trade, and diplomatic relations. Furthermore, as a founding member of the GCC, the Muslim World League, the Organisation of Islamic Cooperation (the "OIC") and the Islamic Development Bank (each of which is headquartered in KSA) as well as the Arab League, KSA has also assumed a leadership position among both Arab countries and the broader Muslim world. As the world's second largest oil producer (accounting for 13.3% of the world's total oil production) and the world's largest oil exporter (accounting for 15.6% of the world's total oil exports by volume) in the year ended 31 December 2017, according to OPEC's 2018 Annual Statistical Bulletin, KSA occupies a central position in OPEC and the world oil markets.

KSA is also a member of the IMF, the African Development Bank Group, the Asian Infrastructure Investment Bank and the European Bank for Restructuring and Development (the "EBRD"). The EBRD's mandate has recently been expanded to invest and promote private initiatives in certain Arab countries in the Middle East and North Africa region.

KSA joined the World Bank Group in 1957, and is one of the larger shareholders of the World Bank among its 189 member countries. In recognition of its contributions to the global economy and international development, KSA achieved the status of a 'single-country constituency' on the World Bank's Executive Board (the "**Executive Board**") in 1986. KSA is represented at World Bank meetings by its executive director and engages in direct consultations and negotiations with other executive offices with the aim of achieving the World Bank's primary objective of reducing global poverty. From time to time, KSA's executive director has served as the chair of the Executive Board's standing committees, and several of the past Saudi executive directors have served as dean of the Executive Board.

KSA acceded as a member of the WTO in November 2005, as a result of which the government has implemented various structural reforms in order to create a more liberal trade regime and business-friendly environment. In addition to the WTO, KSA is party to a number of multilateral business and trade related agreements, including the Convention Establishing the Multilateral Investment Guarantee Agency; the Inter-Arab Investment Guarantee Corporation; the UN Guiding Principles on Business and Human Rights; and the Convention on the Recognition and Enforcement of Foreign Arbitral Awards. KSA is also party to a number of trade and economic

agreements aimed at promoting trade and economic development, including the Arab Economic Unity Agreement; the Arab League Investment Agreement; the League of Arab States Investment and the Agreement on Promotion, Protection and Guarantee of Investments among the Member States of the OIC.

KSA plays a key role in the international fight against terrorism. KSA is a member and an active participant in a number of international organisations and treaties pertaining to anti-money laundering ("AML") and combatting the financing of terrorism ("CFT"). In December 2015, the government announced the establishment of an intergovernmental military alliance of 34 countries based at a joint command centre in Riyadh, the primary objective of which is to combat terrorist organisations, including Da'esh, in line with UN and OIC initiatives on counter-terrorism.

KSA is also a member of the International Chamber of Commerce, the World Intellectual Property Organisation, the Greater Arab Free Trade Area, the International Organisation of Securities Commissions and the Organisation for the Prohibition of Chemical Weapons.

KSA has entered into bilateral economic, trade and technical cooperation agreements with 36 countries, which aim to develop economic, trade and technical cooperation and to enable the free inflow of goods, capital, and services and the free movement of individuals and investment between the contracting countries. KSA has also entered into Avoidance of Double Taxation Agreements with 34 countries.

In addition, KSA contributes significant amounts of development aid to other countries and institutions, including through the Saudi Fund for Development (the "SFD"). The SFD extends loans and credit support for the development of a range of projects in many developing countries, particularly in Asia and Africa, with a particular focus on the social infrastructure, agriculture, energy and industry sectors.

Relations with the GCC and Other Arab Countries

The GCC was established on 25 May 1981, comprising KSA, Bahrain, Kuwait, Oman, Qatar and the UAE, with the aim of promoting cooperation between the member countries and achieving coordination and integration across a range of diverse fields. The Secretariat General of the GCC is located in Riyadh. An agreement to achieve economic unification between the countries of the GCC was signed on 11 November 1981 which led, on 1 January 2008, to the creation of a common market in the GCC region. In January 2015, the common market was further integrated, providing for full equality among GCC citizens in government and private sector employment, social insurance and retirement coverage, real estate ownership, capital movement, access to education, health and other social services in all member states. In the year ended 31 December 2017, the GCC countries, as a whole, accounted for SAR 45.4 billion, or 9.0%, of KSA's total imports and SAR 570.1 billion, or 68.5%, of KSA's total exports.

In December 2008, KSA, Bahrain, Qatar and Kuwait approved a monetary union agreement (the "**Monetary Union Agreement**") and a statute relating to the new Gulf Monetary Council (the "**Monetary Council Statute**"), which set forth the legal and institutional framework for a proposed monetary union of the relevant member states. The Monetary Union Agreement was ratified and came into force on 27 February 2010, while the Monetary Council Statute became effective on 27 March 2010. The Gulf Monetary Council, which was established in Riyadh, held its inaugural meeting on 30 March 2010. The primary strategic aim of the Gulf Monetary Council is to improve the efficiency of financial services, lower transaction costs and increase transparency in the prices of goods and services, and an essential part of this strategy is the establishment of a GCC central bank followed by a common currency for the countries that have acceded to the Monetary Union Agreement.

In addition to the creation of a common market and a closer economic and social union, the member states of the GCC cooperate on the development of a shared security strategy.

KSA also maintains strong diplomatic and economic relationships with the other Arab countries outside the GCC. In the year ended 31 December 2017, Arab League countries outside the GCC (comprising Jordan, Iraq, Yemen, Lebanon, Egypt, Syria, Morocco and Sudan) accounted for SAR 17.2 billion, or 3.4%, of KSA's total imports and SAR 41.2 billion, or 5.0%, of KSA's total exports. A number of Arab countries, particularly Egypt, Sudan and Yemen, have also been major beneficiaries of the SFD.

On 5 June 2017, three GCC countries –KSA, the UAE and Bahrain – as well as Egypt and Yemen – severed diplomatic ties with Qatar, cut trade and transport links and imposed sanctions on Qatar.

Economic overview

According to the World Bank, KSA had the nineteenth largest economy in the world and the largest economy in the GCC region in the year ended 31 December 2017. KSA's economy accounted for 47.0% of the combined nominal GDP of the GCC countries and 20.0% of the combined nominal GDP of the countries in the MENA region in the year ended 31 December 2017.

GDP

Based on preliminary figures, KSA's real GDP was SAR 647.8 billion in the three-month period ended 31 March 2018, representing an increase of 1.2% in real terms as compared to real GDP of SAR 640.4 billion in the three-month period ended 31 March 2017. KSA's nominal GDP was SAR 688.1 billion in the three-month period ended 31 March 2018, representing an increase of 8.8% in nominal terms as compared to real GDP of SAR 632.4 billion in the three-month period ended 31 March 2017.

Based on preliminary figures for 2017, KSA's real GDP (based on constant 2010 prices) was SAR 2,565.6 billion in the year ended 31 December 2017, representing negative growth of 0.9% in real terms as compared to real GDP of SAR 2,587.8 billion in the year ended 31 December 2016, which itself represented growth of 1.7% in real terms as compared to real GDP of SAR 2,545.2 billion in the year ended 31 December 2015. The decline in KSA's real GDP in the year ended 31 December 2017 represented the first time in eight years that KSA's economy experienced negative growth. It was predominantly attributable to a significant reduction in oil production (see "*The Oil Sector*" below) in compliance with a 2016 OPEC production agreement, and austerity measures adopted by the KSA government in an attempt to reduce the fiscal deficit, which narrowed from 12.8% of GDP in 2016 to 8.9% of GDP in 2017.

Based on preliminary figures for 2017, KSA's total nominal GDP was SAR 2,575.3 billion in the year ended 31 December 2017, an increase of 6.5% as compared to SAR 2,418.5 billion in the year ended 31 December 2016, which was a decrease of 1.4% as compared to SAR 2,453.5 billion in the year ended 31 December 2015. The decline in KSA's total nominal GDP in the years ended 31 December 2016 and 31 December 2015 was principally due to a decline in the nominal GDP of the oil sector by 8.9% and 44.9% respectively, resulting from price deflation in the oil sector during these periods.

The Oil Sector

According to OPEC's 2018 Annual Statistical Bulletin, KSA possessed the world's second largest proven oil reserves (accounting for 18% of the world's total oil reserves) as at 31 December 2017, and was the world's second largest oil producer (accounting for 13.3% of the world's total oil production) and the world's largest oil exporter (accounting for 15.6% of the world's total oil exports by volume) in the year ended 31 December 2017. At KSA's current production levels of 9.95 million bpd on average in the year ended 31 December 2017, and without taking into consideration the discovery of additional reserves or developments in the oil production process, KSA's oil reserves of 266.2 billion barrels will last for approximately another 70 years.

Since oil was first discovered in KSA in 1938, KSA's economy has expanded rapidly, principally due to the revenues generated from the export of crude oil and related products. While the oil industry has historically dominated, and continues to be the largest part of, KSA's economy, for the past several years KSA has also been concentrating on the diversification of its economy. These efforts have gained special importance in light of the onset in mid-2014 of the current low oil price environment.

Based on preliminary figures, the non-oil sector of the economy contributed 69.3% and 71.0% to KSA's nominal GDP in the three-month periods ended 31 March 2018 and 2017, respectively. These represent a growth of 6.2% and a decline of 2.7% in nominal terms, respectively. The non-oil sector of the economy contributed 70.6% and 74.3% to KSA's nominal GDP in the years ended 31 December 2017 and 2016, respectively, representing a growth of 1.2% and 1.7% in nominal terms.

Furthermore, the prioritisation by the government of the non-oil private sector, which is a key element of the government's economic diversification policy, has contributed and is expected to contribute to growth in the non-oil private sector of KSA.

The oil sector continues to constitute the largest portion of KSA's economy. The oil sector accounted for 43.0% and 44.0% of KSA's real GDP and 28.5% and 24.6% of KSA's nominal GDP in the years ended 31 December 2017 and 2016, respectively, while oil revenues accounted for 63.0% and 64.3% of total government revenues

in the fiscal years 2017 and 2016, respectively. Oil exports accounted for 77.0% of KSA's total export earnings in the year ended 31 December 2017.

In the year ended 31 December 2016, KSA's total crude oil production was 3,828 million barrels, compared to 3,720 million barrels, 3,545 million barrels, 3,518 million barrels and 3,573 million barrels in the years ended 31 December 2015, 2014, 2013 and 2012, respectively. In the year ended 31 December 2017, KSA's daily average of crude oil production was 9.6 million bpd, compared to 10.5 million bpd, 10.2 million bpd, 9.7 million bpd, 9.6 million bpd and 9.8 million bpd in the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively. The decrease in production was due to KSA's participation in an OPEC production agreement that sought to stabilise the oil market and strengthen the price of crude oil. Prior to the decrease in oil production, KSA had experienced a steady increase in oil production which was principally due to increased demand in the international oil markets.

The following table sets forth the yearly average OPEC Reference Basket price (a weighted average of prices per barrel for petroleum blends produced by the OPEC countries) and the price per barrel of Arabian Light Crude Oil (which is one of the types of crude oil produced by Saudi Aramco and constitutes part of the OPEC Reference Basket) in each of the years indicated.

	Year ended 31 December										
	2017	2016	2015	2014	2013	2012	2011	2010	2000	1990	1980
	<i>(U.S.\$ per barrel)</i>										
OPEC Reference Basket price ...	52.43	40.76	49.49	96.29	105.87	109.45	107.46	77.45	27.60	22.26	28.64
Arabian Light Crude Oil price ...	52.59	40.96	49.85	97.18	106.53	110.22	107.82	77.82	26.81	20.82	28.67

As illustrated by the data above, international oil prices have fluctuated significantly over the past two decades. More recently, world oil prices have witnessed a significant decline since mid 2014, with the OPEC Reference Basket price declining from a monthly average of U.S.\$107.89 in June 2014 to a monthly average of U.S.\$26.50 in January 2016, before partially recovering to a monthly average of U.S.\$64.47 in December 2017. In May 2018, the average price of the OPEC basket had further recovered to approximately U.S.\$74.11 per barrel.

The current sustained decline in global oil prices can be attributed to a number of factors, including, but not limited to, a decline in demand for oil and natural gas due to a worsening of global economic conditions, the increase in oil production by other producers (including by reason of improvements in oil extraction technologies) and competition from alternative energy sources.

Until mid 2014, rising oil prices and production resulted in large external and fiscal surpluses for over a decade and, as a result, KSA's public debt steadily decreased during that period. Accumulated fiscal surpluses enabled the government to reduce its public debt by 93.5% from SAR 685.2 billion in 2002 to SAR 44.3 billion in 2014. As a consequence, KSA's debt to GDP ratio decreased from 96.4% of nominal GDP in 2003 to 1.6% of nominal GDP in the year ended 31 December 2014, one of the lowest of any country in the world. However, given the significant contribution of the oil sector to KSA's economy, the significant decline in global oil prices since mid 2014 has resulted in substantially lower oil exports by value and therefore lower government revenues.

In the fiscal year 2014, the government recorded a budget deficit equivalent to 2.3% of KSA's nominal GDP for the year ended 31 December 2014. In the fiscal year 2015, this increased to a budget deficit equivalent to 14.9% of KSA's nominal GDP for the year ended 31 December 2015. This increased budget deficit was principally due to a significant decline in the value of KSA's exports, and therefore lower government revenues, as a result of the sustained decline in global oil prices since mid 2014. In the fiscal year 2016, the budget deficit decreased to SAR 311.5 billion, equivalent to 12.9% of KSA's nominal GDP for the year ended 31 December 2016. Based on preliminary figures, in the fiscal year 2017 the budget deficit decreased to SAR 238.4 billion. Notwithstanding the recent budget deficits, the government is able to rely on its significant financial reserves accumulated as a result of the fiscal surpluses in the years prior to the recent oil price decline. Based on preliminary figures, as at 31 December 2017, the government's reserve assets amounted to SAR 1,861.5 billion, a decrease of 7.3% from SAR 2,009.2 billion as at 31 December 2016, which itself was a decrease of 13.1% from SAR 2,311.6 billion as at 31 December 2015. This decrease in reserve assets was primarily attributable to utilising reserve assets to assist with financing the fiscal deficit resulting from the decline in foreign currency inflows in the years ended 31 December 2016 and 2017, which was attributable to the decline in the price of oil since mid 2014.

Population and demographics

The population of KSA was estimated by GASTAT to reach 33.4 million as at 31 July 2018, representing growth of 2.5% as compared to 32.6 million as at 31 July 2017. Saudi nationals comprised an estimated 20.8 million, or 62.1% of the total population, and non-Saudi nationals comprised 12.6 million, or 37.8% of the total population as at 31 July 2018. KSA has a young population, with over half of Saudi nationals being under the age of 30.

	As at 31 July				
	2018 ¹	2017 ¹	2016	2015	2014
Saudi nationals	20,768,627	20,427,576	20,081,582	19,863,975	19,655,392
Male.....	10,575,895	10,404,865	10,231,364	10,121,867	10,019,450
Female.....	10,192,732	10,022,711	9,850,218	9,742,108	9,635,942
Non - Saudi nationals.....	12,645,033	12,185,270	11,705,998	11,198,094	10,684,403
Male.....	8,665,061	8,341,557	8,028,355	7,696,789	7,373,985
Female.....	3,979,972	3,843,713	3,677,643	3,501,305	3,310,418
Total population.....	33,413,660	32,612,846	31,787,580	31,062,069	30,339,795
Population growth (annual %).....	2.5		2.3	2.4	2.4

Source: GASTAT

⁽¹⁾ Preliminary estimates based on a demographics survey in 2016.

The non-Saudi portion of KSA's total population comprises expatriates from neighbouring states as well as significant numbers of expatriates from Asia (mostly from India, Pakistan, Bangladesh, Indonesia, and the Philippines), Europe, the Americas and other countries around the world. The official language of KSA is Arabic, although English is widely spoken.

Employment

As at 31 December 2017, the total labour force in KSA was 13.9 million, of which 11.8 million, or 84.9%, were male and 2.1 million, or 15.1%, were female. Saudi nationals in the age group from 25 to 39 years constituted 55.8% of the Saudi labour force as at 31 December 2017 (Source: GASTAT).

The following table sets forth selected statistics relating to the labour force in KSA as at 31 December 2017 and 31 December 2016.

	As at 31 December					
	2017			2016		
	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total
Total labour force ⁽¹⁾	6,024,51	7,856,341	13,880,858	5,877,677	7,690,746	13,568,423
Male	4,651,887	7,124,732	11,776,619	4,547,809	892,815	11,345,740
Female	1,372,630	731,609	2,104,239	1,329,868	6,797,931	2,222,683
Total employed persons.....	3,163,846	10,417,295	13,581,141	3,061,397	10,883,335	13,944,732
Male	2,080,601	9,442,163	11,522,764	2,042,114	9,893,532	11,935,646
Female	1,083,245	975,132	2,058,377	1,019,283	989,803	2,009,086
Total civil service employees.....	1,181,691	51,004	1,232,695	1,183,110	66,683	1,249,793
Male	704,183	26,964	731,147	708,985	33,736	742,721
Female	477,508	24,040	501,548	474,125	32,947	507,072
Total unemployment rate (%).....	12.8	0.7	6.0	12.3	0.5	5.6
Male	7.5	0.5	3.2	5.9	0.4	2.6
Female	31.0	2.5	21.1	34.5	1.6	21.3

Source: GASTAT

⁽¹⁾ Excluding members of the military.

The overall unemployment rate in KSA (with respect to all nationalities) as at 31 December 2017 was 6.0%, comprising an unemployment rate of 3.2% among males and 21.1% among females. The overall unemployment rate for Saudi nationals as at 31 December 2017 was 12.8%, comprising an unemployment rate of 7.5% among Saudi males and 31.0% among Saudi females.

In light of the government's objective to better accommodate Saudi nationals in the work force, and in particular to encourage them to join the private sector, the government has supported a number of initiatives to achieve these results, and towards this end the Ministry of Labour and Social Development has implemented the Saudi

nationalisation scheme, or "Saudisation". Saudisation is intended to promote the employment of Saudi nationals in the private sector, which has traditionally been dominated by expatriate workers from Asia, Europe and other Arab countries. Current Saudisation requirements vary significantly depending on the relevant sector and the size of the employer. For example, entities engaging in wholesale and retail activities are required to maintain a Saudisation level of 10 to 25%, depending on the size of the employer, whereas entities engaging in construction activities are required to maintain a Saudisation level of 5 to 7%, depending on the size of the employer.

Inflation

Based on preliminary figures, in the three-month period ended 31 March 2018, KSA had an inflation rate of 3.3%. In the year ended 31 December 2017, KSA had a deflation rate of 0.8% compared to an inflation rate of 2.0%, 1.3% and 2.2% in the years ended 31 December 2016, 2015 and 2014, respectively. The following table sets forth the consumer price index (the "**CPI Index**") and the percent change, year-on-year, of consumer prices in KSA for the three-month period ended 31 March 2018 and for each of the years ended 31 December 2017, 2016, 2015 and 2014, respectively.

	Period ended 31 March	Year ended 31 December			
	2018 ⁽²⁾	2017 ⁽²⁾	2016	2015	2014
CPI Index ⁽¹⁾	108.0	104.7	105.6	103.5	102.2
CPI Index Inflation (%)	3.3	(0.8)	2.0	1.3	2.2

Source: GASTAT

⁽¹⁾ CPI index based on 2013=100.

⁽²⁾ Preliminary figures.

The main contributions to the change in CPI Index for the three-month period ended 31 March 2018 were a 6.5% increase in prices for the food and beverages group (which accounts for 18.8% of the total CPI Index weight), a 10.3% increase in the prices for the transport group (which accounts for 9.9% of the total CPI Index weight) and a 54.3% increase in prices for the tobacco group (which accounts for 0.7% of the total CPI Index weight).

The main contributions to the change in CPI Index for the year ended 31 December 2017 compared to the year ended 31 December 2016 were a 0.7% decrease in prices for the housing, water, electricity and gas group (which accounts for 25.3% of the total CPI Index weight) and a 0.9% decrease in prices for the food and beverages group (which accounts for 18.8% of the total CPI Index weight).

The CPI index in KSA comprises 12 groups. The three groups with the largest weighting in the CPI index are: (i) housing, water, electricity and gas (25.3% of total weight); (ii) food and beverages (18.8% of total weight); and (iii) transport (9.9% of total weight), which showed inflation/(deflation) levels of 1.3%, 6.5% and 10.3%, respectively, in the three months ended 31 March 2018, compared to (0.7)%, (0.9)% and (2.0)%, respectively, in the year ended 31 December 2017, 4.8%, (1.3)%, and 7.4%, respectively, in the year ended 31 December 2016 and 2.4%, 0.6% and 1.0%, respectively, in the year ended 31 December 2015. Given its weight in the CPI Index, the housing, water, electricity and gas group was the biggest overall contributor to the decrease in the overall CPI Index in the year ended 31 December 2017, and the biggest overall contributor to the increase in the overall CPI Index in the years ended 31 December 2016 and 2015.

Interest rate development

The three-month SAIBOR increased steadily during 2015 and this trend continued in the first ten months of 2016, with three-month average SAIBOR reaching 2.4% as at 31 October 2016. The increase in SAIBOR was largely attributable to certain macroeconomic developments, including the decline in global oil prices and a decrease in bank deposits as a result of domestic investment in bonds issued by the government during this period. As a result of the increasing SAIBOR, SAMA took several measures to ease liquidity conditions, including relaxing the loan-to-deposit ratio applicable to banks in KSA from 85.0% to 90.0% in February 2016 and placing deposits in the banking system in June and October 2016. These measures, together with the various measures implemented by SAMA, significantly eased liquidity conditions and the SAIBOR rate has been decreasing steadily since 31 October 2016, reaching 1.87% as at 31 December 2017.

The reverse repo rate was increased by SAMA in December 2015 from 25 basis points to 50 basis points, as a response to an increase in interest rates in the United States by the U.S. Federal Reserve, and was further increased by SAMA from 50 basis points to 75 basis points in December 2016, from 75 basis points to 100 basis points in March 2017 and from 100 basis points to 125 basis points in June 2017, as a response to recent developments in domestic and international financial markets.

The following table sets forth the monthly average SAIBOR, repo rate and reverse repo rate for the six months ended 30 June 2017 and for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Six months ended 30 June		Year ended 31 December			
	2017	2016	2015	2014	2013	2012
SAIBOR (three-month average)	1.7500	2.0662	0.8797	0.9358	0.9532	0.9163
Repo rate	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000
Reverse repo rate	1.2500	0.7500	0.5000	0.2500	0.2500	0.2500

Source: SAMA

In order to allow for further transparency and reliability in the method of calculation of SAIBOR, on 21 November 2016, SAMA announced the appointment of Thomson Reuters as the benchmark administrator and calculation agent for SAIBOR. SAMA announced that a panel of banks will contribute initially to SAIBOR, which will then be calculated and administered by Thomson Reuters based on documented methodology and procedures aligned with the International Organisation of Securities Commission Principles for Financial Benchmarks.

Stock market

On 19 March 2007, the Council of Ministers approved the formation of the Tadawul. According to data published by the World Federation of Exchanges as at 31 December 2017, the Tadawul is the largest stock exchange in the MENA region in terms of market capitalisation, and is also one of the most diversified, with its listed companies covering a range of sectors, including petrochemicals, retail, financial services, construction and telecommunications, providing potential investors with investment opportunities in a wide variety of sectors.

The following table sets forth various stock market indicators in respect of Tadawul for each of the years ended 31 December 2017, 2016, 2015, 2014 and 2013, respectively.

	Year ended 31 December				
	2017	2016	2015	2014	2013
	<i>(SAR billions, unless indicated)</i>				
Number of shares traded (millions)	43,297	67,729	65,920	70,118	52,306
Value of shares traded	836.27	1,157	1,661	2,147	1,370
Market capitalisation	1,691	1,682	1,579	1,813	1,753
Number of executed transactions (thousands)	21,895	27,274	30,444	35,761	28,968
Tadawul All-Share Index	7,226.32	7,210.4	6,912	8,333	8,536

Source: SAMA, Tadawul

According to data published by Tadawul, as at 31 December 2017, 179 companies were listed on the Tadawul with a total market capitalisation of SAR 1,691 billion, an increase of 0.5% compared to a total market capitalisation of SAR 1,682 billion as at 31 December 2016, which was an increase of 6.5% from a total market capitalisation of SAR 1,579 billion as at 31 December 2015. As at 31 December 2017, the Tadawul All-Share Index stood at 7,226 an increase of 0.2% from 7,210 as at 31 December 2016, which was an increase of 4.3% from 6,912 as at 31 December 2015.

Credit rating

KSA has been assigned credit ratings by Moody's and Fitch. S&P also assigns a credit rating to KSA on an unsolicited basis. The following table sets forth the credit rating assigned to KSA by each of these rating agencies:

	Moody's	Fitch	S&P (unsolicited)
Long-term foreign currency	A1	A+	A-
Outlook	Stable	Stable	Stable

The current credit ratings assigned to KSA by Moody's and Fitch are a result of a downgrade by each of these credit ratings agencies of KSA's ratings from, in the case of Moody's, Aa3 to the current A1 in May 2016, which was affirmed in April 2018, and, in the case of Fitch, from AA- to the current A+ in March 2017, which was affirmed in June 2018. Furthermore, in February 2016, S&P, which rates KSA on an unsolicited basis, cut KSA's foreign and local currency credit ratings by two levels from A+/A-1 (Negative) to A-/A-2 (Stable), which was affirmed in April 2018. For each of the rating downgrades mentioned above, the relevant ratings agency cited a fall in oil prices having led to a material deterioration in KSA's credit profile and the expectation of an increased government budget deficit.

Each of Fitch, Moody's and S&P is established in the European Union and is registered under the CRA Regulation. As such, each of Fitch, Moody's and S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

Foreign investment

The Saudi Arabian Foreign Investment Law requires all foreign investment in KSA to be licensed by the Saudi Arabian General Investment Authority ("**SAGIA**"). Except for those areas expressly excluded by a list (referred to as the "*negative list*") issued by the Supreme Economic Council in accordance with Article 3 of the Saudi Arabian Foreign Investment Law, foreign investment is permitted in all investment activities. The negative list is regularly updated. As part of its effort to attract foreign investment, KSA acceded to the WTO in December 2005. SAGIA has the jurisdiction to license foreign investment in KSA, in addition to the licensing of particular types of investment which are entrusted to other agencies (for example, power generation and health care). Minimum investment thresholds for foreign investors may be amended by SAGIA from time to time. As at 1 April 2018, the minimum investment thresholds for obtaining foreign investment licences are set as follows: (i) SAR 26.7 million for commercial projects with a Saudi partner (provided the foreign capital shareholding is not less than SAR 20 million and does not represent a shareholding of more than 75% of the total paid up share capital); (ii) SAR 30 million for 100% foreign commercial projects; (iii) SAR 25 million for agricultural projects; and (iv) SAR 1 million for industrial projects.

In June 2016, SAGIA announced new regulations permitting 100% foreign ownership in the wholesale and retail sector for businesses that produce and retail their own products. The new rules, which were approved by the Council of Ministers in June 2016, create an exception to the current 75% cap on foreign ownership across several industry segments in KSA, and are intended to encourage new entrants to Saudi wholesale and retail market, as well as to create additional training and technology transfer opportunities

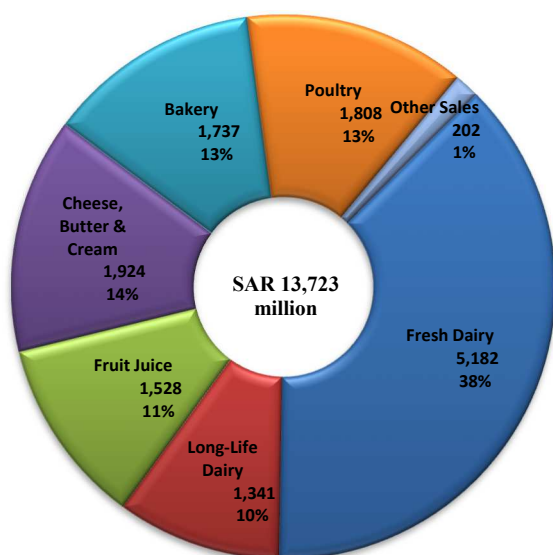
In a move aimed at attracting foreign investment and further strengthening KSA's capital markets, in June 2015, the CMA published regulations allowing Qualified Foreign Investors ("**QFIs**") to directly invest in shares listed on the Tadawul in accordance with the applicable regulations. Furthermore, in August 2016, the CMA approved certain revisions to the existing regulations relating to participation by QFIs, which became effective in September 2016. These revisions are intended to further encourage participation by foreign investors by expanding the definition of a 'qualified foreign institution' and relaxing certain ownership thresholds and limits. It is anticipated that the opening of the Tadawul to foreign investors will support increased participation by institutional investors and thereby reduce market volatility as well as encourage Saudi companies listed on the Tadawul to adopt international best practices and benefit from the input of sophisticated foreign institutions.

DESCRIPTION OF ALMARAI AND THE GROUP

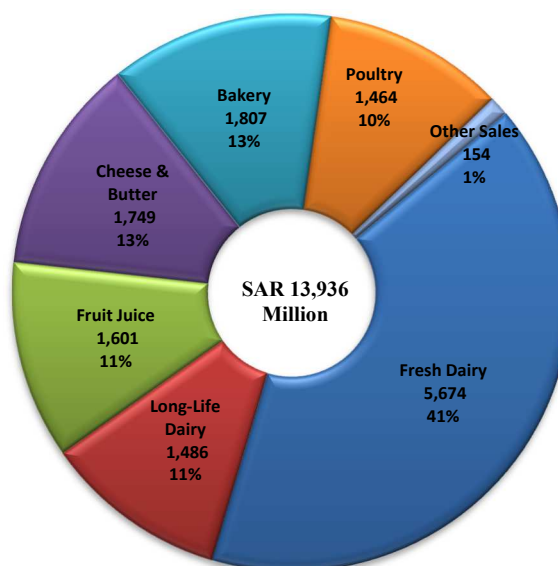
Overview

As at the date of this Base Prospectus, the Group is the largest integrated consumer food producer in the Middle East by volume and has established itself as one of the leading brands in the food and beverage sector in KSA and the GCC region (source: AC Nielsen). The Group had consolidated sales of SAR 13,723 million, SAR 13,936 million and SAR 14,339 million in 2018, 2017 and 2016, respectively, of which SAR 9,238 million, SAR 9,300 million and SAR 9,057 million represented sales in KSA. Management estimates, based on publicly available data, that the Group's current average share of the total consumer food and beverage shopping basket is approximately 5-6% higher than its regional competitors. In addition, Almarai is listed on the Saudi Arabian stock exchange ("**Tadawul**") and as at 31 December 2018, it had a market capitalisation of SAR 48,000 million.

When it began its operations, the Group's main product categories were fresh and long-life dairy. It has since diversified into new product categories such as juice, bakery, poultry and infant nutrition. The Group's revenue by product for the years ended 31 December 2018 and 2017 are set out in the charts below.



31 December 2018



31 December 2017

Management believes that the Group's success can be attributed to factors such as its state-of-the-art infrastructure, which includes farms, production operations and market leading systems with a commitment to quality at every stage. Almarai's infrastructure, systems and dedication to quality enabled Almarai's Saudi Holstein cows to each produce an average of more than 14,047 litres of milk in 2018 – almost double the European figure and nearly 3,000 litres more than its nearest international competitors (Source: Eurostat, USDA 2012). As at the date of this Base Prospectus, Almarai currently has 77,896 calves, and a milking herd of over 110,110 cows producing approximately 1.5 billion litres of milk a year on seven farms covering 73,735 hectares.

Almarai's business segments can be divided broadly into the following:

- Dairy & Juice including International Dairy and Juice
- Bakery
- Poultry
- Infant Nutrition and others

Almarai's product portfolio is marketed under different brands within each business segment:

Segment	Brand(s)	Products	
Dairy and Juice	    	Laban (liquid yoghurt)	Fresh laban (full fat, low fat, skimmed) Vetal laban, Ayrans, Baladi
		Milk and Milk Powder	Fresh milk (full fat, low fat, skimmed, Vetal and flavoured), Full cream milk powder
		Zabadi (natural set yoghurt)	Zabadi (full fat, low fat, skimmed) Vetal zabadi
		Yoghurt, Desserts	Yoghurts, Gishta, Labneh, dairy desserts and Greek style yogurt
		Long-Life Dairy	UHT milk (plain and flavoured), evaporated milk, whipping, cooking and sterilized cream and condensed milk
		Dairy Foods	Butter, Butter ghee, Triangle cheese, Tin cheese, Slices, Spreadable cheese, Square portions, Block cheese, Mozzarella, Halloumi, Feta
Fruit Juice	Fresh juices, Long-life juice, Super juice		
Bakery	 	Pastry	Filled Puffs & Cheese Sandwich, Plain Croissants, Filled Croissants
		Cake	Cup Cakes (Choco, Strawberry, Vanilla & Caramel), Muffins
		Bread	Sliced Bread, Burger Buns, Sandwich Roll
		Other Products	Squares, Wraps
		Modern Food (7Days)	Croissant, Swiss Rolls, Wafer stick, Strudel, Layer cake, Bake Rolls
Poultry	 	Fresh Chicken	Premium (Grade 'AA') whole chicken, deboned fresh fillet, bone-in portions
		Frozen Chicken	Standard (Grade 'A') & Second (Grade 'B') whole chicken, frozen wings
		Value Added	Marinated, Burger, Kebab & Minced
		Offal	Gizzard, Heart & Liver
Infant Nutrition and Others	  	Infant Powder & Liquid Formula	Starter formula 0-6 months, follow-on formula 6-12 months, growing up formula 12 months onwards, specialties and supplement formula (both in powder and liquid form)
		Infant Cereal	Standard cereals for babies over 6 months (rice milk, wheat milk, wheat and milk honey milk, wheat dates milk, wheat 5 fruits milk)
		Supplement for mothers	Milk supplement for pregnant mothers

These product groups are distributed by Almarai's own fleet of over 120 milk tankers, 34 silo tankers and 3,500 tractor units and trailers which undertake approximately 324,000 trips annually covering 388 million kilometres to its 90+ depots. From the depots, a fleet of approximately 4,850 vans deliver to more than 117,000 stores and retail outlets within the five Gulf countries, Egypt and Jordan to refill approximately 85,000 fridges. These activities are facilitated through a work force of approximately 21,046 staff as at 31 December 2018.

The Group's executive headquarters are located in Riyadh, Kingdom of Saudi Arabia. Almarai's registered address is Exit 7, North Circle Road, Al Izhdihar District, PO Box 8524, Riyadh, 11492, and its telephone number is +966 (11) 453 6688. It was incorporated on 1 July 1991 and is a joint stock company with registered number 1010084223. Almarai means 'green pastures' in Arabic.

History

The Group commenced operations in 1977 when HH Prince Sultan bin Mohammed bin Saud Al Kabeer developed a number of agricultural projects. The Group owned the first dairy farm in the world to have been awarded ISO 9001 accreditation in 1997, and management believes it was the first vertically integrated dairy business in the world to have achieved ISO 9001-2000 certification across all of its operating divisions and sectors, including farms, procurement, processing, technical research and development, distribution and sales.

In 1996, the Group commissioned its first central processing plant and centralised its dairy manufacturing facilities on one site. Major diversification was undertaken in 1999 with the introduction of fresh fruit juices to complement the existing range of dairy products. In 2005, the Group commissioned its second central processing plant which produces UHT milk, juice and cheese products.

A major milestone was achieved in 2005 when Almarai moved from private ownership to being publicly listed on Tadawul. In 2007, with the acquisition of Western Bakeries Company ("**Western Bakeries**") in Jeddah, the Group's product range was expanded to include bakery products trading under the "L'usine" brand. Since this acquisition, the Group has developed its bakery business through the creation of Modern Food Industries ("**MFI**"), a joint venture with Chipita and Olayan Financing Company in KSA, producing and distributing the "7 Days" range of bakery products. The Group has invested in constructing new bakery products manufacturing facilities including in Al Kharj.

In 2009, poultry products were added to the Group's range of products through the acquisition of Hail Agricultural Development Company ("**HADCO**"). This was another key milestone in the diversification of the business. Since the HADCO acquisition in 2009, the Group has invested more than a SAR 4 billion investment programme for the development of integrated poultry facilities in KSA, which includes ten rearing farms, 20 laying farms, 54 broiler farms, three feed mills, two hatcheries, a processing plant with associated utilities and sales infrastructure. In 2012 the Group completed a substantial expansion of its poultry facilities. Investments in poultry are part of a long term vision and are intended to position the Group to take full advantage of the opportunity within the poultry market. In 2009, the Group also entered into a joint venture with PepsiCo, with a focus on developing opportunities in the dairy and juice market in the Middle East (outside of the GCC), Africa and South East Asia. In 2012, the Group acquired a controlling interest in IDJ by increasing its shareholding from 48% to 52%, which resulted in IDJ's results being fully consolidated in Almarai's financial statements from the second quarter of 2012 onwards.

In 2009 the Group partnered with Mead Johnson Nutrition to form a 50:50 joint venture known as International Paediatric Nutrition Company ("**IPNC**"). The infant nutrition products were initially co-branded as Almarai and Mead Johnson Nutrition's flagship "Enfa" range. The Group subsequently acquired the shares held by Mead Johnson in IPNC resulting in IPNC becoming a wholly owned subsidiary of the Group. The Group, through IPNC, subsequently launched its own infant nutrition brands "Nuralac" and "Nuralac Plus".

In 2012, the Group focused capital investment on the design and construction of an integrated poultry processing facility, with the first phase of commissioning planned for the first quarter of 2013. This investment was financed in part through the issue of the Group's first sukuk, which raised SAR 1 billion and had a seven-year maturity.

In 2011, with the government of KSA seeking to end the cultivation of water-intensive crops in the country, the Group acquired Fondomonte S.A., a company that owns 12,306 hectares of arable farm land in Argentina, to supply feed stuffs for its expanding dairy and poultry businesses. In 2012, the Group completed the construction of the GCC's first infant nutrition plant in Al Kharj, outside of Riyadh.

In 2013, the Group, in conjunction with Saudi Agricultural and Livestock Investment Company and Saudi Grains and Fodder Holding Company, incorporated UFHC, a Saudi Arabian limited liability company in which the Group has a 33% stake. UFHC acquired Continental Farmers Group plc, a diversified agricultural producer with significant farming operations in northern Poland and western Ukraine. Continental Farmers Group plc is a public limited company listed on the London Stock Exchange.

In 2013, the Group issued two further sukuk, primarily to fund the Group's planned expansion and investments in property, plant and equipment. The first sukuk issued raised SAR 1.3 billion, the second issuance was a perpetual sukuk, raising SAR 1.7 billion and was the first of its kind in KSA.

In 2014, the Group announced that it had completed the purchase of 9,834 acres of farmland in Vicksburg, Arizona, USA, through its fully owned subsidiary Fondomonte, Arizona LLC. The purchased farmland comprises 3,604 acres of freehold land, 3,080 acres of agriculture leasehold land and 3,150 acres of grazing leasehold land. Also in 2014, through its fully owned subsidiary Fondomonte, the Group increased its land under management in Argentina from 12,306 hectares to more than 25,000 hectares, primarily for the production of corn and soya bean. A state of the art processing plant was installed on the purchased land and the first alfalfa from the farm was shipped to KSA before the end of 2015. The Group expects that over the next three years, the total exports volume of alfalfa from Fondomonte will reach 650,000 metric tons ("**MT**") (150,000 MT from Argentina and 500,000 MT from the USA).

These acquisitions complement the Group's continued reinvestment in its core business over the last twelve years, particularly in development, infrastructure and technology, creating a sound platform to maintain Almarai's reputation for consistent quality and to drive growth. In May 2018, the Board of Directors reviewed and approved a proposed capital investment plan for the five-year period 2019-2023 which will reach SAR 11.2 billion in total. In addition to the replacement of the existing investment base, this programme will encompass capacity expansion needs in all areas of Almarai's integrated business model (farming, manufacturing, distribution and logistics). The programme also encompasses investments required in product renovation and innovation.

In 2016, Almarai started commercial operations at its new bakery plant in Hail which includes four production lines for bread, cupcakes, pastry, and cakes. The investment cost of the plant was SAR 856 million, and it was financed by Almarai's operating cash flows and a loan from the Saudi Industrial Development Fund ("**SIDF**").

In the same year, Almarai expanded its farm to cater for the significant anticipated shortage of milk over the next five years through the construction of Al Hamra Phase 2 at a cost of SAR 411 million to accommodate an additional 7,500 milking cows.

In 2017, Almarai started another central production plant ("**CPP3**") in Al Kahrj. The total investment was SAR 1.2 billion. This is expected to provide new job opportunities for Saudi nationals, in line with the Group's Saudisation strategy, and help sustain the food industry in the Kingdom.

In addition to CPP3, Almarai continued to expand the farm by constructing another Al Hamra Phase 3 and Al Fanar Phase 2 with the capacity to accommodate an additional 15,000 milking cows in total, at an investment of SAR 740 million. These facilities were commissioned in 2017 and 2018 respectively.

In 2018, as part of Almarai's ongoing efforts to further streamline, integrate and strengthen its poultry supply chain, it acquired 14.0% of the share capital of the Pure Breed Poultry Company, which has focuses on poultry farming, for a total consideration of SAR 20.3 million. Following this acquisition, Almarai controls 55.9% of the share capital of Pure Breed Poultry Company.

On 31 December 2018, the Group fully divested of its stake in UFHC for total consideration of SAR 105.0 million, due primarily to UFHC's supply of crops other than alfalfa.

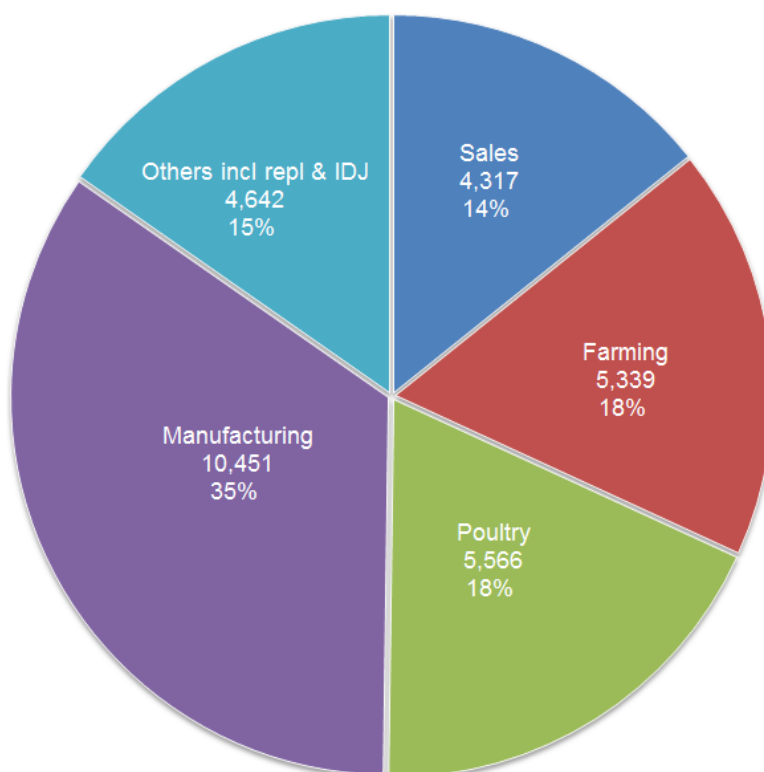
On 4 February 2019, the Group signed an agreement with Alamar Foods to acquire 100 per cent. stake in Premier Foods LLC, a company providing value added meat and poultry products, for SAR 108.0 million.

Historical Capital Expenditure Investments

Over the last twelve years, the Group has made capital expenditure investments of more than SAR 30.3 billion. These investments have been focused on five key areas:

- *farming expansion*: to grow the Group's fresh milk and poultry capacity;
- *manufacturing and logistics*: to enhance the Group's production capacity and allow daily fresh delivery of products;
- *sales and distribution*: to ensure the quality and efficiency of distribution and logistics facilities in key locations;
- *poultry*: to enable Almarai to achieve its goal of becoming the market leader in the segment in a short period of time; and
- *replacements, joint ventures and subsidiaries*: to maintain and replace capital expenditure, as well as to expand the Group's operations in Jordan, Egypt, USA, and Argentina.

The distribution of these capital expenditure investments over the last twelve years are illustrated in the chart below.



Capital expenditure investments over the last twelve years

Operational Milestones

During the past two years, the Group has achieved a number of operational milestones:

- The Group commissioned the CPP3 in Al Kahrj, which includes seven production lines for fresh dairy products and is expected to provide new job opportunities for Saudi nationals.

- Almarai's infrastructure, systems and dedication to quality enabled Almarai's cows to each produce an average of more than 14,047 litres of milk in 2018, which is a record in the Group's history.
- The Group's poultry operations reported breakeven results at EBIT level in 2017. This is a significant turnaround that reflected successful work on bird health and quality, which is now in line with global best practices. By achieving a more consistent product supply, the Group improved its availability and began supplying the HORECA market, where there is a strong growth in out-of-home consumption.
- Infant nutrition implemented an important new liquid product strategy, an innovation in the market that is expected to have a significant impact on this product category generally, and on the Group's market share in this category. This segment achieved a breakeven EBIT result for the year 2018.
- The Group broadened its juice product offerings, launching four flavours in long-life cartons under the 'Joosy Life' brand, which marks the Group's entry into the long-life juice category. By the end of 2017, the Group's range of juice flavours reached twenty, with IDJ products in Jordan and Egypt taking this total to more than thirty.
- The Group has sought to innovate in order to consolidate and progress its market position and was the first company in KSA to switch to transparent packaging for milk and juice, and the first to introduce airtight packaging in the GCC.

Operational Capabilities

In addition to the above, Management believes that Almarai's integrated approach to food and beverage production and distribution is one of its strengths. Almarai's component business divisions are clearly interdependent, and consistency of approach and harmonisation of decision-making are critical to the achievement of its overall corporate goals. The Group benefits from the following manufacturing, operational and logistical capabilities, including:

- 11 manufacturing sites in KSA;
- seven dairy farms in KSA and additional farming facilities in Jordan;
- approximately 8,500 trucks;
- approximately 188,072 cows in herd, of which 110,176 are milking cows producing approximately 1.5 billion litres of milk a year; and
- state of the art manufacturing, which utilises robotics.

Competitive Strengths

Management believes that the Group's key strengths are:

- ***The Food and Beverage Company in the GCC has a Strong Established Brand with a Diversified Portfolio***

The Group is the largest food and beverage manufacturer in the GCC (as per AC Nielsen Company report November 2016), reaching approximately 42 million customers, based on management estimates. The Group has over 650 products and on average, 18 million of its products are sold daily. The Group benefits from a vertically integrated supply chain which gives it control of the quality of its brand (see "*—Vertically Integrated Food Supply Chain with Extensive Distribution Coverage*" below). The brand essence is "Quality you can trust". As a result of Group's profile, it has a distinguished and well-known brand in the Middle East, the Almarai brand, which is a registered trademark in the GCC. Management believes that, in industrial and commercial markets, this trademark is associated with technical superiority and high quality. This is evidenced by the recognition that the Almarai brand receives:

- KSA YouGov 2017 Brand Index has ranked Almarai as the KSA's best brand;
- ranked as the seventh most valuable Middle Eastern brand by Brand Finance in 2017;

- ranked as the fourth most valuable brand at the WPP BrandZ top 20 KSA awards in 2017;
- Brand Finance has ranked Almarai first among fast-moving consumer goods companies in MENA in terms of brand value; and
- Forbes ranked Almarai at number 33 in their 2017 list of the world's most innovative companies.

Management believes that the Almarai brand is instantly recognisable throughout the GCC, that consumers view the brand as a symbol of quality, value and freshness within the food industry and wider business community, and that it is renowned for quality, technical superiority, efficiency and brand awareness. The Group has a diversified portfolio and has avoided dependence on individual aspects of its business and is not excessively dependent on any one product or product category, retail group, customer category (as no single customer accounts for 5% or more of its revenue), distribution channel, milk source or third party supplier.

- ***Production and Technical Capability and Expertise through Innovation***

The Group has established and maintains a profitable food and beverage business in difficult circumstances through its ongoing commitment to innovation and excellence in its people, processes and technologies. The Group has mandatory standards for its processes and systems with over 100 employees in its quality and production team, and a systems and audit team which also monitors quality. As a result, the Group has attained a high level of capability, expertise and quality throughout its diverse range of activities, including:

- proven sophisticated processing and farming technologies, supported by access to proven technical experts in all major disciplines – farming, processing and engineering;
- marketing expertise, particularly in identifying and satisfying consumer needs;
- sales expertise, particularly in providing cost-effective customer service;
- its integrated food supply chain (with an in-house logistics division that is currently larger than any standalone logistics company in the Middle East) and chilled distribution network; and
- a modern and technologically advanced asset base (which will enable the Group to expand its e-commerce operations).

At any given time, Management estimates the Group to have approximately 60 new products under development, with approximately 20% of its current products renovated every year. The Group has, through its continuous commitment to innovation, created over 180 products since it was established and achieved over 400 operational efficiencies during 2018. Management estimates that the Group achieved a 20% reduction in the time taken to launch a product to the market in 2018.

During 2018 the Group launched 44 new products, including:

- superfruit juice;
- greek yoghurt;
- muffins;
- Suregrow/ Nuramama;
- jar cheese foodservice packs; and
- shawarma cylinders for quality service restaurants.

The Group's innovation is recognised as it is ranked in the Forbes list of 100 most innovative global companies in 2017. It is through its constant innovation that the Group has developed its expertise and continuously improves its operations.

- ***Vertically Integrated Food Supply Chain with Extensive Distribution Coverage***

The Group is a vertically integrated enterprise, covering a range of diverse activities such as marketing creativity, sales and distribution, food processing and farming. Ensuring the daily supply of high quality, fresh, short shelf-life dairy products, across a wide region (Almarai's fleet undertakes 324,000 trips annually covering 388 million kilometres to its 90+ depots), in an environment of high ambient temperatures, is critically dependent on high quality inputs, the highest standards of excellence throughout all processes and an effective chilled distribution network. The Group's distribution capabilities are enhanced through regular maintenance of the vehicle fleet, performed in the Group's own workshops. Additionally, the Group's vehicles are designed for optimal performance with respect to varying loads, length of journeys and fuel efficiency. The fleet is actively managed, through, among other things, the use of newer vehicles for longer routes.

The Group maintains and delivers these high standards through direct control over all aspects of its integrated food supply chain. One of the Group's competitive strengths is its ability to produce its own high quality milk through its farms. The Group has seven dairy farms, all located in KSA, and in addition, farming facilities in Jordan. To ensure the high quality of milk, the Group's animals consume high quality alfalfa feed (of which approximately 75% was imported in 2018 from its operations in Argentina and the USA), receive best-in-class veterinary care and benefit from expert animal husbandry. The Group constantly reviews and innovates its methods of animal care.

The Group has been able to position itself as a low cost producer of fresh dairy and related food and beverage products through the efficiency and effectiveness of its integrated activities, by investment in advanced and modern facilities and infrastructure (over the past twelve years, the Group has invested SAR 30 billion on its vertical supply chain infrastructure), and from benefits of economies of scale (including through its factory size, the size of its truck fleet, and having solar panel roofs at a number of its CPPs).

In June 2018, in line with Vision 2030's privatisation programme, the Saudi Grains Organisation ("SAGO") began the process for the sale of four of its flour mills. The Group, in partnership with a U.S. farming business, is implementing plans for a potential bid for SAGO's milling operations. Management believes a successful acquisition of the mills would further strengthen the Group's production capabilities and enhance its asset base.

These capabilities, combined with the breadth of its distribution coverage (approximately 8,500 trucks transporting approximately two billion kilograms of products every year) has given the Group a particularly strong position among large food retailers. The Group's extensive distribution network of over 110,000 retail outlets across the GCC gives it mass coverage, which is demonstrated by the Groups prominence in the smaller retailer market, where the Group's products represent on average 10 to 20% of their sales.

Management believes that the Group's quality animal pool, broad product range, and extensive and effective distribution network, places the Group in a position that would be difficult for another retailer brand to replicate or improve upon. An illustration of the Group's vertical supply chain is set out below.



- ***Management Skills – Sustaining Long-Term Growth***

The Group is managed by a skilled and experienced senior management team, with strength in depth across the organisation. Senior personnel are drawn from a variety of backgrounds and nationalities and combine expertise, experience with some of the World's largest companies, and local knowledge. The Group has successfully identified key trends in markets and technology and has successfully implemented changing strategies to adjust to these trends. Relevant management expertise, as well as high standards of corporate governance, has allowed the Group to sustain growth, competitive advantage, and compliance over a long period. Key aspects of the Group's management expertise include:

- skilful planning, particularly in balancing product demand with raw milk supply;
- management of the chilled chain and its impact on delivered product quality;
- field sales management information and know-how;
- accurate short and long-term sales forecasting; and
- integrated financial, information, planning and control systems.

Management believes that the strength and depth of the Group's management skills, experience and technical ability in all disciplines, ensures the effective application of these capabilities and makes the Group one of the most successful food and beverage businesses in the region and will support its future strategy (see "*Business Strategy—Expand its market beyond KSA and seed potential new adjacent businesses*" below). For a discussion of the Group's management, including the current Chief Executive Officer's ("CEO") planned retirement in 2019, see "*Management*" below.

- ***Strong Earnings and Profitability Supported by Stable Financial Policy***

The Group has experienced steady and profitable growth over a period of ten years, with EBITDA as a percentage of sales growing from 5% in 2005 to 27% in 2016, which compares favourably to an industry average in the GCC of 20%. This has resulted from the successful integration of acquisitions (which required the deployment of a large team from Almarai), as well as continued investment in state of the art production facilities, and additionally the Group's premium pricing, economies of scale and vertical integration of the food supply chain. In the context of an evolving macro economic environment in the GCC, the Group has demonstrated resilience in its operating performance through favourable input costs and purchasing power, proactive cost control, and ongoing innovation.

The Group has adopted a financial policy which gives it a maximum debt to EBITDA ratio of 2.5 to 2.75 times, as well as a targeted future capital expenditure of 15% of revenue, although historically on average capital expenditure has represented around 30% of revenues, through reducing the level of "new" capital expenditure. In addition, through a costs saving programme, Almarai achieved approximately SAR 200 million cost savings in 2018 and SAR 300 million cost savings in 2017. This will be supported through optimising existing assets such as distribution facilities and enhancing the Group's working capital through better factory and supply chain design. The financial policy also establishes that bilateral facilities, sukuk and government borrowings should constitute from 40% to 50%, from 35% to 45% and from 5% to 25% of the Group's total debt, accordingly.

Business Strategy

The Group's mission is to provide quality nutritious food and beverages that enrich its consumers' lives every day, supported by its farming operations and product innovation. As the largest listed consumer business in the GCC, the Group's vision is to be consumers' preferred choice by being the leading provider of products in the GCC in each of its key product categories, with a view to ultimately expanding beyond the GCC. This is in accordance with the Group's Almarai 2025 strategy ("**Almarai 2025**"), which is a full strategic review that goes beyond the Group's usual five-year business plan, and identifies specific, quantifiable and measurable goals

such as targets for increasing Almarai's relative market share and overall growth in the GCC market by 1.5 times, whilst maintaining a leading market position within the KSA market, and continuing to grow infant nutrition and IDJ; increasing the share of new geographic adjacencies, such as Jordan and Egypt, by 30%; increasing return on net assets over a sum of weighted average cost of capital by two per cent.; achieving the top quartile in employee satisfaction and retention, monitored through internal employee surveys; and becoming the preferred customer brand across all market segments in KSA and the GCC. Pursuant to Almarai 2025, the Group aims to achieve its vision by seeking to provide the highest quality food and beverages and superior customer service and engagement (through social media), while continuously improving business efficiency (through, among other measures, increasing business development, investment in its human, operational, and technical resources, and its AAA programme, which is Almarai's cost rationalisation and efficiency programme). In implementing Almarai 2025, the Group leverages its market leading positions and strong brands, which are complimented by its operational efficiencies and economies of scale.

The Group's long term growth strategy is based upon the following components of Almarai 2025:

- ***Become the clear leader in each key product category***

The Group has a track record of consistent growth in each of its key product categories, which are dairy and juice, bakery and poultry. During the year ended 31 December 2018, the Group achieved continuous growth of its market share across its key product categories, and the Group is a market leader in the markets of its key products. The Group intends to selectively extend its core categories into higher value offerings and increase its market share in each of its key segments. The Group intends to achieve this by leveraging its strong brands, operational efficiencies, economies of scale, and market leading positions to take advantage of a growing GCC market.

- ***Grow beyond the core businesses***

The Group has turned around its underperforming assets. For example:

- For the full year 2017, the Group's poultry operations reported breakeven results at EBIT level. This was a significant turnaround that reflected successful work on bird health. By achieving a more consistent product supply, the Group improved its availability and began supplying the HORECA market, where there is strong growth in out-of-home consumption.
- Infant nutrition implemented an important new liquid product strategy at the end of 2017 which represents a new innovation in the market and will have a significant impact on the category. Until recently, infant nutrition was based on powder products. Following the successful introduction of liquid nutrition, and, as the only company with a powder and liquid product manufacturing plant in the region that can supply local markets quickly, the Group is in a stronger competitive position.
- The Group's joint venture with PepsiCo - IDJ - has seen multiple product launches in Egypt and Jordan, and intends to improve its systems, sales and distribution in those countries, as well as to expand its product offering and to export to adjacent markets, in order for the joint venture to continue to improve its performance.

Having consolidated its position in each of these markets, the Group intends to seek to expand its business beyond its core businesses through focus on product innovation, moving into adjacent categories (such as water and ice cream products) and selective acquisitions. In particular, within the GCC, the Group intends to seek opportunities for growth in the food services channel. Outside the GCC, the Group intends to expand its product offering within the dairy and juice segment. The Group also intends to expand its e-commerce and online engagement to benefit from the digitalisation of the GCC economy and be able to expand its product offering to more accessible means for its customers.

- ***Expand its market beyond KSA and seek potential new adjacent businesses***

Management expects that in the short term there will only be an opportunity for single digit growth in KSA. This is because new opportunities such as frozen poultry and bottled water are emerging at a slower rate than other segments had developed. Consequently, the Group intends to diversify its

geographical product footprint within the Middle East to reduce its concentration of revenues from KSA, enable it to expand further its market share throughout the GCC, and in the short to medium term, explore entering other markets outside the GCC and enhancing its presence in Egypt. This will be achieved through product innovation, moving into adjacent categories and selective acquisitions. In particular, the Group intends to expand its sales outside of the GCC and navigate the challenges related to these new markets and territories by relying on its economies of scale. The Group will price its new products, and sales in new territories, taking into account factors such as market pricing, taxes, and cost of production relevant to each new product and territory. For example, entry into a new territory may require the Group to rely on its economies of scale to enter the market at a competitive price until such time as the Group's brand is recognised in that territory in a way consistent to the recognition the Group's brands receive in the GCC.

- **Leverage technology to improve operational performance**

Management expects that in the short term there will only be an opportunity for single digit growth in its existing product categories. Through its integrated supply chain, continuous innovation and multiple processing plants, the Group has developed advanced IT resources which enable it to continuously improve its operations. Management believes that the Group's IT resources will enable it to further enhance its operational performance over the short to medium term, which, in turn, should enable it to aim to continue to obtain its current margins despite anticipated slow growth in the market.

Business segments

The following table sets forth the Group's sales revenues from its primary business segments for the periods indicated:

	Dairy and Juice ⁽¹⁾		Bakery ⁽²⁾		Poultry ⁽³⁾		Other Activities ⁽⁴⁾		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	<i>SAR millions</i>									
Revenue	10,045.7	10,585.1	1,736.9	1,807.1	1,808.1	1,463.6	1,317.3	1,121.7	14,908.0	14,977.5
Third Party Revenue	9,975.6	10,510.5	1,736.9	1,807.1	1,808.1	1,463.6	202.2	154.3	13,722.8	13,935.5
Depreciation and Amortisation	(1,232.1)	(1,221.7)	(249.7)	(228.2)	(370.5)	(309.0)	(193.1)	(160.7)	(2,045.4)	(1,919.6)
Share of Results of Associates and Joint Ventures	-	-	-	-	(4.7)	2.5	(0.7)	10.5	(5.4)	13.0
Profit/(Loss) attributable to Shareholders of the Company	1,732.8	2,049.0	192.4	292.6	182.8	(29.2)	(99.0)	(130.2)	2,008.9	2,182.3
Share of Other Comprehensive Income of Associates and Joint Ventures	-	-	-	-	-	-	0.6	(5.2)	0.6	(5.2)
Profit/(Loss)	1,713.1	2,007.3	212.7	312.0	180.5	(29.2)	(99.0)	(130.2)	2,007.2	2,160.0
Total Assets	19,119.6	20,468.8	2,351.8	2,463.5	5,316.0	5,708.5	1,299.4	3,255.1	32,318.4	31,895.8

- (1) Dairy and Juice Laban (liquid yoghurt), milk and milk powder, zabadi (natural set yoghurt), yoghurt and desserts, long-life dairy, dairy foods, and fruit juice processing and distribution
- (2) Bakery Pastry, cake, bread, and other bakery products manufacturing and distribution
- (3) Poultry Fresh chicken, frozen chicken, offal, and other poultry products manufacturing and distribution
- (4) Other Activities Other Activities currently comprise of Arable, Horticulture and Infant Nutrition. As at 1 January 2019, Arable and Horticulture will no longer be permissible in KSA and therefore results from this segment will be reduced in future periods.

Each of the Group's business segments is described further below.

Dairy and Juice

The dairy and juice segment includes the Group's laban (liquid yoghurt), milk and milk powder, zabadi (natural set yoghurt), yoghurt and desserts, long-life dairy, dairy foods, and fruit juice products. This segment generated third party revenue of SAR 9,976 million and SAR 10,510 million for the periods ended 31 December 2018 and 31 December 2017, respectively, accounting for 72.7% and 75.4%, respectively, of the Group's total third party revenue. International dairy and juice segment is targeted to breakeven EBIT in 2019.

Fresh dairy

Fresh dairy has been at the heart of the Group's business since its foundation in 1977 and is its flagship product group. Management believes that the Group is the world's largest vertically integrated dairy producer and that approximately 4 million litres of milk produced by the Group is consumed daily. Dairy products include fresh milk, laban (buttermilk), zabadi (plain yoghurt), labneh (sour cream), fresh cream, fruit yoghurts and dairy desserts. These are available to consumers across the GCC, Egypt and Jordan through more than 110,000 retail outlets. In the third quarter of 2018, Almarai successfully implemented selected price increases, ranging from 3% to 6%, for a limited number of milk and laban products. This was the first time in ten years that the Group had increased its prices of these products in this category.

Dairy liquids are Almarai's original product line and remains the Group's flagship range, responsible for the majority of total sales. They comprise fresh, flavoured and Vetal milk and laban, UHT milk and evaporated milk.

Almarai laban and milk are long-established market leaders in their respective categories in the GCC, with future volume growth driven by innovation and new product development. In 2017, growth momentum continued as a result of comprehensive marketing and innovation programmes. In MAT June 2018, Almarai's market share in the fresh milk market exceeded 70%.

Key innovation initiatives delivering incremental gains include the launch of the popular Almarai-Up, a new and exciting milk shake product and new packaging formats to leverage the rapidly growing 'on the go' consumption occasion (which may also lead to an increase on margins for fresh milk and laban). The introduction of these new products is intended to enable Almarai to extend its footprint into previously untapped segments thereby accelerating opportunities for growth.

Long-Life Dairy

Long-life dairy includes the Group's UHT milk, evaporated milk, and whipping, cooking and sterilized cream milk products. UHT milk is raw processed under ultra-high temperature conditions to achieve commercial sterilisation. The Group packages its UHT milk in aseptic containers, which protect the milk from air and light and extend its shelf life.

Zabadi (plain yoghurt) is the flagship of this product group, in full-cream, low-fat, skimmed milk, and Vetal variants together with the recently launched sour zabadi product. All are market leaders in their segments. Qashta (fresh cream) continues to be the leading product in its segment, while labneh holds a strong position in all GCC states. The desserts range is marketed as a complement to main meals and as a healthy snacking option. The range includes crème caramel, custards and fruit yoghurts.

Prior to 2016, the Group had not operated in the powdered milk market, which represents nearly 30% of the GCC's total milk market as at the date of this Base Prospectus (source: AC Nielsen). In the past, the powdered milk and UHT milk market have served as a means of balancing any excess of fresh milk supplies. Therefore, the Group has created a successful challenger brand in powdered milk, increasing volume and gaining significant market share in just 18 months.

Dairy Foods

Dairy foods include the Group's processed cheese, natural cheese, butter and cream products. The Group produces (i) processed cheese comprising spreadable cheese, sliced cheese, portion cheese and tinned cheese; (ii) natural cheese comprising mozzarella, halloumi and feta; and (iii) butter, butter ghee, cooking and whipping cream.

The dairy foods portfolio offers a range of products that are targeted at families and individuals. This segment had a robust sales performance delivering sales of SAR 1,924 million and SAR 1,749 million for the years ended 31 December 2018 and 31 December 2017, respectively. Triangular Cheese and Mozzarella are market leaders in KSA according to AC Nielsen.

Fruit Juice

This segment includes over 20 flavours of fruit juice products produced in KSA with a further ten flavours being produced by the Group's joint venture in Egypt and Jordan. According to management estimates, 1.3 million bottles of juice are distributed daily.

The Group's fruit juices are available across the GCC where consumers are offered a wide range of mixed and 100% juices, including a range intended specifically for children. The Group aims to redefine the category with superior and innovative offerings such as local flavour variants and the inclusion of pulp to add variety. Management believes that the brand also benefits from differentiated value propositions, a rich heritage and high quality. Currently the Group accounts for approximately 17% of the market in GCC (source: AC Nielsen).

Bakery

According to management estimates, the Group's bakery segment produces approximately 1.3 billion bakery products annually. Products are marketed under the L'usine brand (with a portfolio of bread, pastry, cakes, and biscuits and the 7 Days brand (pastry and cakes)). This segment generated SAR 1,737 million and SAR 1,807 million third party revenue for the periods ended 31 December 2018 and 31 December 2017, respectively, accounting for 12.7% and 13.0%, respectively, of the Group's total third party revenue.

The distribution footprint for the L'usine and 7 Days brands covers all markets of the GCC. Historically, the GCC bakery market comprised widespread and diverse small independent operators each serving their immediate catchment area, with the top nine producers commanding a combined market share of about 50% (source: AC Nielsen). Ongoing production capacity expansions in Jeddah and Al Kharj have enabled wider distribution by Almarai of its products.

7 Days offers a unique range of croissants, layered cake and Swiss rolls, which are produced using proprietary technology to customers in KSA. As a result of the geographic expansion into the remaining countries of the GCC in 2017 and to meet growing consumer demand, capacity increased with the commissioning of new production lines. L'usine is the leading player in this business segment, with 33.9% market share, while 7 Days has 7.3% market share (source: AC Nielsen).

Poultry

The poultry segment includes premium fresh products from whole chickens to portion packs (including wings, drumsticks, whole legs, thighs, mixed parts and breast fillets) and value-added options. Approximately 98 million poultry packs are sold annually. This segment generated SAR 1,808 million and SAR 1,464 million third party revenue for the periods ended 31 December 2018 and 31 December 2017, respectively, accounting for 13.2% and 10.5%, respectively, of the Group's total revenue.

The Group's Alyoum brand focuses on delivering a convenient, premium product, with value-added and portion options proving especially popular. Alyoum is the market leader according to AC Nielsen with a market share of more than 36.5% in fresh poultry and poultry products in Saudi Arabia, UAE, Kuwait and Bahrain.

Similar to the bakery sector, the fresh poultry market in KSA has historically been fragmented, with few operators offering truly national brands. Using Almarai's national distribution system as a model, Alyoum is intended to be progressively available across the Kingdom under one consistent brand, instantly recognisable everywhere – from hypermarkets to neighbourhood grocery stores.

Alyoum operates a manufacturing facility which was specifically commissioned to meet Almarai's requirements for quality and freshness, and has the capacity to produce and process 180 million birds a year. The Alyoum brand supplies fresh, chilled, whole chicken and portion packs (mixed parts, breasts, wings and drumsticks).

Management believes that the Alyoum brand has lead packaging innovation within the industry, providing consumers with sealed, leak-proof packaging solutions, representing the most significant upgrade in consumer presentation in the local industry for several years.

At approximately 14.5 kgs annual consumption per capita in 2016 (Source: Global Data Plc), poultry represents two-thirds of KSA's meat protein intake, underlining the opportunity for Alyoum to capture a large and valuable share of the market.

Others: Infant nutrition

The infant nutrition segment covers a routine formula range (regular, follow-on and growing-up milk formulas) and a special formula range (premature, anti-regurgitation, lactose-free and hypoallergenic). This segment generated SAR 135 million and SAR 88 million revenue for the periods ended 31 December 2018 and 31 December 2017, respectively, accounting for 1.0% and 0.6%, respectively, of the Group's total revenue.

The Group manufactures its own range of nutritional products and supplements under the Nuralac, Nuralac Plus, Nurababy and Nuramama brands. The Group has invested SAR 1 billion in building a state-of-the-art infant formula manufacturing facility at Al Kharj with a production capacity of 20,000 tons and 25 million litres of liquid. Today, with its own distribution network, the Group delivers its infant nutrition products to families across KSA and neighbouring markets. Infant nutrition products are manufactured by Almarai Baby Food Company, a wholly owned subsidiary of Almarai. As part of Almarai's long-term commitment to lead the way in laying the foundations for better nutrition, Almarai established the first nutritional products manufacturing facility in the Middle East with an annual production capacity of 20,000 MT per annum. Built at a cost of over SAR 1 billion, the plant reflects Almarai's long-term commitment to infant nutrition in the region.

IPNC launched Almarai Enfa products into the KSA market in late 2010 which until 2014 produced the 'Almarai Enfagrow' and 'Almarai Enfamil' ranges of infant formula in Saudi Arabia. In 2014, Almarai introduced the 'Nuralac' and 'Nuralac Plus' ranges, which are manufactured at Almarai's Al Kharj plant. In addition to these products, a premature and routine ready to feed solution is also distributed to hospitals located in KSA.

International Dairy and Juice

In 2009, Almarai pooled its expertise in dairy and juice with PepsiCo, Inc. and launched a joint venture known as the International Dairy and Juice Company. This joint venture has the strategic aim of driving profitability in assets outside KSA.

The International Dairy and Juice Company has enabled Almarai to strengthen its market presence in Egypt and to introduce major enhancements to its manufacturing capacities in Jordan. In line with the company's vision of geographical expansion beyond the GCC, the joint venture also exports products to non-GCC countries.

Food Services

In 2016, Almarai developed a specific strategy to further its reach in the GCC's burgeoning HORECA market (Hotels, Restaurants and Catering) for the first time, having previously focused on the retail market. Through its Food Service unit, the Group is directly addressing the needs of this market, where there is strong growth in out-of-home food and beverage consumption. This strategy helped drive the majority of volume and revenue growth in 2017, particularly in the poultry segment.

Organisational and Operational Information

Organisational structure

Almarai has developed a functional organisational structure consisting of three layers: operating divisions, corporate divisions and support divisions.

The operating divisions are structured as follows:

- Farming Division: overseeing dairy and poultry operations, including arable farming
- Core Business Division: customer facing division overseeing product portfolio and manufacturing of dairy and juices
- Bakery Business Division: customer facing division overseeing bakery production portfolio and manufacturing

- New Business Division: customer facing division overseeing product portfolios and manufacturing of poultry, infant nutrition and other new business
- Sales, Distribution and Logistics Division: Supply chain division overseeing all operations, from manufacturing, depots and customers

The operating divisions are centrally supported by corporate divisions, which are structured as follows:

- Strategy and Planning Division: overseeing corporate strategy and planning
- Marketing Division: overseeing corporate marketing and product development
- Human Resources Division: supporting operating divisions with future direction of technological advancement
- Finance and Support Services: supporting operating divisions for finance, IT, procurement and legal services

The support divisions are responsible for the following:

- Corporate Affairs
- Quality, Regulatory, Health and Safety Standards ("HSS") & Sustainability

Corporate divisions are focused on providing pro-active assistance to operating units, ensuring harmonisation of operational targets with overall goals. Whilst driving efficiency, corporate divisions implement and provide a check on operating procedures with an agreed risk framework.

The Executive Management team includes all the heads of operating, corporate and supporting divisions. All the heads report directly to the CEO. Together, the CEO, and the heads of each division form the Management Executive Committee. Almarai has standardised many policies and procedures and has tended towards a centrally controlled structure for processes and systems. Almarai's managers are clearly focused on agreed financial and non- financial targets at the business unit level and are free to manage within those constraints. The Executive Management includes the operating and corporate divisions. For a discussion of the Group's management, including the current CEO's planned retirement in 2019, see "*Management*" below.

Annual budgets are presented for approval along with capital expenditure programmes and other significant developments. Actual performance is reported regularly in detail.

Investments

The Group operates its business through a number of key operating subsidiaries, details of which are set out below:

Name of Subsidiary	Business Activity	Functional Currency	Effective Ownership Interest	Share Capital	Number of shares issued
Almarai Investment Company Limited	Holding Company	SAR	100%	SAR 1,000,000	1,000
Almarai Baby Food Company Limited	Manufacturing Company	SAR	100%	SAR 200,000,000	20,000,000
Almarai Agricultural and Livestock Production Company	Dormant	SAR	100%	SAR 1,000,000	1,000
Almarai Construction Company	Dormant	SAR	100%	SAR 1,000,000	1,000
Almarai for Maintenance and Operation Company	Dormant	SAR	100%	SAR 1,000,000	1,000
Agricultural Input Company Limited (Mudkhalat)	Dormant	SAR	52%	SAR 25,000,000	250
Hail Agricultural Development Company	Poultry/Agricultural Development	SAR	100%	SAR 300,000,000	30,000,000
Hail Agricultural and Livestock Production Company	Dormant	SAR	100%	SAR 1,000,000	1,000
International Baking Services Company Limited	Dormant	SAR	100%	SAR 500,000	500
International Paediatric Nutrition Company	Dormant	SAR	100%	SAR 41,000,000	410,000

Name of Subsidiary	Business Activity	Functional Currency	Effective Ownership Interest	Share Capital	Number of shares issued
Modern Food Industries Company Limited	Bakery Company	SAR	60%	SAR 70,000,000	70,000
Nourlac Company Limited	Dormant	SAR	100%	SAR 3,000,000	3,000
Western Bakeries Company Limited	Bakery Company	SAR	100%	SAR 200,000,000	200,000
Pure Breed Poultry Company	Poultry Company	SAR	62%	SAR 46,500,000	465,000
Agro Terra S.A.	Dormant	ARS	100%	ARS 5,097,984	5,097,984
Fondomonte South America S.A.	Agricultural Company	ARS	100%	ARS 2,211,988,598	2,211,988,598
Almarai Company Bahrain S.P.C.	Trading Company	BHD	100%	BHD 100,000	2,000
Almarai Investment Holding Company W.L.L.	Holding Company	BHD	99%	BHD 250,000	2,500
IDJ Bahrain Holding Company W.L.L.	Holding Company	BHD	52%	BHD 250,000	2,500
International Dairy and Juice Limited	Holding Company	USD	52%	USD 7,583,334	7,583,334
International Dairy and Juice (Egypt) Limited	Holding Company	EGP	52%	EGP 2,893,750,000	289,375,000
International Company for Agricultural Industries Projects (Beyti) (SAE)	Manufacturing and Trading Company	EGP	52%	EGP 3,238,500,000	323,850,0
Markley Holdings Limited	Dormant	GBP	100%	GBP 5,769,822	5,769,822
Al Muthedoon for Dairy Production	Dormant	JOD	52%	JOD 500,000	500,000
Al Atheer Agricultural Company	Livestock / Agricultural Company	JOD	52%	JOD 750,000	750,000
Al Namouthjya for Plastic Production	Dormant	JOD	52%	JOD 250,000	250,000
Al Rawabi for Juice and UHT Milk Manufacturing	Manufacturing Company	JOD	52%	JOD 500,000	500,000
Teeba Investment for Developed Food Processing	Manufacturing Company	JOD	52%	JOD 49,675,352	49,675,352
Arabian Planets for Trading and Marketing L.L.C	Trading Company	OMR	90%	OMR 150,000	150,000
Alyoum for Food Products Company L.L.C	Dormant	OMR	100%	OMR 20,000	20,000
Fondomonte Inversiones S.L.	Holding Company	EUR	100%	EUR 138,429,563	138,429,563
Hail Development Company Limited	Dormant	SDG	100%	SDG 100,000	100
Almarai Emirates Company L.L.C.	Trading Company	AED	100%	AED 300,000	300
International Dairy and Juice (Dubai) Limited	Holding Company	USD	52%	USD 22,042,183	22,042,183
BDC International L.L.C.	Operations Management	AED	100%	AED 200,000 (unpaid)	200
International Dairy and Juice Farm (Egypt) L.L.C.	Holding Company	EGP	100%	EGP 1,000,000	100,000
Fondomonte Arizona L.L.C	Agricultural Company	USD	100%	USD 500,000	500,000
Fondomonte Holding North America L.L.C	Holding Company	USD	100%	USD 500,000	50,000
Fondomonte California L.L.C.	Agricultural Company	USD	100%	-	-
Hayday Farm Operation L.L.C	Agricultural Company	USD	100%	-	-

Key Markets and Trading Arrangements

Almarai's initial market was in Riyadh in KSA. Gradually, operations were extended throughout KSA and the other GCC states. Today, Almarai, Alyoum, L'usine and 7 Days branded-products are directly marketed and sold by Almarai in KSA, UAE, and Bahrain. Products are also marketed by IDJ in Egypt and Jordan through Beyti and Teeba respectively. IDJ also markets products in other countries including to selected Middle East nations (outside the GCC), North Africa, and parts of South East Asia. For a discussion of the Group's geographic expansion plans, see "*Business Strategy*" above.

The Group's key geographical markets are shown below:



In Kuwait and Oman, all Almarai products are marketed under arrangements with local commercial agents or distributors (the "**Local Agents**"). These arrangements have been in place since the commencement of distribution activities in these countries and relationships with Local Agents have been satisfactory and stable.

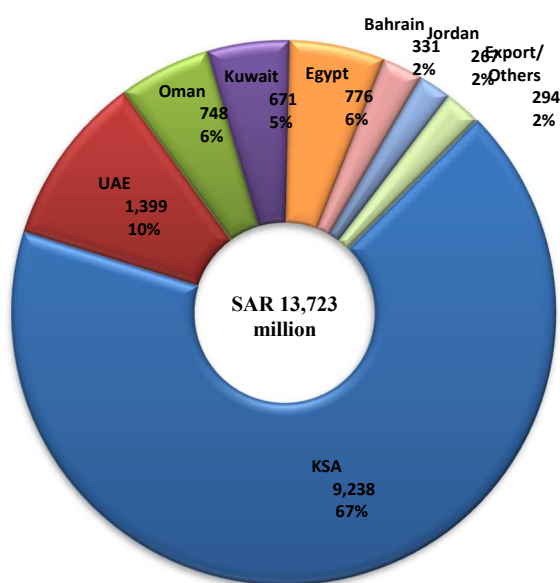
In the case of Bahrain, all Almarai products are marketed by Almarai Company Bahrain S.P.C. which commenced operations on 1 January 2004, is 100% owned by Almarai and has no subsidiaries.

In the case of the UAE, all Almarai products are marketed by Almarai Emirates Company LLC which commenced operations in 2012 and is 100% owned by Almarai.

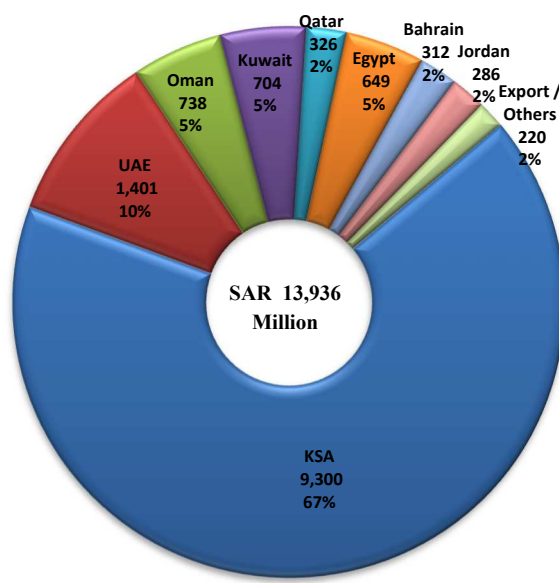
Almarai's contractual arrangements with its Local Agents provide Almarai with significant management control over distribution activities in the GCC states. Local employees are sponsored by the Local Agent for visa purposes and contracted or seconded to the Local Agent from Almarai. Almarai contractually retains the beneficial ownership of the key business assets used in these countries, although such assets are in most cases legally held in the name of the Local Agent. The audited financial statements of Almarai reflect all such assets beneficially held by Almarai.

As at the date of this Base Prospectus, Almarai has no single customer that represents 5% or more of the Group's turnover.

The Group's revenue by geography for the year ended 31 December 2018 and for the year ended 31 December 2017 are set out in the charts below.



31 December 2018



31 December 2017

Environment

Almarai is a certified ISO 9001-2008 and ISO 22000-2005 company and follows the environmental guidelines based on the environmental regulations in force in KSA.

Almarai has established a system to monitor compliance with applicable environmental laws as well as established external audits by third party certifying agencies. It submits monthly self-monitoring reports, quarterly action plans and annual monitoring reports for all facilities to the regulator. Almarai also conducts internal environmental audits for all facilities to ensure full compliance with environmental regulations.

In 2017, the Group launched three solar power projects capable of producing 17.0 megawatts of power. Two of those projects are expected to generate 25% of the electricity demand for the Group's Dubai and Riyadh East depots, thus reducing its dependence on fossil fuel-based electricity. Also, in 2017, the Group explored innovative ways of improving fuel efficiency with the use of biofuel in its vehicles. The Group achieved its objective to roll out biofuel blends in over 300 vehicles in the UAE by the end of 2018.

In addition, the Group has several energy and fuel efficiency projects running to reduce energy consumption, which includes:

- fitting newly constructed facilities with LED lighting and, where appropriate, motion sensing technology in order to save energy in unoccupied areas;
- upgrading to a central refrigeration plant with an improved air conditioning system;
- installing energy economisers in boilers; and
- replacing the pastry line cooler with a more efficient cooler.

Legal Structure

Almarai commenced operations in 1977 and converted from a limited liability company to a joint stock company on 7 August 2005 pursuant to Ministerial Decree No. M1024 dated 7 August 2005. Almarai is established and operates as a joint stock company under the laws of KSA (commercial registration number no. 1010084223). It was listed on the Saudi Stock Exchange and started trading on 17 August 2005 within the Agriculture and Food Processing Sector, Code 2280. As at the date of this Base Prospectus, Almarai has a paid up capital of SAR 10 billion divided into 1000,000,000 shares of SAR 10 each.

Insurance

Almarai maintains a comprehensive insurance programme in respect of loss or damage to all property as well as Business Interruption. It also has a construction all risk policy for all on-going capital expenditure projects, public and product liability insurances, marine transit cover for all imports and motor vehicle liability insurance. Almarai has directors and officers' professional liability cover, commercial crime cover for cash handling of its employees, and medical and personal accident insurance for its employees. Exposures are carefully measured by means of periodic risk surveys by independent risk engineers, in conjunction with Almarai's management and engineers. Almarai also conducts a periodic valuation exercise of all properties through valuation specialists to ensure the adequacy of the sum insured.

Quality Management

Almarai implements ISO 9001 2015 quality management system requirements. The Group has also completed its second annual ISO on-site surveillance audit in 2017, following the initial award of its ISO 9001 2015 certificate.

In 2017, to help unify its Quality Management System, Almarai implemented an Integrated Management System (IMS). The IMS applies across Almarai, with the aim of better aligning quality management with other standards and adopting a broader, risk-based approach. The IMS contains all the requirements of the ISO schemes, KSA's regulatory obligations and Almarai's own standards.

Key components of the Group's quality management are:

- embedding the right quality behaviours throughout the business;
- ensuring senior management has a direct line of sight on all food safety and quality issues;
- developing and implementing policy, strategy and protocols which protect the Almarai brand, using a sustainable and coordinated approach;
- the setting of mandatory standards for buildings, products, processes, procedures and systems;
- maintaining certification to global best practice standards for Quality and Food Safety;
- adopting the philosophy of continuous improvement;
- achieving Global Food Safety Initiative recognised certification for the Group's manufacturing sites;
- monitoring compliance through systems and audit, and actioning any results;
- the setting of SMART (specific, measurable, achievable, relevant, and time-based) objectives and goals; and
- having 100 people employed in the Group's Quality and Product Development team.

Risk Management

The Group has defined its internal control and risk management processes according to the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") Framework principles, which defined industry best practice.

The Board of Directors and senior management use these principles in the course of setting the strategy and making decisions. Management then plans, organises and directs the performance of sufficient actions to provide reasonable assurance that the Group's objectives can be achieved while ensuring that the associated risks are kept within the agreed risk appetite at all times. The Group's internal controls and risks are grouped in the COSO Framework categories detailed below:

- Strategy: high-level goals, aligned with and supporting the Group's mission
- Operations: effective and efficient use of resources
- Reporting: reliability of financial reporting
- Compliance: compliance with applicable laws and regulations

The risk management function comprises a dedicated corporate team as well as one assigned risk champion in each business area. The function is overseen by the Management Team and the Risk Committee. For a discussion of the Group's Risk Committee, see "*Management*" below.

For a discussion of the Group's financial risk management, see also note 36 to the 2018 Financial Statements.

Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) during the 12 months preceding the date of this Base Prospectus which may have, or have had in the recent past, a significant effect on the Group's financial position or profitability.

MANAGEMENT

Overview of the Company

Almarai's corporate bodies are the general assembly of shareholders (the "**General Assembly**"), and the Board of Directors, each having its own responsibilities and authorities in accordance with KSA law and the Almarai bylaws. Almarai operates in accordance with KSA law.

The General Assembly

Almarai's Articles of Association and Corporate Governance Code (the "**Corporate Governance Code**") ensure that Almarai's shareholders enjoy all rights related to their shares; in particular the right of receiving a share of approved dividends payments, the right to receive a share of Almarai's assets upon liquidation, the right to attend General Assemblies, participate in their deliberations, and vote on their decisions, the right of shares disposal, the right to oversee the work of the Board of Directors, the right to file responsibility litigation against Board Members, and the right to inquire and request information so long as it does not compromise the interests of Almarai and does not conflict with the Terms and Executive Regulations of the Capital Market Authority. Almarai is very keen to ensure that the choice of time and venue of general assembly meetings enables full participation. Further, Almarai adopts the electronic voting system to make it easier for its shareholders to exercise their right of voting if they are unable to attend in person. In addition, Almarai's Articles of Association and Corporate Governance Code contain provisions related to the General Assembly, which includes procedures and precautions necessary to ensure that all shareholders are exercising their rights.

The General Assembly is the highest power in Almarai with sole authorities including the appointment and termination of Board members, approval of the consolidated financial statements, appointment of the external auditor and determination of his fees, approval of dividends distribution as recommended by the Board of Directors, increase or decrease of the capital of Almarai, and the amendment of Almarai's Articles of Association. Almarai provides sufficient access to its shareholders to read the minutes of the General Assembly meeting, and provides the Capital Markets Authority ("**CMA**") with a copy of the minutes within 10 days from the date of the meeting.

Board of Directors

Almarai's General Assembly appoints nine members to the Board of Directors by the way of cumulative voting for a term not exceeding three years. The General Assembly's rules regarding the appointment, resignation, term of office, powers, remuneration and the principal requirements of serving as a member of the Board of Directors are set out below. The Board of Directors is the supreme management body in Almarai and is appointed by Almarai's shareholders in general assembly in order to represent and protect Almarai's interests in the best long term interests of its shareholders. The Board is responsible for leading and controlling Almarai and discharges this responsibility by approving the implementation of Almarai's strategies and objectives, closely monitoring performance, and empowering the management of Almarai to run the business within defined parameters. While the Board delegates authority to Almarai's management, under the direction of the CEO, to attend to the routine running of Almarai's business, the Board retains the ultimate fiduciary responsibility to shareholders to ensure the proper operations of Almarai.

The duties of the Board of Directors include:

1. Approving the strategic plans and main objectives of Almarai and supervising their implementation.
2. Laying down a comprehensive strategy for Almarai as well as Almarai's primary work plan and the policies related to risk management, which include reviewing and updating Almarai's risk policy.
3. Determining the most appropriate capital structure of Almarai, its strategies and financial objectives and approving its annual budget.
4. Supervising the main capital expenses of Almarai and the acquisition/disposal of assets.

5. Determining the performance objectives to be achieved and supervising the implementation thereof and the overall performance of Almarai.
6. Reviewing and approving the organizational and functional structures of Almarai on a periodic basis.
7. Laying down rules for internal control systems and supervising them, which include:
 - (a) Developing a written policy that regulates conflicts of interest and remedies any possible cases of conflict by members of the Board of Directors, executive management and shareholders. This includes misuse of Almarai's assets and facilities and the arbitrary disposition resulting from dealings with related parties.
 - (b) Ensuring the integrity of the financial and accounting procedures of Almarai including procedures related to the preparation of financial reports.
 - (c) Ensuring the implementation of control procedures appropriate for risk management by forecasting the risks that Almarai could encounter and disclosing them with transparency.
 - (d) Reviewing annually the effectiveness of internal control systems.
 - (e) Drafting a Corporate Governance Code for Almarai as well as supervising and monitoring the effectiveness of the Code and amending it whenever necessary.
 - (f) Laying down specific and explicit policies, standards and procedures for the membership of the Board of Directors and implementing them after they have been approved by Almarai's shareholders in general assembly.
 - (g) Outlining a written policy that regulates the relationship with stakeholders with a view to protecting their respective rights; in particular, such a policy must cover the following:
 - (h) Mechanisms for indemnifying stakeholders in the event that their rights are contravened under the law and their respective contracts.
 - (i) Mechanisms for settlement of complaints or disputes that might arise between Almarai and the stakeholders.
 - (j) Establishing suitable mechanisms for maintaining good relationships with customers and suppliers and protecting the confidentiality of information related to them.
 - (k) Establishing a code of conduct for Almarai's executives and employees compatible with proper professional and ethical standards and regulating their relationship with stakeholders. The Board of Directors lays down procedures for supervising the Code and ensuring that it is complied with.
 - (l) Monitoring Almarai's social contributions.
8. Deciding policies and procedures to ensure Almarai's compliance with the laws and regulations and its obligation to disclose material information to its shareholders, creditors and other stakeholders.

The Company's Board of Directors currently comprises of the following members listed below:

Member Name	Position
HH Prince Sultan bin Mohammed bin Saud Al Kabeer	Chairman
HH Prince Naif bin Sultan bin Mohammed bin Saud al Kabeer	Director
Mr Abdulrahman bin Abdulaziz Al Muhanna	Director
Engr Mosa bin Omran Al Omran	Director
Dr Ibrahim bin Hassan Al Madhoun	Director
Suliman bin Abdulgader Al Muhaideb	Director
Dr. Abdulrahman bin Suliman Al Turaigi	Director
Mr. Bader bin Abdullah Al Issa	Director
Eng. Anees Ahmed Moumina	Director

The business address of each of the directors is Exit 7, North Circle Road, Al Izhdihar District, P.O. Box 8524, Riyadh, 11492, KSA. Full biographical details are set out below.

**HH Prince Sultan bin Mohammed bin Saud Al Kabeer
Chairman of the Board**

His Highness is the founder of Almarai. His Highness has investments in a number of companies which include Al Yamama Cement Company, established in 1961 and Arabian Shield Insurance Company. He is a founder of the Saudi Yamani Cement Company (Yemen), Faraby Al Khaleej Petrochemical Co., Mobile Telecommunication Company Saudi Arabia (Zain KSA), Jousour Holding Company (part of Swicorp), ARASCO, Al Salam Bank (Bahrain), Arcapita Bank (Bahrain), Dana Gas (UAE), IBC Co. (Lebanon), Kuwaiti Chinese Holding Co. (Kuwait), Kuwaiti Jordanian Holding Co. (Kuwait), the First Education Co. (Kuwait) and Kingdom Schools Co. In addition to his role at Almarai, His Highness is Chairman of the Arab Union for Cement & Building Materials Co. and the Arabian Shield Cooperative Insurance Co. He is Managing Director of Al Yamama Cement Co., and Owner of Nova Al Jazeera Establishment, the Arab Cubs Establishment and the Technical Projects & Contracting Establishment. His Highness is a Member of the Board of Trustees of the King Abdul Aziz and His Men for the Care of Talents, the Equestrian Club, the Graduates Association in the Capital Model Institute and the Piety Charity Society. He is Honorary Chairman of the Saudi Heart Association and the Saudi Hypertension Association. HH Prince Sultan bin Mohammed bin Saud Al Kabeer holds a Bachelor's degree in Economics and Political Science from King Saud University, Saudi Arabia.

At the extraordinary general meeting dated 23/07/1439H (corresponding to 09 April 2018G) (the "EGM") (as recorded in the minutes of said meeting, the potential conflicts of interest between any duties of His Highness towards Almarai and his private interests with (i) large farms for forage, (ii) the heirs of Prince Mohammed bin Saud Al-Kabeer, (iii) Nafora Catering Company, (iv) Arabian Shield Cooperative Insurance Company and (v) Yamama Cement Company (in relation to business dealings of Almarai in relation to (i) large farms for forage, (ii) the heirs of Prince Mohammed bin Saud Al-Kabeer, (iii) Nafora Catering Company, (iv) Arabian Shield Cooperative Insurance Company and (v) Yamama Cement Company) were approved by the shareholders.

Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer

Director

His Highness is Chairman of Mobile Telecommunication Company Saudi Arabia (Zain KSA). He currently sits on the board of multiple companies throughout the Kingdom including; Al Yamama Cement Co., Gulf Farabi Petrochemical Co., Kuwaiti Chinese Holding Co., Tarabot for Investment and Development Co., Zohoor Alreef, and Tejoury. Additionally, His Highness is the General Manager of the Projects and Technical Contracting Co. as well as the Ashbal Al Arab Corporation. His Highness is a Business Administration graduate of King Saud University, Saudi Arabia.

At the EGM, the potential conflicts of interest between any duties of His Highness towards Almarai and his private interests in Mobile Telecommunication Company Saudi Arabia (Zain KSA) (in relation to the business dealings of Almarai with Mobile Telecommunication Company Saudi Arabia (Zain KSA)) were approved by the shareholders.

Abdulrahman bin Abdulaziz Al Muhanna

Director

Mr. Al Muhanna is a Board Member of ARASCO and the Al Jazeera Press, Printing & Publication Company. He is also a member of the National Committee for Biodiversity. He was appointed and served as Almarai Managing Director from 1997 until June 2015. Mr. Al Muhanna is an Agricultural Economics graduate of King Saud University, Saudi Arabia.

At the EGM, the potential conflicts of interest between any duties of Mr. Al Muhanna towards Almarai and his private interests with (i) Mr. Abdulaziz bin Ibrahim Al Muhanna, (ii) Al Jazeera Press, Printing & Publication Company and (iii) ARASCO (in relation to business dealings of Almarai with (i) Mr. Abdulaziz bin Ibrahim Al Muhanna, (ii) Al Jazeera Press, Printing & Publication Company and (iii) ARASCO) were approved by the shareholders.

Engr. Musa bin Omran Al Omran

Director

Engr. Al Omran is a Board Member of Banque Saudi Fransi and is an active member of the Young Managers Association. Engr. Al Omran holds a Bachelor's degree in Industrial Engineering from King Saud University, Saudi Arabia, a Master's degree in Business Administration from St. Edward University, USA, and a Diploma in Science and Technical Bread from Pittsburgh Institute, USA.

At the EGM, the potential conflicts of interest between any duties of Engr. Al Omran towards Almarai and his private interests in Banque Saudi Fransi (BSF) (in relation to the financing facility entered into by Almarai with Banque Saudi Fransi (BSF)) were approved by the shareholders.

Dr. Ibrahim bin Hassan Mohammed Al Madhoun

Director

In addition to his role on the Board of Directors at Almarai, Dr. Al Madhoun is a Member of the Board of Directors of the Red Sea Housing Services Co., Fitaihi Company and Al Obeikan Investment Group. He holds a PhD in Civil Engineering from the University of Arizona, USA.

Suliman bin Abdulgader Al Muhaideb

Director

Mr. Al Muhaideb is the Chairman of Al Muhaideb Group and a number of companies that includes Savola Group, Al Oula Real Estate Development Co, and RAFAL Real Estate Co. He is a Member of the Board of Directors of Saudi British Bank (SABB), National Industrialization Co. and the Arabian Company for Water & Energy Development, National Industrialization Company, Prince Salman Centre for Disability Research, Prince Fahad bin Salman Charity Association for Renal Failure Patients Care and The Centennial Fund.

At the EGM, the potential conflicts of interest between any duties of Mr. Al Muhaideb towards Almarai and his private interests in (i) Panda Retail Company, (ii) United Sugar Company, (iii) Afia International Company and

(iv) Saudi British Bank (SABB) (in relation to business dealings of Almarai with (i) Panda Retail Company, (ii) United Sugar Company, (iii) Afia International Company and (iv) Saudi British Bank (SABB)) were approved by the shareholders.

Dr. Abdulrahman bin Suliman Al Turaigi
Director

Dr. Al Turaigi is Chairman of the Board of Directors of Gulf Industrial Development Co. He has extensive professional experience across a range of activities both in government and private sectors. Dr. Al Turaigi holds a doctoral degree in Engineering Management from the University of Missouri, USA.

Mr. Bader bin Abdullah Al Issa
Director

Mr. Al Issa is the CFO of Assila Investments, a Member of the Board of Directors at the Savola Group, Banque Saudi Fransi, and Dur Hospitality. He holds an MBA from Rice University and is a Chartered Financial Analyst.

At the EGM, the potential conflicts of interest between any duties of Mr. Al Issa towards Almarai and his private interests in (i) Panda Retail Company, (ii) United Sugar Company, (iii) Afia International Company and (iv) Banque Saudi Fransi (BSF) (in relation to business dealings of Almarai with (i) Panda Retail Company, (ii) United Sugar Company, (iii) Afia International Company and (iv) Banque Saudi Fransi (BSF)) were approved by the shareholders.

Eng. Anees Ahmed Moumina
Director

Eng. Anees is currently Savola's CEO and has over 25 years of experience in the private sector and the financial services industry. He is serving on a number of boards including: Chairman of Dunia Alaswaf Trading LLC., (AlShiaka) Company, Board Member of The National Commercial Bank (NCB), Board Member of Elaf Group, and also as a member of other charity, and community boards. He holds a Master of Science in Engineering Administration with honours and a Bachelor of Science in Civil Engineering with honours, both from George Washington University in the USA.

Conflicts of interests

Save as disclosed above, there are no potential conflicts of interests between any duties of the members of the Board of Directors towards Almarai and their private interests and/or other duties.

Remuneration and benefits

The aggregate remuneration of the members of the Board of Directors was SAR 4.7 million for the year ended 31 December 2018, set out in the table below. The amount of remuneration paid to members of Almarai is determined at the General Assembly.

Member of the Board of Directors	Approved fixed compensation (cash salary)
	<i>(SAR)</i>
HH Prince Sultan bin Mohammed bin Saud Al Kabeer	778,000
HH Prince Naif bin Sultan bin Mohammed bin Saud al Kabeer	221,000
Mr Abdulrahman bin Abdulaziz Al Muhanna	2,293,000
Engr Mosa bin Omran Al Omran	314,000
Dr Ibrahim bin Hassan Al Madhoun	416,000
Suliman bin Abdulgader Al Muhaideb	21,000
Dr. Abdulrahman bin Suliman Al Turaigi	328,000
Mr. Bader bin Abdullah Al Issa	121,500
Engr. Rayan bin Mohammed Fayez ¹	214,000
Eng. Anees Ahmed Moumina	40,000

⁽¹⁾ Engr Rayan bin Mohammed Fayez resigned effective 4 March 2018.

Board of Directors Committees

The Board may at any time establish by formal resolution other subcommittees and specify the authority, objectives and reporting lines of such committees. On an annual basis the Board reviews and either ratifies or modifies the authorities of all subcommittees, to ensure that their delegations remain appropriate.

Executive Committee

Almarai's bylaws (Article 26) grant the Board the power to establish an Executive Committee, if it so chooses. Article 26 states: 'The Board of Directors may appoint from among its members an Executive Committee. The Board of Directors shall appoint a Chairman from among the members of the Executive Committee and shall specify the number of members of the Executive Committee and the required quorum for its meetings. In accordance with the directions and guidelines prescribed by the Board from time to time, the Executive Committee may exercise all of the powers authorized by the Board. The Executive Committee may not revoke or alter any of the resolutions adopted, or rules laid down, by the Board of Directors'.

The Executive Committee currently comprises of the members listed below:

Member Name	Position
HH Prince Naif bin Sultan bin Mohammed bin Saud al Kabeer	Chairman
Mr Abdulrahman bin Abdulaziz Al Muhanna	Member
Dr Ibrahim bin Hassan Al Madhoun	Member
HH Prince Saud bin Sultan bin Mohammed bin Saud	Member
Engr Mosa bin Omran Al Omran	Member
Mr Christopher Ledwidge	Member
Mr Georges P Schorderet	Member

Audit Committee

The Board of Almarai has initiated the composition of the Audit Committee, which is a legal requirement as detailed in Article (14) of the Corporate Governance Regulations (the "**Regulations**") issued by the CMA. The extraordinary general meeting of the shareholders approved and issued rules to select the members of the Audit and Risk committee and the duration of their membership. Shareholders initially approved the working style of the Audit and Risk Committee on 27 March 2007, which was based on a proposal from Almarai's Board. Amendments were made to these guidelines at the Extraordinary General Assembly held in April 2013.

The Audit Committee currently comprises of the members listed below:

Member Name	Position
Dr. Abdulrahman AlTuraigi	Chairman
Dr. Muhammad A. H. Ikhwan	Member
Dr. Ibrahim Hassan Al Madhon	Member
Mr. Farraj Abo Thenian	Member
Mr. Sulaiman N. Alhatlan	Member

Risk Committee

On 1 October 2018, Almarai announced the approval by its Board of Directors of the establishment of the Risk Committee. The establishment is per the new company law and Almarai's Corporate Governance Rules. The committee oversees the risk management function together with the Group's management team.

The Risk Committee currently comprises of the members listed below:

Member Name	Position
Dr. Bader bin Abdullah Al Issa	Chairman
Mrs. Vanessa Eastham Fisk	Member
Mr. Jason Day	Member

Nomination and Remuneration Committee

A Nomination and Remuneration Committee has been formed upon the recommendation of the Board of Directors Association ordinary general meeting on 24 March 2008 for the purpose of making recommendations to the Board of Directors in relation to nominations to the Board, to develop clear policies for the remuneration of the members of the Board of Directors and senior executives of Almarai and its subsidiaries, reviewing the structure of the Board of Directors, identifying the weaknesses and strengths of the members of the Board, ensuring the independence of the independent members (annually) and the absence of a conflict of interest if a member is a member of the Board of Directors of another company.

The Nomination and Remuneration Committee currently comprises of the members listed below:

Member Name	Position
HH Prince Sultan bin Mohammed bin Saud Al Kabeer	Chairman
Mr. Abdulrahman bin Abdulaziz Al Muhanna	Member
Engr. Mosa Omran Mohammed Al Omran	Member
Mr Bader bin Abdullah Al Issa	Member
Mr. Georges Schorderet	Member

Corporate Governance Code

The purpose of Almarai's Corporate Governance Code is to set out Almarai's approach to corporate governance. Almarai is committed to maintaining high standards of corporate governance and sees good corporate governance as an essential tool in maximizing long term shareholder value and as being entirely consistent with its commitment to quality in all of its processes and products. The rules set out in Almarai's Corporate Governance guidelines are mandatory for all Directors and staff of Almarai, and can only be amended by a resolution of the Board of Directors.

Corporate Governance is defined as 'the system by which business corporations are directed and controlled'. The corporate governance structure of Almarai specifies the distribution of authority and responsibilities among different participants in the corporation, such as, the Board, managers, shareholders and others, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which Almarai's objectives are set and the means of attaining those objectives and monitoring performance. The Board of Directors is responsible for Almarai's Corporate Governance Code.

The shareholders' role in governance is to appoint the directors and auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the Board include setting Almarai's strategic

aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The Board's actions are subject to laws, regulations and the shareholders in a General Assembly meeting. Almarai's Corporate Governance Code has therefore been prepared in the light of international principles of sound corporate governance, and should be viewed as setting the framework for corporate governance within Almarai. It should not be seen as a substitute for sound judgment and honourable arms-length dealings by directors and officers of Almarai and should be viewed within the context of the broader legislative framework in KSA. In particular, the stipulations of the following, the requirements of which have all not all been incorporated in Almarai's Corporate Governance Code, need to be borne in mind when considering corporate governance issues:

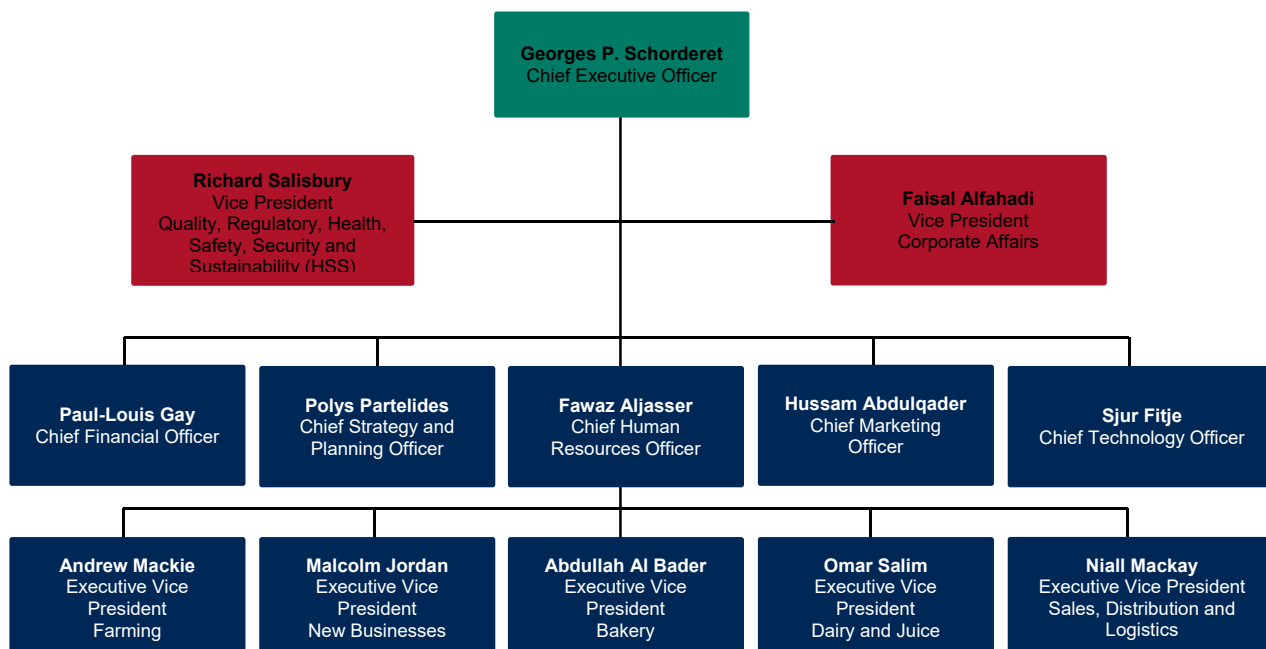
1. The requirements of the CMA of Saudi Arabia and of Tadawul.
2. The Companies' Law of Saudi Arabia and associated ministerial directives of the Ministry of Commerce and Industry ("MOCI").
3. Almarai's bylaws.

The Board of Directors has the power to approve amendments to Almarai's Corporate Governance Code from time to time in order to comply with changing legal and business requirements, consistent with ensuring sound management and governance practices.

Almarai's Corporate Governance Code incorporates the entire corporate governance code issued by the CMA, except paragraph 'd' (of Article 6) which stipulates that, 'Investors who are judicial persons and who act on behalf of others (e.g. investment funds) shall disclose in their annual reports their voting policies, actual voting and ways of dealing with any material conflict of interests that may affect the practice of the fundamental rights in relation to their investments.' The reason for not including this clause in Almarai's Corporate Governance Code is because Almarai does not have the legal authority to bind investors or persons with legal status who are acting on behalf of others – such as investment funds - to disclose their voting policy.

Executive Management

The following chart sets out Almarai's Executive Management structure as at the date of this Base Prospectus:



Georges Schorderet

Chief Executive Officer

Georges Schorderet was appointed CEO in February 2015. He joined Almarai in 2004 as a Chief Financial Officer ("CFO") and in September 2011 became its Chief Operating Officer. Before that, Mr. Schorderet was an independent consultant in Switzerland. Throughout his career, he held various senior executive positions such as CFO of Swissair Group and CFO of the Alusuisse-Lonza Group. He is a Certified Accountant and holds an MBA from the International Institute for Management Development (IMD), Lausanne, Switzerland and International Senior Management programme (ISMP) from Harvard Business School, Boston (USA).

On 4 October 2018, the Board of Directors announced that Mr. Schorderet will retire during the first half of 2019 and that Alois Hofbauer has been chosen as his successor. Over the last twenty-five years, Mr. Hofbauer has held many senior leadership positions, with his most recent post being CEO of Nestlé (Malaysia) Berhad and the Region Head of Nestlé Malaysia, Singapore and Brunei. Mr. Hofbauer will join the Group on 1 January 2019, and his appointment as CEO will be effective from 1 April 2019.

Abdullah Al Bader

EVP Bakery

Abdullah Al Bader joined Almarai in 2000. He is responsible for the general management of the Bakery Business Unit. Prior to this Abdullah has worked for a variety of business sectors, in manufacturing and distribution, sales, marketing, and corporate. Most recently, Abdullah held the post of General manager Human Resources & Support Services. Mr. Al Bader holds an MBA from Leicester University in the United Kingdom.

Andrew Mackie

EVP - Farming

Andrew Mackie joined Almarai in 1977 after graduating from the West of Scotland Agricultural College in the United Kingdom. He is responsible for global commercial farming operations. Prior to this, Andrew held a number of positions within the company, including having been General Manager of Farming since 1998, having previously served as Regional Manager of Farming for several years.

Faisal Alfahadi

Corporate Affairs VP

Faisal joined Almarai in 2009 and is responsible for the Corporate Affairs and Governmental Industrial Relations. Prior to this, Faisal held a number of positions in the company including Head of Administration, General Manager Human Resources & Support Services and General Manager of the Juice Business Unit. Prior to joining Almarai, Faisal worked in private sector companies where he held posts in Human Resources and Administration.

Fawaz Aljasser

Chief Human Resources Officer

Fawaz joined Almarai in 2005, and is responsible for the general management of Almarai human resources and support services. Prior to this, Fawaz held a number of positions in the company, including director of the Dairy and Food Polytechnic and General Manager of the Teeba-Almarai joint venture in Jordan.

Hussam Abdulqader

Chief Marketing Officer

Hussam joined Almarai in 2003 and is responsible for the Corporate Marketing function covering Brands, Social Media, Marketing Services, Corporate Communications, Product and Packaging Innovation and Public Relations. Prior to this, Hussam held numerous positions in the company, including Marketing Services Manager, General Manager of Marketing and CEO of joint venture partnerships with Pepsi and Chipita.

Malcolm Jordan
EVP - New Business

Malcolm joined Almarai in 1992 and is now responsible for the Poultry and Infant Nutrition Business Units. Prior to this, Malcolm held a number of positions in the company including General Manager of Marketing, General Manager of Quality and Product Development, and CFO IPNG. Prior to joining Almarai, Malcolm worked for Christian Hansen.

Naill Mackay
EVP - Sales, Distribution and Logistics

Naill joined Almarai in 2014 and is responsible for Almarai distribution supply chain and logistics, together with merchandising. Prior to joining, Naill held several senior positions at Pedigree Pet foods, Coca-Cola Enterprises, British Bakeries and the Royal Mail.

Omar Salim
EVP Dairy and Juice

Omar joined Almarai in 2014 and is responsible for the general management of the Dairy and Good Business Units. Prior to joining Almarai, Omar worked for twelve years at Mars Inc as Director of Marketing for Africa, India and the Middle East; he developed the chocolate category across the region into a leading food category and increased the Galaxy, Snickers, M&M's, Twix brands market share to be among the highest across the world. Omar holds a Master's Degree in Industrial Engineering from the University of Oklahoma in the USA.

Paul-Louis Gay
Chief Financial Officer

Paul-Louis Gay was appointed as Almarai's CFO in September 2011 and is responsible for Almarai group-wide Corporate Financial Services Division. He holds an executive MBA from ESCP Europe (1980) as well as a French Public Accountant Certificate with Tax specialization (1982), the INSEAD Corporate Finance Diploma (2003) and a Diploma in Company Direction from the Institute of Directors, London (2016). Prior to joining Almarai, he was the CFO of Firmenich, the global leading Fragrances & Flavors house. Previously, he held senior finance and management positions at Givaudan, the Roche Group, Computerland Europe, ICL, National SemiConductor and IBM in China, Japan, USA and Europe.

On 10 February 2019, Mr. Gay resigned from his position of CFO. The Group has appointed Mr. Nofal as CFO with effect from 8 April 2019. Mr. Gay will remain in post to ensure an effective handover to Mr. Nofal.

Richard Salisbury
Quality, Regulatory, Health, Safety, Security and Sustainability VP

Richard Salisbury is responsible for the quality, regulatory affairs, HSS and sustainability functions, prior to which he was Head of Product Development and Innovation at Almarai. Mr. Salisbury first joined Almarai in 1994 and held positions in Product Development and Quality, during this period he was responsible for delivering a range of added value dairy projects. Prior to joining Almarai in 1994, Mr. Salisbury worked at Britvic Soft Drinks and St Ivel in the United Kingdom, holding various positions in Product Development, Packaging Development and Project Management over 20 years, leading to dairy and soft drinks launches in the United Kingdom, Ireland and the United States. Mr. Salisbury graduated in Food Science and Technology from Seale-Hayne Agricultural College in the United Kingdom.

Sjur Fitje
Chief Technology Officer

Sjur Fitje joined Almarai in May 2015 to serve as General Manager of Operations. Prior to joining Almarai, he worked at Kavli Group as a Senior Operations Director where he was responsible for leading strategic and hands-on turn-around programme for a fresh dairy products operation. He also served as VP of Corporate Supply Chain Development at Arla Foods. He graduated in 1996 from the Norwegian School of Business.

Polys Partelides **Chief Strategy and Planning Officer**

Polys Partelides is the Chief Strategy and Planning Officer for Almarai, leading company's strategic business unit responsible for the strategy and mergers and acquisitions for existing and new business and new markets. Prior to joining Almarai, Mr. Partelides was Director of Global Strategy and Development at INVISTA and was responsible for growing the international business both organically and through mergers and acquisitions. Polys holds a Bachelor of Science in Economics and an MBA from INSEAD. He is also an associated chartered accountant, awarded by KPMG.

Mr. Majed Mazen Rasheed Nofal Designated CFO

The Group has appointed Mr. Majed Mazen Rasheed Nofal to succeed Mr. Gay as Almarai's CFO, effective 8 April 2019. Mr. Nofal joined Ernst & Young in Riyadh in 1992 and served in Audit and Assurance services for nine years. He then joined Western Bakeries Co. (L'usine) in Jeddah as CFO for seven years, and subsequent to the Almarai acquisition of Western Bakeries Co. he was appointed as its CEO, a position he held for approximately four years. In 2010 he was appointed as Head of Central Procurement for Almarai Company and served in that capacity for seven years until his appointment in September 2017 as General Manager – New Businesses. Mr. Nofal holds a Bachelor of Arts Degree in Business Administration from King Saud University, Riyadh, KSA.

Risk Management

Risks are managed through the operational processes where risks are identified, probability of occurrence assessed and potential consequences estimated. Actions are then taken to reduce or mitigate the risk exposures and limit potential unfavourable consequences.

Risks are categorised broadly into operational risks and financial risks. The approach to risk management leverages the scale and diversity of Almarai's business activities and balances central co-ordination with well-defined risk management responsibilities within each operational unit.

Risk management tools such as reviews, policies, procedures and reports are in place on all major categories of risks.

Employees

The Group complies with local employment laws. As at 31 December 2018, 2017 and 2016, the Group had 42,680, 42,664 and 44,555 employees respectively.

Shareholders

As at 31 December 2018, Almarai had 49,076 shareholders. Corporate investors represented 65.8% of the total share ownership, while individual investors represented 34.2%. There were 37 shareholders owning one million or more shares in Almarai. Governmental and quasi-governmental institutions, which include eight separate investors, accounted for 23.6% of issued share capital.

The table below sets out those shareholders who held 5.0% or more of Almarai's shares as at 31 December 2018.

Name of shareholder	Number of shares held	% of issued share capital
SAVOLA Group Company	345,218,236	34.5%
HH Prince Sultan bin Mohammed bin Saud Al Kabeer	236,956,536	23.7%
Public Investment Fund	163,233,480	16.3%
Others	254,591,748	25.5%

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Principal Paying Agent (as defined in the Conditions).

Master Trust Deed, as supplemented by each Supplemental Trust Deed

The Master Trust Deed was entered into on 18 February 2019 between Almarai, the Trustee and the Delegate and is governed by English law. A Supplemental Trust Deed between the same parties will be entered into on the Issue Date of each Tranche and will also be governed by English law.

Upon issue of the Global Trust Certificate initially representing any Series, the Master Trust Deed and each relevant Supplemental Trust Deed shall together constitute the Trust declared by the Trustee in relation to such Series.

The Trust Assets in respect of each Series comprise (i) the cash proceeds of the issue of Trust Certificates pending the application thereof in accordance with the terms of the Transaction Documents, (ii) the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the relevant Asset Portfolio, (iii) the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the Transaction Documents (other than in relation to any representations given to the Trustee by Almarai pursuant to any of the Transaction Documents and any rights which have been waived by the Trustee in any of the Transaction Documents) and (iv) any amounts standing to the credit of the relevant Transaction Account and all proceeds of the foregoing.

Each Trust Deed will specify that, on or after the relevant Maturity Date or any Dissolution Date of a Series, as the case may be, the rights of recourse in respect of the relevant Trust Certificates shall be limited to the amounts from time to time available and comprising the Trust Assets of that Series, subject to the priority of payments set out in the Trust Deed, the relevant Trust Certificates and the Conditions. The Certificateholders have no claim or recourse against the Trustee in respect of any amount which is or remains unsatisfied and any unsatisfied amounts will be extinguished.

Pursuant to the Trust Deed, the Trustee will, in relation to each Series, *inter alia*:

- (a) hold the relevant Trust Assets on trust absolutely for the relative Certificateholders as beneficiaries *pro rata* according to the face amount of Trust Certificates held by each Certificateholder; and
- (b) act as trustee in respect of the relevant Trust Assets, distribute the income from the relevant Trust Assets and perform its duties in accordance with the provisions of the Trust Deed.

In the Master Trust Deed, the Trustee by way of security for the performance of all covenants, obligations and duties of the Trustee has: (i) vested certain powers in favour of the Delegate (including but not limited to the authority to request instructions from any Certificateholders, the power to sub-delegate and the power to make any determinations to be made under each Trust Deed) from the date of the Master Trust Deed and (ii) irrevocably and unconditionally appointed the Delegate to be its attorney and in its name and on its behalf to execute, deliver and perfect all documents and (subject to its being indemnified and/or secured and/or pre funded to its satisfaction) to exercise all of the rights of the Trustee under the Purchase Undertaking, the Service Agency Agreement and any of the other Transaction Documents, and to make distributions from the Trust Assets. The appointment of such delegate by the Trustee is intended to be in the interests of the Certificateholders and will not affect the Trustee's continuing role and obligations as trustee.

The Delegate has undertaken in the Master Trust Deed that, following it becoming aware of the occurrence of a Dissolution Event in respect of any Series and subject to Condition 13, it shall (a) promptly notify the relevant Certificateholders of the occurrence of such Dissolution Event, and (b) subject to being indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing, enforce the obligations of Almarai under the Transaction Documents to which Almarai (acting in any capacity thereunder) is a party and/or take such other steps as the Delegate may consider necessary in its absolute discretion to protect the interests of the Certificateholders.

The Master Trust Deed specifies, *inter alia*, that in relation to each Series:

- (i) neither the Delegate nor the Trustee shall be bound in any circumstances to take any action to enforce or realise the relevant Trust Assets or take any action against the Trustee and/or Almarai (as applicable) under any Transaction Document unless directed or requested to do so (a) by an Extraordinary Resolution or (b) in writing by the holders of at least 20 per cent. of the then aggregate outstanding face amount of the Trust Certificates of the relevant Series and in either case then only if it is indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing;
- (ii) no Certificateholder shall be entitled to proceed directly against the Trustee and/or Almarai under any Transaction Document unless the Delegate having become bound so to proceed, fails to do so within a reasonable period of becoming so bound and such failure is continuing;
- (iii) after enforcing or realising the Trust Assets and distributing the proceeds of the Trust Assets in accordance with Condition 4.2, the obligations of the Trustee in respect of the Trust Certificates shall be satisfied and no holder of the Trust Certificates may take any further steps against the Trustee (to the extent that the Trust Assets have been exhausted), Almarai (to the extent that it fulfils all of its obligations under the Transaction Documents), the Delegate, the Agents or any of their respective affiliates to recover any further sums in respect of the Trust Certificates and the right to receive any sums unpaid shall be extinguished. In particular, neither the Delegate nor any Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee nor under any circumstances shall the Trustee, the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the relevant Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole rights of the Trustee, the Delegate (acting on behalf of the Certificateholders) and the Certificateholders against Almarai shall be to enforce its obligations under the Transaction Documents;
- (iv) the Trustee may from time to time, without the consent of the Certificateholders, create and issue Additional Trust Certificates ranking *pari passu* in all respects (or in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue), and so that the same shall be consolidated and form a single series, with the Trust Certificates of such Series, and that any Additional Trust Certificates which are to be created and issued so as to form a single series with the Trust Certificates of a particular Series shall be constituted by a trust deed supplemental to the Master Trust Deed; and
- (v) on the date upon which any sale agreement is entered into in connection with the creation and issuance of Additional Trust Certificates pursuant to the provisions described in paragraph (iv) above and the Substitution and Purchase of Additional Assets Undertaking (being the relevant Issue Date for that Tranche of Trust Certificates), the Trustee and Almarai will execute a Declaration of Commingling of Assets for and on behalf of the holders of the existing Trust Certificates and the holders of such Additional Trust Certificates so created and issued, declaring that the relevant Additional Tangible Assets and the Lease Assets in respect of the relevant Series in existence immediately prior to the creation and issue of the Additional Trust Certificates, together with each Murabaha Transaction (if any) relating to the relevant Series and all other rights arising under or with respect to the relevant Tangible Asset Portfolio and Murabaha Transactions (including the right to receive payment of the Deferred Sale Prices and any other amounts or distributions due in connection with the relevant Tangible Asset Portfolio), are commingled and shall collectively comprise the Asset Portfolio in respect of the relevant Series and part of the Trust Assets for the benefit of the holders of the existing Trust Certificates and the holders of such Additional Trust Certificates as beneficiaries *pro rata* according to the face amount of Trust Certificates held by each Certificateholder, in accordance with the Master Trust Deed.

Additionally, Almarai has undertaken in the Master Trust Deed that if (i) it breaches its undertaking under the Purchase Undertaking to purchase and irrevocably and unconditionally fully accept all or any ownership interest the Trustee may have in the relevant Lease Assets (or relevant proportion thereof, in the case of a redemption in part) and, accordingly, not to dispute or challenge all or any ownership interest the Trustee may have in any way or (ii) if it or any administrator, liquidator or receiver of it disputes or challenges the rights, benefits and

entitlements of the Trustee in and to the Lease Assets (or relevant proportion thereof, in the case of a redemption in part) or (iii) if any Exercise Price is not paid in accordance with the provisions of the Purchase Undertaking, whether as a result of the sale and purchase of any of the Trustee's rights, title, interests, benefits and entitlements in, to and under any part of the Lease Assets, the Certificateholder Put Right Lease Assets, as the case may be, not being (or alleged not to be) effective in any jurisdiction, or for any other reason, the Almarai shall fully indemnify the Trustee in an amount equal to the Exercise Price payable.

Purchase Agreement

The Master Purchase Agreement was entered into on 18 February 2019 between Almarai Sukuk Ltd. (in its capacity as Trustee and as Purchaser) and Almarai (in its capacity as Seller) and is governed by the laws of the Kingdom. A Supplemental Purchase Agreement between the same parties, together with, where applicable, any seller entity which is a separate legal entity wholly-owned (directly or indirectly) by Almarai, will be entered into on the Issue Date of the first Tranche of each Series and will also be governed by the laws of the Kingdom. Pursuant to the Purchase Agreement, the Seller will sell to the Purchaser, and the Purchaser will buy from the Seller, its rights, title, interests, benefits and entitlements to certain assets described in each Supplemental Purchase Agreement, free and clear of any encumbrance or other rights of third parties. The Purchaser and the Seller will agree that there will be no obligation to register the sale of such assets (to the extent such sale is registrable). The purchase price of the assets will be an amount equal to the proceeds of the issue of the first Tranche of the relevant Series of Trust Certificates less, if applicable, the Cost Price of the Murabaha Transaction entered into in relation to such Tranche of Trust Certificates (in respect of which see further "*Structure Diagram and Cash Flows—Principal cash flows—Purchase of the Tangible Assets and entry into Murabaha Transactions*"). The relevant assets will comprise on the Issue Date those assets described in the schedule to the relevant Supplemental Purchase Agreement.

Lease Agreement

The Master Lease Agreement was entered into on 18 February 2019 between Almarai (in its capacity as Lessee), Almarai Sukuk Ltd. (in its capacity as Trustee and as Lessor) and the Delegate and is governed by the laws of the Kingdom. A Supplemental Lease Agreement between the same parties will be entered into on the Issue Date of each Tranche and will also be governed by the laws of the Kingdom.

Under the terms of the Lease Agreement, the Lessor will lease to the Lessee, and the Lessee will lease from the Lessor, the Lease Assets identified in each Supplemental Lease Agreement during renewable Rental Periods commencing on the relevant Lease Commencement Date (each as defined in the relevant Supplemental Lease Agreement) and extending to the relevant Maturity Date (unless the relevant Supplemental Lease Agreement is terminated earlier in accordance with its terms). The Lessor and the Lessee will agree that there will be no obligation to register the lease of the relevant Lease Assets (to the extent such lease is registrable). Under the Lease, the Lessee also covenants to not sell, assign, create any mortgage, charge, pledge, lien or other encumbrance over, or part with possession of or otherwise dispose of, the relevant Lease Assets, except where such disposition of Lease Assets is to a person or entity which is wholly-owned, directly or indirectly, by the Lessee (*provided that* such transferee will not on-sell such Lease Assets to a third party purchaser (i.e., a person or entity which is not wholly-owned, directly or indirectly, by the Lessee) on a freehold or a leasehold basis) or as otherwise permitted by the Transaction Documents.

The Lessee will agree to use the relevant Lease Assets at its own risk. Accordingly, the Lessee shall from the date of the relevant Supplemental Lease Agreement bear the entire risk of loss of or damage to the relevant Lease Assets or any part thereof arising from the usage or operation thereof by the Lessee to the extent that such loss or damage has resulted from the Lessee's negligence, default, or breach of its obligations under the Lease Agreement. In addition, the Lessor shall not be liable (and the Lessee will waive any claim or right, howsoever arising, to the contrary) for any indirect, consequential or other losses, howsoever arising, in connection with the Lessee's use or operation of the relevant Lease Assets.

Under the Lease Agreement, the Lessee will agree to be responsible, at its own cost and expense, for the performance of all Ordinary Maintenance and Repair (as defined in the Master Lease Agreement) required for the Lease Assets. The Lessor shall be responsible for: (i) the performance of all Major Maintenance and Structural Repair, (ii) the payment of any proprietorship or other relevant taxes, and (iii) insuring the Lease Assets, and the Lessee has acknowledged that the Lessor may procure that the Servicing Agent, in accordance

with the terms and conditions set out in the Servicing Agency Agreement, shall perform, or shall procure the performance of, the Major Maintenance and Structural Repair on behalf of the Lessor, the payment of such taxes and the insurance of the Lease Assets.

All payments by the Lessee to the Lessor under each Lease Agreement shall be paid in full without any deduction or withholding for or on account of any Taxes unless required by law and without set-off (save as provided in the Servicing Agency Agreement) or counterclaim of any kind and, in the event that there is any deduction or withholding, the Lessee will agree, in the relevant Supplemental Lease Agreement, to pay all additional amounts as will result in the receipt by the Lessor of such net amounts as would have been received by it if no deduction or withholding had been made. The payment obligations of the Lessee under each Lease Agreement will be direct, unconditional, unsubordinated and (subject to clause 6.1 of the Purchase Undertaking and Condition 5.2 (as described below)) unsecured obligations of the Lessee and (subject as aforesaid) will rank at least *pari passu* with all other unsecured, unsubordinated and monetary obligations of the Lessee, present and future.

The rental amounts (less any Services Charge Amount incurred by the Lessor in relation to the relevant Lease Assets for the relevant period) payable under each Lease Agreement will equal the Periodic Distribution Amounts payable on the Periodic Distribution Dates for the relevant Series and will be payable on the same dates as the Periodic Distribution Amounts for the Series are payable or any earlier date on which the lease of the relevant Lease Assets is terminated in accordance with the terms of the Lease Agreement.

Each Lease Agreement will provide that it shall automatically terminate, but without prejudice to any right or remedy the Lessor may have under any Transaction Document or by law, if a Total Loss Event occurs (and the relevant Total Loss Assets are not replaced with Replacement Assets in accordance with the terms of the Service Agency Agreement) and, in such a case, the Lessor will be entitled to all insurance proceeds payable as a result of the Total Loss Event, together with any accrued and unpaid rental to the date on which the Total Loss Event occurred. If a Total Loss Event occurs and the relevant Total Loss Assets are replaced with Replacement Assets in accordance with the terms of the Service Agency Agreement, on the relevant Total Loss Replacement Date, a new Supplemental Lease Agreement will be entered into by the Lessor and the Lessee pursuant to which the relevant Replacement Assets will be leased to the Lessee (and will constitute Lease Assets for the purposes of the Transaction Documents) pursuant to the terms of such Supplemental Lease Agreement. Upon the entry by the Lessor and the Lessee into such new Supplemental Lease Agreement, such Supplemental Lease Agreement will supersede and replace in its entirety any Supplemental Lease Agreement in effect immediately prior to the relevant Total Loss Replacement Date.

Master Murabaha Agreement

The Master Murabaha Agreement was entered into on 18 February 2019 by Almarai (in its capacity as purchaser), the Trustee (in its capacity as seller) and the Delegate and is governed by English law. The Delegate is a party to the Master Murabaha Agreement solely for the purposes of taking the benefit of the provisions therein and assumes no obligations in connection with the Master Murabaha Agreement.

In connection with each Tranche of Trust Certificates under a Series, the Trustee may (acting through a purchase agent) enter into a Murabaha Transaction with Almarai, *provided that* the relevant Cost Price is: (a) no more than 66 per cent. of the Aggregate Face Amount of the relevant Tranche; and (b) equal to the Issue Proceeds of the relevant Tranche *less* the purchase price of the relevant Tangible Assets (in the case of the first Tranche under a Series) or the relevant Additional Tangible Assets (in the case of each other Tranche under a Series), in each case, as at the relevant Issue Date.

Pursuant to the Master Murabaha Agreement, in respect of each Tranche of Trust Certificates where the Value of the relevant Tangible Assets or, as the case may be, the relevant Additional Tangible Assets is less than the Aggregate Face Amount or such Tranche, Almarai may propose to enter into a Murabaha Contract with the Trustee by delivering a duly completed Purchase Order With Promise to Purchase to the Trustee by 9.00 a.m. (London time) one (1) Payment Business Day prior to the proposed Settlement Date specified therein. As soon as practicable upon the Trustee receiving such a Purchase Order With Promise to Purchase and by no later than 9.00 a.m. (London time) on the applicable Settlement Date, the Trustee shall enter into the purchase agreement with the relevant Supplier for the Commodities which are the subject of the Purchase Order With Promise To

Purchase and procure the transfer of the Cost Price payable in respect of such Commodities directly to the relevant Supplier.

As soon as practicable upon completion of the purchase of the Commodities and acquisition of title to the Commodities by the Trustee, and no later than 1.00 p.m. (London time) on the applicable Settlement Date, the Trustee shall confirm the Murabaha Profit and notify Almarai of the same by delivering a Confirmation of Terms to Almarai.

As soon as practicable upon its receipt of a Confirmation of Terms, and no later than 2.00 p.m. (London time) on the Settlement Date, Almarai shall deliver to the Trustee a duly completed Notice of Offer to Purchase. Almarai acknowledges that the Trustee will be purchasing Commodities pursuant to a Purchase Order With Promise To Purchase in reliance upon Almarai's promise set out therein to purchase such Commodities on the applicable Settlement Date for the relevant Deferred Sale Price from the Trustee after the Trustee has purchased the same from the relevant Supplier. If Almarai fails to send a Notice of Offer to Purchase, then it shall be deemed to have failed to purchase the Commodities and Almarai shall indemnify the Trustee on demand and hold it harmless from and against all claims, suits, actions, actual costs, expenses, Taxes, liabilities, losses and damages of whatsoever nature suffered or incurred by the Trustee resulting from the failure by Almarai to send the Notice of Offer to Purchase.

As soon as practicable upon the Trustee acquiring title to the Commodities which are the subject of a Purchase Order With Promise To Purchase and receiving a duly completed Notice of Offer to Purchase from Almarai (in its capacity as purchaser) in respect of such Commodities, and no later than 3.00 p.m. (London time) on the Settlement Date, the Trustee will deliver to Almarai its Notice of Acceptance of Offer. Upon the delivery of a Notice of Acceptance of Offer by the Trustee to Almarai, a "**Murabaha Contract**" shall be created between the Trustee and Almarai upon the terms of the Confirmation of Terms, Notice of Offer to Purchase and Notice of Acceptance of Offer and incorporating all of the terms and conditions of the Master Murabaha Agreement. Upon the Trustee delivering a Notice of Acceptance of Offer, ownership of and title to the Commodities shall immediately pass to and be vested in Almarai, together with all rights and obligations relating thereto.

Pursuant to the terms of the Master Murabaha Agreement and the relevant Murabaha Transaction(s), the Total Deferred Sale Price (as defined herein) of each Series shall be payable upon maturity of the Murabaha Transactions and will coincide with the scheduled or, as the case may be, early redemption of the Trust Certificates as set out under the Conditions. The Total Deferred Sale Price shall be credited directly to the Transaction Account on the Payment Business Day immediately preceding the Maturity Date or, if earlier, the relevant Dissolution Date. In respect of a redemption of less than 100 per cent. of the Trust Certificates on a Certificateholder Put Right Date or Optional Dissolution Date, the relevant *pro rata* proportion of the Total Deferred Sale Price of a Series which shall be payable on the relevant Dissolution Date will be determined by multiplying the Total Deferred Sale Price of the relevant Series by the applicable Relevant Percentage (as defined herein).

Pursuant to the terms of the Master Murabaha Agreement, the Trustee may appoint a purchase agent to perform on its behalf all acts and execute all documents necessary for the purchase of the Commodities from the relevant commodity supplier(s) in accordance with the terms of Master Murabaha Agreement.

Each applicable Deferred Sale Price(s) and/or the Total Deferred Sale Price (as applicable) payable to the Trustee under the Master Murabaha Agreement and relevant Murabaha Transactions and the Exercise Price payable by Almarai under the Purchase Undertaking or the Sale Undertaking (as applicable), are intended to fund the relevant Dissolution Amount and all accrued but unpaid Periodic Distribution Amounts payable by the Trustee under the Trust Certificates.

Servicing Agency Agreement

The Servicing Agency Agreement was entered into on 18 February 2019 by Almarai (in its capacity as Servicing Agent) and the Trustee and is governed by English law.

Pursuant to the Servicing Agency Agreement, the Servicing Agent, in respect of each Series, is responsible on behalf of the Trustee for, among other things:

- (a) managing the Asset Portfolio relating to the relevant Series in accordance with the terms of the Servicing Agency Agreement and the servicing plan scheduled thereto;
- (b) in conjunction with acting in its other capacities under the Transaction Documents to which it is a party, use all reasonable endeavours to ensure that at all times at least 34 per cent. of the Value of the Asset Portfolio is derived from or represented by Tangible Assets and no more than 66 per cent. of the Asset Portfolio is derived from or represented by Murabaha Transactions;
- (c) collect and use all reasonable endeavours to ensure the timely receipt of all Asset Portfolio Revenues, investigate non-payment of Asset Portfolio Revenues and generally make all reasonable efforts to collect or enforce the collection of such Asset Portfolio Revenues as and when the same shall become due;
- (d) maintain each of the Collection Accounts and the Reserve Account, as described further in "*Structure Diagram and Cash Flows*";
- (e) carry out all Major Maintenance and Structural Repair (as defined in the Master Lease Agreement), and maintain appropriate Insurance, in respect of the Lease Assets on behalf of the Trustee; and
- (f) carry out any incidental matters relating to any of the above.

Wherever the Servicing Agent is to procure insurances in accordance with the terms of the Servicing Agency Agreement, it will use its reasonable endeavours to obtain such insurances on a *takaful* basis if such *takaful* insurance is available on commercially viable terms.

Notwithstanding the appointment of the Servicing Agent, the Lessee shall, at its own cost and expense, be responsible for the performance of all Ordinary Maintenance and Repair required for the Lease Assets.

The Trustee shall reimburse the Servicing Agent any Services Charge Amount (as defined in the Servicing Agency Agreement) that has been incurred during a rental period on the Rental Payment Date (as defined in the Master Lease Agreement) falling at the end of such rental period in which the Services Charge Amount was incurred or, in the case of the final rental period, on the date of termination of the relevant Lease.

An amount equal to any Liquidity Facility Amount and/or Services Charge Amount to be paid by Almarai to the Trustee as (or as part of any) Exercise Price under the Purchase Undertaking or the Sale Undertaking (as applicable) or, in the case of Services Charge Amounts only, as (or as part of any) Rental under the Lease shall be set-off against the applicable Liquidity Facility Amount and/or Services Charge Amount to be paid by the Trustee to the Servicing Agent under the Servicing Agency Agreement.

Under the Servicing Agency Agreement, the Servicing Agent has also undertaken to:

- (a) ensure that, save for third party liability insurance proceeds, all proceeds of the aforementioned insurances are promptly paid in the Specified Currency to the relevant Transaction Account and, in particular but without limitation, subject to paragraph (b) below (and unless the relevant Total Loss Assets are replaced pursuant to the Servicing Agency Agreement), ensure that following the occurrence of a Total Loss Event, all proceeds of insurances in respect of the Lease Assets in respect of which the Total Loss Event has occurred (the "**Total Loss Assets**") are paid in the Specified Currency directly into the relevant Transaction Account by no later than the 30th day after the occurrence of the Total Loss Event and that the insurer will be directed accordingly; and
- (b) subject to the following two paragraphs, if, after the occurrence of a Total Loss Event and before the proceeds of any insurances in respect of the Total Loss Assets are paid into the relevant Transaction Account:
 - (i) the Trustee receives a Total Loss Replacement Notice from Almarai; and
 - (ii) the Trustee elects to purchase the relevant Replacement Assets pursuant to the Servicing Agency Agreement,

pay and apply (on behalf of the Trustee) the proceeds of any insurances in respect of the Total Loss Assets as, and towards, payment to Almarai (or, as the case may be, the relevant Subsidiary of Almarai) of the relevant Replacement Assets Purchase Price on the relevant Total Loss Replacement Date.

If, following the occurrence of a Total Loss Event, no Total Loss Replacement Notice is delivered by Almarai to the Trustee (or, if such notice has been delivered, the relevant Replacement Assets Purchase Price is not paid in full for whatever reason on the relevant Total Loss Replacement Date), then the proceeds of any insurances in respect of the relevant Total Loss Assets shall be paid in the Specified Currency directly into the Transaction Account by no later than the 30th day after the occurrence of the Total Loss Event, no Replacement Assets will be purchased by the Trustee and the paragraph immediately below will apply.

If, following the occurrence of a Total Loss Event, no Total Loss Replacement Notice is delivered by Almarai to the Trustee (or, if such notice has been delivered, the relevant Replacement Assets Purchase Price is not paid in full for whatever reason on the relevant Total Loss Replacement Date), or the terms of the Servicing Agency Agreement relating to insurances are not strictly complied with by the Servicing Agent and the insurance proceeds (if any) credited to the Transaction Account in accordance with the Servicing Agency Agreement is less than the Full Reinstatement Value (as defined below) (the difference between the Full Reinstatement Value and the amount of insurance proceeds credited to the relevant Transaction Account being the "**Total Loss Shortfall Amount**"), then the Servicing Agent acknowledges that it shall have failed in its responsibility to properly insure the Lease Assets and accordingly (unless it proves beyond any doubt that any shortfall in the insurance proceeds is not attributable to its negligence or its failing to comply with the terms of the Service Agency Agreement relating to insurance) irrevocably and unconditionally undertakes to pay (in same day, freely transferable, cleared funds) the Total Loss Shortfall Amount directly to the relevant Transaction Account by no later than close of business on the 31st day after the Total Loss Event has occurred or, if such day is not a Payment Business Day, on the immediately following Payment Business Day. For these purposes, "**Full Reinstatement Value**" means, in relation to each Series, at any time, an amount equal to the aggregate of:

- (a) the aggregate face amount of Trust Certificates then outstanding for the relevant Series;
- (b) all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Trust Certificates at that time;
- (c) an amount equal to the Periodic Distribution Amounts relating to such Trust Certificates then outstanding which would accrue for a period of 30 days in relation to the Trust Certificates then outstanding;
- (d) an amount equal to any outstanding Services Charge Amount (to the extent not already paid as part of any Rental payment made in accordance with the Master Lease Agreement and the relevant Supplemental Lease Agreement) and Liquidity Facility Amount; and
- (e) all other amounts then due and payable by the Trustee under the Trust Certificates,

less,

- (f) where one or more Murabaha Transactions forms part of the Asset Portfolio of the relevant Series, the then Total Deferred Sale Price Outstanding of the Series.

In addition, under the Servicing Agency Agreement, subject to the paragraph immediately below, provided that a Dissolution Event has not occurred and if, after the occurrence of a Total Loss Event and before the proceeds of any insurances in respect of the relevant Total Loss Assets are paid into the relevant Transaction Account as described above, the Trustee receives a Total Loss Replacement Notice from Almarai, the Trustee may purchase (at the relevant Replacement Assets Purchase Price to be paid by the Trustee (or on its behalf by the Service Agent, using the proceeds of any insurances in respect of the Total Loss Assets (or the assignment of the rights to such proceeds)) to or to the order of Almarai, and transfer to Almarai any residual interest it may hold in the Total Loss Assets (including any remaining rights in respect of any proceeds of the Insurances)) and accept the transfer and conveyance from Almarai (or, as the case may be, a Subsidiary of Almarai) of, on the relevant Total Loss Replacement Date, all of Almarai's (or, as the case may be, Almarai's Subsidiary's) interests, rights, title, benefits and entitlements, present and future, in, to and under the relevant Replacement Assets.

No such purchase of Replacement Assets shall take place unless the Replacement Assets Value is at least equal to the amount determined by Almarai as being the aggregate Value of the assets comprising the Lease Assets immediately prior to the Total Loss Event on the date on which such Lease Assets were acquired by the Trustee.

Any such purchase of Replacement Assets shall only be effective upon and shall be subject to the execution and terms of a Replacement Sale and Purchase Agreement between Almarai and the Trustee (and, if applicable, the relevant Subsidiary of Almarai). Immediately following the execution of a Replacement Sale and Purchase Agreement, the Trustee (in its capacity as Lessor) and Almarai (in its capacity as Lessee) may enter into a Supplemental Lease Agreement pursuant to which the relevant Replacement Assets (so purchased pursuant to the Replacement Sale and Purchase Agreement) will be leased to Almarai pursuant to the terms of such Supplemental Lease Agreement and any Replacement Assets so purchased and leased will constitute Lease Assets for the purposes of the Transaction Documents.

The Servicing Agent has agreed in the Servicing Agency Agreement that all payments by it under the Servicing Agency Agreement will be made without any deduction or withholding for or on account of tax unless required by law and without set-off or counterclaim of any kind and, in the event that there is any deduction or withholding, the Servicing Agent shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no deduction or withholding had been made.

For the purposes of the above:

"Replacement Assets" means the assets specified as such in a Replacement Sale and Purchase Agreement executed pursuant to clause 4 (*Purchase of Replacement Assets*) of the Service Agency Agreement, the identity of which shall be determined by Almarai in its sole and absolute discretion;

"Replacement Assets Value" means, in respect of any Replacement Assets, the amount determined by Almarai as being the aggregate Value of such Replacement Assets on the Total Loss Replacement Date;

"Replacement Assets Purchase Price" means the purchase price specified as such in the relevant Replacement Sale and Purchase Agreement executed pursuant to Clause 4 (*Purchase of Replacement Assets*) of the Service Agency Agreement;

"Replacement Sale and Purchase Agreement" means an agreement substantially in the form set out in schedule 3 (*Form of Replacement Sale and Purchase Agreement*) of the Service Agency Agreement;

"Total Loss Replacement Date" means the date of the relevant Replacement Sale and Purchase Agreement which date shall be no later than the 30th day after the occurrence of the relevant Total Loss Event; and

"Total Loss Replacement Notice" means a notice substantially in the form set out in schedule 2 (*Form of Total Loss Replacement Notice*) of the Service Agency Agreement delivered by Almarai to the Trustee informing the Trustee that certain Replacements Assets are available for purchase.

Purchase Undertaking

The Purchase Undertaking was executed as a deed on 18 February 2019 by Almarai (in its capacity as Obligor) in favour of the Trustee and the Delegate and is governed by English law.

The Obligor has, in relation to each Series, irrevocably undertaken in favour of the Trustee and the Delegate to (*provided that* a Total Loss Event has not occurred (or, if a Total Loss Event has occurred, the relevant Total Loss Assets have been replaced with Replacement Assets in accordance with the terms of the Service Agency Agreement)) purchase all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Lease Assets (or relevant proportion thereof, in the case of a redemption in part) on the relevant Maturity Date or any Dissolution Date for the relevant Series at the relevant Exercise Price (as defined in the Purchase Undertaking and described further in "*Structure Diagram and Cash Flows*"). If the Trustee or as applicable, the Delegate exercises its rights thereunder (otherwise than in connection with a Dissolution Event), an exercise notice will be required to be delivered by the Trustee or the Delegate under the Purchase Undertaking.

The Obligor has undertaken in the Purchase Undertaking to purchase and irrevocably and unconditionally fully accept all or any ownership interest the Trustee may have in the relevant Lease Assets (or relevant proportion thereof, in the case of a redemption in part) and, accordingly, not to dispute or challenge all or any ownership

interest the Trustee may have in any way and that if (i) it breaches this undertaking or (ii) if it or any administrator, liquidator or receiver of it disputes or challenges the rights, benefits and entitlements of the Trustee in and to the Lease Assets (or relevant proportion thereof, in the case of a redemption in part) or (iii) if any Exercise Price is not paid in accordance with the provisions of the Purchase Undertaking, whether as a result of the sale and purchase of any of the Trustee's rights, title, interests, benefits and entitlements in, to and under any part of the Lease Assets or the Certificateholder Put Right Lease Assets, as the case may be, not being (or alleged not to be) effective in any jurisdiction, or for any other reason, the Obligor shall fully indemnify the Trustee in an amount equal to the Exercise Price payable.

The Obligor has also undertaken in the Purchase Undertaking that if, in relation to any Series, it fails to pay all or part of any Exercise Price when due or any other amounts due and payable by Almarai under the Transaction Documents to which it is a party on the Maturity Date or, as the case may be, the relevant Dissolution Date (the "**Outstanding Exercise Price**"), it will automatically continue to lease the Relevant Lease Assets (or relevant proportion thereof, as applicable) from the Trustee and act as servicing agent in respect of the Relevant Lease Assets with effect from the date immediately following the due date for payment of the Outstanding Exercise Price until payment of such amounts in full is made by it. For this purpose, "**Relevant Lease Assets**" means the Lease Assets of the relevant Series (or a part thereof having a Value as near as possible to, but not less than, the amount in default).

The Obligor has agreed in the Purchase Undertaking that all payments by it under the Purchase Undertaking will be made without any deduction or withholding for or on account of Taxes unless required by law and without set-off (save in respect of any Liquidity Facility Amount and/or Services Charge Amounts forming part of the relevant Exercise Price) or counterclaim of any kind and, in the event that there is any deduction or withholding, the Obligor shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no deduction or withholding had been made. The payment obligations of the Obligor under the Purchase Undertaking are and will be direct, unconditional, unsubordinated and (subject to clause 6.1 of the Purchase Undertaking and Condition 5.2) unsecured obligations of the Obligor and (subject as aforesaid) shall rank at least *pari passu* with all other unsecured, unsubordinated and monetary obligations of the Obligor, present and future.

The Obligor has covenanted in clause 6.1 of the Purchase Undertaking to comply with Condition 5.2. The Obligor will have agreed in such clause that the Almarai Events applicable to it are set out in full in the Conditions and that the occurrence thereof shall constitute a Dissolution Event for the purposes of the Conditions and the exercise right contained in clause 2.1(a) of the Purchase Undertaking.

Sale Undertaking

The Sale Undertaking was executed as a deed on 18 February 2019 by the Trustee in favour of Almarai and is governed by English law.

Pursuant to the Sale Undertaking and subject to the Trustee being entitled to redeem the Trust Certificates of the relevant Series in accordance with Condition 10.2 or Condition 10.3, Almarai may (*provided that* no Dissolution Event has occurred and no Total Loss Event has occurred (or, if a Total Loss Event has occurred, the relevant Total Loss Assets have been replaced with Replacement Assets in accordance with the terms of the Service Agency Agreement)), by exercising its right under the Sale Undertaking and by giving the Trustee not less than the minimum nor more than the maximum number of days' notice specified in the applicable Final Terms prior to the relevant Dissolution Date, oblige the Trustee to sell all of its rights, title, benefits, interests and entitlements in, to and under the Lease Assets (or relevant proportion thereof, in the case of a redemption in part) of the relevant Series on the relevant Dissolution Date at the Exercise Price (as defined in the Sale Undertaking and described further in "*Structure Diagram and Cash Flows*").

The relevant sale agreement to be entered into pursuant to the Sale Undertaking will provide that the price payable pursuant to the exercise of the Sale Undertaking will be made without any deduction or withholding for or on account of Taxes unless required by law and without set-off (save in respect of any Liquidity Facility Amount or Services Charge Amounts forming part of the relevant Exercise Price) or counterclaim and, in the event that there is any such deduction or withholding, Almarai shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no deduction or withholding had been made.

In addition, under the terms of the Sale Undertaking, if at any time Almarai wishes to cancel any Trust Certificates purchased pursuant to Condition 10.7, Almarai may, by exercising its option under the Sale Undertaking (by serving an exercise notice on the Trustee) oblige the Trustee to transfer all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Cancelled Lease Assets (as defined in such exercise notice) to Almarai in consideration for which the Trust Certificates shall be cancelled. The transfer of the Cancelled Lease Assets will take effect by Almarai and the Trustee entering into a sale agreement (in the form scheduled to the Sale Undertaking). Following the entry into such sale agreement, the Trustee shall procure the cancellation of the relevant Trust Certificates identified for cancellation in the exercise notice on the Cancellation Date (which shall be a Periodic Distribution Date). Pursuant to the Master Murabaha Agreement, the parties thereto have acknowledged and agreed that where Almarai or any of its Subsidiaries have purchased Trust Certificates and Almarai wishes to cancel such Trust Certificates and issues an Exercise Notice to that effect pursuant to the Sale Undertaking and Condition 10.7, the relevant *pro rata* portion of the Deferred Sale Price(s) corresponding to the Murabaha Transactions relating to such Cancelled Trust Certificates shall be cancelled and no Deferred Sale Price(s) shall be payable in respect of the Cancelled Trust Certificates.

Substitution and Purchase of Additional Assets Undertaking

The Substitution and Purchase of Additional Assets Undertaking was executed as a deed on 18 February 2019 by the Trustee and is governed by English law.

Pursuant to the Substitution and Purchase of Additional Assets Undertaking, the Trustee has granted to Almarai the right (*provided that* no Dissolution Event has occurred and no Total Loss Event has occurred (or, if a Total Loss Event has occurred, the relevant Total Loss Assets have been replaced with Replacement Assets in accordance with the terms of the Service Agency Agreement)) to require the Trustee to (i) sell any or all of the relevant Lease Assets (the "**Substituted Tangible Assets**") to it in exchange for new Tangible Assets of a Value which is equal to or greater than the Value of the Substituted Tangible Assets and/or (ii) in connection with the exercise by the Trustee of its rights under Condition 19, purchase all of Almarai's, or as the case may be, the applicable seller entity's, rights, title, interests, benefits and entitlements in, to and under the Additional Tangible Assets in consideration for the payment by the Trustee (as purchaser) to Almarai (as seller) of the purchase price therefor pursuant to the relevant sale agreement (such purchase price being equal to the proceeds of the related issuance of Trust Certificates). The substitution of the Substituted Tangible Assets will become effective on the Substitution Date (as specified in the Substitution Notice to be delivered by Almarai in accordance with the Substitution and Purchase of Additional Assets Undertaking) by the Trustee and Almarai entering into a sale agreement and the relevant Lease Agreement being re-executed in the manner provided in the Substitution Notice. The purchase of the relevant Additional Tangible Assets will become effective on the Additional Tangible Assets Purchase Date (as specified in the Additional Tangible Assets Notice to be delivered by Almarai in accordance with the Substitution and Purchase of Additional Assets Undertaking and being the date upon which the relevant sale agreement described below is entered into) by the Trustee, Almarai and (if applicable) the relevant seller entity entering into a sale agreement and the relevant Lease Agreement being re-executed in the manner provided in the Additional Tangible Assets Notice. Each sale agreement entered into upon such substitution or (as applicable) purchase will (i) (in the case of a substitution) effect the transfer of ownership rights in the Substituted Tangible Assets from the Trustee to Almarai and (ii) effect the transfer of ownership rights in the new Tangible Assets or (as applicable) Additional Tangible Assets from Almarai (or, in the case of a purchase, the applicable seller entity where relevant) to the Trustee and (a) (in the case of a substitution) the Substitution Notice will provide that the new Tangible Assets and any relevant Lease Assets not replaced and/or (b) (in the case of a purchase) the Additional Tangible Assets Notice will provide that the existing Lease Assets and the Additional Tangible Assets, will in each case be leased to the Lessee under the new Lease Agreement.

Shari'a Compliance

Each Transaction Document provides that each of Almarai Sukuk Ltd. (to the extent it is a party to the relevant Transaction Document) and Almarai Company (to the extent it is a party to the relevant Transaction Document) agrees that it has accepted the *Shari'a* compliant nature of the Transaction Documents to which it is a party and, to the extent permitted by law, further agrees that:

- (a) it shall not claim that any of its obligations under the Transaction Documents to which it is a party (or any provision thereof) is *ultra vires* or not compliant with the principles of *Shari'a*;

- (b) it shall not take any steps or bring any proceedings in any forum to challenge the *Shari'a* compliance of the Transaction Documents to which it is a party; and
- (c) none of its obligations under the Transaction Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Transaction Documents to which it is a party are not compliant with the principles of *Shari'a*.

TAXATION

The following is a general description of certain tax considerations relating to Trust Certificates issued under the Programme. It does not purport to be a complete analysis of all tax considerations relating to the Trust Certificates. Prospective purchasers of any Trust Certificates should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes of acquiring, holding and disposing of the relevant Trust Certificates and receiving payments under those Trust Certificates. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

Kingdom of Saudi Arabia

The following is a general description of certain tax and zakat considerations relating to Trust Certificates issued under the Programme. It does not purport to be a complete analysis of all tax and zakat considerations relating to the Trust Certificates. The summary below is not intended as tax or zakat advice, does not consider any investor's particular circumstances and does not consider tax or zakat consequences other than those arising under Saudi law. Prospective purchasers of any Trust Certificates should consult their tax and zakat advisers (if applicable) as to the consequences under the tax and zakat laws (if applicable) of the country of which they are resident for tax purposes of acquiring, holding and disposing of the relevant Trust Certificates and receiving payments under those Trust Certificates. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any prospective or retrospective change in law that may take effect after such date. This summary does not take into account provisions of any double tax treaty for the avoidance of double taxation and prevention of tax evasion to which KSA is a party.

Overview of Saudi Tax and Zakat Law

Income Tax

According to Saudi Arabian tax law, a resident capital company with foreign (i.e., non-Saudi / non-GCC) ownership (on its foreign partner's (shareholder's) share) and a non-resident who does business in the Kingdom through a Permanent Establishment (as defined below) are subject to corporate income tax in Saudi Arabia at a rate of 20 per cent. Resident companies which are wholly owned by Saudi/GCC nationals are subject to zakat instead of corporate income tax. Companies owned jointly by Saudi/GCC and non-Saudi/non-GCC nationals pay tax on the portion of income attributable to the non-Saudi/non-GCC nationals, and zakat on the portion of income attributable to Saudi/GCC nationals. Shares held directly by GCC nationals or via other GCC companies (where the shareholding structure does not fall outside of the GCC) in a Saudi capital company are subject to zakat and not income tax. In determining the tax/zakat profile, the General Authority for Zakat and Tax ("**GAZT**") (formerly Department of Zakat and Income Tax ("**DZIT**")) applies a "look-through" approach to determine whether the up-stream shareholding structure at any point exists outside of the GCC (i.e. at the ultimate shareholder level). Based on the recently amended tax regulations, the GAZT has the right to determine the tax/zakat profile of a company by looking through the upstream shareholding structure of the company limited to two layers of ownership.

Zakat

The GAZT issued the Zakat Implementing Regulations under MR No.2082, dated 28 February 2017. The regulations are effective from the date of their issuance and supersedes all prior directives, resolutions, instructions and circulars issued by the GAZT.

In Saudi Arabia, zakat is assessed on Saudi and GCC nationals and on Saudi companies wholly owned by such individuals, and on companies jointly owned by Saudi/GCC nationals on the portions of income attributable to Saudi/GCC nationals. There are certain rules that apply to the method of calculating the zakat liability. In general, zakat is levied at a fixed rate of 2.5 per cent. on the higher of the adjusted zakatable profits or the zakat base which, in general, comprises equity, loans and provisions reduced by deductible investments and fixed assets.

Withholding Tax ("WHT")

According to Saudi tax regulations, payments made by a resident person or a permanent establishment in KSA of a non-resident person to a non-resident service provider are subject to WHT in KSA ranging from 5% to 20%, depending on the nature and type of service provided and relationship between the parties. Services are defined to mean anything done for consideration other than the purchase and sale of goods and other property.

Loan charges paid to non-Residents generally attract five per cent. Saudi WHT, unless such WHT is reduced or eliminated pursuant to the terms of an applicable double tax treaty.

Lease rentals and Murabaha Profits (which are treated under financing arrangements similar to interest payments for tax purposes) generally attract five per cent. Saudi WHT.

Withholding tax implications in connection with the Trust Certificates

As the Trustee is not a Saudi resident, the payment of Rental under the relevant Lease Agreement, Murabaha Profits or Deferred Sale Prices under the Master Murabaha Agreement or profit of any kind howsoever described payable by Almarai to the Trustee will be subject to a five per cent. withholding tax. In accordance with the Income Tax Regulation (as defined below), Almarai will be responsible for withholding and settling the tax with the GAZT on such aforementioned payments. If such payments are subject to any withholding or deduction on account of tax in Saudi Arabia, Transaction Documents to which Almarai is a party each provide for Almarai to pay additional amounts as will result in the Trustee receiving the amounts which would otherwise be receivable.

Certain tax and zakat implications for Certificateholders

GCC Certificateholders who are Resident in Saudi Arabia

Certificateholders who are GCC Persons (as defined below) and Resident in Saudi Arabia are not subject to any Saudi Arabian corporate income tax, whether by WHT or direct assessment in respect of any profit payment received or gain realised in respect of the Trust Certificates. However, such Certificateholders will be subject to zakat in respect of any profit payment received or gain realised in respect of the Trust Certificates. Additionally, the GAZT does not allow an investment in the Trust Certificates to be deducted from the zakat base of such a Certificateholder, as stipulated under the Zakat Regulations.

Non-GCC Certificateholders who are Resident in Saudi Arabia

Certificateholders who are non-GCC Persons and Resident in Saudi Arabia will be subject to Saudi Arabian corporate income tax at the rate of 20 per cent. on any profit payment received or gain realised in respect of the Trust Certificates but they will not be subject to any zakat.

Certificateholders who are not Resident in Saudi Arabia

Certificateholders, either natural persons or legal entities, who are not Residents in Saudi Arabia (whether such Certificateholders are Saudi Arabian nationals or non-Saudi Arabian nationals (including Certificateholders resident in the GCC)) will not be subject to Saudi Arabian withholding tax (as the payments will be received from a Saudi non-resident) or corporate income tax or zakat on any payments received by them in respect of the Trust Certificates. However, non-resident persons having a Permanent Establishment in Saudi Arabia and legal entities established under the laws of a GCC country other than Saudi Arabia with a Permanent Establishment in Saudi Arabia are subject to Saudi Arabian corporate income tax at the rate of 20 per cent. in respect of any profit payment received or gain realised in respect of the Trust Certificates and attributable to such Permanent Establishment but will not be subject to zakat.

Indirect and Transfer Taxes

There are no transfer taxes currently applicable in Saudi Arabia.

Saudi Arabia has introduced VAT with an effective date of 1 January 2018 pursuant to ratifying a GCC framework agreement between the GCC member states. To this effect, VAT legislations have also been issued by the GAZT in line with the GCC framework agreement.

All goods and services traded within or imported into KSA are subject to VAT, unless they are classified as exempt for VAT purposes. Certain supplies have been prescribed to be subject to tax at zero rate (including designated medical products and exports to non-GCC countries). The standard rate of VAT is five per cent. and is applicable to all goods / services which are not classified as exempt or subject to zero rating.

General

Except as otherwise provided in the preceding paragraphs, the zakat and tax rules potentially allow the GAZT to enforce respective provisions of the legislation on Saudi resident natural persons, irrespective of their nationality. However, at present no mechanism exists to register such individuals as payers of zakat or tax or otherwise impose zakat or tax liability on resident natural persons.

For the purposes of this summary:

"GCC" means Gulf Cooperation Council which consists of the Kingdom of Bahrain, Kuwait, the Sultanate of Oman, the State of Qatar, Saudi Arabia and the United Arab Emirates;

a "**GCC Person**" means (a) a natural person having the nationality of any of the countries within the GCC and (b) any legal entity owned by GCC nationals and established under the laws of a country in the GCC.

a "**non-GCC person**" means any legal entity not owned by GCC nationals but established under the laws of a country in the GCC;

"**Permanent Establishment**" of a non-Resident in Saudi Arabia represents a permanent place for the non-Resident's activity where he conducts the activity either fully or partly; this also includes the activity conducted by the non-Resident through an agent. A non-Resident carrying out an activity in Saudi Arabia through a licensed branch is considered to have a Permanent Establishment in Saudi Arabia; and

a person is a "**Resident**" in Saudi Arabia (as defined in Article 3 of the Income Tax Regulation issued under Royal Decree No. M/1 dated 15/01/1425H (the "**Income Tax Regulation**")) if it meets the following conditions:

- (a) a natural person is considered a Resident in Saudi Arabia for a taxable year if he meets either of the two following conditions:
 - (i) he has a permanent place of abode in Saudi Arabia and is physically present in Saudi Arabia for a total of not less than 30 days in the taxable year; or
 - (ii) he is physically present in Saudi Arabia for a period of not less than 183 days in the taxable year; and
- (b) a company is considered Resident in Saudi Arabia during a taxable year if it meets either of the following conditions:
 - (i) it is formed in accordance with the Saudi Companies Regulations issued pursuant to Royal Decree No. 17/3 dated 28/1/1437H (corresponding to 10/11/2015G); or
 - (ii) its place of central control and management is located in Saudi Arabia.

Certificateholders will not be deemed to be Resident in Saudi Arabia solely by reason of holding any Certificates.

Cayman Islands

The following is a discussion on certain Cayman Islands income tax consequences of an investment in Trust Certificates to be issued under the Programme. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws, payments by the Trustee on Trust Certificates to be issued under the Programme will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of Trust Certificates nor will gains derived from the disposal of Trust Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

The Trustee has received an undertaking, from the Governor-in-Cabinet of the Cayman Islands, pursuant to the Tax Concessions Law (as amended) of the Cayman Islands, that for a period of thirty years from the date of the grant of the undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which includes the Trust Certificates) of the Trustee or by way of the withholding in whole or in part of any relevant payment (as defined in the Tax Concessions Law (as amended)). No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Trust Certificates. However, an instrument transferring title to such Trust Certificates, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Trustee to the Registrar of Companies in the Cayman Islands which is calculated by reference to the nominal amount of the Trustee's authorised share capital. At current rates, this annual registration fee is approximately U.S.\$853.66. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

The Proposed Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Trust Certificates (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No. 1287/2006 (such as the issuance and subscription of Trust Certificates) are expected to be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Trust Certificates where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including: (i) by transacting with a person established in a participating Member State; or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Trust Certificates are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as "**FATCA**", a foreign financial institution (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The Trustee may be a foreign financial institution for these purposes. A number of jurisdictions (including the Cayman Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Trust Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Trust Certificates, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Trust Certificates, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register, and Trust Certificates characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Trust Certificates.

SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement dated 18 February 2019 (the "**Programme Agreement**"), agreed with the Trustee and Almarai a basis upon which they or any of them may from time to time agree to purchase Trust Certificates. Any such agreement will extend to those matters stated under "*Terms and Conditions of the Trust Certificates*". In the Programme Agreement, the Trustee (failing which, Almarai) has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Trust Certificates under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

Selling and Transfer Restrictions

United States

The Trust Certificates have not been and will not be registered under the Securities Act nor any state securities laws and may not be offered, sold or delivered within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with any applicable securities laws of any state of the United States.

Each Dealer has represented and agreed, and each Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and that it will not offer, sell or deliver any Trust Certificates (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Trust Certificates on a syndicated basis, the relevant lead manager, of all Trust Certificates of the Tranche of which such Trust Certificates are a part (the "**distribution compliance period**"), within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Trust Certificates during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Trust Certificates within the United States or to, or for the account or benefit of, U.S. persons. Accordingly, neither it, its affiliates, nor any persons acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to any Trust Certificates. Terms used in this paragraph have the meanings given to them by Regulation S.

Until 40 days after the commencement of the offering of the Trust Certificates, an offer or sale of Trust Certificates within the United States by any dealer (whether or not participating in the offering) of the Trust Certificates may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act. Each purchaser of any Trust Certificate and each subsequent purchaser of such Trust Certificates in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Base Prospectus and the Trust Certificates will be deemed to have represented, warranted, agreed and acknowledged that:

1. it is, or at the time the Trust Certificates are purchased will be, the beneficial holder of such Trust Certificates and it has acquired the Trust Certificates in an offshore transaction (within the meaning of Regulation S); and
2. it understands that the Trust Certificates have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Trust Certificates except in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any state of the United States.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Trust Certificates which are the subject

of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Trust Certificates to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Trustee for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Trust Certificates referred to in (a) to (c) above shall require the Trustee, Almarai or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression "**an offer of Trust Certificates to the public**" in relation to any Trust Certificates in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Trust Certificates to be offered so as to enable an investor to decide to purchase or subscribe for Trust Certificates, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression "**Prospectus Directive**" means Directive 2003/71/EC, as amended or superseded.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Trust Certificates which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Trust Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Trust Certificates would otherwise constitute a contravention of Section 19 of the FSMA by the Trustee;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Trust Certificate in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or Almarai; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Trust Certificates in, from or otherwise involving the United Kingdom.

Cayman Islands

Each Dealer has represented and agreed, and each Dealer appointed under the Programme will be required to represent and agree, that no offer or invitation (whether directly or indirectly) to subscribe for any Trust Certificates has been or will be made to the public in the Cayman Islands.

Japan

The Trust Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended, the "**FIEA**") and each Dealer has represented and agreed, and each Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Trust Certificates, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a

resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Trust Certificates to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Dealer has represented and agreed, and each Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Trust Certificates to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

- (a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the "DFSA"); and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA Rulebook.

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Trust Certificates. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Trust Certificates pursuant to an offering should note that the offer of Trust Certificates is a private placement under Article 9 or Article 10 of the "Rules on the Offer of Securities and Continuing Obligations" as issued by the board of the Saudi Arabian Capital Market Authority (the "**CMA**") pursuant to resolution number 3-123-2017 dated 27 December 2017 (the "**KSA Regulations**"), made through an authorised person licensed to carry out arranging activities by the CMA and following a notification to the CMA under Article 11 of the KSA Regulations.

The Trust Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "Sophisticated Investors" under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of the KSA Regulations. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Trust Certificates by it to a Saudi Investor will be made in compliance with Articles 9 or 10 of the KSA Regulations.

The offer of Trust Certificates shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 15 of the KSA Regulations. Any Saudi Investor who has acquired Trust Certificates pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Trust Certificates to any person unless the offer or sale is made through an authorised person appropriately licensed by the CMA and: (a) the Trust Certificates are offered or sold to a Sophisticated Investor; (b) the price to be paid for the Trust Certificates in any one transaction is equal to or exceeds Saudi Riyal 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 15 of the KSA Regulations.

Kingdom of Bahrain

Each Dealer has represented and agreed, and each Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold, and will not offer or sell, any Trust Certificates except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "**accredited investor**" means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more;

- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

State of Qatar (including the Qatar Financial Centre)

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, and will not offer, sell or deliver at any time, directly or indirectly, any Certificates in the State of Qatar (including the Qatar Financial Centre), except: (i) in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); and (ii) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar (including the Qatar Financial Centre). This Base Prospectus has not been reviewed or approved by the Qatar Central Bank, the Qatar Exchange, the Qatar Financial Centre Regulatory Authority or the Qatar Financial Markets Authority and is only intended for specific recipients, in compliance with the foregoing.

Singapore

Each Dealer has acknowledged that this Base Prospectus has not been, and will not be, registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Trust Certificates or caused such Trust Certificates to be made the subject of an invitation for subscription or purchase and will not offer or sell such Trust Certificates or cause such Trust Certificates to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Trust Certificates, whether directly or indirectly, to persons in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore (the "SFA")) pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Trust Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Trust Certificates pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Notification under Section 309b(1)(C) of the Securities and Futures Act (Chapter 289) of Singapore – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the "**CMP Regulations 2018**"), each of the Trustee and Almarai has determined the classification of the Trust Certificates as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Trust Certificates other than (i) to persons whose ordinary business is to buy and sell shares or debentures (whether as principal or agent); or (ii) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**Companies Ordinance**") or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, in each case whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Trust Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Trust Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Malaysia

This Base Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia (the "**CMSA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that the Trust Certificates have not been and will not be offered, sold or delivered, by it and no invitation to subscribe for or purchase the Trust Certificates has been or will be made, directly or indirectly by it, nor may any document or other material in connection therewith be distributed by it in Malaysia, other than to persons or in categories falling within Schedule 6 (or Section 229(1)(b)), Schedule 7 (or Section 230(1)(b)), and Schedule 8 (or Section 257(3)) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Trust Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Dealers is responsible for any invitation, offer, sale or purchase of the Trust Certificates as aforesaid without the necessary approvals being in place.

General

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers any Trust Certificates or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Trust Certificates under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Trustee, Almarai, the Delegate nor any of the other Dealer shall have any responsibility therefor.

None of the Trustee, Almarai, the Delegate and the Dealers represents that Trust Certificates may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. Persons into whose possession this Base Prospectus or any Trust Certificates may come must inform themselves about and observe any applicable restrictions on the distribution of this Base Prospectus and the offering and sale of Trust Certificates.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Trustee, Almarai and the relevant Dealer shall agree and as shall be set out in the subscription agreement or dealer accession letter, as applicable.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Trust Certificates thereunder have been duly authorised by a resolution of the board of directors of the Trustee dated 17 February 2019 and by a written resolution of the Board dated 17 February 2019. The Trustee and Almarai have each obtained all necessary consents, approvals and authorisations in connection with the issue of the Trust Certificates to be issued under the Programme and the execution and performance of the Transaction Documents to which they are a party.

Listing of Trust Certificates

It is expected that each Tranche of Trust Certificates which is to be admitted to the Official List and to trading on the Regulated Market will be admitted separately as and when issued, subject only to the issue of one or more Global Trust Certificates initially representing the Trust Certificates of such Tranche. Application has been made to Euronext Dublin for Trust Certificates issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the Official List and to be admitted to trading on the Regulated Market.

Listing Agent

Walkers Listing Services Limited is acting solely in its capacity as listing agent for the Trustee in relation to the Trust Certificates and is not itself seeking admission of the Trust Certificates to the Official List of Euronext Dublin or to trading on the regulated market of Euronext Dublin for the purposes of the Prospectus Directive.

Documents Available

For the period of 12 months following the date of this Base Prospectus, physical copies (and English translations where the documents in question are not in English) of the following documents will, when published, be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the registered office of Almarai and the specified office of the Paying Agent for the time being in London:

- (a) constitutional documents;
- (b) the Financial Statements together with any audit reports prepared in connection therewith. Almarai currently prepares unaudited consolidated interim accounts for each quarter of each year. The Trustee is not required to, publish any interim financial statements under Cayman Islands law;
- (c) the Transaction Documents including each Supplemental Trust Deed, Supplemental Purchase Agreement and Supplemental Lease Agreement in relation to each Tranche;
- (d) this Base Prospectus; and
- (e) any future offering circulars, prospectuses, information memoranda, supplements and Final Terms to this Base Prospectus and any other documents incorporated by reference herein or therein.

This Base Prospectus will be available for viewing on the website of the Central Bank (<http://www.centralbank.ie>) and on the website of Euronext Dublin (<http://www.ise.ie>).

Clearing Systems

The Trust Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records).

The appropriate Common Code and ISIN for each Tranche will be specified in the applicable Final Terms.

If the Trust Certificates are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for Determining Price

The price and amount of Trust Certificates to be issued under the Programme will be determined by the Trustee and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial or trading position of the Trustee and no material adverse change in the financial position or prospects of the Trustee, in each case, since the date of its incorporation.

There has been no significant change in the financial or trading position of Almarai or of the Group since 31 December 2018 and there has been no material adverse change in the financial position or prospects of Almarai or of the Group since 31 December 2018.

Litigation

None of the Trustee, Almarai or any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee or Almarai is aware) in the 12 months preceding the date of this Base Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Trustee, Almarai or the Group.

Auditors

PricewaterhouseCoopers Public Accountants ("**PwC**") is the auditor of Almarai and was appointed on 11 April 2018. PwC is registered to perform audit work by the Saudi Organisation for Certified Public Accountants and has its address at Kingdom Tower, 21st Floor, P.O. Box 8282, Riyadh 11482, Kingdom of Saudi Arabia. KPMG Al Fozan & Partners was formerly the auditor of Almarai up until 31 March 2018. KPMG Al Fozan & Partners is registered to perform audit work by the Saudi Organisation for Certified Public Accountants and has its address at Salahuddin Al Ayoubi Street, P.O. Box 92876, Riyadh 11663, Kingdom of Saudi Arabia.

Post-Issuance Information

Save as set out in the applicable Final Terms, the Trustee does not intend to provide any post-issuance information in relation to any issues of Trust Certificates.

Shari'a Advisory Boards

The transaction structure relating to Trust Certificates to be issued under the Programme (as described in this Base Prospectus) has been approved by the Shariah Supervisory Board of First Abu Dhabi Bank PJSC, the Executive Shariah Committee of HSBC Saudi Arabia, the Shariah Supervisory Committee of Standard Chartered Bank and the Global Shariah Supervisory Board of Gulf International Bank. Prospective Certificateholders should not rely on the approval referred to above in deciding whether to make an investment in Trust Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction described in the approval referred to above is in compliance with *Shari'a* principles.

Dealers Transacting with Almarai

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, Almarai (and its affiliates) in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/ or instruments of Almarai or its affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Almarai or its affiliates, routinely hedge their credit exposure to Almarai consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including

potentially the Trust Certificates issued under the Programme. Any such short positions could adversely affect future trading prices of the Trust Certificates issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Delegate's Action

The Conditions and the Master Trust Deed provide for the Delegate to take action on behalf of the Certificateholders in certain circumstances, but only if the Delegate is indemnified and/or secured and/or pre-funded to its satisfaction. It may not always be possible for the Delegate to take certain actions, notwithstanding the provision of an indemnity and/or security and/or pre-funding to it. Where the Delegate is unable to take any action, the Certificateholders are permitted by the Conditions and the Master Trust Deed under certain circumstances to take the relevant action directly.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND SOCPA STANDARDS

The Financial Statements were prepared in accordance with IFRS. IFRS and generally accepted accounting practices in KSA as issued by the SOCPA (the "**SOCPA standards**") differ in certain respects. Such differences primarily relate to the format of presentation of financial statements, disclosure requirements and accounting policies. SOCPA standards disclosure requirements are prescribed by relevant regulations and do not always conform to IFRS. The major areas in which SOCPA standards and IFRS differ from each other have been extracted from Note 36 to the 2017 Financial Statements.

Bearer plants

Under SOCPA standards, bearer plants were classified as biological assets and inventory. IFRS require bearer plants to be classified under property, plant and equipment. Consequently, the costs, accumulated depreciation and capital work in process have been reclassified for the 2017 Financial Statements.

In addition, under SOCPA standards, alfalfa bearer plants were classified as inventory. Under IFRS, these bearer plants have been reclassified from inventory to property, plant and equipment. Subsequent to harvest, the agricultural produce from these bearer plants is accounted for as inventories at fair value. The biological transformation between maturity of an alfalfa plant and subsequent harvests is insignificant, therefore costs incurred on the bearer plants during the period are not capitalised and treated as maintenance costs.

Biological assets

Under SOCPA standards, standing crops and broiler birds were classified as work-in-process inventories. IFRS require living animals and plants, other than bearer plants, to be classified as biological assets. Consequently, crops and other poultry have been reclassified from inventories to biological assets. Further, IFRS require biological assets to be measured at fair value less cost to sell unless where quoted market prices are not available and for which alternative fair value measurements are determined to be clearly unreliable, biological asset shall be measured at its cost less any accumulated depreciation and accumulated impairment losses, if any. On the transition date, all the biological assets owned by the Group, other than crops in Argentina, are carried at cost less accumulated depreciation and impairment losses, since quoted market prices for these biological assets are not available and any alternative fair value measurements are assessed to be clearly unreliable.

Capitalisation of sukuk issuance costs

The Group issued sukuks and incurred certain issuance costs. Under SOCPA standards, these costs have been recorded as prepayments. IFRS require issuance costs to be net off against the liability in respect of which these costs were incurred. The respective costs have been reclassified to be net off against long term borrowings.

Employee Retirement Benefits

Under SOCPA standards, the Group recorded its liability under employee retirement benefit based on regulatory requirements. In order to determine the liability under IFRS, the Group performed detailed actuarial valuation of its employee retirement benefits. Consequently, reduction of expense for the period has been recognised in the consolidated statement of profit or loss.

Trade discounts and rebates

Under SOCPA standards, trade discounts and rebates are presented as selling and distribution expenses. IFRS require trade discounts and rebates to be presented as a deduction against revenue. Consequently, reclassification has been made to the consolidated statement of profit or loss.

Government grants

Government grants have been recognised when it was virtually certain that the grant will be received from the state authority. On implementing IFRS, the Group reassessed its government grant recognition policy and concluded to recognise it within other liabilities at fair value when there is reasonable assurance that it will be received and the Group will comply with the conditions associated with the grant. Government grants are recognised in the consolidated statement of profit or loss on a systematic basis over the periods in which the Group recognises as expense the related inventories for which the grants are intended to compensate.

Intangible assets

Software licences have been reclassified from property, plant and equipment to be presented under intangible assets for fair representation.

Investments in associates and joint ventures

Under SOCPA standards, investment in associates and joint ventures was presented under the caption of investments. IFRS require investments in associates to be presented separately from other investments on the statement of financial position.

Zakat and income tax

Under SOCPA standards, zakat and income tax liability is presented under trade and other payables. For the purpose of presentation enhancement, zakat and income tax payable is now presented separately on the statement of financial position.

INDEX TO FINANCIAL STATEMENTS

Independent auditor's report in respect of the audited consolidated financial statements of the Group for the financial year ended 31 December 2018.....	F-4
Audited consolidated financial statements of the Group for the financial year ended 31 December 2018.....	F-13
Independent auditor's report in respect of the audited consolidated financial statements of the Group for the financial year ended 31 December 2017.....	F-75
Audited consolidated financial statements of the Group for the financial year ended 31 December 2017.....	F-83

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY

THE CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED
31 DECEMBER 2018

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY

INDEX

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1-9
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018	10
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2018	11
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018	12
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018	13
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018	14
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018	15 -69



Independent auditor's report to the shareholders of Almarai Company

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Almarai Company (the "Company") and its subsidiaries (together the "Group") as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.



Independent auditor's report to the shareholders of Almarai Company (continued)

Our audit approach

Overview

Key audit matters

- Carrying value of goodwill
- Valuation of biological assets
- Implementation of IFRS 15 "Revenue from contracts with customers"
- Implementation of IFRS 9 "Financial instruments"

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Independent auditor's report to the shareholders of Almarai Company (continued)

Key audit matter	How our audit addressed the key audit matter
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Carrying value of goodwill

At 31 December 2018, the Group had goodwill which arose on past business combinations amounting to Saudi Riyals 934 million (2017: Saudi Riyals 935 million).

In accordance with IAS 36 "Impairment of assets", an entity is required to test goodwill acquired in a business combination for impairment at least annually irrespective of whether there is any indication of impairment.

Goodwill is monitored by management at the level of cash-generating units ("CGUs"). Management carried out an impairment exercise in respect of goodwill allocated to the CGU by determining a recoverable amount based on value-in-use of each CGU based on a discounted cash flow model, which utilized the most recent five-year business plan prepared by the Group's management. The outcome of this exercise did not result in any impairment loss to be recognized.

We considered impairment testing of goodwill performed by management as a key audit matter since the assessment of the recoverable amount of goodwill under the value-in-use basis is complex and requires considerable judgment on the part of management. The critical judgmental elements of management's assessment were:

- assumptions concerning the expected economic conditions, especially growth in the markets in which the Group primarily operates;
- assumptions of the impact of the actions of the Group's main competitors on expected revenue and gross margin assumptions; and
- discount rate used in the value-in-use cash flow model.

We assessed management's impairment assessment of goodwill by performing the following procedures:

- Assessed the methodology used by management to determine a recoverable value based on the value-in-use and compared it to that required by IAS 36. We also tested the arithmetical accuracy of the model used;
- Tested the accuracy and relevance of the input data by reference to supporting evidence, such as approved budgets and considered the reasonableness of these budgets by comparison to the Group's historical results and performance against budgets;
- Engaged our valuation experts to assist in the review of the methodology of the value-in-use calculations and use of certain assumptions including discount rates and long-term growth rates; and
- Performed sensitivity analyses over key assumptions, principally sales growth rate, terminal value multiple and discount rates, in order to assess the potential impact of a range of possible outcomes.

We also reviewed the adequacy of the Group's disclosure included in Note 8 to the accompanying consolidated financial statements in relation to testing goodwill impairment.

Refer to Note 5.9 for the accounting policy and Note 8 for the related disclosure in the accompanying consolidated financial statements.



Independent auditor's report to the shareholders of Almarai Company (continued)

Key audit matter

How our audit addressed the key audit matter

Carrying value of biological assets

As indicated in Note 9 to the consolidated financial statements, the carrying value of biological assets at 31 December 2018 amounted to Saudi Riyals 1,465 million (2017: Saudi Riyals 1,371 million). This includes Saudi Riyals 1,290 million (2017: Saudi Riyals 1,229 million) relating to the dairy herd.

IAS 41 "Agriculture" requires biological assets to be measured at fair value less costs to sell, unless the fair value can not be reliably measured. Management have determined that fair value cannot be reliably measured for the Group's dairy herd and have therefore accounted for the dairy herd at cost less accumulated depreciation and impairment losses.

We considered this a key audit matter as the determination that fair value can not be reliably measured is largely based on management's judgement supported by detailed analysis and the carrying value of such assets is material to the consolidated financial statements. An alternative approach could have a material effect on the Group's reported profit for the year and its financial position at 31 December 2018.

Refer to Note 5.8 for the accounting policy and Note 9 for the related disclosure in the accompanying consolidated financial statements.

We performed the following procedures in relation to the carrying value of the dairy herd:

- Obtained a detailed understanding of management's basis for rebutting the presumption of IAS 41 for measuring biological assets at fair value less costs to sell. We considered accounting practices used elsewhere for similar entities both within the Kingdom of Saudi Arabia and also overseas.
- Assessed management's assertion that Level I and Level II valuation approaches are not possible by investigation of relevant markets available to the Group and consideration of the differences between the Group's dairy herd operations compared to other similar entities.
- Considered management's assertion that a Level III approach would result in a fair value that was clearly unreliable by reviewing the support for such an assertion and comparing it to our understanding of the business.

We also reviewed the adequacy of the Group's disclosures included in Note 6.1 and Note 9 to the accompanying consolidated financial statements in relation to biological assets.



Independent auditor's report to the shareholders of Almarai Company (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Implementation of IFRS 15 "Revenue from contracts with customers"</p> <p>The Group adopted IFRS 15 "Revenue from contracts with customers" with effect from 1 January 2018 and this new standard supersedes the requirements of IAS 18 "Revenue".</p> <p>Management performed a detailed analysis of each type of revenue contract to identify differences between the requirements of the two standards, identify the changes required to be made to existing accounting policies and determine the transition adjustments and consequential changes to processes and controls required particularly in connection with the separation of different performance obligations that there may be within a given contract.</p> <p>Management also assessed the additional disclosures required to be made by the new standard in the consolidated financial statements.</p> <p>We considered this a key audit matter as revenue is a key financial statement item and performance metric and the application of IFRS 15 can require judgment by management and the use of significant assumptions.</p> <p><i>Refer to Note 5.1.1 which explains the impact of the adoption of the new accounting standard and Note 31 for the related disclosure in the accompanying consolidated financial statements.</i></p>	<p>We performed the following procedures in relation to the implementation of IFRS 15:</p> <ul style="list-style-type: none">• Reviewed management's detailed analysis of its various revenue streams and how the new accounting standard impacts the Group;• Gained an understanding of management's approach to the implementation of any changes to the accounting policy;• Obtained an understanding of the nature of revenue contracts used by the Group for each significant revenue stream, tested a sample of representative sales contracts to confirm our understanding and assess whether or not management's application of IFRS 15 requirements was in accordance with the accounting standard;• Tested relevant processes and controls established by management to ensure appropriate recognition of revenue;• Consulted with our accounting technical specialists on certain judgmental positions taken by management. In respect of the accounting for the separation of different performance obligations, we considered generally accepted accounting practise outside the Kingdom of Saudi Arabia; <p>We also reviewed the adequacy of the Group's disclosures included in Note 5.1.1 and Note 31 to the accompanying consolidated financial statements in relation to the implementation of the new accounting standard.</p>



Key audit matter

How our audit addressed the key audit matter

Implementation of IFRS 9 “Financial instruments”

The Group adopted IFRS 9 “Financial instruments” with effect from 1 January 2018 and this new standard supersedes the requirements of IAS 39 “Financial instruments - recognition and measurement”.

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. Management has determined that the most significant impact of the new standard on the Group’s financial statements relates to the calculation of the allowance for the impairment of trade receivables.

As at 31 December 2018 the carrying value of trade receivables amounted to Saudi Riyals 1,180.5 million (2017: Saudi Riyals 1,132.7 million) and the allowance for impairment of trade receivables amounted to Saudi Riyals 57.3 million (2017: Saudi Riyals 76.8 million).

The Group assesses at each reporting date whether the financial assets carried at amortised cost are credit-impaired. The Group’s management has applied a simplified expected credit loss (“ECL”) model to determine the allowance for impairment of trade receivables. The ECL model involves the use of various assumptions, macro-economic factors and study of historical trends relating to the Group’s trade receivables collections experience.

We considered this a key audit matter due to the judgements and estimates involved in the application of the expected credit loss model.

Refer to Note 5.1.2 which explains the impact of the adoption of the new accounting standard, Note 5.13 for the accounting policy and Note 36.2 for the related disclosure in the accompanying consolidated financial statements

We performed the following procedures in relation to the implementation of IFRS 9:

- Reviewed management’s assessment of the impact of IFRS 9 in terms of the classification and measurement of its financial assets and liabilities, and understood the approach taken towards implementation. We specifically considered the validity of management’s conclusion that the main area of impact was in respect of trade receivables impairment, using our experience and knowledge of similar entities;
- Compared the ECL model developed by management to that required by IFRS 9 and reviewed the reasonableness of the methodology in comparison to accepted best practice. We also tested the arithmetical accuracy of the model;
- Tested key assumptions, such as those used to calculate the likelihood of default and the subsequent loss on default, by comparing to historical data. We also considered the incorporation of forward looking factors (predominantly economic) to reflect the impact of future events on expected credit losses;
- Involved our accounting subject matter specialists to review the methodology used in the ECL model; and compared this against accepted best practice.

We also reviewed the adequacy of the Group’s disclosures included in Note 5.1.2 and Note 36 to the accompanying consolidated financial statements.



Independent auditor's report to the shareholders of Almarai Company (continued)

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Group's audit committee is responsible for overseeing the Group's financial reporting process.



Independent auditor's report to the shareholders of Almarai Company (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



Independent auditor's report to the shareholders of Almarai Company (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers

Omar M. Al Sagga
License Number 369



20 January 2019

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	As at 31 December	
		2018 SAR '000	2017 SAR '000
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	7	22,606,542	22,401,692
Intangible Assets and Goodwill	8	1,038,371	1,046,607
Biological Assets	9	1,366,566	1,283,342
Investments in Associates and Joint Venture	10	204	129,429
Equity Investment	10	102,624	90,711
Prepayments	13	67,059	74,558
Deferred Tax Assets	22	11,488	39,926
Derivative Financial Instruments	35	19,747	16,808
		<u>25,212,601</u>	<u>25,083,073</u>
Current Assets			
Inventories	12	3,874,193	3,121,903
Biological Assets	9	98,439	87,321
Trade Receivables, Prepayments and Other Receivables	13	1,929,949	1,702,375
Derivative Financial Instruments	35	20,336	9,480
Cash and Bank Balances	14	1,182,902	1,891,697
		<u>7,105,819</u>	<u>6,812,776</u>
TOTAL ASSETS		<u>32,318,420</u>	<u>31,895,849</u>
EQUITY			
Share Capital	15	10,000,000	10,000,000
Statutory Reserve		2,049,304	1,848,418
Treasury Shares	16	(593,567)	(453,156)
Other Reserves	17	(520,500)	(609,135)
Retained Earnings		2,991,559	1,998,246
Equity Attributable to Shareholders		<u>13,926,796</u>	<u>12,784,373</u>
Perpetual Sukuk	18	-	1,700,000
Equity Attributable to Equity Holders of the Company		<u>13,926,796</u>	<u>14,484,373</u>
Non-Controlling Interests	19	589,194	396,867
TOTAL EQUITY		<u>14,515,990</u>	<u>14,881,240</u>
Non-Current Liabilities			
Long-term Loans	20	11,651,970	10,543,125
Employee Retirement Benefits	21	699,325	621,536
Derivative Financial Instruments	35	7,101	30,779
Deferred Tax Liabilities	22	37,967	48,060
		<u>12,396,363</u>	<u>11,243,500</u>
Current Liabilities			
Bank Overdrafts	32	179,321	255,585
Short-term Loans	20	2,010,294	2,003,403
Zakat and Income Tax Payable	23	316,064	272,906
Trade and Other Payables	24	2,874,066	3,227,490
Derivative Financial Instruments	35	26,322	11,725
		<u>5,406,067</u>	<u>5,771,109</u>
TOTAL LIABILITIES		<u>17,802,430</u>	<u>17,014,609</u>
TOTAL EQUITY AND LIABILITIES		<u>32,318,420</u>	<u>31,895,849</u>

The accompanying notes 1 to 40 form an integral part of these Consolidated Financial Statements. These Consolidated Financial Statements were authorised for issue by the Board of Directors, on behalf of the Shareholders, on 14 Jumada-Al-Awwal 1440 A.H (20 January 2019) and signed on its behalf by:


Paul Gay
 Chief Financial Officer


Georges P. Schorderet
 Chief Executive Officer


HH Prince Sultan Bin
Mohammed Bin Saud Al Kabeer
 Chairman

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	For the year ended 31 December	
		2018	2017
		SAR '000	SAR '000
Revenue	31	13,722,797	13,935,532
Cost of Sales	25	(8,277,435)	(8,351,893)
Gross Profit		5,445,362	5,583,639
Selling and Distribution Expenses	26	(2,330,916)	(2,343,046)
General and Administration Expenses	27	(376,475)	(397,339)
Other Expenses, net	28	(301,299)	(211,071)
Impairment Reversal / (Loss) on Financial Assets		24,684	(48,833)
Operating Profit		2,461,356	2,583,350
Exchange Gain, net		29,524	7,094
Finance Cost, net	29	(407,747)	(401,254)
Share of Results of Associates and Joint Venture	10	(5,413)	13,018
Profit before Zakat and Income Tax		2,077,720	2,202,208
Zakat and Foreign Income Tax	22, 23	(70,498)	(42,245)
Profit for the year		2,007,222	2,159,963
Profit / (Loss) for the year attributable to:			
Shareholders of the Company		2,008,869	2,182,286
Non-Controlling Interests		(1,647)	(22,323)
		2,007,222	2,159,963
Earnings per Share (SAR), based on Profit for the year attributable to Shareholders of the Company			
- Basic	30	1.97	2.13
- Diluted	30	1.95	2.11

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Paul Gay
Chief Financial Officer


Georges P. Schorderet
Chief Executive Officer


HH Prince Sultan Bin
Mohammed Bin Saud Al Kabeer
Chairman

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	For the year ended 31 December	
		2018	2017
		SAR '000	SAR '000
Profit for the year		2,007,222	2,159,963
Items that will not be reclassified to profit or loss:			
Actuarial (Loss) / Gain on End of Service Benefits	21	(18,686)	10,151
Change in the Fair Value of Equity Investment through FVOCI	10	11,913	-
Settlement of Cash Flow Hedges transferred to Inventory / PPE		(20,529)	(13,728)
Items that are or may be reclassified subsequently to profit or loss:			
Foreign Currency Translation Differences		(1,885)	(21,391)
Foreign Currency Translation Difference Due to Reclassification on Disposal of Investment in Associate		64,474	-
Movement in Fair Value on Cash Flow Hedges		39,652	128,475
Settlement of Cash Flow Hedges transferred to Profit or Loss		3,753	(2,590)
Change in Fair Value of Available for Sale Investment		-	(12,161)
Share of Other Comprehensive Income / (Loss) of Associates	10	567	(5,201)
Other Comprehensive Income for the year, net of Income Tax		79,259	83,555
Total Comprehensive Income for the year		2,086,481	2,243,518
Total Comprehensive Income / (Loss) for the year attributable to:			
Shareholders of the Company		2,089,978	2,256,849
Non-Controlling Interests		(3,497)	(13,331)
		2,086,481	2,243,518

The accompanying notes 1 to 40 form an integral part of these Consolidated Financial Statements. These Consolidated Financial Statements were authorised for issue by the Board of Directors, on behalf of the Shareholders, on 14 Jumada-AI-Awwal 1440 A.H (20 January 2019) and signed on its behalf by:



Paul Gay
Chief Financial Officer



Georges P. Schorderet
Chief Executive Officer



HH Prince Sultan Bin
Mohammed Bin Saud Al Kabeer
Chairman

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share Capital	Statutory Reserve	Treasury Shares	Other Reserves	Retained Earnings	Equity Attributable to Shareholders	Perpetual Sukuk	Equity Attributable to Equity Holders	Non-Controlling Interests	Total Equity
	SAR '000									
Balance at 1 January 2017	8,000,000	1,630,190	(378,994)	(711,996)	2,818,019	11,357,219	1,700,000	13,057,219	421,250	13,478,469
Profit / (Loss) for the year	-	-	-	-	2,182,286	2,182,286	-	2,182,286	(22,323)	2,159,963
Other Comprehensive Income for the year	-	-	-	64,412	10,151	74,563	-	74,563	8,992	83,555
Total Comprehensive Income / (Loss)	-	-	-	64,412	2,192,437	2,256,849	-	2,256,849	(13,331)	2,243,518
Transfer during the year	-	218,228	-	-	(218,228)	-	-	-	-	-
Directors' Remuneration	-	-	-	-	(2,840)	(2,840)	-	(2,840)	-	(2,840)
Transactions with Owners in their Capacity as Owners										
Dividend Declared SAR 0.90 per Share	-	-	-	-	(720,000)	(720,000)	-	(720,000)	-	(720,000)
Bonus Shares Issued 1 for 4 shares	2,000,000	-	-	-	(2,000,000)	-	-	-	-	-
Share Based Payment Transactions	-	-	-	39,394	-	39,394	-	39,394	-	39,394
Settlement of Treasury Shares	-	-	1,371	-	-	1,371	-	1,371	-	1,371
Purchase of Treasury shares	-	-	(75,533)	-	-	(75,533)	-	(75,533)	-	(75,533)
Profit on Perpetual Sukuk SAR 48,148 per Sukuk	-	-	-	71,142	(71,142)	-	-	-	-	-
Payment of Profit on Perpetual Sukuk	-	-	-	(72,087)	-	(72,087)	-	(72,087)	-	(72,087)
Transactions with Non Controlling Interests	-	-	-	-	-	-	-	-	(11,052)	(11,052)
Balance at 31 December 2017	10,000,000	1,848,418	(453,156)	(609,135)	1,998,246	12,784,373	1,700,000	14,484,373	396,867	14,881,240
Balance at 1 January 2018	10,000,000	1,848,418	(453,156)	(609,135)	1,998,246	12,784,373	1,700,000	14,484,373	396,867	14,881,240
Profit / (Loss) for the year	-	-	-	-	2,008,869	2,008,869	-	2,008,869	(1,647)	2,007,222
Other Comprehensive Income / (Loss) for the year	-	-	-	99,795	(18,686)	81,109	-	81,109	(1,850)	79,259
Total Comprehensive Income / (Loss)	-	-	-	99,795	1,990,183	2,089,978	-	2,089,978	(3,497)	2,086,481
Transfer during the year	-	200,886	-	-	(200,886)	-	-	-	-	-
Directors' Remuneration	-	-	-	-	(5,640)	(5,640)	-	(5,640)	-	(5,640)
Transactions with Owners in their Capacity as Owners										
Dividend Declared SAR 0.75 per Share	-	-	-	-	(750,000)	(750,000)	-	(750,000)	-	(750,000)
Share Based Payment Transactions	-	-	-	29,211	-	29,211	-	29,211	-	29,211
Settlement of Treasury Shares	-	-	82,296	(22,431)	15,247	75,112	-	75,112	-	75,112
Purchase of Treasury shares	-	-	(222,707)	-	-	(222,707)	-	(222,707)	-	(222,707)
Repayment of Perpetual Sukuk	-	-	-	-	-	-	(1,700,000)	(1,700,000)	-	(1,700,000)
Profit on Perpetual Sukuk SAR 32,701 per Sukuk	-	-	-	55,591	(55,591)	-	-	-	-	-
Payment of Profit on Perpetual Sukuk	-	-	-	(73,531)	-	(73,531)	-	(73,531)	-	(73,531)
Transactions with Non Controlling Interests	-	-	-	-	-	-	-	-	195,824	195,824
Balance at 31 December 2018	10,000,000	2,049,304	(593,567)	(520,500)	2,991,559	13,926,796	-	13,926,796	589,194	14,515,990

The accompanying notes 1 to 40 form an integral part of these Consolidated Financial Statements. These Consolidated Financial Statements were authorised for issue by the Board of Directors, on behalf of the Shareholders, on 14 Jumada-Al-Awwal 1440 A.H (20 January 2019) and signed on its behalf by:


Paul Gay
Chief Financial Officer


Georges P. Schorderet
Chief Executive Officer


HH Prince Sultan Bin
Mohammed Bin Saud Al Kabeer
Chairman

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	For the year ended 31 December	
		2018	2017
		SAR '000	SAR '000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit for the year		2,007,222	2,159,963
Adjustments for:			
Depreciation of Property, Plant and Equipment	7	1,684,106	1,573,671
Amortisation of Intangible Assets	8	47,451	50,017
Depreciation of Biological Assets	9	313,838	295,927
Loss / (Gain) Arising from Changes in Fair Value less Cost to Sell of Crops	9	1,214	(977)
Provision for Employee Retirement Benefits		108,660	128,262
Share Based Payment Expense		29,211	39,394
Exchange Gain, net		(29,524)	(7,094)
Finance Cost, net	29	407,747	401,254
Other Expenses, net	28	301,524	212,181
Share of Results of Associates and Joint Venture	10	5,413	(13,018)
Zakat and Foreign Income Tax	23	70,498	42,245
		<u>4,947,360</u>	<u>4,881,825</u>
Changes in:			
Inventories		858,754	1,083,062
Biological Assets		(1,614,754)	(1,197,326)
Trade Receivables, Prepayments and Other Receivables		(239,893)	(106,170)
Trade and Other Payables		(314,422)	35,566
Cash Used in Operating Activities		<u>(1,310,315)</u>	<u>(184,868)</u>
Employee Retirement Benefits Paid	21	(56,355)	(70,888)
Zakat and Foreign Income Tax Paid	23	(22,964)	(11,922)
Net Cash Generated from Operating Activities		<u>3,557,726</u>	<u>4,614,147</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Investment in Associates	10	-	(25,000)
Acquisition of Subsidiary, net of Cash Acquired	11	(3,872)	-
Proceeds from Sale of Investment in Associate	10	105,000	-
Dividend from Equity Investment	28	225	1,110
Additions to Property, Plant and Equipment		(1,918,833)	(2,797,282)
Proceeds from the Disposal of Property, Plant and Equipment		35,740	30,790
Additions to Intangible Assets	8	(39,797)	(52,927)
Additions to Biological Assets	9	(97,818)	(81,536)
Appreciation of Biological Assets		(639,089)	(582,895)
Proceeds from the Disposal of Biological Assets		200,239	197,274
Repayment of Loan - Associate	10	17,861	-
Net Cash Used in Investing Activities		<u>(2,340,344)</u>	<u>(3,310,466)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in Loans, net		1,114,449	1,105,031
Finance Cost Paid		(420,625)	(467,977)
Dividend Paid		(747,846)	(717,905)
Purchase of Treasury Shares	16	(222,707)	(75,533)
Settlement of Treasury Shares		75,112	1,371
Transactions with Non Controlling Interests		130,253	(11,052)
Payment of Profit on Perpetual Sukuk		(73,531)	(72,087)
Repayment of Perpetual Sukuk	18	(1,700,000)	-
Directors' Remuneration		(5,640)	(2,840)
Net Cash Used in Financing Activities		<u>(1,850,535)</u>	<u>(240,992)</u>
Net Change in Cash and Cash Equivalents		<u>(633,153)</u>	<u>1,062,689</u>
Cash and Cash Equivalents at 1 January		1,636,112	564,080
Effect of Movements in Exchange Rates on Cash and Cash Equivalents		622	9,343
Cash and Cash Equivalents at 31 December	32	<u>1,003,581</u>	<u>1,636,112</u>

The accompanying notes 1 to 40 form an integral part of these Consolidated Financial Statements. These Consolidated Financial Statements were authorised for issue by the Board of Directors, on behalf of the Shareholders, on 14 Jumada-Al-Awwal 1440 A.H (20 January 2019) and signed on its behalf by:


Paul Gay
Chief Financial Officer


Georges P. Schorderet
Chief Executive Officer


HH Prince Sultan Bin
Mohammed Bin Saud Al Kabeer
Chairman

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS DESCRIPTION

Almarai Company (the "Company") is a Saudi Joint Stock Company, which was converted from a limited liability company to a joint stock company on 2 Rajab 1426 A.H. (8 August 2005). The Company initially commenced trading on 19 Dul 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 was trading between 1977 and 1991 under the Almarai brand name.

The Company's Head Office is located at Exit 7, North Ring Road, Al Izdihar District, P.O. Box 8524, Riyadh 11492, Kingdom of Saudi Arabia ("Saudi Arabia").

The Company and its subsidiaries (together, the "Group") are a major integrated consumer food and beverage Group in the Middle East with leading market shares in Saudi Arabia. It also operates in other Gulf Cooperation Council ("GCC") countries, Egypt and Jordan.

Dairy, Fruit Juices and related Food Business is operated under the "Almarai", "Joosy Life", "Beyti" and "Teeba" brand names. All raw milk production, Dairy and Fruit Juice product processing and related food product manufacturing activities are undertaken in Saudi Arabia, United Arab Emirates ("UAE"), Egypt and Jordan.

Dairy, Fruit Juices and related Food Business in Egypt and Jordan operates through International Dairy and Juice Limited ("IDJ"), a joint venture with PepsiCo, in which the Company holds a controlling interest. The Group manages IDJ operations through the following key subsidiaries:

Jordan	- Teeba Investment for Developed Food Processing
Egypt	- International Company for Agricultural Industries Projects (Beyti) (SAE)

Bakery products are manufactured and traded by Western Bakeries Company Limited and Modern Food Industries Company Limited, a joint venture with Chipita, in which the Company holds a controlling interest, under the brand names "L'usine" and "7 Days", respectively.

Poultry products are manufactured and traded by Hail Agricultural Development Company under the "Alyoum" and "AlBashayer" brand names.

Infant Nutrition products are manufactured by Almarai Baby Food Company Limited and traded by International Pediatric Nutrition Company under "Nuralac" and "Evolac" brand names.

In territories where the Group has operations, final consumer packed products are distributed from manufacturing facilities to local distribution centres by the Group's long haul distribution fleet. The distribution centres in Gulf Cooperation Council (GCC) countries are managed through subsidiaries (UAE, Oman and Bahrain) and Agency Agreement (Kuwait) as follows:

UAE	- Almarai Emirates Company L.L.C
Oman	- Arabian Planets for Trading and Marketing L.L.C.
Bahrain	- Almarai Company Bahrain S.P.C
Kuwait	- Al Kharafi Brothers Dairy Products Company Limited

In other territories, where permissible by law, Dairy and Juice products are exported through IDJ and other products are exported through other subsidiaries.

With effect from 31 December 2018, the Group terminated its agency agreement with Khalid Foodstuff and Trading Company in Qatar.

The Group owns and operates arable farms in Argentina and in United States of America, collectively referred to as "Fondomonte", through the following key subsidiaries:

USA	- Fondomonte Holdings North America L.L.C
Argentina	- Fondomonte South America S.A

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS DESCRIPTION (Continued...)

The Group's non-GCC business operations under IDJ and Fondomonte are managed through Almarai Investment Holding Company W.L.L., a Company incorporated in the Kingdom of Bahrain.

On 17 Rajab 1439 A.H. (2 April 2018) the Group, through its subsidiary Hail Agricultural Development Company ("HADCO"), increased its shareholding in Pure Breed Poultry Company ("Pure Breed") from 41.9% to 55.9%. Pure Breed's main operations are focused on poultry grand-parent farming and its acquisition will add to the Group's on-going efforts to further streamline, integrate and strengthen its poultry supply chain.

After obtaining control on 17 Rajab 1439 A.H. (2 April 2018), HADCO further acquired 6.5% equity interest in Pure Breed on 20 Sha'aban 1439 (6 May 2018), thus resulting in increase in existing controlling interest from 55.9% to 62.4% (Refer note 11).

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS DESCRIPTION (Continued..)

Details of subsidiary companies are as follows:

Name of Subsidiary	Country of Incorporation	Business Activity	Ownership Interest				Share Capital	Number of Shares Issued
			2018		2017			
			Direct (a)	Effective	Direct (a)	Effective		
Almarai Investment Company Limited	Saudi Arabia	Holding Company	100%	100%	100%	100%	SAR 1,000,000	1,000
Almarai Baby Food Company Limited	Saudi Arabia	Manufacturing Company	100%	100%	100%	100%	SAR 200,000,000	20,000,000
Almarai Agricultural And Livestock Production Company	Saudi Arabia	Dormant	100%	100%	100%	100%	SAR 1,000,000	1,000
Almarai Construction Company	Saudi Arabia	Dormant	100%	100%	100%	100%	SAR 1,000,000	1,000
Almarai for Maintenance and Operation Company	Saudi Arabia	Dormant	100%	100%	100%	100%	SAR 1,000,000	1,000
Agricultural Input Company Limited (Mudkhalat)	Saudi Arabia	Dormant	52%	52%	52%	52%	SAR 25,000,000	250
Hail Agricultural Development Company	Saudi Arabia	Poultry / Agricultural Company	100%	100%	100%	100%	SAR 300,000,000	30,000,000
Hail Agricultural And Livestock Production Company	Saudi Arabia	Dormant	100%	100%	100%	100%	SAR 1,000,000	1,000
International Baking Services Company Limited	Saudi Arabia	Dormant	100%	100%	100%	100%	SAR 500,000	500
International Pediatric Nutrition Company	Saudi Arabia	Dormant	100%	100%	100%	100%	SAR 41,000,000	410,000
Modern Food Industries Company Limited (MFI)	Saudi Arabia	Bakery Company	60%	60%	60%	60%	SAR 70,000,000	70,000
Nourlac Company	Saudi Arabia	Dormant	100%	100%	100%	100%	SAR 3,000,000	3,000
Western Bakeries Company Limited	Saudi Arabia	Bakery Company	100%	100%	100%	100%	SAR 200,000,000	200,000

(a) Direct ownership means directly owned by the Company or any of its subsidiaries.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. **THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS DESCRIPTION (Continued...)**

Name of Subsidiary	Country of Incorporation	Business Activity	Ownership Interest				Share Capital	Number of Shares Issued
			2018		2017			
			Direct (a)	Effective	Direct (a)	Effective		
Pure Breed Poultry Company (Refer note 11)	Saudi Arabia	Poultry Company	62%	62%	42%	42%	SAR 46,500,000	465,000
Agro Terra S.A.	Argentina	Dormant	100%	100%	100%	100%	ARS 5,097,984	5,097,984
Fondomonte South America S.A.	Argentina	Agricultural Company	100%	100%	100%	100%	ARS 2,211,988,598	2,211,988,598
Almarai Company Bahrain S.P.C.	Bahrain	Trading Company	100%	100%	100%	100%	BHD 100,000	2,000
Almarai Investment Holding Company W.L.L.	Bahrain	Holding Company	99%	99%	99%	99%	BHD 250,000	2,500
IDJ Bahrain Holding Company W.L.L.	Bahrain	Holding Company	100%	52%	100%	52%	BHD 250,000	2,500
International Dairy and Juice Limited (IDJ Bermuda)	Bermuda	Holding Company	52%	52%	52%	52%	USD 7,583,334	7,583,334
International Dairy and Juice (Egypt) Limited	Egypt	Holding Company	100%	52%	100%	52%	EGP 2,893,750,000	289,375,000
International Company for Agricultural Industries Projects (Beyti) (SAE)	Egypt	Manufacturing and Trading Company	100%	52%	100%	52%	EGP 3,238,500,000	323,850,000
Markley Holdings Limited	Jersey	Dormant	100%	100%	100%	100%	GBP 5,769,822	5,769,822
Al Muthedoon for Dairy Production	Jordan	Dormant	100%	52%	100%	52%	JOD 500,000	500,000
Al Atheer Agricultural Company	Jordan	Livestock / Agricultural Company	100%	52%	100%	52%	JOD 750,000	750,000
Al Namouthjya for Plastic Production	Jordan	Dormant	100%	52%	100%	52%	JOD 250,000	250,000

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ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS DESCRIPTION (Continued..)

Name of Subsidiary	Country of Incorporation	Business Activity	Ownership Interest				Share Capital	Number of Shares Issued
			2018		2017			
			Direct (a)	Effective	Direct (a)	Effective		
Al Rawabi for juice and UHT milk Manufacturing	Jordan	Manufacturing Company	100%	52%	100%	52%	JOD 500,000	500,000
Teeba Investment for Developed Food Processing	Jordan	Manufacturing Company	100%	52%	100%	52%	JOD 49,675,352	49,675,352
Arabian Planets for Trading and Marketing L.L.C.	Oman	Trading Company	90%	90%	90%	90%	OMR 150,000	150,000
Alyoum for Food Products Company L.L.C.	Oman	Dormant	100%	100%	100%	100%	OMR 20,000	20,000
Fondomonte Inversiones S.L.	Spain	Holding Company	100%	100%	100%	100%	EUR 138,429,563	138,429,563
Hail Development Company Limited	Sudan	Dormant	100%	100%	100%	100%	SDG 100,000	100
Almarai Emirates Company L.L.C.	United Arab Emirates	Trading Company	100%	100%	100%	100%	AED 300,000	300
International Dairy and Juice (Dubai) Limited	United Arab Emirates	Holding Company	100%	52%	100%	52%	USD 22,042,183	22,042,183
BDC international L.L.C.	United Arab Emirates	Operations Management	100%	100%	100%	100%	AED 200,000 (Unpaid)	200
International Dairy and Juice Farm Egypt (S.A.E.)	Egypt	Holding Company	100%	52%	100%	52%	EGP 1,000,000	100,000
Fondomonte Holding North America L.L.C.	United States of America	Holding Company	100%	100%	100%	100%	USD 500,000	50,000
Fondomonte Arizona L.L.C.	United States of America	Agricultural Company	100%	100%	100%	100%	USD 500,000	50,000
Fondomonte California L.L.C.	United States of America	Agricultural Company	100%	100%	100%	100%	-	-
Hayday Farm Operation L.L.C.	United States of America	Agricultural Company	100%	100%	Nil	Nil	-	-

(a) Direct ownership means directly owned by the Company or any of its subsidiaries.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") (here and after refer to as "IFRS as endorsed in KSA").

As required by the Capital Market Authority ("CMA") through its circular dated 16th October 2016 the Group needs to apply the cost model to measure the property, plant and equipment, investment property and intangible assets upon adopting the IFRS for three years period starting from the IFRS adoption date.

2.2 Preparation of The Financial Statements

These Consolidated Financial Statements have been prepared on the historical cost basis except for the following material items in the Consolidated Statement of Financial Position:

- Derivative financial instruments are measured at fair value.
- Equity Investment at Fair Value through Other Comprehensive Income ("FVOCI") is measured at fair value.
- The defined benefit obligation is recognised at the present value of future obligations using the Projected Unit Credit Method.
- Biological Assets, where fair value is reliably measurable, have been valued at fair value. (Refer note 6.1)

3. BASIS OF CONSOLIDATION

These Consolidated Financial Statements comprising the Consolidated Statement of Financial Position, Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to the Consolidated Financial Statements of the Group include assets, liabilities and the results of the operations of the Company and its subsidiaries, as set out in note (1). The Company and its subsidiaries are collectively referred to as the "Group". Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. The Group accounts for the business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identified net assets acquired and fair value of pre-existing equity interest in the subsidiary. The excess of the cost of acquisition and amount of Non - Controlling Interest ("NCI") over the fair value of the identifiable net assets acquired is recorded as goodwill in Consolidated Statement of Financial Position. NCI is measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. If the business combination is achieved in stages, the acquisition date carrying value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Company and its subsidiaries have the same reporting periods.

4. FUNCTIONAL AND PRESENTATION CURRENCY

These Consolidated Financial Statements are presented in Saudi Riyal ("SAR"), which is the Company's functional and the Group's presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 *New Standards, Amendment to Standards and Interpretations:*

The Group has adopted, as appropriate, the following new and amended IASB Standards, effective 1 January 2018.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

5. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

5.1.1. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Group recognizes revenue when a customer obtains controls of the goods at a point in time i.e. on delivery and acknowledgement of goods, which is in line with the requirements of IFRS 15. Accordingly, there is no material effect of adopting 'IFRS 15 Revenue from Contracts with Customers' on the recognition of Revenue of the Group.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's sale of goods are set out below.

Type of Product	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
Consumer Products of Dairy, Poultry, Bakery, Baby Foods and Other Segments	<p>Customers obtain control of products when the goods are delivered to and have been accepted at their premises. Invoices are generated and revenue is recognised at that point in time. Credit invoices are usually payable within 30 - 60 days. Invoice is generated and recognised as revenue net off applicable discounts which relate to the items sold. No customer loyalty points are offered to customers and therefore there is no deferred revenue to be recognised for the items sold.</p> <p>For contracts that permit the customer to return an item, under IFRS 15 revenue is recognised to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data. Returned goods are not useable and scrapped by the Group and related liability is recorded in 'Other Payables' for Cash sales and adjusted against 'Trade Receivables' in respect of credit sales.</p>	<p>Under IAS 18, revenue from contracts with customers was also recognised when the goods were delivered to and were accepted by the customers at their premises and a reasonable estimate of sales return could be made. However, estimated sales return was recognised under Cost of Sales, instead of netting off against Revenue, with a corresponding liability in 'Other Payables' for cash sales and a provision for sales return against 'Trade receivables' for credit sales. The impact of this change is that revenue is decreased with the amount of expected sales return.</p>

The Group has adopted IFRS 15 using the cumulative effect method, with the effect of applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for the previous year has not been restated, as previously reported, under IAS 18 and related interpretations.

The following table summarises the impact of adopting IFRS 15 on the Group's Consolidated Statement of Profit or Loss for the year ended 31 December 2018, for the relevant Financial Statement line items affected.

Impact on the Consolidated Statement of Profit or Loss.

	As Reported	Adjustment	Amounts without adoption of IFRS 15
	SAR '000	SAR '000	SAR '000
Revenue	13,722,797	(18,260)	13,704,537
Cost of Sales	(8,277,435)	18,260	(8,259,175)
Gross Profit	5,445,362	-	5,445,362

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

5. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

5.1.2. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

a) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments (for derivatives that are used as hedging instruments, see (c) below). The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost; FVOCI – debt investment; FVOCI – equity investment; or Fair Value through Profit or Loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model under which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an instrument-by-instrument basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. See (c) below for derivatives designated as hedging instruments.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (b) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

5. SIGNIFICANT ACCOUNTING POLICIES (Continued..)

Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income is calculated using the effective interest method. Foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the class of the Group's financial assets as at 1 January 2018.

	Note	Original Classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
				SAR '000	SAR '000
Financial Assets					
Equity Investment	i	Available for Sale	FVOCI – equity instrument	90,711	90,711
Trade Receivables	ii	Loans and Receivables	Amortised Cost	1,042,023	1,042,023
Cash and bank balances		Loans and Receivables	Amortised Cost	1,891,697	1,891,697
Total				3,024,431	3,024,431

- i. These equity securities represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. Unlike IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.
- ii. Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of SAR 12.6 million in the allowance for impairment over these receivables was not recognised in the opening retained earnings at 1 January 2018 on transition to IFRS 9 as the amount was not considered material.

b) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and debt instruments measured at FVOCI but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

5. SIGNIFICANT ACCOUNTING POLICIES (Continued..)

Impairment losses related to trade receivables are presented separately in the Consolidated Statement of Profit or Loss. As a result, the Group reclassified impairment losses amounting to SAR 48.8 million, recognised under IAS 39, from 'Selling and Distribution Expense' to impairment loss on financial assets in the Consolidated Statement of Profit or Loss for the year ended 31 December 2017.

c) Hedge Accounting

IFRS 9 requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

All hedging relationships designated under IAS 39 at 31 December 2017 met the criteria for hedge accounting under IFRS 9 at 1 January 2018 and are therefore regarded as continuing hedging relationships.

Under IAS 39, for all cash flow hedges, the amounts accumulated in the cash flow hedge reserve were reclassified to profit or loss as a reclassification adjustment in the same period as the hedged expected cash flows affected profit or loss. However, under IFRS 9, for cash flow hedges of foreign currency risk associated with forecast inventory purchases, the amounts accumulated in the cash flow hedge reserve are instead included directly in the initial cost of the inventory item when it is recognised. The Group is already following the treatment recommended under IFRS 9 for cash flow hedges.

d) Transition

The Group has taken an exemption not to restate corresponding information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are not recognised in retained earnings as at 1 January 2018 as amount was not material. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

5.2. *Standards issued but not yet effective*

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted them in preparing these Consolidated Financial Statements.

5.2.1. IFRS 16 Leases

IFRS 16 replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group will recognise new assets and liabilities for its operating leases of various types of contracts including warehouse and depot facilities, accommodation / office rental premises, etc. The nature of expenses related to those leases will now change because the Group will recognize a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Group recognised operating lease expense on a straight-line

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

5. SIGNIFICANT ACCOUNTING POLICIES (Continued..)

basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

The Group is required to adopt IFRS 16 Leases from 1 January 2019. The Group has performed initial assessment during the year and assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change at the time of final assessment.

The Group plans to apply IFRS 16 initially on 1 January 2018, using the full retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2018, with a restatement of comparative information.

Adoption of full retrospective transition approach is expected to result in an increase in assets amounting to SAR 452 million, a corresponding increase in liabilities amounting to SAR 471 million as at 1 January 2018 with a total decrease in equity amounting to SAR 57 million. Adoption will also result in a reduction of operating expenses for the year ended 31 December 2018 of SAR 28 million and an increase in finance costs amounting to SAR 15 million.

No significant impact is expected for the Group's finance leases.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the Consolidated Financial Statements.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2018 and identified as leases in accordance with IAS 17 and IFRIC 4.

5.3. Annual Improvements to IFRSs 2015–2017 Cycle

- IFRS 3, 'Business combinations', - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11, 'Joint arrangements', - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 23, 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale. The amendments are effective from 1 January 2019, with early application permitted, subject to EU endorsement.

5.4. Cash and Cash Equivalents

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents includes bank balances and deposits with original maturities of three months or less, if any. It also includes bank overdrafts which form an integral part of the Group's cash management and are likely to fluctuate from overdrawn to positive balances.

5.5. Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost comprises all direct manufacturing expenditure based on the normal level of activity and transportation and handling costs. Cost includes the reclassifications from equity of any gains or losses on qualifying cash flow hedges relating to purchases of inventories. Net realisable value comprises estimated selling price less further production costs to completion and appropriate selling and distribution costs. Allowance is made, where necessary for slow moving inventories. Cost of inventories is recognised as an expense and included in cost of sales.

Agriculture produce harvested from biological assets are measured at fair value less cost to sell at the point of harvest.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

5. SIGNIFICANT ACCOUNTING POLICIES (Continued..)

5.6. Investments in Associates and Joint Venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these Consolidated Financial Statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that an associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of associate's or joint venture's identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in Consolidated Statement of Profit or Loss in the period in which the investment is acquired.

When a Group entity transacts with an associate or a joint venture of the Group, profits or losses resulting from the transactions with the associate or joint venture are recognised in the Group's Consolidated Financial Statements only to the extent of interests in the associate or joint venture that are not related to the Group.

5.7. Property, Plant and Equipment

Property, Plant and Equipment, including bearer plants, are measured at cost, less accumulated depreciation and accumulated impairment loss, if any. Cost comprises of expenditure that is directly attributable to the acquisition of the asset. Cost includes the reclassifications from equity of any gains or losses on qualifying cash flow hedges relating to purchases of Property, Plant and Equipment. Cost includes expenditures that are directly attributable to the acquisition / growing of the plant till its maturity. Any gain or loss on disposal of an item of Property, Plant and Equipment is recognised in Consolidated Statement of Profit or Loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and amount can be measured reliably.

The cost less estimated residual value is depreciated on straight-line basis over the following estimated useful lives of the assets:

Buildings	5 – 35 years
Plant, Machinery and Equipment	1 – 20 years
Motor Vehicles	6 – 10 years
Bearer Plants	2 – 70 years

Land, Capital Work in Progress and Immature plants are not depreciated.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

5. SIGNIFICANT ACCOUNTING POLICIES (Continued..)

Capital work in progress at year end includes certain assets that have been acquired but are not ready for their intended use. These assets are transferred to relevant assets categories and are depreciated once they are available for their intended use.

The assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary.

If significant parts of an item of property, plant and equipment have different useful lives then they are accounted for as separate items of property, plant and equipment.

5.8. Biological Assets

Biological assets are measured at fair value less cost to sell except when fair value cannot be measured reliably.

Where fair value cannot be measured reliably biological assets are stated at cost of purchase or cost of rearing or growing to the point of commercial production (termed as biological assets appreciation), less accumulated depreciation and accumulated impairment loss, if any. The costs of immature biological assets are determined by the cost of rearing or growing to their respective age. Immature biological assets are not depreciated. Biological assets are depreciated on a straight line basis to their estimated residual values over periods as summarised below:

Dairy Herd	4 Lactation cycles
Poultry Flock – After Maturity	36 weeks

5.9. Intangible Assets and Goodwill

Intangible Assets

Intangible assets other than goodwill are measured at cost, less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised on a straight-line basis over the estimated useful lives of 4 years.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and amount can be measured reliably.

Intangible assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit (Also see note 5.14 (b)). Any impairment loss for goodwill is recognised directly in Consolidated Statement of Profit or Loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

5.10. Provisions

A provision is recognised if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

5. SIGNIFICANT ACCOUNTING POLICIES (Continued..)

5.11. Zakat and Foreign Income Tax

Zakat is provided for in accordance with General Authority of Zakat and Tax ("GAZT") regulations. Income tax for foreign entities is provided for in accordance with the relevant income tax regulations of the countries of incorporation. Adjustments arising from final Zakat and Foreign income tax assessments are recorded in the period in which such assessments are made.

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

5.12. Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in Consolidated Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and unused tax losses can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference and unused tax losses arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

5.13. Financial Instruments

5.13.1. Non-Derivative Financial Instruments

a) Non-Derivative Financial Assets

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

5. SIGNIFICANT ACCOUNTING POLICIES (Continued..)

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group initially recognises financial assets on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets;

Financial Assets at Amortised Cost

Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) are measured at amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost and not part of a hedging relationship is recognised in the consolidated statement of income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Financial Assets at FVOCI

Financial assets held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in the consolidated statement of income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI, is reclassified from equity to the consolidated statement of income and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/expense.

b) Non-Derivative Financial Liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. Financial assets and liabilities are offset and the net amount is presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

5. SIGNIFICANT ACCOUNTING POLICIES (Continued..)

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Non-derivative financial liabilities of the Group comprises of bank borrowings and trade and other payables.

5.13.2. Derivative Financial Instruments and Hedge Accounting

Derivatives are measured at fair value, any related transaction costs are recognised in Consolidated Statement of Profit or Loss as incurred. Subsequent to initial recognition, any change in fair value is generally recognised in Consolidated Statement of Profit or Loss.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in Consolidated Statement of Other Comprehensive Income and accumulated in the hedging reserve shown within other reserves under equity.

The amount accumulated in equity is reclassified to Consolidated Statement of Profit or Loss in the period during which the hedged forecast cash flows affect profit or loss or the hedged item affects profit or loss.

If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to Consolidated Statement of Profit or Loss.

Hedge effectiveness is determined at the inception of the hedge relationship and periodically to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group performs a qualitative and quantitative assessment of effectiveness at each reporting date. The ineffective portion, if material, is recognized in Statement of Profit or Loss, within other gains/(losses).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships, including the movements in the hedging reserve in shareholders' equity are disclosed in note 35. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

5.14. Impairment

(a) Non-Derivative Financial Assets

The Group assesses on a forward looking basis the Expected Credit Losses ("ECL") associated with its debt instruments as part of its financial assets, carried at amortised cost and FVOCI.

For accounts receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate.

Other financial assets such as employees' receivables, bank balances have low credit risk and the impact of applying ECL is immaterial.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

5. SIGNIFICANT ACCOUNTING POLICIES (Continued..)

(b) Impairment of Non-Financial Assets

Non-financial assets (other than biological assets measured at fair value, inventories and deferred tax assets) are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss or reversal of impairment loss (if any).

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in Consolidated Statement of Profit or Loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in Consolidated Statement of Profit or Loss.

5.15. Employee Retirement Benefits

Employee Retirement benefits are payable to all employees employed under the terms and conditions of the Labor Laws applicable on the Company and its subsidiaries, on termination of their employment contracts.

The Group's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in current and prior periods and discounting that amount to arrive at present value.

Group sets the assumptions used in determining the key elements of the costs of meeting such future obligations. These assumptions are set after consultation with the Group's actuaries and include those used to determine regular service costs and the financing elements related to the liabilities. The calculation of defined benefit obligation is performed by a qualified actuary using the projected unit credit method.

Re-measurement of defined benefit liability, which comprise of actuarial gains and losses are recognised immediately in Consolidated Statement of Other Comprehensive Income. The Group determines interest expense on the defined benefit obligation for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any change in the net defined benefit obligation during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit are recognised in Consolidated Statement of Profit or Loss.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

5. SIGNIFICANT ACCOUNTING POLICIES (Continued..)

5.16. Statutory Reserve

In accordance with Company's by-laws and the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to recognise a reserve comprising of 10% of its Net Income for the year. This reserve is currently not distributable to the Shareholders.

5.17. Sukuk

The Group classifies Sukuk issued as a financial liability or equity, in accordance with the substance of the contractual terms of the Sukuk. Sukuk having fixed maturity dates and fixed dates for payment of profit distribution is classified as a liability. Sukuk having no fixed maturity date (Perpetual Sukuk) and no fixed date for payment of profit distribution is classified as equity. Distributions thereon are recognised in equity.

5.18. Treasury Shares

Own equity instruments that are reacquired (treasury shares), for discharging obligations under the Employee Stock Option Programme ("ESOP"), are recognised at cost and presented as a deduction from equity and are adjusted for any transaction costs, dividends and gains or losses on sale of such shares. No gain or loss is recognised in the Consolidated Statement of Profit or Loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in retained earnings.

5.19. Share Based Payment Transactions

Employees of the Group receive remuneration in the form of equity settled share based payments under the ESOP, whereby employees render services as consideration for the option to purchase fixed number of Company's shares ("Option") at a predetermined price.

The cost of ESOP is recognised as an expense in the Consolidated Statement of Profit or Loss, together with a corresponding increase in other reserves, in equity, over the period during which the service conditions are fulfilled.

The Group has set up an economic hedge by purchasing Treasury Shares at inception of the ESOP. Accordingly, the Other Reserves (representing the cumulative expense arising from ESOP) is transferred into Retained Earnings upon expiry of the ESOP, whether or not the Options vest to the employees.

The cumulative expense recognised for ESOP at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of Options that will ultimately vest.

When the terms of the ESOP 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 the ESOP is terminated, it is treated as if the Options 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 ESOP is substituted for the terminated ESOP, and designated as a replacement award on the date that it is granted, the terminated and new ESOPs are treated as if they were a modification of the original ESOP, as described in the previous paragraph.

5.20. Conversion of Foreign Currency Transactions

Foreign currency transactions are converted and recorded 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 reporting date, monetary 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 differences are charged or credited to the Consolidated Statement of Profit or Loss as appropriate.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

5. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

As at the reporting date, the assets and liabilities of these subsidiaries are translated into Saudi Riyal (SAR), at the rate of exchange ruling at the Consolidated Statement of Financial Position date and their Consolidated Statement of Profit or Loss are translated at the weighted average exchange rates for the year. 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 through Other Comprehensive Income as a separate component of equity.

5.21. Revenue Recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of returns, trade discounts and volume rebates. The Group recognizes revenue when a customer obtains controls of the goods at a point in time i.e. on delivery and acknowledgement of goods.

Products are sold principally on a sale or return basis. Allowances for expected sales returns are calculated based on the forecasted return of expired products. Expected sales returns are netted off against revenue with the corresponding impact in 'trade and other payables' for cash sales and 'trade receivables' for credit sales.

The goods are often sold with retrospective volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made during the year.

No element of financing component is deemed present as the sales are made either on cash or on credit term consistent with market practice.

5.22. Government Grants

The Group receives government grants on import of feeds for its biological assets. Government grants are initially recognized within other liabilities at fair value when there is reasonable assurance that it will be received and the Group will comply with the conditions associated with the grant.

Government grants are recognized in Consolidated Statement of Profit or Loss on a systematic basis over the periods in which the Group recognizes as expenses the related inventories which the grants are intended to compensate.

5.23. Selling, Distribution, General and Administration Expenses

Selling, Distribution, General and Administration Expenses include direct and indirect costs not specifically part of Cost of Sales. Allocations between Cost of Sales and Selling, Distribution, General and Administration Expenses, when required, are made on a consistent basis. The Group charges the payments, other than those related to volume based rebates, made in respect of long term agreements with customers and distributors to Selling and Distribution Expenses.

5.24. Leases

Assets held under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's Consolidated Statement of Financial Position. Rentals in respect of operating leases are charged to the Consolidated Statement of Profit or Loss over the term of the leases.

5.25. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are removed from the

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

5. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Consolidated Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The borrowings are classified as a current liability when the remaining maturity is less than 12 months.

5.26. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time, that is more than one year, to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. No borrowing costs are capitalised during idle periods.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in Consolidated Statement of Other Comprehensive Income and released to Consolidated Statement of Profit or Loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in Consolidated Statement of Profit or Loss in the period in which they are incurred.

5.27. Segmental Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's relevant Business Heads' which in the Group's case is to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's relevant Business Heads' include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

6. USE OF JUDGEMENTS AND ESTIMATES

The preparation of these Consolidated Financial Statements, in conformity with IFRS as endorsed in the Kingdom of Saudi Arabia, requires the use of judgements, 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 Consolidated Statement of Financial Position 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

6.1 Judgement

Information about the judgement made in applying the Group's accounting policy on biological assets with respect to dairy herd and poultry flock is given below;

Dairy Herd: At cost less accumulated depreciation and impairment losses. IAS 41 "Agriculture" requires measurement at fair value less costs to sell from initial recognition of such biological assets up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. Management has concluded as follows:

Level 1 - there is no active market for dairy cows in the Kingdom of Saudi Arabia and therefore a level 1 valuation is not possible.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

6. USE OF JUDGEMENTS AND ESTIMATES (Continued..)

Level 2 - there is no observable market data available and due to the significant differences in location, environment, associated costs, average yield per dairy animal, majority of distribution within the Kingdom of Saudi Arabia and distance to active markets means that a level 2 valuation is not possible.

Level 3 -

- i) Discounted cash flow ("DCF") techniques (income or market approach) - the lack of a relevant market for unpasteurized milk or any other intermediate product requires that any DCF valuation technique would use overall revenue as a basis for any valuation and then eliminate costs and associated profit margin relating to pasteurization, manufacturing, packaging and sales and distribution so as to determine the net indirect cash inflows arising from the production of unpasteurized milk. Management considers that any fair value so derived would be clearly unreliable as the costs of the dairy herd operation are a relatively small part of the Group's overall activities and any imputed cash flows derived from such a valuation approach would be overly dependent on a large number of assumptions, many of which could not be derived from, or compared to, market assumptions or observed data.
- ii) Cost or current replacement cost - management considers that any replacement cost approach would need to incorporate the cost of replacing new-born calves. As discussed above, level 1 and 2 valuations for dairy animals are not possible.

As the dairy herd is currently accounted for at cost less accumulated depreciation and impairment losses, which excludes any costs for the purchase of new born calves (as they are a necessary part of the lactation cycle), management believes that any depreciated replacement cost of existing nature and size (could it be so determined) would not be less than the current carrying value of the dairy herd.

Poultry flock: At cost less accumulated depreciation and impairment losses. IAS 41 "Agriculture" requires measurement at fair value less costs to sell from initial recognition of such biological assets up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. Given the relatively short life of the poultry flock (less than a year), management believes that any differences between depreciated cost and fair value are not material.

6.2 Assumptions and estimation uncertainties

Assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments to the carrying amount of assets and liabilities are included in following notes;

- Refer to note 8: Goodwill - Annual impairment testing of goodwill.
- Refer to note 13: Trade Receivables - Allowance for impairment of trade receivables.
- Refer to note 21: Measurement of employee retirement benefits obligations - key actuarial assumptions.
- Refer to note 12: Inventories - Allowance for slow moving inventories.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

7. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Plant, Machinery and Equipment	Motor Vehicles	Capital Work-in- Progress	Mature Plantations	Immature Plantations	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost							
At 1 January 2018	11,991,774	12,831,133	2,600,134	4,262,315	175,930	51,563	31,912,849
On acquisition of subsidiary	87,434	11,673	1,778	-	-	-	100,885
Additions during the year	-	-	-	1,895,277	-	35,959	1,931,236
Transfers during the year	1,110,437	1,464,080	230,953	(2,805,470)	59,266	(59,266)	-
Disposals during the year	(76,547)	(147,797)	(131,018)	-	(11,461)	-	(366,823)
Currency Translation Difference	(914)	(2,712)	(450)	(3,027)	(8)	(1,808)	(8,919)
At 31 December 2018	13,112,184	14,156,377	2,701,397	3,349,095	223,727	26,448	33,569,228
Accumulated Depreciation and Impairment							
At 1 January 2018	1,998,434	6,040,585	1,358,073	-	114,065	-	9,511,157
Depreciation for the year	407,687	929,770	252,821	-	93,828	-	1,684,106
Disposals during the year	(66,677)	(144,096)	(104,474)	-	(11,461)	-	(326,708)
Impairment of Assets (Ref 28.1)	43,772	34,117	19,447	-	-	-	97,336
Currency Translation Difference	(115)	(1,157)	(127)	-	(1,806)	-	(3,205)
At 31 December 2018	2,383,101	6,859,219	1,525,740	-	194,626	-	10,962,686
Net Book Value							
At 31 December 2018	10,729,083	7,297,158	1,175,657	3,349,095	29,101	26,448	22,606,542

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

7. PROPERTY, PLANT AND EQUIPMENT (Continued..)

	Land and Buildings	Plant, Machinery and Equipment	Motor Vehicles	Capital Work-in- Progress	Mature Plantations	Immature Plantations	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost							
At 1 January 2017	10,131,683	11,297,763	2,547,348	5,167,775	101,072	67,690	29,313,331
Additions during the year	-	-	-	2,855,388	1,370	68,658	2,925,416
Transfers during the year	1,884,556	1,738,248	145,378	(3,768,182)	84,780	(84,780)	-
Disposals during the year	(37,175)	(162,938)	(89,688)	-	(10,257)	-	(300,058)
Reclassification	27,645	(25,081)	(2,564)	-	-	-	-
Currency Translation Difference	(14,935)	(16,859)	(340)	7,334	(1,035)	(5)	(25,840)
At 31 December 2017	11,991,774	12,831,133	2,600,134	4,262,315	175,930	51,563	31,912,849
Accumulated Depreciation and Impairment							
At 1 January 2017	1,669,108	5,270,102	1,176,362	-	53,166	-	8,168,738
Depreciation for the year	329,002	917,429	255,704	-	71,536	-	1,573,671
Disposals during the year	(21,859)	(150,356)	(72,353)	-	(10,257)	-	(254,825)
Reclassification	619	(167)	(452)	-	-	-	-
Impairment of Assets (Ref note 28.1)	28,158	9,053	-	-	-	-	37,211
Currency Translation Difference	(6,594)	(5,476)	(1,188)	-	(380)	-	(13,638)
At 31 December 2017	1,998,434	6,040,585	1,358,073	-	114,065	-	9,511,157
Net Book Value							
At 31 December 2017	9,993,340	6,790,548	1,242,061	4,262,315	61,865	51,563	22,401,692

7.1 Capital Work-in-Progress includes SAR 42.4 million of borrowing costs capitalised during the year. (2017: SAR 73.8 million).

7.2. Refer note 20 for information on property, plant and equipment pledged as security by the Group.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	SR '000	SR '000
8. INTANGIBLE ASSETS AND GOODWILL		
Software Licenses (Refer 8.1)	104,036	111,719
Goodwill (Refer 8.2)	934,335	934,888
	1,038,371	1,046,607

8.1 Software Licenses

	Software Licenses	Software Licenses in Progress*	Total
	SAR '000	SAR '000	SAR '000
Cost			
At 1 January 2018	197,791	28,710	226,501
Additions during the year	-	39,797	39,797
Transfers during the year	35,695	(35,695)	-
Disposals during the year	(156)	-	(156)
Currency Translation Difference	(57)	2	(55)
At 31 December 2018	233,273	32,814	266,087
Accumulated Amortisation			
At 1 January 2018	114,782	-	114,782
Amortisation for the year	47,451	-	47,451
Disposals during the year	(156)	-	(156)
Currency Translation Difference	(26)	-	(26)
At 31 December 2018	162,051	-	162,051
Net Book Value			
At 31 December 2018	71,222	32,814	104,036
Cost			
At 1 January 2017	170,020	34,753	204,773
Additions during the year	-	52,927	52,927
Transfers during the year	58,400	(58,400)	-
Disposals during the year	(30,930)	-	(30,930)
Currency Translation Difference	301	(570)	(269)
At 31 December 2017	197,791	28,710	226,501
Accumulated Amortisation			
At 1 January 2017	95,399	-	95,399
Amortisation for the year	50,017	-	50,017
Disposals during the year	(30,930)	-	(30,930)
Currency Translation Difference	296	-	296
At 31 December 2017	114,782	-	114,782
Net Book Value			
At 31 December 2017	83,009	28,710	111,719

*Software licenses in progress include certain software under installation.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

8. INTANGIBLE ASSETS AND GOODWILL (Continued..)

8.2 Goodwill

The goodwill relates to the acquisition of Western Bakeries Company Limited (WB) in 2007, Hail Agricultural Development Company (HADCO) in 2009 and International Dairy and Juice Limited (IDJ) in 2012.

	WB	HADCO	IDJ	Total
	SAR '000	SAR '000	SAR '000	SAR '000
Cost				
At 1 January 2018	548,636	244,832	469,602	1,263,070
Currency Translation Difference	-	-	(553)	(553)
At 31 December 2018	548,636	244,832	469,049	1,262,517
Accumulated Impairment				
At 1 January 2018	-	-	328,182	328,182
At 31 December 2018	-	-	328,182	328,182
Net Carrying Value				
At 31 December 2018	548,636	244,832	140,867	934,335
Cost				
At 1 January 2017	548,636	244,832	465,440	1,258,908
Currency Translation Difference	-	-	4,162	4,162
At 31 December 2017	548,636	244,832	469,602	1,263,070
Accumulated Impairment				
At 1 January 2017	-	-	328,182	328,182
At 31 December 2017	-	-	328,182	328,182
Net Carrying Value				
At 31 December 2017	548,636	244,832	141,420	934,888

Western Bakeries Company Limited forms part of the Bakery Products reporting segment, HADCO represents part of both the Arable and Horticulture reporting segment and the Poultry reporting segment while IDJ falls under the Dairy and Juice reporting segment.

Goodwill is subject to annual impairment testing. Assets are tested for impairment by comparing the carrying amount of each cash-generating unit (CGU) to the recoverable amount which has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a five-year period. The discount rate applied to cash flow projections varies between 7.4% and 21.7% as relevant for each CGU and the residual value at the end of the forecast period has been calculated by applying an earnings multiple to the Net Income for the final year in the forecast period.

The calculation of value in use is most sensitive to the assumptions on sales growth rate and cost of sales used to extrapolate cash flows beyond the budget period of 5 years, as well as the factors used in computing Terminal Value. Terminal value is calculated using earnings multiple / Gordon Growth Model for the final year of the forecast period.

Sensitivity to Changes in Assumptions - Western Bakeries Company Limited

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the CGU including goodwill to materially exceed its recoverable amount. The implications of changes to the key assumptions are discussed below.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

8. INTANGIBLE ASSETS AND GOODWILL (Continued..)

(a) Sales Growth Assumption

The sales growth in the forecast period has been estimated to be a compound annual growth rate of 5.5%. If all other assumptions kept the same, a reduction of this growth rate by 84.2% would give a value in use equal to the current carrying amount.

(b) Cost of Sales

The Cost of Sales in the forecast period has been estimated at an average of 57.5% of sales. If all other assumptions kept the same, an increase in the rate by an average of 36.0% each year would give a value in use equal to the current carrying amount.

(c) Terminal Value Multiple

The implied EBITDA multiple of terminal value to final year EBITDA is 16.9. If all other assumptions kept the same, a reduction of this multiple to 3.7 would give a value in use equal to the current carrying amount.

Sensitivity to Changes in Assumptions - HADCO

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the CGU including goodwill to materially exceed its recoverable amount. The implications of changes to the key assumptions are discussed below.

(a) Sales Growth Assumption

The sales growth in the forecast period has been estimated to be a compound annual growth rate of 6.1%. If all other assumptions kept the same, a reduction of this growth rate by 42.3% would give a value in use equal to the current carrying amount.

(b) Cost of Sales

The cost of sales in the forecast period has been estimated at an average of 68.5% of sales. If all other assumptions kept the same, an increase in the rate by an average of 17.3% each year would give a value in use equal to the current carrying amount.

(c) Terminal Value Multiple

The implied EBITDA multiple of terminal value to final year EBITDA is 14.8. If all other assumptions kept the same, a reduction of this multiple to 6.8 would give a value in use equal to the current carrying amount.

Sensitivity to Changes in Assumptions - IDJ

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the CGU including goodwill to materially exceed its recoverable amount. The implications of changes to the key assumptions are discussed below.

(a) Sales Growth Assumption

The sales growth in the forecast period has been estimated to be a compound annual growth rate of 15.7%. If all other assumptions kept the same, a reduction of this growth rate by 25.9% would give a value in use equal to the current carrying amount.

(b) Cost of Sales

The cost of sales in the forecast period has been estimated at an average of 68.0% of sales. If all other assumptions kept the same, an increase in the rate by an average of 9.1% each year would give a value in use equal to the current carrying amount.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

8. INTANGIBLE ASSETS AND GOODWILL (Continued..)

(c) Terminal Value Multiple

The implied EBITDA multiple of terminal value to final year EBITDA is 11.9. If all other assumptions kept the same, a reduction of this multiple to 2.0 would give a value in use equal to the current carrying amount.

9. BIOLOGICAL ASSETS

The Group's biological assets consist of dairy herd, poultry birds and plantations.

Biological assets owned by the Group are measured as follows:

- Dairy Herd and Poultry Flock: At cost less accumulated depreciation and impairment losses, if any (refer note 6.1).
- Crops: At fair value based on adjusted market prices of standing crops according to the growth stage of the crops.

	Dairy Herd	Parent Poultry Birds	Other Poultry	Crops	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost					
At 1 January 2018	1,755,268	83,534	49,732	-	1,888,534
Additions during the year*	639,142	97,765	1,150,403	-	1,887,310
Additions on acquisition of subsidiary	-	25,276	-	-	25,276
Transfers to inventories	-	-	(1,134,862)	-	(1,134,862)
Disposals during the year	(572,602)	(75,247)	-	-	(647,849)
Currency Translation Difference	(12)	-	-	-	(12)
At 31 December 2018	1,821,796	131,328	65,273	-	2,018,397
Accumulated Depreciation					
At 1 January 2018	526,641	28,819	-	-	555,460
Depreciation for the year	213,068	100,770	-	-	313,838
Disposals during the year	(207,776)	(74,959)	-	-	(282,735)
Currency Translation Difference	(5)	-	-	-	(5)
At 31 December 2018	531,928	54,630	-	-	586,558
Net Book Value					
At 31 December 2018	1,289,868	76,698	65,273	-	1,431,839

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

9. BIOLOGICAL ASSETS (Continued...)

	Dairy Herd	Parent Poultry Birds	Other Poultry	Crops	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Measured at Fair Value					
At 1 January 2018	-	-	-	37,589	37,589
Additions during the year	-	-	-	464,351	464,351
Transfers to inventories	-	-	-	(467,572)	(467,572)
Gain arising from changes in Fair Values less Cost to Sell	-	-	-	(1,214)	(1,214)
Currency Translation Difference	-	-	-	12	12
At 31 December 2018	-	-	-	33,166	33,166
Carrying Amount					
At 31 December 2018	-	-	-	33,166	33,166
Biological Assets Classification:					
At 31 December 2018					
Biological assets classified as Non-Current Assets	1,289,868	76,698	-	-	1,366,566
Biological assets classified as Current Assets	-	-	65,273	33,166	98,439
	1,289,868	76,698	65,273	33,166	1,465,005

* Additions include Biological Assets appreciation amounting to SAR 639.1 million.

	Dairy Herd	Parent Poultry Birds	Other Poultry	Crops	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost					
At 1 January 2017	1,726,766	82,494	55,598	-	1,864,858
Additions during the year*	582,992	81,439	974,063	-	1,638,494
Transfers to inventories	-	-	(979,929)	-	(979,929)
Disposals during the year	(554,476)	(80,399)	-	-	(634,875)
Currency Translation Difference	(14)	-	-	-	(14)
At 31 December 2017	1,755,268	83,534	49,732	-	1,888,534
Accumulated Depreciation					
At 1 January 2017	510,903	26,932	-	-	537,835
Depreciation for the year	216,724	79,203	-	-	295,927
Disposals during the year	(200,986)	(77,316)	-	-	(278,302)
At 31 December 2017	526,641	28,819	-	-	555,460
Net Book Value					
At 31 December 2017	1,228,627	54,715	49,732	-	1,333,074

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

9. BIOLOGICAL ASSETS (Continued...)

	Dairy Herd	Parent Poultry Birds	Other Poultry	Crops	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Measured at Fair Value					
At 1 January 2017	-	-	-	40,844	40,844
Additions during the year	-	-	-	223,262	223,262
Transfers to inventories	-	-	-	(221,448)	(221,448)
Disposals during the year	-	-	-	(1,228)	(1,228)
Gain arising from changes in Fair Values less Cost to Sell	-	-	-	977	977
Currency Translation Difference	-	-	-	(4,818)	(4,818)
At 31 December 2017	-	-	-	37,589	37,589
Carrying Amount					
At 31 December 2017	-	-	-	37,589	37,589
Biological Assets Classification:					
At 31 December 2017					
Biological assets classified as					
Non-Current Assets	1,228,627	54,715	-	-	1,283,342
Biological assets classified as					
Current Assets	-	-	49,732	37,589	87,321
	1,228,627	54,715	49,732	37,589	1,370,663

* Additions include Biological Assets appreciation amounting to SAR 582.9 million.

Dairy Herd represents cows held for milk production.

Parent Poultry Birds are held for the purpose of laying eggs which are hatched into Broiler Birds (Other Poultry).

Crops are mainly held for the purpose of serving as animal feed which are consumed internally.

Agricultural Risk Management:

The Group is subject to following risks relating to its agricultural activities:

a) Failure to secure long-term production of fodder

Fodder production has been strategically shifted overseas/outside KSA as per domestic law and regulations. Almarai has developed an extensive supply chain network in North and South America, covering both own and sourced fodder production, to ensure continuous supply of fodder for its dairy herd.

b) Large scale loss of biological assets due to disease/pandemic

Strong bio-security procedures, disease control and vaccination program in place along with screening and quarantine of incoming animals.

c) Severe operational disruption (Fire, Flood etc.)

An approved corporate Business Continuity Management Policy is in place. Notification & escalation procedures for incidents are integrated within the business unit standard operating procedures. Corporate crisis management structure has been defined to coordinate response to major incidents. A comprehensive power supply strategy, fire safety strategy and equipment is in place. Trained fire marshals are appointed in majority of the locations. Weekly checks and monthly inspections of fire detection and suppression systems are carried out by fire marshals and fleet/fire technicians. Fire Drills are conducted every 6 months.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

10. INVESTMENTS

The investments comprise the following:

	<u>Nature</u>	<u>Principal activity</u>	<u>Place of Incorporation</u>	<u>2018</u> %	<u>2017</u> %	<u>2018</u> SAR '000	<u>2017</u> SAR '000
<u>Investments in Associates and Joint Venture</u>							
<u>(Refer note 10.1)</u>							
United Farmers Holding Company (Refer note 10.2)	Associate	Investments in Agricultural sector	Saudi Arabia	-	33.0%	-	63,588
Pure Breed Company (Refer note 10.3)	Associate	Poultry	Saudi Arabia	-	41.9%	-	65,637
Almarai Company W.L.L.	Joint Venture	Dormant	Qatar	50.0%	50.0%	204	204
						<u>204</u>	<u>129,429</u>
				<u>2018</u> %	<u>2017</u> %	<u>2018</u> SAR '000	<u>2017</u> SAR '000
<u>Equity Investment (Refer note 10.4)</u>							
Mobile Telecommunications Company Saudi Arabia - ("Zain")				2.1%	2.1%	<u>102,624</u>	<u>90,711</u>

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

10. INVESTMENTS (Continued...)

10.1 The investments in associates and joint venture comprise the following:

	<u>2018</u>	<u>2017</u>
	SAR '000	SAR '000
United Farmers Holding Company		
Opening balance	63,588	58,296
Repayment of loan	(17,861)	-
Share of Other Comprehensive Income / (Loss)	567	(5,201)
Share of Results for the year	(714)	10,493
Disposal during the year (Refer note 10.2)	(45,580)	-
Closing balance	<u>-</u>	<u>63,588</u>
	<u>2018</u>	<u>2017</u>
	SAR '000	SAR '000
Pure Breed Company		
Opening balance	65,637	38,112
Additions	-	25,000
Share of results for the year	(4,699)	2,525
Transfer to Consolidated Subsidiary, at Fair Value (Refer note 10.3)	(60,938)	-
Closing balance	<u>-</u>	<u>65,637</u>
	<u>2018</u>	<u>2017</u>
	SAR '000	SAR '000
Almarai Company W.L.L.		
Opening balance	204	204
Closing balance	<u>204</u>	<u>204</u>

10.2 On 31 December 2018, the Group completed the sale of its entire shareholding in United Farmers Holding Company ("UFHC"), to Saudi Agricultural and Livestock Investment Company ("SALIC"), one of the founding partners of UFHC, for an aggregate amount of USD 28 million equivalent to SAR 105 million, after obtaining all the necessary regulatory and legal approvals. The loss on disposal, after reclassifying the foreign currency translation reserve amounting to SAR 64.5 million, is presented in note 28.

10.3 On 17 Rajab 1439 A.H. (2 April 2018), the Group, through its subsidiary Hail Agricultural Development Company, increased its shareholding in Pure Breed Poultry Company from 41.9% to 55.9%, resulting in the Group taking control of Pure Breed Poultry Company. The difference between carrying value and fair value of the associate was recognised in the Consolidated Statement of Profit or Loss. Accordingly, the Group has recognised a loss of SAR 3.4 million which has been included in Share of Results of Associates and Joint Venture (Refer note 11).

10.4 The equity investment of 12.4 million shares in Zain is measured at fair value based on quoted market price available on the Saudi Stock Exchange (Tadawul). As permitted by IFRS 9 and fully explained in note 5.1.2 a, Group has designated this investment at initial application of IFRS 9 as equity investment at FVOCI and measured it at fair value. The fair valuation resulted in unrealised gain of SAR 11.9 million for the year ended 31 December 2018 which is presented within other comprehensive income.

The Company has pledged Zain shares to Banque Saudi Fransi ("BSF") to secure the BSF loan to Zain KSA.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

11. BUSINESS COMBINATION

As explained in note 10, the Group obtained control of Pure Breed on 17 Rajab 1439 A.H. (2 April 2018). Pure Breed's main operations are focused on poultry grand-parent farming and its acquisition will add to the Group's on-going efforts to further streamline, integrate and strengthen its poultry supply chain.

These Consolidated Financial Statements include the results of the Pure Breed from the date the control transferred to the Group. The acquired business contributed revenues of SAR 52.0 million and net loss of SAR 6.2 million to the Group from the period from 2 April 2018 to 31 December 2018. If the combination had taken place at the beginning of the year, the consolidated revenue for the year ended 31 December 2018 would have been increased by SAR 65.5 million and profit for the year ended 31 December 2018 would have been decreased by SAR 12.3 million.

The fair value of acquired trade receivables is SAR 20.8 million. The gross contractual amount for trade receivables due is SAR 28.4 million, of which SAR 7.7 million is expected to be uncollectible.

The Group has recognised non-controlling interest in Pure Breed at its proportionate share of the acquired net identifiable assets.

The Group is currently in the process of allocating the purchase consideration to the identifiable assets, liabilities and contingent liabilities acquired. However, the Group has provisionally accounted for the transaction based on the carrying values of the assets and liabilities (with the exception of the previously held equity interest) as of the acquisition date which are summarized below:

	Fair Value on Acquisition (Provisional) SAR'000
<u>Assets Acquired:</u>	
<u>Non-Current Assets</u>	
Property, Plant and Equipment	100,885
Biological Assets	25,276
	126,161
<u>Current Assets</u>	
Cash and Cash Equivalents	16,441
Trade Receivables and Prepayments	20,766
Inventories	6,574
	43,781
Total Assets	169,942
<u>Liabilities Assumed:</u>	
<u>Non-Current Liabilities</u>	
Long-term Loan	2,883
Employee Retirement Benefits	6,798
	9,681
<u>Current Liabilities</u>	
Short-term Loan	360
Trade and Other Payables	14,588
	14,948
Total Liabilities	24,629

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

11. BUSINESS COMBINATION (Continued...)

	Fair Value on Acquisition (Provisional) SAR'000
Total Identifiable Net Assets	145,313
Total Acquisition Cost	145,313
	-
<u>Total Acquisition Cost:</u>	
Cash Consideration	20,313
Fair Value of Previously Held Equity Interest	60,938
NCI	64,062
Total	145,313
<u>Cash Outflow on Acquisition:</u>	
Net Cash Acquired with the Subsidiary	16,441
Cash Paid	(20,313)
Net Cash Outflow	(3,872)

	2018	2017
	SAR '000	SAR '000

12. INVENTORIES

Raw Materials	3,036,534	2,419,313
Finished Goods	518,166	519,297
Spares	518,697	491,342
Work in Process	209,489	151,149
Total Inventories	4,282,886	3,581,101
Allowance for Slow Moving Inventories (Refer note 12.1)	(408,693)	(459,198)
Total	3,874,193	3,121,903

12.1. Movement in the allowance for slow moving inventories:

	2018	2017
	SAR '000	SAR '000
Opening balance	459,198	388,230
(Reversal) / Charge for the year	(34,574)	82,580
Written off during the year	(15,931)	(11,612)
Closing balance	408,693	459,198

12.2. Allowance for slow moving inventories is based on nature of inventories, ageing profile, their expiry and sales expectation based on historic trends and other qualitative factors.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

	<u>2018</u>	<u>2017</u>
	SAR '000	SAR '000
13. <u>TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES</u>		
Trade Receivables - Third Parties	1,038,088	947,673
- Related Parties (Refer Note 34)	142,413	185,002
	<u>1,180,501</u>	<u>1,132,675</u>
Less: Allowance for impairment of trade receivables (Refer note 35)	(57,333)	(76,824)
Less: Allowance for sales returns (Refer note 13.4)	(18,121)	(13,828)
Net Trade Receivables	<u>1,105,047</u>	<u>1,042,023</u>
Prepayments	476,181	293,145
Government Grants	183,210	213,208
Other Receivables	165,511	153,999
	<u>1,929,949</u>	<u>1,702,375</u>
Ageing of Trade Receivables		
Upto 2 months	919,415	930,793
2 - 3 months	87,535	101,767
More than 3 months	173,551	100,115
	<u>1,180,501</u>	<u>1,132,675</u>
	<u>2018</u>	<u>2017</u>
	SAR '000	SAR '000
Prepayments - Non Current Assets (Refer note 13.5)	<u>67,059</u>	<u>74,558</u>
13.1. Movement in allowance for impairment of trade receivables is as follows:		
At the beginning of the year	76,824	32,340
Allowance (reversed) / made during the year	(19,491)	44,484
At the end of the year	<u>57,333</u>	<u>76,824</u>
13.2. Trade receivables disclosed above are classified as financial assets at amortised cost.		
13.3. The average credit period on sales of goods is 28 days (2017: 25 days).		
13.4. The allowance for sales returns is calculated based on the forecasted return of expired products in line with the Group's product return policy.		
13.5. Prepayments under Non-Current Assets relate to operating lease agreements for agricultural land for periods ranging from 4 to 40 years for the operations in Argentina and USA.		
	<u>2018</u>	<u>2017</u>
	SAR '000	SAR '000
14. <u>CASH AND BANK BALANCES</u>		
Cash at Bank - Current accounts	850,650	382,964
Cash at Bank - Deposits (Refer note 14.1)	192,644	1,385,000
Cash in Hand	139,608	123,733
	<u>1,182,902</u>	<u>1,891,697</u>
14.1 The average rate on bank deposits is 2.6% (2017: 1.7 % per annum) with an average maturity of two months.		

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

15. SHARE CAPITAL

The Company's share capital at 31 December 2018 amounted to SAR 10,000 million (2017: SAR 10,000 million), consisting of 1,000 million (2017: 1,000 million) fully paid and issued shares of SAR 10 each.

16. EMPLOYEE STOCK OPTION PROGRAM (ESOP)

The Company has offered certain employees (the "Eligible Employees") the option (the "Option") for equity ownership ("Restricted Shares" i.e. treasury shares) opportunities and performance based incentives which will result in more alignment between the interest of both shareholders and these employees. The vesting of the Option is dependent on meeting performance targets set by the Company. The exercise of the Option is contingent upon the shares of the Company continuing to be listed on the Saudi Stock Exchange (Tadawul).

Restricted shares that have not been granted to Eligible Employees in the reporting period for which those were earmarked shall carry over to the next reporting period.

In the event of a capital increase, share split or dividend distribution (in the form of shares), the number of restricted shares and the exercise price subject to the Option will be adjusted accordingly.

The number of share options and the exercise price has been retrospectively adjusted for the prior period to reflect the effect of the bonus share issue.

The ESOP 2015 was granted in Dul Qadah 1436 A.H. (August 2015). The number of restricted shares shall not exceed 2,283,000 shares.

The ESOP 2016 was granted in Jumada Al-Thani 1437 A.H. (April 2016). The number of Restricted Shares shall not exceed 2,933,333 shares.

The ESOP 2017 was granted in Muharram 1439 A.H. (February 2017). The number of Restricted Shares shall not exceed 4,125,000 shares.

The ESOP 2018 was granted in Muharram 1440 A.H. (September 2018). The number of Restricted Shares shall not exceed 4,000,000 shares.

The following table sets out the number of the, and movements in, share options during the year:

	<u>2018</u>	<u>2017</u>
At the beginning of the year	7,726,000	4,807,000
Granted during the year	4,000,000	3,230,000
Settled during the year	(1,024,951)	-
Forfeited during the year	(707,081)	(311,000)
At the end of the year	<u>9,993,968</u>	<u>7,726,000</u>

The fair value per Option is estimated at the grant date using the Black Scholes Merton pricing model, taking into account the terms and conditions upon which the share options were granted.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

16. EMPLOYEE STOCK OPTION PROGRAM (Continued...)

	ESOP 2015	ESOP 2016	ESOP 2017	ESOP 2018
Input to the Model;				
Dividend Yield (%)	1.1%	2.2%	1.8%	1.4%
Expected Volatility (%)	25.0%	33.2%	15.0%	19.1%
Risk Free Interest Rate (%)	5.0%	5.0%	5.0%	3.0%
Contractual Life of Share Options (Years)	2.5	2.8	3.0	2.4
Share Price (SAR) at Grant Date	90.5	52.5	55.6	49.2
Exercise Price (SAR) at Grant Date	73.5	45.0	46.0	55.0
Model Used		Black Scholes Merton		
Fair Value per Option	26.7	15.7	13.9	4.1
Exercise Price (SAR) after bonus split	44.1	36.0	46.0	55.0
Remaining Contractual Life (Years)	-	0.1	1.1	2.4
Weighted Average Share Price during the year	51.4	44.4	58.8	53.2

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the Options is indicative of future trends, which may also not necessarily be the actual outcome.

The following table shows movement during the year:

	2018	2017
	SAR '000	SAR '000
TREASURY SHARES		
At the beginning of the year	453,156	378,994
Acquired during the year	222,707	75,533
Disposed off on exercise of options	(82,296)	(1,371)
At the end of the year	593,567	453,156

	2018	2017
	SAR '000	SAR '000
17. OTHER RESERVES		
Hedging Reserve	(6,660)	16,216
Currency Translation Reserve	611,585	611,580
Others (Refer note 17.1)	(84,425)	(18,661)
	520,500	609,135

17.1. It includes foreign currency translation difference amounting to SAR 64.5 million due to reclassification on disposal of investment in associate.

	2018	2017
	SAR '000	SAR '000
18. PERPETUAL SUKUK		
Perpetual Sukuk	-	1,700,000

On 27 Muharram 1440 A.H. (30 September 2018), the Group redeemed at its discretion its Perpetual Sukuk amounting to SAR 1,700.0 million at a par value of SAR 1 million each.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

19. NON CONTROLLING INTERESTS

Summarized aggregate financial information of the Group's subsidiaries that has material non-controlling interests (Refer note1) is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	2018	2017
	SAR '000	SAR '000
Non-current assets	1,568,082	1,353,463
Current assets	677,028	598,534
Non-current liabilities	376,897	384,036
Current liabilities	616,003	753,359
Equity attributable to owners of the Company	1,252,210	814,602
Non-Controlling Interests	589,194	396,867
Revenue	2,425,943	2,267,060
Expenses	(2,407,638)	(2,304,920)
Net Profit / (Loss) for the year	18,305	(37,860)
Net Profit / (Loss) attributable to:		
Owners of the Company	19,952	(15,537)
Non-Controlling Interests	(1,647)	(22,323)
Total Comprehensive Income attributable to:		
Owners of the Company	(12,046)	(45,920)
Non-Controlling Interests	(3,497)	(13,331)
Total Comprehensive Income for the year	(15,543)	(59,251)

20. LOANS AND BORROWINGS

	Notes	2018	2017
		SAR '000	SAR '000
Islamic Banking Facilities (Murabaha)	20.1	7,197,964	5,839,187
Saudi Industrial Development Fund	20.2	2,146,926	1,733,511
Banking Facilities of Non-GCC Subsidiaries	20.3	338,557	462,248
International Finance Corporation	20.4	275,423	278,190
Agricultural Development Fund	20.5	169,166	187,912
Banking Facilities of GCC Subsidiaries	20.6	150,201	150,134
		<u>10,278,237</u>	<u>8,651,182</u>
Sukuk	20.7	3,384,027	3,895,346
		<u>13,662,264</u>	<u>12,546,528</u>
Short Term Loans		25,521	182,455
Current Portion of Long Term Loans		1,984,773	1,820,948
Loans - Current Liabilities		<u>2,010,294</u>	<u>2,003,403</u>
Loans - Non-Current Liabilities		<u>11,651,970</u>	<u>10,543,125</u>
		<u>13,662,264</u>	<u>12,546,528</u>

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

20. LOANS AND BORROWINGS (Continued...)

20.1. The borrowings under Islamic banking facilities (Murabaha) are secured by promissory notes given by the Group. The Islamic banking facilities (Murabaha) with a maturity period of less than two years are predominantly of a revolving nature. As at 31 December 2018, SAR 5,510.3 million Islamic banking facilities (Murabaha) were unutilised and available for drawdown with maturities predominantly greater than five years. (2017: SAR 6,462.9 million).

20.2. The borrowings of the Group from the Saudi Industrial Development Fund (SIDF) are secured by a mortgage on specific assets equivalent to the outstanding borrowings. As at 31 December 2018, the Group had SAR 192.2 million of unutilised SIDF facilities available for drawdown with maturities predominantly greater than five years (2017: SAR 267.1 million). Assets held as collateral are subject to restriction of disposal until the loan is settled or the disposal is approved by SIDF.

20.3. These banking facilities of Non-GCC subsidiaries represent borrowings from foreign banking and developing institutions. As at 31 December 2018, SAR equivalent 449.9 million (2017: SAR 248.3 million) facilities were unutilised and available for drawdown.

20.4. The borrowings granted by International Finance Corporation ("IFC" - Member of World Bank Group) are secured by promissory notes given by the Group. As at 31 December 2018, the Group had SAR 281.4 million of unutilised facility available for drawdown (2017: SAR Nil).

20.5. The borrowing from Agriculture Development Fund ("ADF") is secured by a mortgage on specific assets equivalent to the outstanding borrowings. As at 31 December 2018, the Group had no unutilised ADF facilities available (2017: SAR Nil). Assets mortgaged are subject to the restriction of disposal until the loan is settled or the disposal is approved by ADF.

20.6. The borrowings under GCC subsidiaries are secured by corporate guarantee given by the Parent Company. As at 31 December 2018, the Group had no unutilised facility (2017: SAR Nil).

20.7. 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 Saudi Arabia Interbank Offered Rate (SIBOR) plus a pre-determined margin payable semi-annually in arrears. The Sukuk will be redeemed at par on its date of maturity i.e. 30 Jumada Thani 1440 A.H. (7 March 2019).

On 19 Jumada 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 will be redeemed at par on its date of maturity i.e. 7 Shabaan 1441 A.H. (31 March 2020).

On 19 Jumada 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 was redeemed at par on 12 Rajab 1439 A.H. (29 March 2018).

On 3 Dhul Hijja 1436 A.H. (16 September 2015), the Company issued its third Sukuk amounting to SAR 1,600.0 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 will be redeemed at par on its date of maturity i.e. 20 Safar 1444 A.H. (16 September 2022).

The terms of the Sukuk entitle the Company 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.

20.8. The loans contain certain covenants. A future breach of covenants may lead to renegotiation. The covenants are monitored on a monthly basis by Management, in case of potential breach, actions are taken by management to ensure compliance. During 2018, there has been no non-compliance for any of the covenants.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017	
	SAR '000	SAR '000	
21. EMPLOYEE RETIREMENT BENEFITS			
Opening Balance	621,536	573,979	
On acquisition of subsidiary	6,798	-	
Consolidated Statement of Profit or Loss			
Current Service Cost	89,844	108,253	
Interest Cost	19,558	20,343	
Past Service Cost	(742)	-	
Consolidated Statement of Comprehensive Income			
Actuarial Loss / (Gain)	18,686	(10,151)	
Cash Movements:			
Benefits paid	(56,355)	(70,888)	
Closing Balance	<u>699,325</u>	<u>621,536</u>	
	2018	2017	
	SAR '000	SAR '000	
Sensitivity in Defined Benefit Obligation			
Salary Inflation	1% Decrease	623,243	570,995
	Base	699,325	621,536
	1% Increase	779,209	678,247
Discount Rate	1% Decrease	779,277	678,721
	Base	699,325	621,536
	1% Increase	624,665	571,618

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the employee retirement benefits to significant actuarial assumptions, the same method (present value of the employee retirement benefits calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the employee retirement benefits recognised in Consolidated Statement of Financial Position.

Demographic Assumptions

	2018	2017
Membership Data (GCC employees)		
Number of Employees	38,035	37,967
Average age of employees (years)	34.4	34.2
Average years of past service	5.1	4.7

Weighted average duration of the defined benefit obligation is 11.5 years.

Country	Net Discount Rate		Salary Growth Rate	
	2018	2017	2018	2017
Saudi Arabia	1.8%	1.3%	2.1%	2.0%
United Arab Emirates	1.6%	1.0%	1.9%	1.9%
Oman	3.2%	2.5%	3.0%	3.1%
Kuwait	1.6%	1.0%	2.7%	2.7%
Bahrain	5.2%	4.5%	1.5%	1.6%
Qatar	1.7%	1.0%	2.0%	2.3%

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

21. EMPLOYEE RETIREMENT BENEFITS (Continued...)

Risk Exposure:

The Group is exposed to a number of risks, the most significant of which are detailed below:

Inflation risk

The majority of the plan's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities.

Changes in bond yields

Decrease in corporate bond yields will increase plan liabilities.

22. DEFERRED TAX

Following are the major deferred tax assets and liabilities recognised by the Group:

	2018	2017
	SAR '000	SAR '000
22.1. Deferred Tax Assets		
Opening Balance	39,926	13,875
(Charge) / Credit for the year	(4,376)	25,485
Currency Translation Difference	(24,062)	566
Closing Balance	11,488	39,926

Deferred tax assets relate to unused tax losses for its subsidiaries in Argentina and Egypt. Management believes that future taxable profits will be available against which deferred tax assets can be realised.

	2018	2017
	SAR '000	SAR '000
22.2. Deferred Tax Liabilities		
Opening Balance	48,060	56,492
Reversed during the year	-	(2,196)
Currency Translation Difference	(10,093)	(6,236)
Closing Balance	37,967	48,060

Deferred tax liability of SAR 38.0 million relates to taxable temporary differences arising on Property, Plant and Equipment. This includes SAR 23.8 million on the fair valuation adjustment of land amounting to SAR 68.1 million carried out at the time of business combination of its subsidiaries in Argentina, being the temporary difference between the carrying amount of land for financial reporting purposes and the amount used for taxation purposes.

	2018	2017
	SAR '000	SAR '000
Liability for deferred taxation comprising temporary differences related to:		
Accelerated tax depreciation	14,141	24,234
Fair valuation adjustment of land	23,826	23,826
	37,967	48,060

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	SAR '000	SAR '000
23. ZAKAT AND FOREIGN INCOME TAX		
Zakat Provision (Refer note 23.1)	302,911	256,235
Foreign Income Tax Provision (Refer note 23.2)	13,153	16,671
	316,064	272,906

23.1. Zakat Provision

Zakat is charged at the higher of net adjusted income or Zakat base as required by the General Authority of Zakat and Tax (GAZT). In the current year, the Zakat charge is based on the net adjusted income method for Almarai Company including HADCO while Zakat charge for MFI is calculated based on Zakat base.

	2018	2017
	SAR '000	SAR '000
Opening Balance	256,235	195,624
Charge for the year	49,352	65,659
Payments	(2,676)	(5,048)
Closing Balance	302,911	256,235

The Company has filed its Consolidated Zakat returns for all the years up to 2017 and settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the GAZT for all the years up to 2006. During the year, The Group received assessment orders for Almarai Company and MFI for the years from 2007-2014 and 2009-2013 respectively. The Group has formally submitted appeals to the Preliminary Objection Committee (POC) against both assessment orders. Management believes that the settlement of the open years' assessments will not result in material additional amounts that are already recorded in the Consolidated Financial Statements.

HADCO has filed its Zakat returns for all years up to 2008 and has settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the GAZT for all years up to 2002 while the 2003 to 2008 Zakat returns are under review by the GAZT. From 2009 onwards HADCO is not required to file a separate return as its results are included in the Company's Consolidated Zakat return.

23.2. Foreign Income Tax Provision

	2018	2017
	SAR '000	SAR '000
Opening Balance	16,671	19,278
Charge for the year	16,770	4,267
Payments	(20,288)	(6,874)
Closing Balance	13,153	16,671

Foreign subsidiaries have filed their tax returns for all years up to 2017, and settled their tax liabilities accordingly. While all the returns have been filed, final assessments are pending for certain years. The earliest year open for assessment is 2011, and the latest year assessed is 2013.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

	<u>2018</u>	<u>2017</u>
	SAR '000	SAR '000
24. <u>TRADE AND OTHER PAYABLES</u>		
Trade Payable	1,326,865	1,566,133
- Third Parties		
- Related Parties (Refer note 34)	105,194	26,742
Accrued Expenses	1,057,949	1,333,533
Other Payables	384,058	301,082
	<u>2,874,066</u>	<u>3,227,490</u>

Management considers that the carrying amount of trade payables approximates to their fair value. The average credit period taken for trade purchases is 66 days (2017: 73 days). Accrued expenses include leaves obligation amounting to SAR 120.3 million (2017: SAR 113.8 million). Other payables include unrecognised portion of Government grants related to inventories held at the reporting date.

	<u>2018</u>	<u>2017</u>
	SAR '000	SAR '000
25. <u>COST OF SALES</u>		
Material Consumed	4,812,066	4,874,274
Government Grants	(438,659)	(280,991)
Employee Costs	1,422,995	1,319,658
Depreciation of Property, Plant and Equipment	1,403,779	1,267,648
Repairs and Maintenance	492,159	492,850
Depreciation of Biological Assets	313,838	295,927
Telephone and Electricity	311,325	281,909
Vaccines and Drugs	129,689	121,101
Crates and Pallets Consumed	30,779	40,503
Rent	68,486	58,088
Amortisation of Software Licenses	12,371	13,025
Shared Based Payment Expense	8,891	15,436
Gain arising from Changes in Fair Values less Cost to Sell of Crops	(1,695)	(977)
Other Expenses	350,500	436,337
Less:		
Appreciation of Biological Assets	(639,089)	(582,895)
	<u>8,277,435</u>	<u>8,351,893</u>

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

	<u>2018</u>	<u>2017</u>
	SAR '000	SAR '000
26. <u>SELLING AND DISTRIBUTION EXPENSES</u>		
Employee Costs	1,283,179	1,287,384
Marketing Expenses	464,337	434,339
Depreciation of Property, Plant and Equipment	262,376	272,746
Repairs and Maintenance	141,843	134,400
Rent	39,977	39,195
Telephone and Electricity	24,649	24,989
Share Based Payment Expense	9,302	10,886
Amortisation of Software Licenses	7,576	7,403
Crates and Pallets Consumed	(330)	1,103
Other Expenses	98,007	130,601
	<u>2,330,916</u>	<u>2,343,046</u>
	<u>2018</u>	<u>2017</u>
	SAR '000	SAR '000
27. <u>GENERAL AND ADMINISTRATION EXPENSES</u>		
Employee Costs	218,608	225,116
Insurance	56,281	54,949
Repairs and Maintenance	32,405	22,029
Amortisation of Software Licenses	27,504	29,589
Depreciation of Property, Plant and Equipment	17,951	33,277
Share Based Payment Expense	11,018	13,071
Telephone and Electricity	5,152	8,235
Rent	4,576	8,623
Other Expenses	2,980	2,450
	<u>376,475</u>	<u>397,339</u>
	<u>2018</u>	<u>2017</u>
	SAR '000	SAR '000
28. <u>OTHER EXPENSES, NET</u>		
Loss on Disposal of Property, Plant and Equipment	4,375	14,443
Loss on Disposal of Biological Assets (Refer 28.1)	164,875	160,527
Dividend on Equity Investment	(225)	(1,110)
Impairment of Assets	127,336	37,211
Loss on Disposal of Investment (Refer note 10.2)	4,938	-
	<u>301,299</u>	<u>211,071</u>

28.1. Depressed market conditions in secondary dairy herd market and internal dairy herd rationalization resulted in a loss of SAR 164.9 million in 2018 (2017: SAR 160.5 million)

28.2. It includes:

- In accordance with the terms of the Ministerial Council Resolution (66) dated 25 Safer 1440H (corresponding to 07 December 2015) to completely halt the local production of green forage for areas above 50 Hectares, the Group has

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

28. OTHER EXPENSES, NET (Continued...)

stopped the production of alfalfa and green forage in the Kingdom of Saudi Arabia. The Group has planned to relocate its arable assets that can be used in its farming entities outside KSA and has written off certain assets for which there is no future use. This has resulted in impairment of these assets amounting to SAR 47.7 million.

- Expenses related to the closure of farming operations, including dilapidation costs and crop input cost, amounted to SAR 30.0 million.
- Part of Teeba business operations were changed in 2018 resulting in an asset impairment charge of SAR 22.8 million (2017: SAR 30.6 million).

	2018	2017
	SAR '000	SAR '000
29. FINANCE COST, NET		
Interest and Finance Charges	462,653	476,018
Interest Income on other Deposits	(8,751)	(3,538)
Interest Capitalisation	(42,402)	(73,816)
Net Loss on Settlement of Interest Rate Swap Instrument	(3,753)	2,590
	407,747	401,254

30. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2018	2017
	SAR '000	SAR '000
Profit for the year attributable to the shareholders of the Company	2,008,869	2,182,286
Less: Profit attributable to Sukukholders	(55,591)	(71,142)
Earnings for the purposes of basic earnings per share	1,953,278	2,111,144
Number of shares '000'		
Weighted average number of ordinary shares for the purposes of basic earnings	989,468	990,992
Weighted average number of ordinary shares for the purposes of diluted earning	1,000,000	1,000,000
Earnings per Share (SAR), based on Profit for the year attributable to Shareholders of the Company		
- Basic	1.97	2.13
- Diluted	1.95	2.11

Weighted average number of shares are retrospectively adjusted to reflect the effect of Bonus Shares and are adjusted to take account of Treasury Shares held under the Almarai Employee Stock Options Programme.

31. SEGMENT REPORTING

The Group's principal business activities involve manufacturing and trading of dairy and juice products under Almarai, Joosy Life Beyti and Teeba brands, bakery products under L'usine and 7 Days brands and poultry products under Alyoum and AlBashayer brands. Other activities include Arable, Horticulture and Infant Nutrition. Selected financial information as at 31 December 2018 and 31 December 2017, and for the years then ended, categorised by these business segments, is as follows:

Dairy and Juice	Milk production, dairy and fruits juice product processing and distribution
Bakery	Bakery products manufacturing and distribution
Poultry	Poultry products manufacturing and distribution
Other Activities	Arable, Horticulture and Infant Nutrition

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

31. SEGMENT REPORTING (Continued...)

	Dairy and Juice	Bakery	Poultry	Other Activities	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
2018					
Revenue	10,045,689	1,736,903	1,808,088	1,317,303	14,907,983
Third Party Revenue	9,975,597	1,736,903	1,808,088	202,209	13,722,797
Depreciation and Amortisation	(1,232,054)	(249,722)	(370,475)	(193,144)	(2,045,395)
Share of Results of Associates and Joint Venture	-	-	(4,699)	(714)	(5,413)
Profit / (loss) attributable to Shareholders of the Company	1,732,757	192,374	182,786	(99,048)	2,008,869
Share of Other Comprehensive Income of Associates and Joint Venture	-	-	-	567	567
Profit / (loss)	1,713,136	212,662	180,472	(99,048)	2,007,222
Impairment recognised during the year	(49,627)			(77,709)	(127,336)
Total Assets	19,119,558	2,351,769	5,316,037	5,531,056	32,318,420
Total Liabilities	11,216,600	47,116	5,239,350	1,299,364	17,802,430

	Dairy and Juice	Bakery	Poultry	Other Activities	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
2017					
Revenue	10,585,108	1,807,090	1,463,626	1,121,666	14,977,490
Third Party Revenue	10,510,471	1,807,090	1,463,626	154,345	13,935,532
Depreciation and Amortisation	(1,221,657)	(228,245)	(308,990)	(160,723)	(1,919,615)
Share of Results of Associates and Joint Venture	-	-	2,525	10,493	13,018
Profit / (loss) attributable to Shareholders of the Company	2,049,004	292,637	(29,161)	(130,194)	2,182,286
Share of Other Comprehensive Loss of Associates and Joint Venture	-	-	-	(5,201)	(5,201)
Profit / (loss)	2,007,276	312,042	(29,161)	(130,194)	2,159,963
Impairment recognised during the year	(37,211)	-	-	-	(37,211)
Total Assets	20,468,751	2,463,528	5,708,497	3,255,073	31,895,849
Total Liabilities	10,130,758	460,862	5,151,908	1,271,081	17,014,609

The Group's revenue is derived from contracts with customers for sale of consumer products. Control of products is transferred at a point in time and directly sold to customers.

The nature and effect of initially applying IFRS 15 on the Group's Consolidated Financial Statements is disclosed in note 5.1.1.

	Dairy and Juice	Bakery	Poultry	Other Activities	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
For the year ended					
31 December 2018					
Saudi Arabia	6,074,603	1,425,382	1,637,156	100,463	9,237,604
Other GCC Countries	2,717,167	302,303	127,870	1,674	3,149,014
Other Countries	1,183,827	9,218	43,062	100,072	1,336,179
Total	9,975,597	1,736,903	1,808,088	202,209	13,722,797

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

31. SEGMENT REPORTING (Continued...)

	<u>Dairy and Juice</u>	<u>Bakery</u>	<u>Poultry</u>	<u>Other Activities</u>	<u>Total</u>
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
<u>For the year ended</u>					
<u>31 December 2017</u>					
Saudi Arabia	6,485,295	1,482,382	1,233,185	99,153	9,300,015
Other GCC Countries	2,965,457	321,831	191,171	2,195	3,480,654
Other Countries	1,059,719	2,877	39,270	52,997	1,154,863
Total	10,510,471	1,807,090	1,463,626	154,345	13,935,532

32. CASH AND CASH EQUIVALENTS

	<u>2018</u>	<u>2017</u>
	SAR '000	SAR '000
Cash at Bank - Current accounts	850,650	382,964
Cash at Bank - Deposits	192,644	1,385,000
Cash in Hand	139,608	123,733
Cash and Bank Balances	<u>1,182,902</u>	<u>1,891,697</u>
Bank Overdrafts	(179,321)	(255,585)
Total	<u>1,003,581</u>	<u>1,636,112</u>

33. COMMITMENT AND CONTINGENCIES

33.1. The contingent liabilities against letters of credit are SAR 312.5 million at 31 December 2018 (2017: SAR 364.7 million).

33.2. The contingent liabilities against letters of guarantee are SAR 825.6 million at 31 December 2018 (2017: SAR 805.8 million).
Contingent liabilities against letter of guarantee expire as follows.

	<u>2018</u>	<u>2017</u>
	SAR '000	SAR '000
Within one year	143,746	144,956
Two to five years	501,498	353,863
After five years	180,356	306,972
Total	<u>825,600</u>	<u>805,791</u>

33.3. The Group had capital commitments amounting to SAR 921.6 million at 31 December 2018 in respect of ongoing projects (2017: SAR 1,056.6 million). The majority of the capital commitments are for updating the existing production facilities, sales depot development, distribution fleet, fridges and IT equipment.

33.4. Commitments under operating leases expire as follows:

	<u>2018</u>	<u>2017</u>
	SAR '000	SAR '000
Within one year	66,539	101,119
Two to five years	33,207	164,782
After five years	9,619	77,813
Total	<u>109,365</u>	<u>343,714</u>

33.5. Refer to note 23.1 for Zakat related matters.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

34. RELATED PARTY TRANSACTIONS

During the normal course of its operations, the Group had the following significant transactions with related parties during the year ended 31 December 2018 along with their balances:

Nature of Transaction	Transaction Amount		Balance at 31 December	
	2018 SAR '000	2017 SAR '000	2018 SAR '000	2017 SAR '000
Sales To				
Panda Retail Company	701,888	640,247	141,855	182,733
Herfy Food Services	6,095	5,894	558	534
	<u>707,983</u>	<u>646,141</u>	<u>142,413</u>	<u>183,267</u>
Services To				
Al Kabeer Farms	864	864	-	-
United Farmers Holding Company	116	-	-	1,735
	<u>980</u>	<u>864</u>	<u>-</u>	<u>1,735</u>
Subtotal	<u>708,963</u>	<u>647,005</u>	<u>142,413</u>	<u>185,002</u>
Purchases From				
United Sugar Company	79,315	106,313	(5,773)	(6,633)
Afia International Company	-	8	-	-
Al Nafoura Catering	325	393	(78)	(28)
Al Kabeer Farms - Forage	63,739	55,626	(36,828)	(19,416)
Arab Company for Agricultural Services (ARASCO)	2,327	4,228	(512)	(573)
	<u>145,706</u>	<u>166,568</u>	<u>(43,191)</u>	<u>(26,650)</u>
Services From				
Arabian Shield Cooperative Insurance Company	120,498	115,181	(62,003)	(92)
Todhia Farm	813	813	-	-
Abdulrahman bin Abdulaziz Al Muhanna (Land rent)	173	173	-	-
Mobile Telecommunication Company Saudi Arabia	1,418	839	-	-
Al Jazirah Corporation for Press, Printing and Publishing	59	139	-	-
	<u>122,961</u>	<u>117,145</u>	<u>(62,003)</u>	<u>(92)</u>
Subtotal	<u>268,667</u>	<u>283,713</u>	<u>(105,194)</u>	<u>(26,742)</u>
Payment of Sukuk Finance Charges				
Yamama Cement Company	365	1,581	-	(373)
Saudi British Bank	14,688	14,940	(4,683)	(3,825)
Banque Saudi Fransi	5,280	14,855	(1,656)	(3,764)
Arabian Shield Cooperative Insurance Company	101	98	(36)	(29)
National Commercial Bank	11,267	16,510	(3,821)	(4,548)
	<u>31,701</u>	<u>47,984</u>	<u>(10,196)</u>	<u>(12,539)</u>
Bank Financing				
Saudi British Bank	48,581	35,935	1,346,621	1,242,095
J.P. Morgan Saudi Arabia Limited	2,484	5,398	-	-
Banque Saudi Fransi	8,940	9,873	393,000	210,000
National Commercial Bank	15,993	19,553	446,429	507,142
	<u>75,998</u>	<u>70,759</u>	<u>2,186,050</u>	<u>1,452,095</u>

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

34. RELATED PARTY TRANSACTIONS (Continued..)

34.1. The related party transactions were made on mutually agreed terms. The related parties, other than subsidiaries and associates, include the following:

<u>Entity</u>	<u>Relationship</u>
Panda Retail Company	Common Ownership
Herfy Food Services	Common Ownership
United Sugar Company	Common Ownership
Afia International Company	Common Ownership
Al Nafoura Catering	Common Ownership
Arab Company for Agricultural Services (ARASCO)	Common Directorship
Yamama Cement Company	Common Directorship
Arabian Shield Cooperative Insurance Company	Common Directorship
Managed Arable Farms	Common Directorship
Mobile Telecommunication Company Saudi Arabia	Common Directorship
Al Jazirah Corporation for Press, Printing and Publishing	Common Directorship
Saudi British Bank	Common Directorship
Banque Saudi Fransi	Common Directorship
JP Morgan Saudi Arabia Limited	Common Directorship
National Commercial Bank	Common Directorship
<u>Individual</u>	
Abdulrahman bin Abdulaziz Al Muhanna	Director

34.2. Members of the Board of Directors do not receive any remuneration for their role in managing the Company unless approved by the General Assembly. Members of the Board of Directors receive an attendance allowance for Board and Board Committee meetings. Executive Directors receive fixed remuneration as a result of their direct duties and responsibilities. The top five Senior Executives, including the Chief Executive Officer and the Chief Financial Officer, receive remuneration according to the employment contracts signed with them. The following table illustrates details of remuneration and compensation paid to Directors and Key Management Personnel:

	Non Executive /	Key	Total	Non Executive /	Key	Total
	Independent	Management		Independent	Management	
	Board Members	Personnel		Board Members	Personnel	
2018			2017			
SAR '000			SAR '000			
Salaries and Compensation	2,600	7,003	9,603	2,060	7,746	9,806
Allowances	1,791	1,208	2,999	1,680	528	2,208
Annual and Periodic Bonuses	-	11,784	11,784	-	12,215	12,215
Termination Benefits	-	8,690	8,690	-	591	591
Shared Based Payment Transactions	-	659	659	-	3,009	3,009
In-kind Benefits	-	942	942	-	1,531	1,531
Other Benefits	1,800	272	2,072	1,800	275	2,075
Total	6,191	30,558	36,749	5,540	25,895	31,435

35. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2018, the Group had various financial derivatives that were designated as cash flow hedge instruments to cover cash flow fluctuations arising from commission rates, foreign exchange prices and commodity prices that are subject to market price fluctuations. As per Group policy, derivative instruments are not used for trading or speculative purposes.

At 31 December 2018, the Group had 26 commission rate swap agreements in place with a total notional amount of SAR 5,606.5 million. At 31 December 2017, the Group had 26 commission rate swap agreements in place with a total notional amount of SAR 5,097.0 million.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

35. DERIVATIVE FINANCIAL INSTRUMENTS (Continued..)

The swaps result in the Group receiving floating SIBOR or LIBOR rates while paying fixed rates of commission rate under certain conditions. The swaps are being used to hedge the exposure to commission rate changes of the Group's Islamic borrowings.

The Group enters into hedging strategies by using various financial derivatives to cover foreign exchange firm commitments and forecasted transactions that are highly probable.

The Group enters into various commodity derivatives to hedge the price of certain commodity purchases. These derivatives match the maturity of the expected commodity purchases and use the same underlying index as for the hedged item, therefore does not result in basis risk.

All financial derivatives are carried in the Consolidated Statement of Financial Position at fair value. All cash flow hedges are considered highly effective.

The following table detail the notional principal amounts and remaining terms outstanding as at the reporting date:

	Nominal amount of the hedging instruments SAR '000	Carrying amount of the hedging instrument	
		Assets SAR '000	Liabilities SAR '000
31 December 2018			
Forward currency contracts	4,028,592	5,898	22,137
Interest rate swaps	5,606,502	26,050	4,546
Commodity Derivatives	303,467	8,135	6,740
	<u>9,938,561</u>	<u>40,083</u>	<u>33,423</u>

	Nominal amount of the hedging instruments SAR '000	Carrying amount of the hedging instrument	
		Assets SAR '000	Liabilities SAR '000
31 December 2017			
Forward currency contracts	3,519,427	6,407	15,591
Interest rate swaps	5,097,050	18,594	18,334
Commodity Derivatives	153,487	1,287	8,579
	<u>8,769,964</u>	<u>26,288</u>	<u>42,504</u>

36. FINANCIAL INSTRUMENTS

36.1. Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

36. FINANCIAL INSTRUMENTS (Continued..)

Level 2 derivative financial instruments include forwards, commission rate swaps and commodity derivatives. These derivatives are valued using widely recognized valuation models. The Group relies on the counterparty for the valuation of these derivatives. The valuation techniques applied by the counterparties include the use of forward pricing standard models using present value calculations and mid-market valuations. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, foreign exchange rates, and forward and spot prices.

36.2. Risk Management of Financial Instruments

The Group's activities expose it to a variety of financial risks, credit risk, liquidity risk, market price risk and capital management risk.

Credit Risk:

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its bank balances, trade receivables and receivables from related parties and derivative financial instruments as follows.

	2018	2017
	SAR '000	SAR '000
Cash at Bank	1,043,294	1,767,964
Trade Receivables - Third Parties	963,192	857,555
Trade Receivables - Related Parties	141,855	184,468
Derivative Financial Instruments	40,083	26,288
Other Receivables	165,511	153,999
	2,353,935	2,990,274

The carrying amount of financial assets represents the maximum credit exposure.

Credit risk on receivable and bank balances is limited as:

- Cash balances are held with banks with sound credit ratings ranging from BBB- and above.
- The receivables are shown net of allowance for impairment of trade receivables and sales returns. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP, unemployment rate, inflation rate and interest rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusted the historical loss rates based on expected changes in these factors.

Financial position of related parties is stable.

Trade receivables outstanding balance comprises of 55% in KSA, 32% in GCC (other than KSA) and 13% in other Countries. The five largest customers account approximately for 38% of outstanding trade receivables at 31 December 2018.

The Group manages credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis. The receivable balances are monitored with the result that the Group's exposure to bad debts is not significant.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

36. FINANCIAL INSTRUMENTS (Continued...)

Liquidity Risk:

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities at the end of the reporting period of financial liabilities. The amounts are grossed and undiscounted, and include estimated interest payments.

	2018			
	Carrying Amount	On Demand or Less than 1 year	1 year to 5 years	More than 5 years
Non Derivative Financial LiabilitiesSAR '000.....			
Bank Overdrafts	179,321	179,321	-	-
Loans and Borrowings	13,662,264	2,041,927	9,706,020	3,875,807
Trade and other payables	2,768,872	2,768,872	-	-
Trade Payables to Related Parties	105,194	105,194	-	-
	16,715,651	5,095,314	9,706,020	3,875,807
Derivative Financial Liabilities				
Forward currency contracts	22,137	21,445	692	-
Interest rate swaps	4,546	110	4,436	-
Commodity Derivatives	6,740	6,740	-	-
	33,423	28,295	5,128	-
	2017			
	Carrying Amount	On Demand or Less than 1 year	1 year to 5 years	More than 5 years
Non Derivative Financial LiabilitiesSAR '000.....			
Bank Overdrafts	255,585	255,585	-	-
Loans and Borrowings	12,546,528	2,003,403	9,822,256	3,015,623
Trade and other payables	3,200,748	3,200,748	-	-
Trade Payables to Related Parties	26,742	26,742	-	-
	16,029,603	5,486,478	9,822,256	3,015,623
Derivative Financial Liabilities				
Forward currency contracts	15,591	3,198	12,393	-
Interest rate swaps	18,334	-	18,334	-
Commodity Derivatives	8,579	8,579	-	-
	42,504	11,777	30,727	-

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Group's future commitments. The Group's terms of sales require amounts to be paid either on a cash on delivery or on a terms basis.

Market Risk:

Market price risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices, such as, commission rates, commodity prices and foreign currency exchange rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group uses derivatives to manage market risks. The Group seeks to apply hedge accounting to manage volatility in profit or loss.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

36. FINANCIAL INSTRUMENTS (Continued...)

Commission Rate Risk:

Commission Rate Risk is the exposure associated with the effect of fluctuations in the prevailing commission rates on the Group's financial position and cash flows. Islamic banking facilities (Murabaha), International Finance Corporation facility and other banking facilities of Non-GCC subsidiaries and Sukuk amounting to SAR 5,030.7 million at 31 December 2018 (2017: SAR 5,162.2 million) bear variable financing commission charges at the prevailing market rates.

The Group's policy is to manage its financing charges using a mix of fixed and variable commission rate debts. The policy is to keep 50% to 60% of its borrowings at fixed commission. The following table demonstrates the sensitivity of the income to reasonably possible changes in commission rates, with all other variables held constant. There is no direct impact on the Group's equity.

		Increase / decrease in basis points of commission rates	Effect on income for the year SAR'000
2018	SAR	+100	(50,307)
	SAR	-100	50,307
2017	SAR	+100	(51,622)
	SAR	-100	51,622

Commodity Price Risk:

Commodity Price Risk is the risk associated with changes in prices to certain commodities including corn, sugar and soya etc. that the Group is exposed to and its unfavourable effect on the Group's costs and cash flow. This commodity price risk arises from forecasted purchases of certain commodities that the Group uses as raw material, which is managed and mitigated by entering into commodity derivatives.

The Group enters into various commodity derivatives to hedge the price of certain commodity purchases. These derivatives match the maturity of the expected commodity purchases and use the same underlying index as for the hedged item.

Currency Risk:

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in currency that's not the Group's currency. The Group exposure to foreign currency risk is primarily limited to transactions in Argentina Pesos ("ARS"), Kuwaiti Dinar ("KWD"), Egyptian Pounds ("EGP"), Euro ("EUR"), Great British Pounds ("GBP"), United State Dollars ("USD"), Bahraini Dinar ("BHD") and Jordanian Dinars ("JOD"). The Group's management believes that their exposure to currency risk is limited as the Group's currency, the Bahraini Dinar ("BHD") and the JOD are pegged to USD. The fluctuation in exchange rates against ARS, KWD, EGP, Euro and GBP are monitored on a continuous basis. Quantitative data regarding the Group's exposure to currency risk arising from currencies that are not pegged to USD is as follows:

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

36. FINANCIAL INSTRUMENTS (Continued..)

	ARS	KWD	EGP	EUR	GBP	Total
	SAR	SAR	SAR	SAR	SAR	SAR
	'000	'000	'000	'000	'000	'000
2018						
Cash at Bank	172	22,924	64,322	5,298	1,240	93,956
Cash in Hand	254	94	180	118	27	673
Trade Receivables	1,961	79,087	42,266	-	-	123,314
Bank Overdrafts	-	-	(68,372)	-	-	(68,372)
Short term Borrowings	(9,393)	-	(46,916)	-	-	(56,309)
Long Term Borrowings	(11,117)	-	(168,133)	(239,290)	-	(418,540)
Trade Payables	(6,689)	(3,761)	(23,594)	(171,452)	(15,058)	(220,554)
Net Statement of Financial Position exposure	(24,812)	98,344	(200,247)	(405,326)	(13,791)	(545,832)
2017						
Cash at Bank	9,710	29,067	-	8,652	1,288	48,717
Cash in Hand	2,487	2,652	709	94	65	6,007
Trade Receivables	2,254	97,165	64,805	-	-	164,224
Bank Overdrafts	-	-	-	-	-	-
Short term Borrowings	(39,462)	-	(163,406)	-	-	(202,868)
Long Term Borrowings	(28,206)	-	-	(245,931)	-	(274,137)
Trade Payables	(8,388)	(4,171)	-	(206,595)	(8,219)	(227,373)
Net Statement of Financial Position exposure	(61,605)	124,713	(97,892)	(443,780)	(6,866)	(485,430)

The Group uses forward currency contracts to eliminate significant currency exposures. Management believes that the currency risk for inventory and capital expenditure purchases is adequately managed primarily through entering into foreign currency forward purchase agreements. It is the Group's policy to enter into forward contracts based on the underlying exposure available from the Group's business plan/commitment with the suppliers. The forward purchase agreements are secured by promissory notes given by the Group.

A strengthening / (weakening) of the ARS, KWD, EGP, EUR and GBP by 10% against all other currencies would have affected the measurement of financial instruments denominated in foreign currency and would have increased / (decreased) equity by the amounts shown below:

	2018	2017
	SAR '000	SAR '000
ARS	(2,481)	(6,161)
KWD	9,834	12,471
EGP	(20,025)	(9,789)
EUR	(40,533)	(44,378)
GBP	(1,379)	(687)
	(54,584)	(48,544)

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

36. FINANCIAL INSTRUMENTS (Continued..)

Capital Management:

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitor the return on capital employed and the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are:

- i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- ii) to provide an adequate return to shareholders.

37. DIVIDEND APPROVED AND PAID

On 23 Rajab 1439 A.H. (9 April 2018) the shareholders in their Extraordinary General Assembly Meeting approved dividends of SAR 750.0 million (SAR 0.75 per share) for the year ended 31 December 2017 out of which SAR 745.1 million was paid on 1 Sha'aban 1439 A.H. (17 April 2018).

38. DIVIDEND PROPOSED

The Board of Directors have proposed, for shareholder's approval at the General Assembly Meeting, a dividend of SAR 850 million (SAR 0.85 per share) for the year ended 31 December 2018.

39. SUBSEQUENT EVENTS

In the opinion of the management, there have been no significant subsequent events since the year-end that require disclosure or adjustment in these Consolidated Financial Statements.

40. BOARD OF DIRECTORS APPROVAL

These Consolidated Financial Statements were approved by the Board of Directors on 14 Jumada Al-Awwal 1440 A.H. (20 January 2019).



ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY

THE CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED
31 DECEMBER 2017

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY

INDEX

	<u>PAGES</u>
INDEPENDENT AUDITORS' REPORT	1-8
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017	9
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2017	10
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017	11
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017	12
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017	13
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017	14 -78



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Independent Auditors' Report

To the Shareholders of
Almarai Company – Joint Stock Company
Riyadh, Kingdom of Saudi Arabia

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Almarai - Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Inventories

Refer to note: 5(C) for the accounting policy on inventories and note: 11 for the inventories disclosure.

Key audit matter

How the matter was addressed in our audit

As at 31 December 2017, the Group's inventories balance was SR 3,122 million (2016: SR 3,002 million) net of allowance for slow moving inventories of SR 459 million (2016: SR 388 million).

Inventories are stated at the lower of cost and net realizable value and an allowance is made by the Group, where necessary, for slow moving inventories. The management determines the level of obsolescence of inventories considering the nature, ageing profile, its expiry and sales expectations using historic trends and other qualitative factors. Further, at each reporting date, management reviews the valuation of inventories and the costs of inventories are written down where inventories are forecasted to be sold at below cost.

We consider this as a key audit matter due to the significant judgments and key assumptions applied by the management in determining the allowance for slow moving inventories and the level of inventories write down required based on Net Realisable Value (NRV) assessment.

We performed the following audit procedures in relation to valuation of inventories:

- Assessed the design and implementation, and tested the effectiveness of the Group's control around determination and monitoring of the allowance for slow moving inventories;
- Evaluated the Group's policy for allowance for slow moving inventories by performing retrospective testing, comparing historical estimates with actual results;
- Used our IT specialist to test the integrity of the inventories' ageing report used by management in its assessment of allowance for slow moving inventories;
- Checked that the allowance for slow moving inventories is computed in accordance with the Group's policy based on the inventories' ageing report;
- Inquired for any identified expired or slow-moving inventories during our attendance of physical counts on selected locations; and
- Tested the net realisable values of finished goods inventories by considering actual sales post year-end and the assumptions used by the management to check whether inventories are valued at the lower of cost and net realisable value.

Goodwill impairment	
<p>Refer to Note: 5 (G) for the accounting policy relating to goodwill and note: 8 for the goodwill disclosure.</p>	
Key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2017, the carrying value of goodwill amounted to SAR 935 million (2016: SAR 931 million).</p> <p>Goodwill is subject to an annual impairment test. For the purpose of the Group's impairment assessment of goodwill, management has used the value in use model, to determine the recoverable amount, under which the future cash flows relating to each Cash Generating Unit (CGU) were discounted and compared to their respective carrying amounts. Value in use model requires input of several key assumptions, including estimates of future sales volumes, prices, operating costs, terminal value, growth rates and discount rates.</p> <p>We considered goodwill impairment as a key audit matter due to the significant judgment and key assumptions involved in the impairment assessment process.</p>	<p>We performed the following audit procedures in relation to goodwill impairment:</p> <ul style="list-style-type: none"> - Assessed the design and implementation, and tested the effectiveness of the Group's controls around goodwill impairment, and evaluated key assumptions used; - Used our specialist to test the key assumptions used in the management's value in use calculation. Further, we assessed the reasonableness of key management assumptions in respect of estimated future cash flows, growth and discount rates and performed a sensitivity analysis on these key assumptions; - Compared key assumptions against industry benchmarks, applied our understanding of the future prospects of the business from internal and external sources, and compared forecasts to historical experience; - Checked the accuracy and completeness of the information produced by management, which was used for the basis of the impairment assessment; and - Considered the adequacy of the Group's goodwill disclosures in terms of applicable accounting standards.

Revenue recognition

Refer to Note: 5 (S) for the accounting policy relating to revenue recognition and note: 30 for the related disclosures.

Key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2017, the Group recognized total revenue of SR 13,936 million (2016: SR 14,339 million).</p> <p>The Group's sales arrangements are generally straightforward, being on a point of sale basis with a right of return provided to the buyer in case of expiry of the product sold. Further, there continues to be pressure on the Group to meet expectations and targets, which may cause misstatement of revenue.</p> <p>Revenue recognition is considered a key audit matter as there is a risk that management may override controls to misstate revenue transactions, either through inappropriate assessment of the sales return or by recording fictitious revenue transactions.</p>	<p>We performed the following procedures in relation to revenue recognition:</p> <ul style="list-style-type: none"> - Assessed the appropriateness of the Group's revenue recognition accounting policies by considering the requirements of relevant accounting standards. Further, we also evaluated the method of estimating sales return provision, by performing retrospective testing of this management estimate; - Assessed the design and implementation, and tested the effectiveness of the Group's controls, including anti-fraud controls, over the recognition of revenue as per the Group's policy; - Evaluated key contractual arrangements including rebates and returns arrangements by considering relevant documentation and agreements with the customers; - Inspected sales transactions taking place at either side of the year-end to assess whether revenue was recognized in the correct period; - Developed an expectation of the current year revenue balance based on trend analysis information, taking into account sales volume, average prices and our understanding of each market. We then compared this expectation to actual revenue and, where relevant, completed further inquiries and testing; - Tested manual journals posted to revenue to identify unusual or irregular items; and - Tested calculation of sales return provision at year end to assess its compliance with Group's policy for sales return provision. Further, while assessing the sales return provision, we considered the volume of sales returns post year-end.

Change in financial reporting framework

Refer to Note: 2 for basis of preparation of consolidated financial statements relating to IFRS adoption and note: 36 for the related disclosure of effects of IFRS adoption.

Key audit matter	How the matter was addressed in our audit
<p>For all periods up to and including the year ended 31 December, 2016, the Group prepared and presented its statutory consolidated Financial Statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by SOCPA.</p> <p>For the financial periods commencing 1 January, 2017, the applicable regulations require the Group to prepare and present its consolidated Financial Statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA (IFRS as endorsed in Kingdom of Saudi Arabia).</p> <p>Accordingly, the Group has prepared its Consolidated Financial Statements, for the year ended 31 December 2017, under IFRS as endorsed in Kingdom of Saudi Arabia using IFRS 1 - "First time Adoption of International Financial Reporting Standards" (IFRS 1).</p> <p>As part of this transition to IFRS as endorsed in Kingdom of Saudi Arabia, the Group's management performed a detailed gap analysis to identify differences between previous reporting framework and IFRS as endorsed in Kingdom of Saudi Arabia, determined the transition adjustments in light of this gap analysis and relevant requirements of IFRS 1, and assessed the additional disclosures required in the financial statements.</p> <p>We considered this as a key audit matter as the transitional adjustments due to the change in the financial reporting framework and transition related disclosures in the financial statements require additional attention during our audit.</p>	<p>We performed the following procedures in relation to change in financial reporting framework:</p> <ul style="list-style-type: none"> - Considered the Group's governance process around the adoption of IFRS as endorsed in Kingdom of Saudi Arabia, especially, in relation to matters requiring management to exercise its judgment; - Obtained an understanding of the analysis performed by management to identify all significant differences between previous reporting framework and IFRS as endorsed in Kingdom of Saudi Arabia which can impact the Group's financial statements; - Evaluated the results of management's analysis and key decisions taken in respect of the transition using our knowledge of the relevant requirements of the IFRS as endorsed in Kingdom of Saudi Arabia and our understanding of the Group's business and its operations; - Tested the transition adjustments by considering management's gap analysis, the underlying financial information and the computation of these adjustments; and - Evaluated the disclosures made in relation to the transition to IFRS as endorsed in Kingdom of Saudi Arabia by considering the relevant requirements of IFRS 1.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report and conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, Company's By-laws and Companies regulations and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the consolidated financial statements of Almarai - Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Group"), taken as a whole, comply with the requirements of the Regulations for Companies and Company's By-laws with respect to the preparation and presentation of consolidated financial statements.

**For KPMG Al Fozan & Partners
Certified Public Accountants**



Abdullah Hamad Al Fozan
License No: 348



Date: 21 January 2018
Corresponding to: 04 Jumada'l 1439H

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	31 December 2017 SAR '000	31 December 2016 SAR '000	01 January 2016 SAR '000
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	7	22,401,692	21,144,593	18,642,287
Intangible Assets and Goodwill	8	1,045,607	1,040,099	1,141,277
Biological Assets	9	1,283,342	1,271,425	1,186,506
Investments in Associates and Joint Ventures	10	129,429	96,612	94,177
Available for Sale Investments	10	90,711	102,872	104,237
Prepayments	12	74,558	132,867	72,426
Deferred Tax Assets	21	39,926	13,875	1,156
Derivative Financial Instruments	34	16,808	10,257	11,089
		<u>25,083,073</u>	<u>23,812,600</u>	<u>21,253,155</u>
Current Assets				
Inventories	11	3,121,903	3,002,331	2,688,641
Biological Assets	9	87,321	96,442	116,379
Trade Receivables, Prepayments and Other Receivables	12	1,702,375	1,548,684	1,346,391
Derivative Financial Instruments	34	9,480	4,680	3,438
Cash and Bank Balances	13	1,891,697	729,700	2,038,776
		<u>6,812,776</u>	<u>5,381,837</u>	<u>6,193,625</u>
TOTAL ASSETS		<u><u>31,895,849</u></u>	<u><u>29,194,437</u></u>	<u><u>27,446,780</u></u>
EQUITY				
Share Capital	14	10,000,000	8,000,000	6,000,000
Statutory Reserve		1,848,418	1,630,190	1,422,141
Treasury Shares	15	(453,156)	(378,994)	(330,699)
Other Reserves	16	(609,135)	(711,996)	(392,636)
Retained Earnings		1,998,246	2,818,019	3,626,687
Equity Attributable to Shareholders		<u>12,784,373</u>	<u>11,357,219</u>	<u>10,325,493</u>
Perpetual Sukuk	17	1,700,000	1,700,000	1,700,000
Equity Attributable to Equity Holders of the Company		<u>14,484,373</u>	<u>13,057,219</u>	<u>12,025,493</u>
Non-Controlling Interest	18	396,867	421,250	559,783
TOTAL EQUITY		<u>14,881,240</u>	<u>13,478,469</u>	<u>12,585,276</u>
Non-Current Liabilities				
Loans and Borrowings	19	10,543,125	10,128,343	9,334,727
Employee Benefits	20	621,536	573,979	527,200
Derivative Financial Instruments	34	30,779	41,212	63,427
Deferred Tax Liabilities	21	48,060	56,492	67,123
		<u>11,243,500</u>	<u>10,800,026</u>	<u>9,992,477</u>
Current Liabilities				
Bank Overdrafts	31	255,585	165,620	217,647
Loans and Borrowings	19	2,003,403	1,318,796	1,821,410
Zakat and Income Tax Payable	22	272,906	214,902	146,190
Trade and Other Payables	23	3,227,490	3,114,524	2,646,354
Derivative Financial Instruments	34	11,725	102,100	37,426
		<u>5,771,109</u>	<u>4,915,942</u>	<u>4,869,027</u>
TOTAL LIABILITIES		<u>17,014,609</u>	<u>15,715,968</u>	<u>14,861,504</u>
TOTAL EQUITY AND LIABILITIES		<u><u>31,895,849</u></u>	<u><u>29,194,437</u></u>	<u><u>27,446,780</u></u>

The accompanying notes 1 to 40 form an integral part of these Consolidated Financial Statements. These Financial Statements were authorised for issue by Board of Directors, on behalf of Shareholders, on 04 Jumada-Al-Awwal 1439 AH (21 January 2018) and signed on their behalf by:


Paul Gay
Chief Financial Officer


Georges P. Schorderet
Chief Executive Officer


HH Prince Sultan Bin
Mohammed Bin Saud Al Kabeer
Chairman

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	31 December 2017 SAR '000	31 December 2016 SAR '000
Revenue	30	13,935,532	14,338,579
Cost of Sales	24	(8,351,893)	(8,816,092)
Gross Profit		5,583,639	5,522,487
Selling and Distribution Expenses	25	(2,391,879)	(2,480,361)
General and Administration Expenses	26	(397,339)	(432,949)
Other Expenses, net	27	(211,071)	(91,398)
Operating Profit		2,583,350	2,517,779
Exchange Gain, net		7,094	44,676
Finance Cost, net	28	(401,254)	(351,336)
Share of Results of Associates and Joint Ventures	10	13,018	13,323
Profit before Zakat and Income Tax		2,202,208	2,224,442
Zakat and Foreign Income Tax	22	(42,245)	(74,345)
Profit for the year		2,159,963	2,150,097
Profit / (Loss) for the year attributable to:			
Shareholders of the Company		2,182,286	2,147,786
Non-Controlling Interest		(22,323)	2,311
		2,159,963	2,150,097
Earnings per Share (SAR), based on Profit for the year attributable to Shareholders of the Company			
- Basic	29	2.13	2.10
- Diluted	29	2.11	2.08

The accompanying notes 1 to 40 form an integral part of these Consolidated Financial Statements. These Financial Statements were authorised for issue by Board of Directors, on behalf of Shareholders, on 04 Jumada-Al-Awwal 1439 AH (21 January 2018) and signed on their behalf by:


Paul Gay
Chief Financial Officer


Georges P. Schorderet
Chief Executive Officer


HH Prince Sultan Bin
Mohammed Bin Saud Al Kabeer
Chairman

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	31 December 2017 SAR '000	31 December 2016 SAR '000
Profit for the year		2,159,963	2,150,097
Items that will not be reclassified to profit or loss:			
Actuarial Gain / (Loss) on End of Service Benefit	20	10,151	(12,723)
Items that are or may be reclassified subsequently to profit or loss:			
Foreign Currency Translation Differences		(21,391)	(514,707)
Movement in Fair Value on Cash Flow Hedges		128,475	(62,378)
Settlement of Cash Flow Hedges transferred to Profit or Loss		(16,318)	20,330
Movement in Fair Value of Available for Sale Investments	10	(12,161)	(1,365)
Share of Other Comprehensive Loss of Associates	10	(5,201)	(10,388)
Other Comprehensive Income / (Loss) for the year, net of Income Tax		83,555	(581,231)
Total Comprehensive Income for the year		2,243,518	1,568,866
Total Comprehensive Income / (Loss) for the year attributable to:			
Shareholders of the Company		2,256,849	1,794,263
Non-Controlling Interest		(13,331)	(225,397)
		2,243,518	1,568,866

The accompanying notes 1 to 40 form an integral part of these Consolidated Financial Statements. These Financial Statements were authorised for issue by Board of Directors, on behalf of Shareholders, on 04 Jumada-Al-Awwal 1439 AH (21 January 2018) and signed on their behalf by:


Paul Gay
Chief Financial Officer


Georges P. Schorderet
Chief Executive Officer


HH Prince Sultan Bin
Mohammed Bin Saud Al Kabeer
Chairman

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share Capital	Statutory Reserve	Treasury Shares	Other Reserves	Retained Earnings	Equity Attributable to Shareholders	Perpetual Sukuk	Equity Attributable to Equity Holders	Non-Controlling Interest	Total Equity
	SAR '000									
Balance at 01 January 2016	6,000,000	1,422,141	(330,699)	(392,636)	3,626,687	10,325,493	1,700,000	12,025,493	559,783	12,585,276
Profit for the year	-	-	-	-	2,147,786	2,147,786	-	2,147,786	2,311	2,150,097
Other Comprehensive Loss for the year	-	-	-	(340,800)	(12,723)	(353,523)	-	(353,523)	(227,708)	(581,231)
Total Comprehensive Income / (Loss)	-	-	-	(340,800)	2,135,063	1,794,263	-	1,794,263	(225,397)	1,568,866
Dividend Declared SAR 1.15 per Share	-	-	-	-	(690,000)	(690,000)	-	(690,000)	-	(690,000)
Bonus Shares Issued 1 for 3 shares	2,000,000	-	-	-	(2,000,000)	-	-	-	-	-
Transfer during the year	-	208,049	-	-	(208,049)	-	-	-	-	-
Share Based Payment Transactions	-	-	-	35,079	-	35,079	-	35,079	-	35,079
Settlement of Treasury Shares	-	-	27,119	(19,712)	19,712	27,119	-	27,119	-	27,119
Purchase of Treasury shares	-	-	(75,414)	-	-	(75,414)	-	(75,414)	-	(75,414)
Profit on Perpetual Sukuk SAR 38,467 per Sukuk	-	-	-	65,394	(65,394)	-	-	-	-	-
Payment of Profit on Perpetual Sukuk	-	-	-	(59,327)	-	(59,327)	-	(59,327)	-	(59,327)
Transactions with Non Controlling Interests	-	-	-	-	-	-	-	-	86,864	86,864
Balance at 31 December 2016	8,000,000	1,630,190	(378,994)	(711,996)	2,818,019	11,357,219	1,700,000	13,057,219	421,250	13,478,469
Balance at 01 January 2017	8,000,000	1,630,190	(378,994)	(711,996)	2,818,019	11,357,219	1,700,000	13,057,219	421,250	13,478,469
Profit / (Loss) for the year	-	-	-	-	2,182,286	2,182,286	-	2,182,286	(22,323)	2,159,963
Other Comprehensive Income for the year	-	-	-	64,412	10,751	74,563	-	74,563	8,992	83,555
Total Comprehensive Income / (Loss)	-	-	-	64,412	2,192,437	2,256,849	-	2,256,849	(13,331)	2,243,518
Dividend Declared SAR 0.90 per Share	-	-	-	-	(720,000)	(720,000)	-	(720,000)	-	(720,000)
Bonus Shares Issued 1 for 4 shares	2,000,000	-	-	-	(2,000,000)	-	-	-	-	-
Transfer during the year	-	218,228	-	-	(218,228)	-	-	-	-	-
Share Based Payment Transactions	-	-	-	39,394	-	39,394	-	39,394	-	39,394
Settlement of Treasury Shares	-	-	1,371	-	-	1,371	-	1,371	-	1,371
Purchase of Treasury shares	-	-	(75,533)	-	-	(75,533)	-	(75,533)	-	(75,533)
Profit on Perpetual Sukuk SAR 41,848 per Sukuk	-	-	-	71,142	(71,142)	-	-	-	-	-
Payment of Profit on Perpetual Sukuk	-	-	-	(72,087)	-	(72,087)	-	(72,087)	-	(72,087)
Directors Remuneration	-	-	-	-	(2,840)	(2,840)	-	(2,840)	-	(2,840)
Transactions with Non Controlling Interests	-	-	-	-	-	-	-	-	(11,052)	(11,052)
Balance at 31 December 2017	10,000,000	1,848,418	(453,156)	(609,135)	1,998,246	12,784,373	1,700,000	14,484,373	396,867	14,881,240

The accompanying notes 1 to 40 form an integral part of these Consolidated Financial Statements. These Financial Statements were authorised for issue by Board of Directors, on behalf of Shareholders, on 04 Jumada-Al-Awwal 1439 AH (21 January 2018) and signed on their behalf by:


Paul Gay
Chief Financial Officer


Georges P. Schorderet
Chief Executive Officer


HH Prince Sultan Bin
Mohammed Bin Saud Al Kabeer
Chairman

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	31 December 2017 SAR '000	31 December 2016 SAR '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		2,159,963	2,150,097
Adjustments for:			
Depreciation of Property, Plant and Equipment	7	1,573,671	1,442,341
Amortisation of Intangible Assets	8	50,017	32,479
Depreciation of Biological Assets	9	295,927	342,041
(Gain) / Loss Arising from Changes in Fair Value less Cost to Sell of	9	(977)	15,248
Crops			
Provision for Employee Benefits	20	128,262	115,358
Share Based Payment Expense		39,394	35,079
Exchange Gain, net		(7,094)	(44,676)
Finance Cost, net	28	401,254	351,336
Other Expenses, net	27	212,181	91,398
Share of Results of Associates and Joint Ventures	10	(13,018)	(13,323)
Zakat and Foreign Income Tax	22	42,245	74,345
		4,881,825	4,591,723
Changes in:			
Inventories		1,083,062	844,604
Biological Assets		(1,197,326)	(1,231,787)
Trade Receivables, Prepayments and Other Receivables		(106,170)	(164,572)
Trade and Other Payables		35,566	524,039
Cash Used in Operating Activities		(184,868)	(27,716)
Employee Benefits Paid	20	(70,888)	(81,302)
Zakat and Foreign Income Tax Paid	22	(11,922)	(10,161)
Net Cash Generated from Operating Activities		4,614,147	4,472,544
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in Associates	10	(25,000)	-
Dividend received from Associates	10	-	500
Dividend on Available For Sale Investment	27	1,110	-
Additions to Property, Plant and Equipment	7	(2,797,282)	(4,514,597)
Proceeds from the Disposal of Property, Plant and Equipment		30,790	133,971
Additions to Intangible Assets	8	(52,927)	(18,153)
Additions to Biological Assets	9	(81,536)	(93,131)
Appreciation of Biological Assets		(582,895)	(618,673)
Proceeds from the Disposal of Biological Assets		197,274	200,486
Prepayments		-	(71,794)
Net Cash Used in Investing Activities		(3,310,466)	(4,981,391)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in Loans, net		1,105,031	351,847
Finance Cost Paid		(467,977)	(360,596)
Dividend Paid		(717,905)	(687,721)
Purchase of Treasury Shares	15	(75,533)	(75,414)
Settlement of Treasury Shares		1,371	27,119
Transactions with Non Controlling Interests		(11,052)	86,864
Payment of Profit on Perpetual Sukuk		(72,087)	(59,321)
Director's Remuneration		(2,840)	-
Net Cash Used in Financing Activities		(240,992)	(717,222)
Increase / (Decrease) in Cash and Cash Equivalents		1,062,689	(1,226,069)
Cash and Cash Equivalents at 01 January		564,080	1,821,129
Effect of Movements in Exchange Rates on Cash and Cash Equivalents		9,343	(30,980)
Cash and Cash Equivalents at 31 December	31	1,636,112	564,080

The accompanying notes 1 to 40 form an integral part of these Consolidated Financial Statements. . These Financial Statements were authorised for issue by Board of Directors, on behalf of Shareholders, on 04 Jumada-Al-Awwal 1439 AH (21 January 2018) and signed on their behalf by:


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ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS DESCRIPTION

Almarai Company (the "Company") is a Saudi Joint Stock Company, which was converted from a limited liability company to a joint stock company on 2 Rajab 1426 A.H. (8 August 2005). The Company initially commenced trading on 19 Dul 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 was trading between 1977 and 1991 under the Almarai brand name.

The Company's Head Office is located at Exit 7, North Ring Road, Al Izdihar District, P.O. Box 8524, Riyadh 11492, Kingdom of Saudi Arabia ("Saudi Arabia").

The Company and its subsidiaries (together, the "Group") are a major integrated consumer food and beverage Group in the Middle East with leading market shares in Saudi Arabia. It also operates in other Gulf Cooperation Council ("GCC") countries, Egypt and Jordan.

Dairy, Fruit Juices and related Food Business is operated under the "Almarai", "Beyti" and "Teeba" brand names. All raw milk production, Dairy and Fruit Juice product processing and related food product manufacturing activities are undertaken in Saudi Arabia, United Arab Emirates ("UAE"), Egypt and Jordan.

Dairy, Fruit Juices and related Food Business in Egypt and Jordan operates through International Dairy and Juice Limited ("IDJ"), a joint venture with PepsiCo, in which the Company holds controlling interest. The Group manages IDJ operations through following key subsidiaries:

Jordan	- Teeba Investment for Developed Food Processing
Egypt	- International Company for Agricultural Industries Projects (Beyti) (SAE)

Bakery products are manufactured and traded by Western Bakeries Company Limited and Modern Food Industries Company Limited, a joint venture with Chipita in which the Company holds controlling interest, under the brand names "L'usine" and "7 Days" respectively.

Poultry products are manufactured and traded by Hail Agricultural Development Company under the "Alyoum" brand name.

Infant Nutrition products are manufactured by Almarai Baby Food Company Limited and traded by International Pediatric Nutrition Company under "Nuralac" and "Evolac" brands.

In territories where the Group has operations, final consumer packed products are distributed from manufacturing facilities to local distribution centres by the Group's long haul distribution fleet. The distribution centres in Gulf Cooperation Council (GCC) countries are managed through subsidiaries (UAE, Oman and Bahrain) and Agency Agreements (Kuwait and Qatar) as follows:

UAE	- Almarai Emirates Company L.L.C
Oman	- Arabian Planets for Trading and Marketing L.L.C.
Bahrain	- Almarai Company Bahrain S.P.C
Kuwait	- Al Kharafi Brothers Dairy Products Company Limited
Qatar	- Khalid for Foodstuff and Trading Company

In other territories, where permissible by law, Dairy and Juice products are exported through IDJ, other products are exported through other subsidiaries. Since 6 June 2017, the Group has suspended its operations in Qatar.

The Group owns and operates arable farms in Argentina and in United States of America, collectively referred to as "Fondomonte", through following key subsidiaries:

USA	- Fondomonte Holdings North America L.L.C
Argentina	- Fondomonte South America S.A

The Group's non GCC business operations under IDJ and Fondomonte are managed through Almarai Investment Holding Company W.L.L., a Company incorporated in the Kingdom of Bahrain.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Details of subsidiary companies are as follows:

Name of Subsidiary	Country of Incorporation	Business Activity	Functional Currency	Ownership Interest				Share Capital	Number of Shares Issued	Conventional Investment SAR '000	Conventional Borrowing SAR '000	Interest Income SAR '000
				2017		2016						
				Direct (a)	Effective	Direct (a)	Effective					
Almarai Investment Company Limited	Saudi Arabia	Holding Company	SAR	100%	100%	100%	100%	SAR 1,000,000	1,000	-	-	-
Almarai Baby Food Company Limited	Saudi Arabia	Manufacturing Company	SAR	100%	100%	100%	100%	SAR 200,000,000	20,000,000	-	198,460	-
Almarai Agricultural And Livestock Production Company	Saudi Arabia	Livestock / Agricultural Company	SAR	100%	100%	100%	100%	SAR 1,000,000	1,000	-	-	-
Almarai Construction Company	Saudi Arabia	Construction Company	SAR	100%	100%	100%	100%	SAR 1,000,000	1,000	-	-	-
Almarai for Maintenance and Operation Company	Saudi Arabia	Maintenance and Operation	SAR	100%	100%	100%	100%	SAR 1,000,000	1,000	-	-	-
Agricultural Input Company Limited (Mudkhalat)	Saudi Arabia	Agricultural Company	SAR	52%	52%	52%	52%	SAR 25,000,000	250	-	-	-
Hail Agricultural Development Company	Saudi Arabia	Poultry / Agricultural Company	SAR	100%	100%	100%	100%	SAR 300,000,000	30,000,000	-	946,274	-
Hail Agricultural And Livestock Production Company	Saudi Arabia	Poultry / Agricultural Company	SAR	100%	100%	100%	100%	SAR 1,000,000	1,000	-	-	-
International Baking Services Company Limited	Saudi Arabia	Dormant	SAR	100%	100%	100%	100%	SAR 500,000	500	-	-	-
International Pediatric Nutrition Company	Saudi Arabia	Dormant	SAR	100%	100%	100%	100%	SAR 41,000,000	410,000	-	-	-
Modern Food Industries Company Limited	Saudi Arabia	Bakery Company	SAR	60%	60%	60%	60%	SAR 70,000,000	70,000	-	35,751	-
Nourlac Company Limited	Saudi Arabia	Trading Company	SAR	100%	100%	100%	100%	SAR 3,000,000	3,000	-	-	-
Western Bakeries Company Limited	Saudi Arabia	Bakery Company	SAR	100%	100%	100%	100%	SAR 200,000,000	200,000	-	215,511	-

(a) Direct ownership means directly owned by the Company or any of its subsidiaries.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Name of Subsidiary	Country of Incorporation	Business Activity	Functional Currency	Ownership Interest				Share Capital	Number of Shares Issued	Conventional Investment SAR '000	Conventional Borrowing SAR '000	Interest Income SAR '000
				2017		2016						
				Direct (a)	Effective	Direct (a)	Effective					
Agro Terra S.A.	Argentina	Dormant	ARS	100%	100%	100%	100%	ARS 475,875	475,875	-	-	-
Fondomonte South America S.A.	Argentina	Agricultural Company	ARS	100%	100%	100%	100%	ARS 1,286,096,598	1,286,096,598	-	78,157	-
Almarai Company Bahrain S.P.C.	Bahrain	Trading Company	BHD	100%	100%	100%	100%	BHD 100,000	2,000	-	-	-
Almarai Investment Holding Company W.L.L.	Bahrain	Holding Company	BHD	99%	99%	99%	99%	BHD 250,000	2,500	-	-	-
IDJ Bahrain Holding Company W.L.L.	Bahrain	Holding Company	BHD	100%	52%	100%	52%	BHD 250,000	2,500	-	-	-
International Dairy and Juice Limited	British Virgin Islands	Holding Company	USD	52%	52%	52%	52%	USD 7,583,334	7,583,334	-	56,253	-
International Dairy and Juice (Egypt) Limited	Egypt	Holding Company	EGP	100%	52%	100%	52%	EGP 1,101,750,000	110,175,000	-	-	-
International Company for Agricultural Industries Projects (Beyti) (SAE)	Egypt	Manufacturing and Trading Company	EGP	100%	52%	100%	52%	EGP 1,717,250,000	171,725,000	-	378,577	-
Markley Holdings Limited	Jersey	Dormant	GBP	100%	100%	100%	100%	-	-	-	-	-
Al Muthedoon for Dairy Production	Jordan	Dormant	JOD	100%	52%	100%	52%	JOD 500,000	500,000	-	-	-
Al Atheer Agricultural Company	Jordan	Livestock / Agricultural Company	JOD	100%	52%	100%	52%	JOD 750,000	750,000	-	-	-
Al Namouthiya for Plastic Production	Jordan	Dormant	JOD	100%	52%	100%	52%	JOD 250,000	250,000	-	-	-
Al Rawabi for juice and UHT milk Manufacturing	Jordan	Manufacturing Company	JOD	100%	52%	100%	52%	JOD 500,000	500,000	-	-	-

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ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Name of Subsidiary	Country of Incorporation	Business Activity	Functional Currency	Ownership Interest				Share Capital	Number of Shares Issued	Conventional Investment SAR '000	Conventional Borrowing SAR '000	Interest Income SAR '000
				2017		2016						
				Direct (a)	Effective	Direct (a)	Effective					
Teeba Investment for Developed Food Processing	Jordan	Manufacturing Company	JOD	100%	52%	100%	52%	JOD 49,675,352	49,675,352	-	92,179	-
Arabian Planets for Trading and Marketing L.L.C.	Oman	Trading Company	OMR	90%	90%	90%	90%	OMR 150,000	150,000	-	150,134	-
Alyoum for Food Products Company L.L.C.	Oman	Dormant	OMR	100%	100%	100%	100%	OMR 20,000	20,000	-	-	-
Fondomonte Inversiones S.L.	Spain	Holding Company	EUR	100%	100%	100%	100%	EUR 118,515,547	118,515,547	-	-	-
Hail Development Company Limited	Sudan	Agricultural Company	SDG	100%	100%	100%	100%	SDG 100,000	100	-	-	-
Almarai Emirates Company L.L.C.	United Arab Emirates	Trading Company	AED	100%	100%	100%	100%	AED 300,000 (Unpaid)	300	-	-	-
International Dairy and Juice (Dubai) Limited	United Arab Emirates	Holding Company	USD	100%	52%	100%	52%	USD 22,042,183	22,042,183	-	-	-
Fondomonte Holding North America L.L.C.	United States of America	Holding Company	USD	100%	100%	100%	100%	USD 500,000	50,000	-	112,698	-
Fondomonte Arizona L.L.C.	United States of America	Agricultural Company	USD	100%	100%	100%	100%	USD 500,000	50,000	-	-	-
Fondomonte California L.L.C.	United States of America	Agricultural Company	USD	100%	100%	100%	100%	-	-	-	-	-
Hayday Farm Operation L.L.C.	United States of America	Agricultural Company	USD	100%	100%	Nil	Nil	-	-	-	-	-

(a) Direct ownership means directly owned by the Company or any of its subsidiaries.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") (here and after refer to as "IFRS as endorsed in KSA"). Up to and including the year ended December 31, 2016, the Group prepared and presented its statutory Consolidated Financial Statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by SOCPA and the requirements of the Saudi Arabian Regulations for Companies and the Company's By-laws in so far as they relate to the preparation and presentation of the Financial Statements. In these Consolidated Financial Statements, the term "SOCPA Standards" refers to SOCPA Standards before the adoption of International Financial Reporting Standards ("IFRS").

For financial periods commencing January 1, 2017, the applicable regulations require the Group to prepare and present Financial Statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA. As part of this requirement, the Group has prepared these Consolidated Financial Statements.

As required by the Capital Market Authority ("CMA") through its circular dated 16th October 2016 the Group needs to apply the cost model to measure the property, plant and equipment, investment property and intangible assets upon adopting the IFRS for three years period starting from the IFRS adoption date.

These Consolidated Financial Statements are prepared in accordance with IFRS 1 First time Adoption of International Financial Reporting Standards. The Group has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect.

An explanation of how the transition to IFRS has affected the previously reported equity as at December 31, 2016 and January 01, 2016; and comprehensive income of the Group for the year ended December 31, 2016, including the nature and effect of significant changes in accounting policies from those used in the Group's Financial Statements for the year ended December 31, 2016 is provided in Note 36.

These Consolidated Financial Statements should be read in conjunction with the Group's annual Consolidated SOCPA Financial Statements for the year ended December 31, 2016, and the Group's Condensed Consolidated Interim Financial Statements for the quarters ended March 31, 2017, June 30, 2017 and September 30, 2017 prepared in accordance with IFRS as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA.

2.2 Preparation of The Financial Statements

These Consolidated Financial Statements have been prepared on the historical cost basis except for the following material items in the Consolidated Statement of Financial Position:

- Derivative financial instruments are measured at fair value.
- Available-for-sale investment is measured at fair value.
- The defined benefit obligation is recognised at the present value of future obligations using the Projected Unit Credit Method.
- Biological Assets, for which market is available, have been valued at fair value.

3. BASIS OF CONSOLIDATION

- 3.1** These Consolidated Financial Statements comprising the Consolidated Statement of Financial Position, Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and Notes to the Consolidated Financial Statements of the Group include assets, liabilities and the results of the operations of the Company and its subsidiaries, as set out in note (1). The Company

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

BASIS OF CONSOLIDATION (Continued..)

and its subsidiaries are collectively referred to as the "Group". Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. The Group accounts for the business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identified net assets acquired. The excess of the cost of acquisition and fair value of Non – Controlling Interest ("NCI") over the fair value of the identifiable net assets acquired is recorded as goodwill in Consolidated Statement of Financial Position. NCI is measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. The portion of profit or loss and net assets not controlled by the Group is presented separately in the Consolidated Statement of Profit or Loss and within equity in the Consolidated Statement of Financial Position. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Company and its subsidiaries have the same reporting periods.

4. FUNCTIONAL AND PRESENTATION CURRENCY

These Consolidated Financial Statements are presented in Saudi Riyal ("SAR"), which is the Company's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

5. SIGNIFICANT ACCOUNTING POLICIES

A. New Standards, Amendments and Standards issued and not yet effective:

New Standards, Amendment to Standards and Interpretations:

The Group has adopted, as appropriate, the following new and amended IASB Standards, effective 1 January 2017.

a. Disclosure Initiative (Amendments to IAS 7)

The amendments require disclosures that enable users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

Group's financing activities, as disclosed in Consolidated Statement of Cash Flows, represents only cash flow changes, except for finance cost for which non cash change is reflected in cash flow from operating activities.

b. Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

Group does not hold any debt instruments measured at fair value; therefore, there is no impact of this amendment on Consolidated Financial Statements.

c. Annual Improvements to IFRSs 2014–2016 Cycle (Amendments to IFRS 12 Disclosure of Interests in Other Entities)

The amendments clarify that disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. There is no impact of this amendment on these Consolidated Financial Statements.

Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted them in preparing these Consolidated Financial Statements.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued...)

a. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. As of this yearend, the Group is in the process of completing its evaluation of impact of IFRS 15 on its revenue recognition policy. As per its initial assessment, there is not going to be a significant impact on Group's revenue recognition policy.

b. IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 requires that derivatives embedded in the contracts should not be separated from the host contract which is a financial asset instead the hybrid financial instrument as a whole is assessed for classification.

Impairment – Financial Assets and Contract Assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs are those that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

Classification – Financial Liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI
- the remaining amount of change in the fair value is presented in profit or loss.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Hedge accounting

When initially applying IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9.

IFRS 9 will require the Group to ensure that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. IFRS 9 also introduces new requirements regarding rebalancing of hedge relationships and prohibiting voluntary discontinuation of hedge accounting. Under the new model, it is possible that more risk management strategies, particularly those involving hedging a risk component (other than foreign currency risk) of a non-financial item, will be likely to qualify for hedge accounting.

Under IAS 39, for all cash flow hedges, the amounts accumulated in the cash flow hedge reserve are reclassified to profit or loss as a reclassification adjustment in the same period as the hedged expected cash flows affect profit or loss. However, under IFRS 9, for cash flow hedges of foreign currency risk associated with forecast non-financial asset purchases, the amounts accumulated in the cash flow hedge reserve and the cost of hedging reserve will instead be included directly in the initial cost of the non-financial asset when it is recognised.

Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. As of this yearend, the Group is in the process of completing its evaluation of impact of expected credit loss model on impairment of its financial assets. As per its initial assessment, the impact of this change is expected to be in the range of SAR 10.0 million to SAR 15.0 million.

Further Group's Investment that are currently classified as Available for Sale will satisfy the conditions for classification as fair value through other comprehensive income (FVOCI) and hence they will be no change in the accounting of this assets.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognised in retained earnings and reserves as at 1 January 2018.
- New hedge accounting requirements should generally be applied prospectively. However the Group may elect to apply the expected change in accounting for forward points retrospectively.

c. IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose whether to:

- Apply the IFRS 16 definition of a lease to all its contracts; or
- Apply a practical expedient and not reassess whether a contract is, or contains, a lease.

Transition

As a lessee, the Group can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Group currently plans to apply IFRS 16 initially on 1 January 2019. The Group has not yet determined which transition approach to apply.

As a lessor, the Group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

d. Annual Improvements to IFRSs 2014–2016 Cycle

- IFRS 1 First-time Adoption of IFRS - Outdated exemptions for first-time adopters of IFRS are removed. Effective for annual periods beginning on or after 01 January 2018.
- IAS 28 Investments in Associates and Joint Ventures - A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis.

A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. Effective retrospectively for annual periods beginning on or after 01 January 2018, early application is permitted.

e. Other Amendments

The following new or amended standards are not yet effective and neither expected to have a significant impact on the Group's Consolidated Financial Statements.

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4) Amendments respond to industry concerns about the impact of differing effective dates.
- Transfers of Investment Property (Amendments to IAS 40) – A property asset is transferred when, and only when, there is evidence of an actual change in its use.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration - clarifies the transaction date used to determine the exchange rate.

B. Cash and Cash Equivalents

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents includes bank balances and deposits with original maturities of three months or less, if any. It also includes bank overdrafts which form an integral part of the Group's cash management and are likely to fluctuate from overdrawn to positive balances.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued...)

C. Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost includes all direct manufacturing expenditure based on the normal level of activity and transportation and handling costs. Net realisable value comprises estimated selling price less further production costs to completion and appropriate selling and distribution costs. Allowance is made, where necessary for slow moving inventories. Cost of inventories is recognised as an expense and included in cost of sales.

Agriculture produce harvested from biological assets are measured at fair value less cost to sell at the point of harvest.

D. Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these Consolidated Financial Statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that an associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of associate's or joint venture's identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in Consolidated Statement of Profit or Loss in the period in which the investment is acquired.

When a group entity transacts with an associate or a joint venture of the Group, profits or losses resulting from the transactions with the associate or joint venture are recognised in the Group's Consolidated Financial Statements only to the extent of interests in the associate or joint venture that are not related to the Group.

E. Property, Plant and Equipment

Property, Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Bearer plants are measured at cost less accumulated depreciation and accumulated impairment loss, if any. Cost includes expenditures that are directly attributable to the acquisition / growing of the plant till its maturity. Any gain or loss on disposal of an item of Property, Plant and Equipment is recognised in Consolidated Statement of Profit or Loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and amount can be measured reliably.

Finance costs on borrowings to finance the construction of the qualifying assets are capitalised during the period of time that is required to substantially complete and prepare the qualifying asset for its intended use.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued...)

The cost less estimated residual value is depreciated on straight-line basis over the following estimated useful lives of the assets:

Buildings	5 – 33 years
Plant, Machinery and Equipment	1 – 20 years
Motor Vehicles	6 – 10 years
Bearer Plants	2 – 70 years

Land, Capital Work in Progress and Immature plants are not depreciated.

Capital work in progress at year end includes certain assets that have been acquired but are not ready for their intended use. These assets are transferred to relevant assets categories and are depreciated once they are available for their intended use.

The assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary.

If significant parts of an item of property, plant and equipment have different useful lives then they are accounted for as separate items of property, plant and equipment.

F. Biological Assets

Biological assets are measured at fair value less cost to sell except when fair value cannot be measured reliably.

Where fair value cannot be measured reliably biological assets are stated at cost of purchase or cost of rearing or growing to the point of commercial production (termed as biological assets appreciation), less accumulated depreciation and accumulated impairment loss, if any. The costs of immature biological assets are determined by the cost of rearing or growing to their respective age. Immature biological assets are not depreciated. Biological assets are depreciated on a straight line basis to their estimated residual values over periods as summarised below:

Dairy Herd	4 Lactation cycles
Poultry Flock – After Maturity	36 weeks

G. Intangible Assets and Goodwill

Intangible Assets

Intangible assets other than goodwill are measured at cost, less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised on a straight-line basis over the estimated useful lives of 4 years.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and amount can be measured reliably.

Intangible assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in Consolidated Statement of Profit or Loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued...)

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

H. Provisions

A provision is recognised if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

I. Zakat and Foreign Income Tax

Zakat is provided for in accordance with General Authority of Zakat and Tax ("GAZT") regulations. Income tax for foreign entities is provided for in accordance with the relevant income tax regulations of the countries of incorporation. Adjustments arising from final Zakat and Foreign income tax assessments are recorded in the period in which such assessments are made.

J. Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in Consolidated Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

K. Financial Instruments

(a) Non-Derivative Financial Instruments

i) Non-Derivative Financial Assets

The Group initially recognises financial assets on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the Group is recognised as a separate asset or liability.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Financial assets and liabilities are offset and the net amount is presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets;

Loans and Receivables

Loans and receivables of the Group comprise trade and other receivables and loan to associates.

These are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and other receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Available for Sale Financial Assets

Investments classified as available-for-sale are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in Consolidated Statement of Other Comprehensive Income and accumulated in the fair value reserve shown under other reserves within equity. When these assets are derecognised, the gain or loss accumulated in reserve is reclassified to Consolidated Statement of Profit or Loss.

ii) Non-Derivative Financial Liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. Financial assets and liabilities are offset and the net amount is presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Non-derivative financial liabilities of the group comprises of bank borrowings and trade and other payables.

(b) Derivative Financial Instruments and Hedge Accounting

Derivatives are measured at fair value; any related transaction costs are recognised in Consolidated Statement of Profit or Loss as incurred. Subsequent to initial recognition, any change in fair value is generally recognised in Consolidated Statement of Profit or Loss.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in Consolidated Statement of Other Comprehensive Income and accumulated in the hedging reserve shown within other reserves under equity.

The amount accumulated in equity is reclassified to Consolidated Statement of Profit or Loss in the period during which the hedged forecast cash flows affect profit or loss or the hedged item affects profit or loss.

If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to Consolidated Statement of Profit or Loss.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued...)

L. Impairment

(a) Non-Derivative Financial Assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of result of one or more events that occurred after the initial recognition of the asset, and that loss events had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

i) Loans and Receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by companying together with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in Consolidated Statement of Profit or Loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

ii) Available for Sale Financial Assets

Impairment losses on available for sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to Consolidated Statement of Profit or Loss. The amount reclassified is the difference between the acquisition cost (net of any principle repayment and amortisation and the current fair value), less any impairment loss previously recognised in Consolidated Statement of Profit or Loss. If the fair value of the impaired available for sale financial asset subsequently increases and increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss, otherwise it is reversed through other comprehensive income.

iii) Investments in Associates and Joint Ventures

An impairment loss in respect of investment in associates and joint ventures is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in Consolidated Statement of Profit or Loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(b) Impairment of Non-Financial Assets

Non-financial assets (other than biological assets measured at fair value, inventories and deferred tax assets) are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss or reversal of impairment loss (if any).

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued...)

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in Consolidated Statement of Profit or Loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in Consolidated Statement of Profit or Loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

M. Employee Benefits

Employee benefits are payable to all employees employed under the terms and conditions of the Labor Laws applicable on the Company and its subsidiaries, on termination of their employment contracts.

The Group's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in current and prior periods and discounting that amount to arrive at present value.

Group sets the assumptions used in determining the key elements of the costs of meeting such future obligations. These assumptions are set after consultation with the Group's actuaries and include those used to determine regular service costs and the financing elements related to the liabilities. The calculation of defined benefit obligation is performed by a qualified actuary using the projected unit credit method.

Re-measurement of defined benefit liability, which comprise of actuarial gains and losses are recognised immediately in Consolidated Statement of Other Comprehensive Income. The Group determines interest expense on the defined benefit obligation for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any change in the net defined benefit obligation during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit are recognised in Consolidated Statement of Profit or Loss.

N. Statutory Reserve

In accordance with Company's by-laws and the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to recognise a reserve comprising of 10% of its Net Income for the year. As per its by-laws the Company will cease the contribution when such reserve will reach 30% of its Share Capital.

O. Sukuk

The Group classifies Sukuk issued as financial liabilities or equity, in accordance with the substance of the contractual terms of the Sukuk. Sukuk having fixed maturity dates and fixed dates for payment of profit distribution are classified as a liability.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Sukuk having no fixed maturity date (Perpetual Sukuk) and no fixed date for payment of profit distribution are classified as equity. Distributions thereon are recognised in equity.

P. Treasury Shares

Own equity instruments that are reacquired (treasury shares), for discharging obligations under the Employee Stock Option Programme ("ESOP"), are recognised at cost and presented as a deduction from equity and are adjusted for any transaction costs, dividends and gains or losses on sale of such shares. No gain or loss is recognised in the Consolidated Statement of Profit or Loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised as share premium.

Q. Share Based Payment Transactions

Employees of the Group receive remuneration in the form of equity settled share based payments under the ESOP, whereby employees render services as consideration for the option to purchase fixed number of Company's shares ("Option") at a predetermined price.

The cost of ESOP is recognised as an expense in the Consolidated Statement of Profit or Loss, together with a corresponding increase in other reserves, in equity, over the period during which the service conditions are fulfilled.

Group has set up an economic hedge by purchasing Treasury Shares at inception of ESOP. Accordingly, the Other Reserves (representing the cumulative expense arising from ESOP) is transferred into Retained Earnings upon expiry of the ESOP, whether or not the Options vest to the employees.

The cumulative expense recognised for ESOP at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of Options that will ultimately vest.

When the terms of ESOP 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 ESOP is terminated, it is treated as if the Options 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 ESOP is substituted for the terminated ESOP, and designated as a replacement award on the date that it is granted, the terminated and new ESOPs are treated as if they were a modification of the original ESOP, as described in the previous paragraph.

R. Conversion of Foreign Currency Transactions

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 reporting 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 Consolidated Statement of Profit or Loss 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 Saudi Riyal (SAR) the functional and presentation currency of the Company, at the rate of exchange ruling at the Consolidated Statement of Financial Position date and their Consolidated Statement of Profit or Loss 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 equity.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued...)

S. Revenue Recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of returns, trade discounts and volume rebates. Products are sold principally on a sale or return basis.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

Allowances for sales returns are calculated based on the forecasted return of expired products.

T. Government Grants

Government Grants are initially recognized within other liabilities at fair value when there is reasonable assurance that it will be received and the Group will comply with the conditions associated with the grant.

Government Grants are recognized in Consolidated Statement of Profit or Loss on a systematic basis over the periods in which the Group recognizes as expenses the related inventories which the grants are intended to compensate.

U. Selling, Distribution, General and Administration Expenses

Selling, Distribution, General and Administration Expenses include direct and indirect costs not specifically part of Cost of Sales. Allocations between Cost of Sales and Selling, Distribution, General and Administration Expenses, when required, are made on a consistent basis. The Group charges the payments, other than those related to volume based rebates, made in respect of long term agreements with customers and distributors to Selling and Distribution Expenses.

V. Leases

Assets held under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's Consolidated Statement of Financial Position. Rentals in respect of operating leases are charged to the Consolidated Statement of Profit or Loss over the term of the leases.

W. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time, that is more than one year, to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Further no borrowing cost is capitalised during the idle period.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in Consolidated Statement of Other Comprehensive Income and released to Consolidated Statement of Profit or Loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in Consolidated Statement of Profit or Loss in the period in which they are incurred.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued...)

X. Segmental Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Makers which in Group's case is to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's Chief Operating Decision Maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

6. USE OF JUDGEMENTS AND ESTIMATES

The preparation of Financial Statements, in conformity with IFRS as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, requires the use of judgements, 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 Consolidated Statement of Financial Position 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

6.1 Judgements

Information about judgement made in applying accounting policies that have the most significant effects on the amounts recognised in the Consolidated Financial Statements is included in the following note,

- Refer to Note 9: Biological Assets not fair valued - the Group has assessed that quoted market prices are not available for the biological assets owned by the Group, except for crops and alternative fair value measurements are clearly unreliable.

6.2 Assumptions and estimation uncertainties

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustments to the carrying amount of assets and liabilities within the year ending 31 December 2018 is included in following notes;

- Refer to Note 8: Goodwill - Annual impairment testing of goodwill.
- Refer to Note 12: Trade Receivables - Allowance for impairment of trade receivables.
- Refer to Note 20: Measurement of employee benefits obligations - key actuarial assumptions.
- Refer to Note 21: Deferred taxation - whether future taxable profits will be available against which deferred tax asset can be realised.
- Refer to Note 11: Inventories - Allowance for slow moving inventories

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

7. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Plant, Machinery and Equipment	Motor Vehicles	Capital Work-in- Progress	Mature Plantations	Immature Plantations	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost							
At 01 January 2017	10,131,683	11,297,763	2,547,348	5,167,775	101,072	67,690	29,313,331
Additions during the year	-	-	-	2,855,388	1,370	68,658	2,925,416
Transfers during the year	1,884,556	1,738,248	145,378	(3,768,182)	84,780	(84,780)	-
Disposals during the year	(37,175)	(162,938)	(89,688)	-	(10,257)	-	(300,058)
Reclassification	27,645	(25,081)	(2,564)	-	-	-	-
Currency Translation Difference	(14,935)	(16,859)	(340)	7,334	(1,035)	(5)	(25,840)
At 31 December 2017	11,991,774	12,831,133	2,600,134	4,262,315	175,930	51,563	31,912,849
Accumulated Depreciation and Impairment							
At 01 January 2017	1,669,108	5,270,102	1,176,362	-	53,166	-	8,168,738
Depreciation for the year	329,002	917,429	255,704	-	71,536	-	1,573,671
Disposals during the year	(21,859)	(150,356)	(72,353)	-	(10,257)	-	(254,825)
Reclassification	619	(167)	(452)	-	-	-	-
Impairment of Assets (Ref 7.2)	28,158	9,053	-	-	-	-	37,211
Currency Translation Difference	(6,594)	(5,476)	(1,188)	-	(380)	-	(13,638)
At 31 December 2017	1,998,434	6,040,585	1,358,073	-	114,065	-	9,511,157
Net Book Value							
At 31 December 2017	9,993,340	6,790,548	1,242,061	4,262,315	61,865	51,563	22,401,692

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

PROPERTY, PLANT AND EQUIPMENT (Continued..)

	Land and Buildings	Plant, Machinery and Equipment	Motor Vehicles	Capital Work-in- Progress	Mature Plantations	Immature Plantations	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost							
At 01 January 2016	9,266,711	10,299,320	2,401,456	3,924,912	49,464	37,368	25,979,231
Additions during the year	-	-	-	4,486,600	-	81,930	4,568,530
Transfers during the year	1,126,955	1,665,832	345,933	(3,138,720)	51,608	(51,608)	-
Disposals during the year	(142,449)	(139,959)	(152,699)	-	-	-	(435,107)
Impairment of Assets (Ref 7.3)	-	(301,686)	-	-	-	-	(301,686)
Currency Translation Difference	(119,534)	(225,744)	(47,342)	(105,017)	-	-	(497,637)
At 31 December 2016	10,131,683	11,297,763	2,547,348	5,167,775	101,072	67,690	29,313,331
Accumulated Depreciation							
At 01 January 2016	1,436,371	4,828,200	1,063,956	-	8,417	-	7,336,944
Depreciation for the year	276,514	868,107	252,971	-	44,749	-	1,442,341
Disposals during the year	(32,150)	(126,226)	(126,862)	-	-	-	(285,238)
Impairment of Assets (Ref 7.3)	-	(196,889)	-	-	-	-	(196,889)
Currency Translation Difference	(11,627)	(103,090)	(13,703)	-	-	-	(128,420)
At 31 December 2016	1,669,108	5,270,102	1,176,362	-	53,166	-	8,168,738
Net Book Value							
At 31 December 2016	8,462,575	6,027,661	1,370,986	5,167,775	47,906	67,690	21,144,593
At 01 January 2016	7,830,340	5,471,120	1,337,500	3,924,912	41,047	37,368	18,642,287

7.1 Capital Work-in-Progress includes SAR 73.8 million of borrowing costs capitalised during the year. (31 December 2016: SAR 53.9 million; 1 January 2016: SAR 35.9 million)

7.2 During the year, based on change in Group's operational plan for Teeba and regional situation in GCC, assets with the net book value of SAR 30.6 million and SAR 6.6 million in Teeba and Qatar respectively are assessed as impaired. (Refer note 27)

7.3 Subsequent to fire incident at Jeddah, the Group has identified additional assets that are impaired. Total net book value of these assets is SAR 104.8 million. (Refer note 27)

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	31 December 2017	31 December 2016	01 January 2016
	SR '000	SR '000	SR '000
8. INTANGIBLE ASSETS AND GOODWILL			
Software Licenses (Refer 8.1)	111,719	109,374	132,200
Goodwill (Refer 8.2)	934,888	930,725	1,009,077
	<u>1,046,607</u>	<u>1,040,099</u>	<u>1,141,277</u>

8.1 Software Licenses

	Software Licenses	Software Licenses in Progress*	Total
	SAR '000	SAR '000	SAR '000
Cost			
At 01 January 2017	170,020	34,753	204,773
Additions during the year	-	52,927	52,927
Transfers during the year	58,400	(58,400)	-
Disposals during the year	(30,930)	-	(30,930)
Currency Translation Difference	301	(570)	(269)
At 31 December 2017	<u>197,791</u>	<u>28,710</u>	<u>226,501</u>
Accumulated Amortisation			
At 01 January 2017	95,399	-	95,399
Amortisation for the year	50,017	-	50,017
Disposals during the year	(30,930)	-	(30,930)
Currency Translation Difference	296	-	296
At 31 December 2017	<u>114,782</u>	<u>-</u>	<u>114,782</u>
Net Book Value			
At 31 December 2017	<u>83,009</u>	<u>28,710</u>	<u>111,719</u>

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

INTANGIBLE ASSETS AND GOODWILL (Continued..)

	Software Licenses	Software Licenses in Progress*	Total
	SAR '000	SAR '000	SAR '000
Cost			
At 01 January 2016	117,116	81,864	198,980
Additions during the year	-	18,153	18,153
Transfers during the year	65,264	(65,264)	-
Disposals during the year	(8,106)	-	(8,106)
Currency Translation Difference	(4,254)	-	(4,254)
At 31 December 2016	170,020	34,753	204,773
Accumulated Amortisation			
At 01 January 2016	66,780	-	66,780
Amortisation for the year	32,479	-	32,479
Disposals during the year	(4,230)	-	(4,230)
Currency Translation Difference	370	-	370
At 31 December 2016	95,399	-	95,399
Net Book Value			
At 31 December 2016	74,621	34,753	109,374
At 01 January 2016	50,336	81,864	132,200

*Software licenses in progress include certain softwares under installation.

8.2 Goodwill

The goodwill relates to the acquisition of WB in 2007, HADCO in 2009 and IDJ in 2012.

	31 December 2017	31 December 2016	01 January 2016
	SR '000	SR '000	SR '000
Western Bakeries Company Limited (WB)	548,636	548,636	548,636
Hail Agricultural Development Company (HADCO)	244,832	244,832	244,832
International Dairy and Juice Limited (IDJ)	141,420	137,257	215,609
	934,888	930,725	1,009,077

Western Bakeries Company Limited forms part of the Bakery Products reporting segment, HADCO represents part of both the Arable and Horticulture reporting segment and the Poultry reporting segment while IDJ falls under the Dairy and Juice reporting segment.

Goodwill is subject to annual impairment testing. Assets are tested for impairment by comparing the carrying amount of each cash-generating unit (CGU) to the recoverable amount which has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a five-year period. The discount rate applied to cash flow projections varies between 7.0% and 22.0% as relevant for each CGU and the residual value at the end of the forecast period has been calculated by applying an earnings multiple to the Net Income for the final year in the forecast period.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

INTANGIBLE ASSETS AND GOODWILL (Continued..)

Key Assumptions Used in Value in Use Calculations

Management determined forecast sales growth and gross margin based on past performance and its expectations of market development. The discount rates reflect management's estimate of the specific risks relating to the segment. Estimates for raw material price are based on the publicly available information and historical actual raw material price movements, which have been used as an indicator of future price movements. Growth rates are based on the industry averages.

The calculation of value in use is most sensitive to the assumptions on sales growth rate and cost of sales used to extrapolate cash flows beyond the budget period of 5 years, as well as the factors used in computing Terminal Value. Terminal value is calculated using earnings multiple / Gordon Growth Model for the final year of the forecast period.

Sensitivity to Changes in Assumptions – Western Bakeries Company Limited

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the unit including goodwill to materially exceed its recoverable amount. The implications of changes to the key assumptions are discussed below.

(a) Sales Growth Assumption

The sales growth in the forecast period has been estimated to be a compound annual growth rate of 9.1%. If all other assumptions kept the same; a reduction of this growth rate to 167.0% would give a value in use equal to the current carrying amount.

(b) Cost of Sales

The Cost of Sales in the forecast period has been estimated at an average of 38.4% of sales. If all other assumptions kept the same; an increase in the rate to an average of 163.6% would give a value in use equal to the current carrying amount.

(c) Terminal Value Multiple

The implied EBITDA multiple of terminal value to final year EBITDA is 14.6. If all other assumptions kept the same; a reduction of this multiple to 1.9 would give a value in use equal to the current carrying amount.

Sensitivity to Changes in Assumptions – HADCO

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the unit including goodwill to materially exceed its recoverable amount. The implications of changes to the key assumptions are discussed below.

(a) Sales Growth Assumption

The sales growth in the forecast period has been estimated to be a compound annual growth rate of 15.9%. If all other assumptions kept the same; a reduction of this growth rate to 1.6% would give a value in use equal to the current carrying amount.

(b) Cost of Sales

The cost of sales in the forecast period has been estimated at an average of 32.1% of sales. If all other assumptions kept the same; an increase in the rate to an average of 115.7% would give a value in use equal to the current carrying amount.

(c) Terminal Value Multiple

The implied EBITDA multiple of terminal value to final year EBITDA is 12.4. If all other assumptions kept the same; a reduction of this multiple to 5.9 would give a value in use equal to the current carrying amount.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

INTANGIBLE ASSETS AND GOODWILL (Continued..)

Sensitivity to Changes in Assumptions - IDJ

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the unit including goodwill to materially exceed its recoverable amount. The implications of changes to the key assumptions are discussed below.

(a) Sales Growth Assumption

The sales growth in the forecast period has been estimated to be a compound annual growth rate of 8.2%. If all other assumptions kept the same, a reduction of this growth rate to 1.5% would give a value in use equal to the current carrying amount.

(b) Cost of Sales

The cost of sales in the forecast period has been estimated at an average of 58.1% of sales. If all other assumptions kept the same, an increase in the rate to an average of 97.4% would give a value in use equal to the current carrying amount.

(c) Terminal Value Multiple

The implied EBITDA multiple of terminal value to final year EBITDA is 11.0. If all other assumptions kept the same, a reduction of this multiple to 2.7 would give a value in use equal to the current carrying amount.

9. BIOLOGICAL ASSETS

The Group's biological assets consist of dairy herd, poultry birds and plantations.

Biological assets owned by the Group are measured as follows:

- Dairy Herd and Poultry Flock: At cost less accumulated depreciation and impairment losses, if any, since quoted market prices for the assets are not available and any alternative fair value measurements are assessed to be clearly unreliable.

- Crops: At fair value based on adjusted market prices of standing crops according to the growth stage of the crops.

	Dairy Herd	Parent Poultry Birds	Other Poultry	Crops	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost					
At 01 January 2017	1,726,766	82,494	55,598	-	1,864,858
Additions during the year*	582,992	81,439	974,063	-	1,638,494
Transfers during the year	-	-	(979,929)	-	(979,929)
Disposals during the year	(554,476)	(80,399)	-	-	(634,875)
Currency Translation Difference	(14)	-	-	-	(14)
At 31 December 2017	1,755,268	83,534	49,732	-	1,888,534
Accumulated Depreciation					
At 01 January 2017	510,903	26,932	-	-	537,835
Depreciation for the year	216,724	79,203	-	-	295,927
Disposals during the year	(200,986)	(77,316)	-	-	(278,302)
At 31 December 2017	526,641	28,819	-	-	555,460
Net Book Value					
At 31 December 2017	1,228,627	54,715	49,732	-	1,333,074

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

BIOLOGICAL ASSETS (Continued...)

	Dairy Herd	Parent Poultry Birds	Other Poultry	Crops	Total
Measured at Fair Value					
At 01 January 2017	-	-	-	40,844	40,844
Additions during the year	-	-	-	223,262	223,262
Transfers during the year	-	-	-	(221,448)	(221,448)
Disposals during the year	-	-	-	(1,228)	(1,228)
Gain arising from changes in Fair Values less Cost to Sell	-	-	-	977	977
Currency Translation Difference	-	-	-	(4,818)	(4,818)
At 31 December 2017	-	-	-	37,589	37,589
Carrying Amount					
At 31 December 2017	-	-	-	37,589	37,589
Biological Assets Classification:					
At 31 December 2017					
Biological assets classified as Non-Current Assets	1,228,627	54,715	-	-	1,283,342
Biological assets classified as Current Assets	-	-	49,732	37,589	87,321
	1,228,627	54,715	49,732	37,589	1,370,663

* Additions include Biological Assets appreciation amounting to SAR 582.9 million.

	Dairy Herd	Parent Poultry Birds	Other Poultry	Crops	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost					
At 01 January 2016	1,536,593	102,347	62,543	-	1,701,483
Additions during the year*	618,673	93,131	963,050	-	1,674,854
Transfers during the year	-	-	(969,995)	-	(969,995)
Disposals during the year	(428,464)	(112,984)	-	-	(541,448)
Currency Translation Difference	(36)	-	-	-	(36)
At 31 December 2016	1,726,766	82,494	55,598	-	1,864,858
Accumulated Depreciation					
At 01 January 2016	411,228	41,206	-	-	452,434
Depreciation for the year	252,918	89,123	-	-	342,041
Disposals during the year	(153,232)	(103,397)	-	-	(256,629)
Currency Translation Difference	(11)	-	-	-	(11)
At 31 December 2016	510,903	26,932	-	-	537,835
Net Book Value					
At 31 December 2016	1,215,863	55,562	55,598	-	1,327,023
At 01 January 2016	1,125,365	61,141	62,543	-	1,249,049
Measured at Fair Value					
At 01 January 2016	-	-	-	53,836	53,836
Additions during the year	-	-	-	268,737	268,737
Transfers during the year	-	-	-	(266,481)	(266,481)
Loss arising from changes in Fair Values less Cost to Sell	-	-	-	(15,248)	(15,248)
At 31 December 2016	-	-	-	40,844	40,844
Carrying Amount					
At 31 December 2016	-	-	-	40,844	40,844
At 01 January 2016	-	-	-	53,836	53,836

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

BIOLOGICAL ASSETS (Continued...)

Biological Assets Classification:

At 31 December 2016

Biological assets classified as Non-Current Assets	1,215,863	55,562	-	-	1,271,425
Biological assets classified as Current Assets	-	-	55,598	40,844	96,442
	1,215,863	55,562	55,598	40,844	1,367,867

At 01 January 2016

Biological assets classified as Non-Current Assets	1,125,365	61,141	-	-	1,186,506
Biological assets classified as Current Assets	-	-	62,543	53,836	116,379
	1,125,365	61,141	62,543	53,836	1,302,885

* Additions include Biological Assets appreciation amounting to SAR 618.7 million.

Dairy Herd represents cows held for milk production.

Parent Poultry Birds are held for the purpose of laying eggs which are hatched into Broiler Birds (Other Poultry).

Crops are mainly held for the purpose of serving as animal feed which are consumed internally.

Agricultural Risk Management:

The Group is subject to following risks relating to its agricultural activities:

a) Regulatory and Environmental Risk

The Group is subject to laws and regulations in various countries in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

b) Climate and Other Risks

The Group is exposed to risk of loss from climate changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular health inspections, vaccination policies and state of the art farms to provide a barrier against diseases.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

10. INVESTMENTS

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

	<u>Principal activity</u>	<u>Place of Incorporation</u>	<u>31 December</u>	<u>31 December</u>	<u>01 January</u>	<u>31 December</u>	<u>31 December</u>	<u>01 January</u>
			<u>2017</u>	<u>2016</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>
			%	%	%	SAR '000	SAR '000	SAR '000
<u>Investments in Associates and Joint Ventures (Refer note 10.1)</u>								
United Farmers Holding Company	Investments in Agricultural sector	Saudi Arabia	33.0%	33.0%	33.0%	63,588	58,296	58,504
Pure Breed Company	Poultry	Saudi Arabia	41.9%	24.7%	24.7%	65,637	38,112	35,469
Almarai Company W.L.L.	Dormant	Qatar	50.0%	50.0%	50.0%	204	204	204
						129,429	96,612	94,177
<u>Available for Sale Investments (Refer note 10.3)</u>								
			<u>31 December</u>	<u>31 December</u>	<u>01 January</u>	<u>31 December</u>	<u>31 December</u>	<u>01 January</u>
			<u>2017</u>	<u>2016</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>
			%	%	%	SAR '000	SAR '000	SAR '000
Mobile Telecommunications Company	Saudi Arabia - ("Zain")		2.1%	2.1%	2.1%	90,711	102,872	104,237
						90,711	102,872	104,237
Total						220,140	199,484	198,414

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

INVESTMENTS (Continued..)

10.1 The investments in associates and joint ventures comprise the following:

	31 December 2017	31 December 2016
	SAR '000	SAR '000
United Farmers Holding Company		
Opening balance	58,296	58,504
Share of Other Comprehensive Loss	(5,201)	(10,388)
Share of Results for the year	10,493	10,180
Closing balance	<u>63,588</u>	<u>58,296</u>
	31 December 2017	31 December 2016
	SAR '000	SAR '000
Pure Breed Company		
Opening balance	38,112	35,469
Additions (Refer note 10.2)	25,000	-
Share of results for the year	2,525	3,143
Distributions	-	(500)
Closing balance	<u>65,637</u>	<u>38,112</u>
	31 December 2017	31 December 2016
	SAR '000	SAR '000
Almarai Company W.L.L.		
Opening balance	204	204
Closing balance	<u>204</u>	<u>204</u>

10.2 During the year, Almarai's fully owned subsidiary i.e. HADCO increased its stake in Pure Breed Company, an associate, from 24.7% to 41.9% by paying a consideration of SAR 25 million. The Group has not acquired control over the operations of Purebreed and continues to account for the interest using equity method.

10.3 The equity investment of 12.4 million shares in Zain is measured at fair value based on quoted market price available on the Saudi Stock Exchange (Tadawul). The fair valuation resulted in unrealised loss of SAR 12.2 million for the year ended 31 December 2017 which is presented within other reserves in Consolidated Statement of Changes in Equity.

The Company has pledged Zain shares to Banque Saudi Fransi ("BSF") to secure the BSF loan to Zain KSA.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	<u>31 December</u> <u>2017</u> SAR '000	<u>31 December</u> <u>2016</u> SAR '000	<u>01 January</u> <u>2016</u> SAR '000
11. INVENTORIES			
Raw Materials	2,419,313	2,412,682	2,162,309
Finished Goods	519,297	415,322	374,066
Spares	491,342	469,459	298,109
Work in Process	151,149	93,098	188,802
Total inventories	<u>3,581,101</u>	<u>3,390,561</u>	<u>3,023,286</u>
Allowance for Slow Moving Inventories (Refer note 11.1)	(459,198)	(388,230)	(334,645)
Total	<u><u>3,121,903</u></u>	<u><u>3,002,331</u></u>	<u><u>2,688,641</u></u>

11.1. Movement in the allowance for slow moving inventories:

	<u>31 December</u> <u>2017</u> SAR '000	<u>31 December</u> <u>2016</u> SAR '000
Opening balance	388,230	334,645
Charge for the year	82,580	66,943
Written off during the year	(11,612)	(13,358)
Closing balance	<u><u>459,198</u></u>	<u><u>388,230</u></u>

11.2 Allowance for slow moving inventories is based on nature of inventories, ageing profile, their expiry and sales expectation based on historic trends and other qualitative factors.

	<u>31 December</u> <u>2017</u> SAR '000	<u>31 December</u> <u>2016</u> SAR '000	<u>01 January</u> <u>2016</u> SAR '000
12. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES			
Trade Receivables - Third Parties	949,942	827,378	739,987
- Related Parties (Refer Note 33)	182,733	112,475	96,339
	<u>1,132,675</u>	<u>939,853</u>	<u>836,326</u>
Less: Allowance for impairment of trade receivables (Refer note 12.2)	(76,824)	(32,340)	(37,010)
Less: Allowance for sales returns (Refer note 12.5)	(13,828)	(11,314)	(22,855)
Net Trade Receivables	<u>1,042,023</u>	<u>896,199</u>	<u>776,461</u>
Prepayments	293,145	342,718	313,429
Government Grants	213,208	153,278	77,989
Other Receivables	153,999	156,489	178,512
	<u><u>1,702,375</u></u>	<u><u>1,548,684</u></u>	<u><u>1,346,391</u></u>

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

TRADE RECEIVABLES, PREPAYMENTS
AND OTHER RECEIVABLES (Continued..)

	31 December 2017	31 December 2016
	SAR '000	SAR '000
Ageing of Trade Receivables		
Upto 2 months	930,793	814,726
2 - 3 months	101,767	56,090
More than 3 months	100,115	69,037
	1,132,675	939,853
12.1 Movement in allowance for Impairment of Trade Receivables is as follows		
At the beginning of the year	32,340	37,010
Allowance made / (reversed) during the year	44,484	(4,670)
At the end of the year	76,824	32,340

12.2 Allowance for impairment of trade receivables is calculated based on ageing profile and history.

12.3 Trade receivables disclosed above are classified as loans and receivables and are measured at amortised cost.

12.4 The average credit period on sales of goods is 25 days (31 December 2016: 23 days, 01 January 2016: 22 days).

12.5 The allowance for sales returns is calculated based on the forecasted return of expired products in line with the Group's product return policy.

12.6 Prepayments under Non-Current Assets represent the subsidiaries in Argentina and USA relating to operating lease agreements for agricultural land for tenure ranging from 4 to 40 years.

	31 December 2017	31 December 2016	01 January 2016
	SAR '000	SAR '000	SAR '000
13. <u>CASH AND BANK BALANCES</u>			
Cash at Bank - Current accounts	382,964	538,202	506,381
Cash at Bank - Deposits (Refer note 13.1)	1,385,000	-	1,378,100
Cash in Hand	123,733	191,498	154,295
	1,891,697	729,700	2,038,776

13.1 The average rate on bank deposits was 1.7 % (31 December 2016: Nil, 01 January 2016: 1.4% per annum) with an average maturity of two months.

14. SHARE CAPITAL

On 18 Muharram 1439 A.H. (8 October 2017), the shareholders approved at the Extraordinary General Assembly Meeting an increase in the share capital from SAR 8,000 million to SAR 10,000 million through distribution of 1 bonus share for each 4 outstanding shares to existing shareholders.

The Company's share capital at 31 December 2017 amounted to SAR 10,000 million (31 December 2016: SAR 8,000 million, 01 January 2016: SAR 6,000 million), consisting of 1,000 million (31 December 2016: 800 million, 01 January 2016: SAR 600 million) fully paid and issued shares of SAR 10 each.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

15. EMPLOYEE STOCK OPTION PROGRAM (ESOP)

The Company has offered certain employees (the "Eligible Employees") the option (the "Option") for equity ownership ("Restricted Shares" i.e. treasury shares) opportunities and performance based incentives which will result in more alignment between the interest of both shareholders and these employees. The vesting of the Option is dependent on meeting performance targets set by the Company. The exercise of the Option is contingent upon the shares of the Company continuing to be listed on the Saudi Stock Exchange (Tadawul).

Restricted Shares that have not been granted to Eligible Employees in the reporting period for which it was earmarked, it shall carry over to the next reporting period.

In the event of a capital increase, share split or dividend distribution (in the form of shares), the number of Restricted Shares and the exercise price subject to the Option will be adjusted accordingly.

The number of share options and the exercise price has been retrospectively adjusted for the prior period to reflect the effect of the bonus share issue.

The ESOP 2011 was granted in Dul Qadah 1432 A.H. (October 2011). The number of restricted shares shall not exceed 2,869,350 shares.

The ESOP 2013 was granted in Rajab 1434 A.H. (June 2013). The number of restricted shares shall not exceed 1,237,500 shares.

The ESOP 2015 was granted in Dul Qadah 1436 A.H. (August 2015). The number of restricted shares shall not exceed 2,283,000 shares.

The ESOP2016 was granted in Jumada Al-Thani 1437 A.H. (April 2016). The number of Restricted Shares shall not exceed 2,933,333 shares.

The ESOP 2017 was granted in Muharram 1439 A.H. (February 2017). The number of Restricted Shares shall not exceed 4,125,000 shares.

The following table sets out the number of the, and movements in, share options during the year:

	<u>31 December</u> <u>2017</u>	<u>31 December</u> <u>2016</u>
At the beginning of the year	4,807,000	3,062,000
Granted during the year	3,230,000	2,828,000
Settled During the year	-	(774,000)
Forfeited during the year	(311,000)	(309,000)
At the end of the year	<u>7,726,000</u>	<u>4,807,000</u>

The fair value per Option is estimated at the grant date using the Black Scholes Merton pricing model, taking into account the terms and conditions upon which the share options were granted.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

EMPLOYEE STOCK OPTION PROGRAM (Continued..)

	ESOP 2011	ESOP 2013	ESOP 2015	ESOP 2016	ESOP 2017
Input to the Model;					
Dividend Yield (%)	2.5%	1.5%	1.1%	2.2%	1.8%
Expected Volatility (%)	21.0%	18.0%	25.0%	33.2%	15.0%
Risk Free Interest Rate (%)	5.0%	5.0%	5.0%	5.0%	5.0%
Contractual Life of Share Options (Years)	2.4	2.8	2.5	2.8	3.0
Share Price (SAR) at Grant Date	89.5	83.3	90.5	52.5	55.6
Exercise Price (SAR) at Grant Date	88.3	64.8	73.5	45.0	46.0
Model Used	Black Scholes Merton				
Fair Value per Option	13.5	23.9	26.7	15.7	13.9
Exercise Price (SAR) after bonus element	33.8	32.5	44.2	36.0	46.0

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the Options is indicative of future trends, which may also not necessarily be the actual outcome.

The following table shows movement during the year:

	31 December 2017	31 December 2016
	SAR '000	SAR '000
TREASURY SHARES		
At the beginning of the year	378,994	330,699
Acquired during the year	75,533	75,414
Disposed of on exercise of options	(1,371)	(27,119)
At the end of the year	<u>453,156</u>	<u>378,994</u>

16. OTHER RESERVES

	31 December 2017	31 December 2016	01 January 2016
	SAR '000	SAR '000	SAR '000
Hedging Reserve	16,216	128,374	86,326
Currency Translation Reserve	611,580	581,195	294,196
Others	(18,661)	2,427	12,114
	<u>609,135</u>	<u>711,996</u>	<u>392,636</u>

17. PERPETUAL SUKUK

	31 December 2017	31 December 2016	01 January 2016
	SAR '000	SAR '000	SAR '000
Perpetual Sukuk	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,700,000</u>

On 24 Dhul Qadah 1434 A.H. (30 September 2013), the Company issued its first Perpetual Sukuk - Series I amounting to SAR 1,700.0 million at a par value of SAR 1 million each without discount or premium, bearing a return based on SIBOR plus a pre-determined margin.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

PERPETUAL SUKUK (Continued)

The Company at its own discretion may redeem the Perpetual Sukuk, in full or in part, and may defer, in full or in part, payment of any profit distribution. The Company is not subject to any limitation on the number of times that it may defer such payment at its own discretion and such deferral is not considered as an event of default.

The Perpetual Sukuk, in the event of winding up of the Company, ranks in priority to all subordinated obligations and the ordinary share capital of the Company. These Sukuk do not carry the right to vote, however each Sukukholder participates in the Sukuk assets.

The terms of the Sukuk entitle the Company 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 transaction, together with any amounts standing to the credit of the Sukuk account and the Reserve retained by the Company from the Sukuk account.

18. NON CONTROLLING INTEREST

Summarized aggregate financial information of the Group's subsidiaries that has material non-controlling interests (Refer note1) is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	31 December 2017	Intra Group Adjustments	31 December 2017
	SAR '000	SAR '000	SAR '000
Non-current assets	598,534	-	598,534
Current assets	1,353,463	-	1,353,463
Non-current liabilities	753,359	-	753,359
Current liabilities	384,036	-	384,036
Equity attributable to owners of the Company	814,602		814,602
Non-Controlling Interests	362,905	33,962	396,867
Revenue	2,267,060	-	2,267,060
Expenses	(2,304,920)	-	(2,304,920)
Net Loss for the year	(37,860)	-	(37,860)
Net Loss attributable to:			
Owners of the Company	(15,537)	-	(15,537)
Non-Controlling Interests	(22,323)	-	(22,323)
Total Comprehensive Income attributable to:			
Owners of the Company	(45,920)	-	(45,920)
Non-Controlling Interests	(13,331)	-	(13,331)
Total Comprehensive Income for the year	(59,251)	-	(59,251)

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

NON CONTROLLING INTEREST (Continued)

	31 December 2016	Intra Group Adjustments	31 December 2016
	SAR '000	SAR '000	SAR '000
Non-current assets	1,072,580	-	1,072,580
Current assets	685,682	-	685,682
Non-current liabilities	239,814	-	239,814
Current liabilities	649,923	-	649,923
Equity attributable to owners of the Company	868,525		868,525
Non-Controlling Interests	387,312	33,938	421,250
Revenue	2,623,132	-	2,623,132
Expenses	2,600,215	-	2,600,215
Net Profit for the year	22,917	-	22,917
Net Profit attributable to:			
Owners of the Company	20,606	-	20,606
Non-Controlling Interests	2,311	-	2,311
Total Comprehensive Income attributable to:			
Owners of the Company	(266,395)	-	(266,395)
Non-Controlling Interests	(225,397)	-	(225,397)
Total Comprehensive Income for the year	(491,792)	-	(491,792)

31 December 2017	31 December 2016	01 January 2016
SAR '000	SAR '000	SAR '000

19. LOANS AND BORROWINGS

	Notes	31 December 2017	31 December 2016	01 January 2016
		SAR '000	SAR '000	SAR '000
Islamic Banking Facilities (Murabaha)	19.1	5,839,187	5,784,821	5,638,441
Saudi Industrial Development Fund	19.2	1,733,511	1,219,508	1,455,613
Banking Facilities of Non-GCC Subsidiaries	19.3	462,248	385,106	170,791
International Finance Corporation	19.4	278,190	-	-
Agricultural Development Fund	19.5	187,912	164,091	-
Banking Facilities of GCC Subsidiaries	19.6	150,134	-	-
		8,651,182	7,553,526	7,264,845
Sukuk	19.7	3,895,346	3,893,613	3,891,292
		12,546,528	11,447,139	11,156,137

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

LOANS AND BORROWINGS (Continued..)

	31 December 2017	31 December 2016	01 January 2016
	SAR '000	SAR '000	SAR '000
Short Term Borrowings	182,455	146,911	153,380
Current Portion of Long Term Borrowings	1,820,948	1,171,885	1,668,030
Loans and Borrowings - Current Liabilities	2,003,403	1,318,796	1,821,410
Loans and Borrowings - Non-Current Liabilities	10,543,125	10,128,343	9,334,727
	12,546,528	11,447,139	11,156,137

19.1. The borrowings under Islamic banking facilities (Murabaha) are secured by promissory notes given by the Group. The Islamic banking facilities (Murabaha) with a maturity period of less than two years are predominantly of a revolving nature. As at 31 December 2017 SAR 6,462.9 million Islamic banking facilities (Murabaha) were unutilised and available for drawdown with maturities predominantly greater than five years. (31 December 2016: SAR 6,050.8 million, 01 January 2016: SAR 2,739.9 million).

19.2. The borrowings of the Group from the Saudi Industrial Development Fund (SIDF) are secured by a mortgage on specific assets equivalent to the outstanding borrowings. As at 31 December 2017 the Group had SAR 267.1 million of unutilised SIDF facilities available for drawdown with maturities predominantly greater than five years (31 December 2016: SAR 351.0 million, 01 January 2016: SAR 380.3 million). Assets held as collateral are subject to restriction of disposal until the loan is settled or the disposal is approved by SIDF.

19.3. These banking facilities of non GCC subsidiaries represent borrowings from foreign banking institutions. As at 31 December 2017 SAR equivalent 248.3 million (31 December 2016: SAR 214.8 million, 01 January 2016: SAR 195.2 million) facilities were unutilised and available for drawdown.

19.4. During the year 2017, the Group has been granted new Murabaha Facility by International Finance Corporation (IFC- Member of World Bank Group) of SAR281.4 million committed with maturity period of more than 9 years and SAR 281.4 million uncommitted. As at 31 December 2017 the Group had no unutilised IFC facilities available.

19.5. The borrowings from Agriculture Development Fund (ADF) is secured by a mortgage on specific land equivalent to the outstanding borrowings. As at 31 December 2017 the Group had no unutilised ADF facilities available (31 December 2016: SAR 26.3 million, 01 January 2016: Nil). Assets held as collateral are subject to restriction of disposal until the loan is settled or the disposal is approved by ADF.

19.6. These banking facilities of GCC subsidiaries represent new borrowings of GCC subsidiaries from banking institutions of SAR equivalent 150.1 million. As at 31 December 2017 the Group had no unutilised facilities available.

19.7. 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 Saudi Arabia Interbank Offered Rate (SIBOR) plus a pre-determined margin payable semi-annually in arrears. The Sukuk will be redeemed at par on its date of maturity i.e. 30 Jumada Thani 1440 A.H. (7 March 2019).

On 19 Jumada 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 will be redeemed at par on its date of maturity i.e. 7 Shabaan 1441 A.H. (31 March 2020).

On 19 Jumada 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 will be redeemed at par on its date of maturity i.e. 15 Rajab 1439 A.H. (31 March 2018).

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

LOANS AND BORROWINGS (Continued...)

On 3 Dhul Hijja 1436 A.H. (16 September 2015), the Company issued its third Sukuk amounting to SAR 1,600.0 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 will be redeemed at par on its date of maturity i.e. 20 Safar 1444 A.H. (16 September 2022).

The terms of the Sukuk entitle the Company 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.

19.8 The loans contain certain covenants. A future breach of covenants may lead to renegotiation. The covenants are monitored on a monthly basis by Management, in case of potential breach, actions are taken by management to ensure compliance.

	31 December 2017	31 December 2016
	SAR '000	SAR '000
20. EMPLOYEE BENEFITS		
Opening Balance	573,979	527,200
Consolidated Statement of Profit or Loss		
Current Service and Interest Cost	128,596	115,358
Consolidated Statement of Comprehensive Income		
Actuarial (Gain) / Loss	(10,151)	12,723
Cash Movements:		
Benefits paid	(70,888)	(81,302)
Closing Balance	<u>621,536</u>	<u>573,979</u>

31 December 2017	31 December 2016
SAR '000	SAR '000

Sensitivity in Defined Benefit Obligation

Salary Inflation	1% Decrease	570,995	531,299
	Base	621,536	573,979
	1% Increase	678,247	622,253
Discount Rate	1% Decrease	678,721	622,353
	Base	621,536	573,979
	1% Increase	571,618	532,177

Demographics Assumption

	31 December 2017	31 December 2016
Membership Data		
Number of Employees	37,967	40,020
Average age of employees (years)	34.2	33.6
Average years of past service	4.7	3.6

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

EMPLOYEE BENEFITS (Continued...)

Summary of Economic Assumptions

Country	Rate	31 December 2017	31 December 2016
Saudi Arabia	Net Discount Rate Adjusted for Inflation	1.3%	1.0%
United Arab Emirates	Net Discount Rate Adjusted for Inflation	1.0%	0.7%
Oman	Net Discount Rate Adjusted for Inflation	2.5%	2.2%
Kuwait	Net Discount Rate Adjusted for Inflation	1.0%	0.7%
Bahrain	Net Discount Rate Adjusted for Inflation	4.5%	4.3%
Qatar	Net Discount Rate Adjusted for Inflation	1.0%	0.7%

21. DEFERRED TAX

Following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting year.

	31 December 2017	31 December 2016
	SAR '000	SAR '000
21.1 Deferred Tax Assets		
Opening Balance	13,875	1,156
Charge for the year	25,485	12,719
Currency Translation Difference	566	-
Closing Balance	<u>39,926</u>	<u>13,875</u>

Deferred tax assets relate to unused tax losses for its subsidiaries in Argentina and Egypt. Management believes that future taxable profits will be available against which deferred tax assets can be realised.

	31 December 2017	31 December 2016
	SAR '000	SAR '000
Asset for deferred taxation comprising temporary differences related to:		
Unused tax losses	39,926	13,875
	<u>39,926</u>	<u>13,875</u>
21.2 Deferred Tax Liabilities		
Opening Balance	56,492	67,123
(Reversed) /Charge for the year	(2,196)	8,191
Currency Translation Difference	(6,236)	(18,822)
Closing Balance	<u>48,060</u>	<u>56,492</u>

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

DEFERRED TAX (Continued..)

Deferred tax liability of SAR 48.1 million relates to taxable temporary differences arising on Property, Plant and Equipment. This includes SAR 23.8 million on the fair valuation adjustment of land amounting to SAR 68.1 million carried out at the time of business combination of its subsidiaries in Argentina, being the temporary difference between the carrying amount of land for financial reporting purposes and the amount used for taxation purposes.

	31 December 2017	31 December 2016
	SAR '000	SAR '000
Liability for deferred taxation comprising temporary differences related to:		
Accelerated tax depreciation	24,234	28,256
Fair valuation adjustment of land	23,826	28,236
	48,060	56,492
	31 December 2017	31 December 2016
	SAR '000	SAR '000

22. ZAKAT AND FOREIGN INCOME TAX

Zakat Provision (Refer note 22.1)	65,659	67,576
Foreign Income Tax Provision (Refer note 22.2)	4,267	11,297
Deferred Tax (Refer note 20)	(27,681)	(4,528)
	42,245	74,345

22.1 Zakat Provision

Zakat is charged at the higher of net adjusted income or Zakat base as required by the General Authority of Zakat and Tax (GAZT). In the current year, the Zakat charge is based on the net adjusted income method.

	31 December 2017	31 December 2016
	SAR '000	SAR '000
Opening Balance	195,624	130,941
Charge for the year	65,659	67,576
Payments	(5,048)	(2,893)
Closing Balance	256,235	195,624

The Company has filed its Consolidated Zakat returns for all the years up to 2016 and settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the GAZT for all the years up to 2006 while the Zakat returns for years 2007 to 2016 are under review by the GAZT.

HADCO has filed its Zakat returns for all years up to 31 December 2008 and has settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the GAZT for all years up to 31 December 2002 while the 2003 to 2008 Zakat returns are under review by the GAZT. From 2009 onwards HADCO is not required to file a separate return as its results are included in the Company's Consolidated Zakat return.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

ZAKAT AND FOREIGN INCOME TAX (Continued..)

22.2 Foreign Income Tax Provision

	31 December 2017	31 December 2016
	SAR '000	SAR '000
Opening Balance	19,278	15,249
Charge for the year	4,267	11,297
Payments	(6,874)	(7,268)
Closing Balance	<u>16,671</u>	<u>19,278</u>

Foreign subsidiaries have filed their tax returns for all years up to 2016, and settled their tax liabilities accordingly. While all the returns have been filed, final assessments are pending for certain years. The earliest year open for assessment is 2011, and the latest year assessed is 2013.

	31 December 2017	31 December 2016	01 January 2016
	SAR '000	SAR '000	SAR '000
23. TRADE AND OTHER PAYABLES			
Trade Payable - Third Parties	1,566,225	1,658,606	1,368,767
- Related Parties (Refer note 33)	26,650	27,906	44,719
Accrued Expenses	1,333,533	1,204,563	1,095,259
Other Payables	301,082	223,449	137,609
	<u>3,227,490</u>	<u>3,114,524</u>	<u>2,646,354</u>

The management considers that the carrying amount of trade payables approximates to their fair value. The average credit period taken for trade purchases is 73 days (31 December 2016: 64 days, 01 January 2016: 58 days). Other payables include Government Grants related to inventories held at reporting date.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	31 December 2017	31 December 2016
	<u>SAR '000</u>	<u>SAR '000</u>
24. COST OF SALES		
Material Consumed	4,874,274	5,419,029
Government Grants	(280,991)	(176,226)
Employee Costs	1,319,658	1,345,799
Depreciation of Property, Plant and Equipment	1,267,648	1,129,529
Repairs and Maintenance	492,850	466,945
Depreciation of Biological Assets	295,927	342,041
Telephone and Electricity	281,909	248,366
Vaccines and Drugs	121,101	131,080
Crates and Pallets Consumed	40,503	43,311
Rent	58,088	39,249
Amortisation of Software Licenses	13,025	1,680
Shared Based Payment Expense	15,436	13,497
(Gain) / Loss arising from Changes in Fair Values less Cost to Sell of Crops	(977)	15,247
Other Expenses	436,337	415,218
Less:		
Appreciation of Biological Assets	(582,895)	(618,673)
	<u>8,351,893</u>	<u>8,816,092</u>
	31 December 2017	31 December 2016
	<u>SAR '000</u>	<u>SAR '000</u>
25. SELLING AND DISTRIBUTION EXPENSES		
Employee Costs	1,287,384	1,316,154
Marketing Expenses	434,339	569,968
Depreciation of Property, Plant and Equipment	272,746	279,822
Repairs and Maintenance	134,400	135,348
Rent	39,195	42,020
Telephone and Electricity	24,989	22,880
Share Based Payment Expense	10,886	9,284
Amortisation of Software Licenses	7,403	6,396
Crates and Pallets Consumed	1,103	1,559
Other Expenses	179,434	96,930
	<u>2,391,879</u>	<u>2,480,361</u>

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	31 December 2017	31 December 2016
	SAR '000	SAR '000
26. GENERAL AND ADMINISTRATION EXPENSES		
Employee Costs	225,116	270,731
Insurance	54,949	57,477
Depreciation of Property, Plant and Equipment	33,277	32,990
Repairs and Maintenance	22,029	16,534
Share Based Payment Expense	13,071	12,298
Rent	8,623	9,940
Telephone and Electricity	8,235	6,146
Amortisation of Software Licenses	29,589	24,403
Other Expenses	2,450	2,430
	397,339	432,949
	31 December 2017	31 December 2016
	SAR '000	SAR '000
27. OTHER EXPENSES, NET		
Loss on Disposals of Property, Plant and Equipment	14,443	15,898
Loss on Disposals of Biological Assets	160,527	84,333
Loss on Disposals of Intangible Assets	-	3,875
Dividend on Available For Sale Investment	(1,110)	-
Net gain on settlement of Insurance Claim (Refer 27.1)	-	(25,108)
Impairment of Assets (Refer 27.2)	37,211	12,400
	211,071	91,398
27.1	During the year ended 31 December 2016, the Group has received an amount of SAR 25.1 million as full and final settlement for an insurance claim related to power outages that occurred during Muharram 1437 (November 2015) in its manufacturing facilities in Al Kharj.	
27.2	a) 31 December 2017	
	i. Due to regional situation in Qatar, Management carried out an impairment assessment of its Qatar operations based on which assets amounting to SAR 6.6 million are considered as impaired.	
	ii. During the year, Management changed its business operational plan in Teeba due to which assets amounting to SAR 30.6 million are considered as impaired.	
	b) 31 December 2016	
	i. As part of site restoration activities at fire affected factory site in Jeddah and the transfer of facilities to the new plant, the Group identified additional assets with net book value of SAR 104.6 million which were no longer usable and are considered impaired. The impairment is charged to the Consolidated Statement of Profit or Loss net of the site restoration cost provision of SAR 92.2 million.	

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	31 December 2017	31 December 2016
	SAR '000	SAR '000
28. FINANCE COST, NET		
Interest and Finance Charges	476,018	402,481
Interest Income on other Deposits	(3,538)	(2,817)
Interest Capitalisation	(73,816)	(53,936)
Net Loss on Settlement of Interest Rate Swap Instrument	2,590	5,608
	<u>401,254</u>	<u>351,336</u>

29. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	31 December 2017	31 December 2016
	SAR '000	SAR '000
Profit for the year attributable to the shareholders of the Company	2,182,286	2,147,786
Less: Profit attributable to Sukukholders	(71,142)	(65,394)
Earnings for the purposes of basic earnings per share	<u>2,111,144</u>	<u>2,082,392</u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings	991,475	992,004
Weighted average number of ordinary shares for the purposes of diluted earning	<u>1,000,000</u>	<u>1,000,000</u>
Earnings per Share (SAR), based on Profit for the year attributable to Shareholders of the Company		
- Basic	2.13	2.10
- Diluted	<u>2.11</u>	<u>2.08</u>

Weighted average number of shares are retrospectively adjusted to reflect the effect of Bonus Shares and are adjusted to take account of Treasury Shares held under the Almarai Employee Stock Options Programme.

30. SEGMENT REPORTING

The Group's principal business activities involve manufacturing and trading of dairy and juice products under Almarai, Beyti and Teeba brands, bakery products under L'usine and 7 Days brands and poultry products under Alyoum brand. Other activities include Arable, Horticulture and Infant Nutrition. Selected financial information as at 31 December 2017 categorised by these business segments, is as follows:

Dairy and Juice	Milk production, dairy and fruits juice product processing and distribution
Bakery	Bakery products manufacturing and distribution
Poultry	Poultry products manufacturing and distribution
Other Activities	Arable, Horticulture and Infant Nutrition

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

SEGMENT REPORTING (Continued..)

	Dairy and Juice	Bakery	Poultry	Other Activities	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
<u>31 December 2017</u>					
Revenue	10,585,108	1,807,090	1,463,626	1,121,666	14,977,490
Third Party Revenue	10,510,471	1,807,090	1,463,626	154,345	13,935,532
Depreciation and Amortisation	(1,221,657)	(228,245)	(308,990)	(160,723)	(1,919,615)
Share of Results of Associates and Joint Ventures	-	-	2,525	10,493	13,018
Profit / (loss) attributable to Shareholders of the Company	2,049,004	292,637	(29,161)	(130,194)	2,182,286
Share of Other Comprehensive Loss of Associates and Joint Ventures	-	-	-	(5,201)	(5,201)
Profit / (loss)	2,007,276	312,042	(29,161)	(130,194)	2,159,963
Total Assets	20,468,751	2,463,528	5,708,497	3,255,073	31,895,849

	Dairy and Juice	Bakery	Poultry	Other Activities	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
<u>31 December 2016</u>					
Revenue	11,060,030	1,880,789	1,331,506	905,773	15,178,098
Third Party Revenue	10,961,324	1,880,789	1,331,506	164,960	14,338,579
Depreciation and Amortisation	(1,207,205)	(178,299)	(295,493)	(135,864)	(1,816,861)
Share of Results of Associates and Joint Ventures	-	-	3,143	10,180	13,323
Profit / (loss) attributable to Shareholders of the Company	2,287,808	332,230	(294,460)	(177,792)	2,147,786
Share of Other Comprehensive Loss of Associates and Joint Ventures	-	-	-	(10,388)	(10,388)
Profit / (loss)	2,275,335	347,014	(294,460)	(177,792)	2,150,097
Total Assets	18,105,205	2,478,040	5,619,936	2,991,256	29,194,437

The business activities and operating assets of the Group are mainly concentrated in GCC countries. The selected financial information as at 31 December 2017, categorised by these geographic segments is as follows:

	31 December 2017	31 December 2016
	SAR '000	SAR '000
<u>Revenue</u>		
Saudi Arabia	9,300,015	9,057,081
Other GCC Countries	3,480,654	3,745,732
Other Countries	1,154,863	1,535,766
Total	<u>13,935,532</u>	<u>14,338,579</u>

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

SEGMENT REPORTING (Continued..)

	31 December 2017	31 December 2016
	SAR '000	SAR '000
<u>Non - Current Assets</u>		
Saudi Arabia	22,466,056	21,569,851
Other GCC Countries	411,882	442,344
Other Countries	2,205,135	1,800,405
Total	25,083,073	23,812,600

	31 December 2017	31 December 2016
	SAR '000	SAR '000
<u>31. CASH AND CASH EQUIVALENTS</u>		
Cash at Bank - Current accounts	382,964	538,202
Cash at Bank - Deposits	1,385,000	-
Cash in Hand	123,733	191,498
Cash and Bank Balances	1,891,697	729,700
Bank Overdrafts	(255,585)	(165,620)
Total	1,636,112	564,080

32. COMMITMENT AND CONTINGENCIES

32.1 The contingent liabilities against letters of credit are SAR 364.7 million at 31 December 2017 (31 December 2016: SAR 447.9 million; 01 January 2016: SAR 531.8 million).

32.2 The contingent liabilities against letters of guarantee are SAR 805.8 million at 31 December 2017 (31 December 2016: SAR 1,476.6 million; 01 January 2016: SAR 1,455.6 million).

32.3 The Group had capital commitments amounting to SAR 1,056.6 million at 31 December 2017 in respect of ongoing projects (31 December 2016: SAR 2,037.1 million; 01 January 2016: SAR 3,647.8 million). The majority of the capital commitments are for new production facilities, sales depot development, distribution fleet, fridges and IT equipment.

32.4 Commitments under operating leases expire as follows:

	31 December 2017	31 December 2016	01 January 2016
	SAR '000	SAR '000	SAR '000
Within one year	101,119	94,447	92,745
Two to five years	164,782	189,531	193,435
After five years	77,813	214,301	215,239
Total	343,714	498,279	501,419

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

33. RELATED PARTY TRANSACTIONS

33.1. During the normal course of its operations, the Group had the following significant transactions with related parties during the year ended 31 December 2017 along with their balances:

Nature of Transaction	Transaction Amount		Balance at		
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	01 January 2016
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Sales To					
Panda Retail Company	640,247	612,686	182,733	112,475	96,339
	<u>640,247</u>	<u>612,686</u>	<u>182,733</u>	<u>112,475</u>	<u>96,339</u>
Purchases From					
United Sugar Company	106,313	106,991	(6,633)	(8,702)	(7,661)
Afia International Company	8	76	-	(76)	-
Al Nafoura Catering	393	309	(28)	(43)	-
Al Kabeer Farms - Forage	55,626	53,530	(19,416)	(20,216)	(8,899)
Arab Company for Agricultural Services (ARASCO)	4,228	6,349	(573)	1,131	1,507
	<u>166,568</u>	<u>167,255</u>	<u>(26,650)</u>	<u>(27,906)</u>	<u>(15,053)</u>
Services To					
Al Kabeer Farms	864	864	-	-	-
United Farmers Holding Company	-	131	1,735	1,735	1,603
	<u>864</u>	<u>995</u>	<u>1,735</u>	<u>1,735</u>	<u>1,603</u>
Services From					
Arabian Shield Cooperative Insurance Company	115,181	113,704	(92)	981	(48,865)
Todhia Farm	813	813	-	-	-
Abdulrahman bin Abdulaziz Al Muhanna (Land rent)	173	173	-	-	-
Mobile Telecommunication Company Saudi Arabia	839	303	-	-	-
Al Jazirah Corporation for Press, Printing and Publishing	139	357	-	(52)	(120)
	<u>117,145</u>	<u>115,350</u>	<u>(92)</u>	<u>929</u>	<u>(48,985)</u>
Dividend Received					
Pure Breed Company	-	500	-	-	-
	<u>-</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Payment of Sukuk Finance Charges					
Yamama Cement Company	1,581	1,179	(373)	(433)	(235)
Saudi British Bank	14,940	10,664	(3,825)	(4,221)	(2,376)
Banque Saudi Fransi	14,855	11,180	(3,764)	(4,442)	(2,547)
Arabian Shield Cooperative Insurance Company	98	73	(29)	(33)	-
	<u>31,474</u>	<u>23,096</u>	<u>(7,991)</u>	<u>(9,129)</u>	<u>(5,158)</u>
Bank Financing					
Saudi British Bank	35,935	31,136	1,242,095	692,569	1,175,494
J.P. Morgan Saudi Arabia Limited	5,398	1,046	-	375,250	-
Banque Saudi Fransi	9,873	19,093	210,000	415,000	781,667
	<u>51,206</u>	<u>51,275</u>	<u>1,452,095</u>	<u>1,482,819</u>	<u>1,957,161</u>

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

RELATED PARTY TRANSACTIONS (Continued...)

33.2. The related party transactions were made on terms equivalent to those that prevail in arm's length transactions. The related parties, other than subsidiaries and associates, include following:

<u>Entity</u>	<u>Relationship</u>
Panda Retail Company	Common Ownership
United Sugar Company	Common Ownership
Afia International Company	Common Ownership
Al Nafoura Catering	Common Ownership
Arab Company for Agricultural Services (ARASCO)	Common Directorship
Yamama Cement Company	Common Directorship
Arabian Shield Cooperative Insurance Company	Common Directorship
Managed Arable Farms	Common Directorship
Abdulrahman bin Abdulaziz Al Muhanna	Common Directorship
Mobile Telecommunication Company Saudi Arabia	Common Directorship
Al Jazirah Corporation for Press, Printing and Publishing	Common Directorship
Saudi British Bank	Common Directorship
Banque Saudi Fransi	Common Directorship
JP Morgan Saudi Arabia Limited	Common Directorship

33.3 Members of the Board of Directors do not receive any remuneration for their role in managing the Company unless approved by General Assembly. Members of the Board of Directors receive an attendance allowance for Board and Board Committee meetings. Executive Directors receive fixed remuneration as a result of their direct duties and responsibilities. The most Senior Executives, including the Chief Executive Officer and the Chief Financial Officer, receive remuneration according to the employment contracts signed with them. The following table illustrates details of remuneration and compensation paid to Directors and Key Management Personnel:

	Non Executive / Independent Board Members	Key Management Personnel	Total	Non Executive / Independent Board Members	Key Management Personnel	Total
	31-Dec-17			31-Dec-16		
	SAR 000			SAR 000		
Salaries and Compensation	2,060	8,021	10,081	3,600	6,397	9,997
Allowances	1,680	528	2,208	449	600	1,049
Annual and Periodic Bonuses	-	12,217	12,217	-	8,056	8,056
In-kind Benefits	-	1,531	1,531	-	1,619	1,619
Other Benefits	1,800	3,600	5,400	3,080	5,050	8,130
Total	5,540	25,897	31,437	7,129	21,722	28,851

34. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2017, the Group had various financial derivatives that were designated as cash flow hedge instruments to cover cash flow fluctuations arising from commission rates, foreign exchange prices and commodity prices that are subject to market price fluctuations. As per Group policy derivative instruments are not used for trading or speculative purposes.

At 31 December 2017 the Group had 26 commission rate swap agreements in place with a total notional amount of SAR 5,097.0 million. At 31 December 2016 the Group had 28 commission rate swap agreements in place with a total notional amount of SAR 4,551.0 million. At 01 January 2016 the Group had 19 commission rate swap agreements in place with a total notional amount of SAR 2,863.3 million.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

DERIVATIVE FINANCIAL INSTRUMENTS (Continued...)

The swaps result in the Group receiving floating SIBOR or LIBOR rates while paying fixed rates of commission rate under certain conditions. The swaps are being used to hedge the exposure to commission rate changes of the Group's Islamic borrowings.

The Group enters into hedging strategies by using various financial derivatives to cover foreign exchange firm commitments and forecasted transactions that are highly probable.

The Group enters into various commodity derivatives to hedge the price of certain commodity purchases. These derivatives match the maturity of the expected commodity purchases and use the same underlying index as for the hedged item, therefore does not result in basis risk.

All financial derivatives are carried in the Consolidated Statement of Financial Position at fair value. All cash flow hedges are considered highly effective. The net increase in fair value of SAR 112.1 million was recognised in Other Reserves within Consolidated Statement of Changes in Equity.

The following table detail the notional principal amounts and remaining terms outstanding as at the reporting date:

	Nominal amount of the hedging instruments SAR '000	Carrying amount of the hedging instrument	
		Assets SAR '000	Liabilities SAR '000
31 December 2017			
Forward currency contracts	3,519,427	6,407	15,591
Interest rate swaps	5,097,050	18,594	18,334
Commodity Derivatives	153,487	1,287	8,579
	<u>8,769,964</u>	<u>26,288</u>	<u>42,504</u>

	Nominal amount of the hedging instruments SAR '000	Carrying amount of the hedging instrument	
		Assets SAR '000	Liabilities SAR '000
31 December 2016			
Forward currency contracts	4,374,349	827	90,379
Interest rate swaps	4,551,048	10,982	39,002
Commodity Derivatives	191,138	3,128	13,931
	<u>9,116,535</u>	<u>14,937</u>	<u>143,312</u>

	Nominal amount of the hedging instruments SAR '000	Carrying amount of the hedging instrument	
		Assets SAR '000	Liabilities SAR '000
01 January 2016			
Forward currency contracts	4,143,064	1,290	45,274
Interest rate swaps	2,836,297	11,089	37,098
Commodity Derivatives	160,613	2,148	18,481
	<u>7,139,974</u>	<u>14,527</u>	<u>100,853</u>

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

35. FINANCIAL INSTRUMENTS

35.1 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	31 December 2017							
	Carrying amount				Fair Value			
	Fair Value - hedging Instruments	Available for Sale	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
	SAR '000							
Financial Assets								
Derivative Financial Instruments	26,288	-	-	26,288	-	26,288	-	26,288
Available for Sale Investments	-	90,711	-	90,711	90,711	-	-	90,711
Trade and Other Receivables	-	-	1,196,022	1,196,022	-	-	-	-
Cash and Bank Balances	-	-	1,891,697	1,891,697	-	-	-	-
	<u>26,288</u>	<u>90,711</u>	<u>3,087,719</u>	<u>3,204,718</u>	<u>90,711</u>	<u>26,288</u>	<u>-</u>	<u>116,999</u>
Financial Liabilities								
Derivative Financial Instruments	42,504	-	-	42,504	-	42,504	-	42,504
Loans and Borrowings	-	-	12,546,528	12,546,528	-	-	-	-
Bank Overdrafts	-	-	255,585	255,585	-	-	-	-
Trade and Other Payables	-	-	1,893,957	1,893,957	-	-	-	-
	<u>42,504</u>	<u>-</u>	<u>14,696,070</u>	<u>14,738,574</u>	<u>-</u>	<u>42,504</u>	<u>-</u>	<u>42,504</u>

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL INSTRUMENTS (Continued...)

	31 December 2017	31 December 2016	01 January 2016
	SAR '000	SAR '000	SAR '000
Cash at Bank	1,767,964	538,202	1,884,481
Trade Receivables - Third Parties	859,290	783,724	680,122
Trade Receivables - Related Parties	182,733	112,475	96,339
Derivative Financial Instruments	26,288	14,937	14,527
	2,836,275	1,449,338	2,675,469

The carrying amount of financial assets represents the maximum credit exposure.

Credit risk on receivable and bank balances is limited as:

- Cash balances are held with banks with sound credit ratings ranging from BBB- and above.
- The receivable are shown net of allowance for impairment of trade receivables and sales returns.
- Financial position of related parties is stable.

The Group manages credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis. The receivable balances are monitored with the result that the Group's exposure to bad debts is not significant.

Trade receivables outstanding balance comprises of 55% in KSA, 31% in GCC (other than KSA) and 14% in other Countries. The five largest customers account approximately for 41% of outstanding trade receivables at 31 December 2017.

Liquidity Risk:

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities at the end of the reporting period of financial liabilities. The amounts are grossed and undiscounted, and include estimated interest payments.

	31 December 2017			
	Carrying Amount	On Demand or Less than 1 year	1 year to 5 years	More than 5 years
Non Derivative Financial LiabilitiesSAR '000.....			
Bank Overdrafts	255,585	255,585	-	-
Loans and Borrowings	12,546,528	2,003,403	9,822,256	3,015,623
Trade and other payables	1,867,307	1,867,307	-	-
Trade Payables to Related Parties	26,650	26,650	-	-
	14,696,070	4,152,945	9,822,256	3,015,623
Derivative Financial Liabilities				
Forward currency contracts	15,591	3,198	12,393	-
Interest rate swaps	18,334	-	18,334	-
	33,925	3,198	30,727	-

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL INSTRUMENTS (Continued...)

31 December 2016				
Carrying Amount	On Demand or		1 year to 5 years	More than 5 years
	Less than 1 year	Less than 1 year		
.....SAR '000.....				
Non Derivative Financial Liabilities				
Bank Overdrafts	165,620	165,620	-	-
Loans and Borrowings	11,447,139	1,318,796	9,417,637	2,919,817
Trade and other payables	1,882,055	1,882,055	-	-
Trade Payables to Related Parties	27,906	27,906	-	-
	13,522,720	3,394,377	9,417,637	2,919,817
Derivative Financial Liabilities				
Forward currency contracts	90,379	86,666	3,713	-
Interest rate swaps	39,002	1,503	37,499	-
	129,381	88,169	41,212	-
01 January 2016				
Carrying Amount	On Demand or		1 year to 5 years	More than 5 years
	Less than 1 year	Less than 1 year		
.....SAR '000.....				
Non Derivative Financial Liabilities				
Bank Overdrafts	217,647	217,647	-	-
Loans and Borrowings	11,156,137	1,821,410	8,857,084	2,420,982
Trade and other payables	1,506,376	1,506,376	-	-
Trade Payables to Related Parties	44,719	44,719	-	-
	12,924,879	3,590,152	8,857,084	2,420,982
Derivative Financial Liabilities				
Forward currency contracts	45,274	18,945	26,329	-
Interest rate swaps	37,098	-	37,098	-
	82,372	18,945	63,427	-

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Group's future commitments. The Group's terms of sales require amounts to be paid either on a cash on delivery or on a terms basis.

Market Risk:

Market price risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group uses derivatives to manage market risks. The Group seeks to apply hedge accounting to manage volatility in profit or loss.

Commission Rate Risk:

Commission Rate Risk is the exposure associated with the effect of fluctuations in the prevailing commission rates on the Group's financial position and cash flows. Islamic banking facilities (Murabaha), International Finance Corporation facility

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL INSTRUMENTS (Continued...)

and other banking facilities of Non-GCC subsidiaries and Sukuk amounting to SAR 5,162.2 million at 31 December 2017 (31 December 2016: SAR 5,043.4 million, 01 January 2016: SAR 7,138.0 million) bear variable financing commission charges at the prevailing market rates.

The Group's policy is to manage its financing charges using a mix of fixed and variable commission rate debts. The policy is to keep 50% to 60% of its borrowings at fixed commission. The following table demonstrates the sensitivity of the income to reasonably possible changes in commission rates, with all other variables held constant. There is no direct impact on the Group's equity.

		Increase / decrease in basis points of commission rates	Effect on income for the year SAR'000
31 December 2017	SAR	+100	(51,622)
	SAR	-100	51,622
31 December 2016	SAR	+100	(50,434)
	SAR	-100	50,434
01 January 2016	SAR	+100	(71,380)
	SAR	-100	71,380

Commodity Price Risk:

Commodity Price Risk is the risk that is associated with changes in prices to certain commodities that the Group is exposed to and its unfavourable effect on the Group's costs and cash flow. This commodity price risk arises from forecasted purchases of certain commodities that the Group uses as raw material, which is managed and mitigated by entering into commodity derivatives.

Currency Risk:

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in currency that's not the Group's currency. The Group exposure to foreign currency risk is primarily limited to transactions in Argentina Pesos ("ARS"), Kuwaiti Dinar ("KWD"), Egyptian Pounds ("EGP"), Euro ("EUR"), Great British Pounds ("GBP"), United State Dollars ("USD"), Bahraini Dinar ("BHD") and Jordanian Dinars ("JOD"). The Group's management believes that their exposure to currency risk is limited as the Group's currency, the Bahraini Dinar ("BHD") and the JOD are pegged to USD. The fluctuation in exchange rates against ARS, KWD, EGP, Euro and GBP are monitored on a continuous basis. Quantitative data regarding the Group's exposure to currency risk arising from currencies that are not pegged to USD is as follows:

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL INSTRUMENTS (Continued...)

	ARS SAR '000	KWD SAR '000	EGP SAR '000	EUR SAR '000	GBP SAR '000	Total SAR '000
31 December 2017						
Cash at Bank	9,710	29,067	-	8,652	1,288	48,717
Cash in Hand	2,487	2,652	709	94	65	6,007
Trade Receivables	2,254	97,165	64,805	-	-	164,224
Short term Borrowings	(39,462)	-	(163,406)	-	-	(202,868)
Long Term Borrowings	(28,206)	-	-	-	-	(28,206)
Trade Payables	(8,388)	(4,171)	-	(206,595)	(8,219)	(227,373)
Net Statement of Financial Position exposure	(61,605)	124,713	(97,892)	(197,849)	(6,866)	(239,499)
31 December 2016						
Cash at Bank	3,110	52,224	3,798	13,662	5,384	78,178
Cash in Hand	4	996	4,055	52	60	5,167
Trade Receivables	9,830	98,473	30,067	-	-	138,370
Short term Borrowings	(70,200)	-	(141,875)	-	-	(212,075)
Long Term Borrowings	(88,868)	-	-	-	-	(88,868)
Trade Payables	(14,530)	(2,430)	-	(163,107)	(13,428)	(193,495)
Net Statement of Financial Position exposure	(160,654)	149,263	(103,955)	(149,393)	(7,984)	(272,723)
01 January 2016						
Cash at Bank	8,922	211,228	26,201	36,064	1,405	283,820
Cash in Hand	19	5,476	5,359	45	87	10,986
Trade Receivables	8,200	85,553	36,058	-	-	129,811
Short term Borrowings	(57,854)	-	(61,509)	-	-	(119,363)
Long Term Borrowings	(17,463)	-	-	-	-	(17,463)
Trade Payables	(12,291)	(1,463)	-	(106,177)	(28,447)	(148,378)
Net Statement of Financial Position exposure	(70,467)	300,794	6,109	(70,068)	(26,955)	139,413

The Group uses forward currency contracts to eliminate significant currency exposures. Management believe that the currency risk for inventory and capital expenditure purchases is adequately managed primarily through entering into foreign currency forward purchase agreements. It is the Group's policy to enter into forward contracts based on the underlying exposure available from the group's business plan/commitment with the suppliers. The forward purchase agreements are secured by promissory notes given by the Group.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL INSTRUMENTS (Continued...)

A strengthening / (weakening) of the ARS, EGP, EUR and GBP by 10% against all other currencies would have affected the measurement of financial instruments denominated in foreign currency and would have increased / (decreased) equity by the amounts shown below:

	31 December 2017	31 December 2016	01 January 2016
	SAR '000	SAR '000	SAR '000
ARS	(6,161)	(16,065)	(7,047)
KWD	12,471	14,926	30,079
EGP	(9,789)	(10,396)	611
EUR	(19,785)	(14,939)	(7,007)
GBP	(687)	(798)	(2,696)
	(23,951)	(27,272)	13,940

Capital Management:

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitor the return on capital employed and the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are:

- i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- ii) to provide an adequate return to shareholders.

36. EFFECT OF CHANGE IN FINANCIAL REPORTING FRAMEWORK

As stated in note 2.1, these Consolidated Financial Statements, for the year ended 31 December 2017, are the Group's first annual Consolidated Financial Statements prepared in accordance with IFRS as endorsed in KSA. Further, the Group's opening Consolidated Statement of Financial Position was prepared as at 01 January 2016, being the date of transition to IFRS.

Note 36.1 to 36.6 set out an explanation of how the transition to IFRS has affected the previously reported Consolidated Statement of Financial Position as at December 31, 2016 and January 01, 2016, and Consolidated Statements of Profit or Loss and Other Comprehensive Income of the Group for the year ended December 31, 2016, including the nature and effect of significant changes in accounting policies from those used in the Group's annual Consolidated Financial Statements, under SOCPA, for the year ended December 31, 2016.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

EFFECT OF CHANGE IN FINANCIAL REPORTING FRAMEWORK (Continued..)

36.1. Reconciliation of the Statement Of Financial Position

Notes	As at 31 December 2016			As at 01 January 2016			
	SOCPA Standards	Effect of transition to IFRS as endorsed in KSA		SOCPA Standards	Effect of transition to IFRS as endorsed in KSA		
		IFRS as endorsed in KSA	IFRS as endorsed in KSA		IFRS as endorsed in KSA	IFRS as endorsed in KSA	
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	
ASSETS							
Non-Current Assets							
Property, Plant and Equipment	36.6 (a, g)	21,138,370	6,223	21,144,593	18,696,071	(53,784)	18,642,287
Intangible Assets and Goodwill	36.6 (g)	930,725	109,374	1,040,099	1,009,077	132,200	1,141,277
Biological Assets	36.6 (a)	1,292,302	(20,877)	1,271,425	1,227,815	(41,309)	1,186,506
Investments in Associates and Joint Ventures	36.6 (h)	-	96,612	96,612	-	94,177	94,177
Investments	36.6 (h)	199,484	(96,612)	102,872	198,414	(94,177)	104,237
Prepayments		132,867	-	132,867	72,426	-	72,426
Deferred Tax Assets		13,875	-	13,875	1,156	-	1,156
Derivative Financial Instruments		10,257	-	10,257	11,089	-	11,089
		23,717,880	94,720	23,812,600	21,216,048	37,107	21,253,155
Current Assets							
Inventories	36.6 (a, c)	3,168,687	(166,356)	3,002,331	2,835,663	(147,022)	2,688,641
Biological Assets	36.6 (c)	-	96,442	96,442	-	116,379	116,379
Trade Receivables, Prepayments and Other Receivables	36.6 (d, ff)	1,401,793	146,891	1,548,684	1,277,110	69,281	1,346,391
Derivatives Financial Instruments		4,680	-	4,680	3,438	-	3,438
Cash and Bank Balances		729,700	-	729,700	2,038,776	-	2,038,776
		5,304,860	76,977	5,381,837	6,154,987	38,638	6,193,625
TOTAL ASSETS		29,022,740	171,697	29,194,437	27,371,035	75,745	27,446,780
EQUITY AND LIABILITIES							
Equity							
Share Capital		8,000,000	-	8,000,000	6,000,000	-	6,000,000
Statutory Reserve		1,630,190	-	1,630,190	1,422,141	-	1,422,141
Treasury Shares		(378,994)	-	(378,994)	(330,699)	-	(330,699)
Other Reserves		(711,996)	-	(711,996)	(392,636)	-	(392,636)
Retained Earnings	36.6 (a, c, e, ff)	2,796,393	21,626	2,818,019	3,659,639	(32,952)	3,626,687
Equity Attributable to Shareholders		11,335,593	21,626	11,357,219	10,358,445	(32,952)	10,325,493
Perpetual Sukuk		1,700,000	-	1,700,000	1,700,000	-	1,700,000
Equity Attributable to Equity Holders of the Company		13,035,593	21,626	13,057,219	12,058,445	(32,952)	12,025,493
Non-Controlling Interest		421,250	-	421,250	559,783	-	559,783
TOTAL EQUITY		13,456,843	21,626	13,478,469	12,618,228	(32,952)	12,585,276
Non-Current Liabilities							
Loans and Borrowings	36.6 (d)	10,134,730	(6,387)	10,128,343	9,343,435	(8,708)	9,334,727
Employee Benefits	36.6 (e)	540,143	33,836	573,979	472,186	55,014	527,200
Derivative Financial Instruments		41,212	-	41,212	63,427	-	63,427
Deferred Tax Liabilities		56,492	-	56,492	67,123	-	67,123
		10,772,577	27,449	10,800,026	9,946,171	46,306	9,992,477
Current Liabilities							
Bank Overdraft		165,620	-	165,620	217,647	-	217,647
Loans and Borrowings		1,318,796	-	1,318,796	1,821,410	-	1,821,410
Zakat and Income Tax Payable	36.6 (i)	-	214,902	214,902	-	146,190	146,190
Trade and Other Payables	36.6 (ff, i)	3,206,804	(92,280)	3,114,524	2,730,153	(83,799)	2,646,354
Derivative Financial Instruments		102,100	-	102,100	37,426	-	37,426
		4,793,320	122,622	4,915,942	4,806,636	62,391	4,869,027
TOTAL LIABILITIES		15,565,897	150,071	15,715,968	14,752,807	108,697	14,861,504
TOTAL LIABILITIES AND EQUITY		29,022,740	171,697	29,194,437	27,371,035	75,745	27,446,780

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

EFFECT OF CHANGE IN FINANCIAL REPORTING FRAMEWORK (Continued..)

36.2. Reconciliation of Equity

	Notes	As at 31 December 2016	As at 01 January 2016 (date of transition)
		SAR '000	SAR '000
Total Equity under SOCPA Standards		13,456,843	12,618,228
Bearer Plants recognition as Property, Plant and Equipment	36.6 (a)	19,759	(13,831)
Fair value adjustment of Crops	36.6 (c)	5,047	20,295
Actuarial Valuation Charge	36.6 (e)	(33,836)	(55,014)
Government grants	36.6 (ff)	30,656	15,598
Total Equity under IFRS as endorsed in KSA		13,478,469	12,585,276

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

EFFECT OF CHANGE IN FINANCIAL REPORTING FRAMEWORK (Continued..)

36.3. Reconciliation of Consolidated Statement of Profit or Loss

For the year ended 31 December 2016				
	Notes	SOCPA Standards	Effect of transition to IFRS as endorsed in KSA	IFRS as endorsed in KSA
		SAR '000	SAR '000	SAR '000
Revenue	36.6 (f)	14,698,662	(360,083)	14,338,579
Cost of Sales	36.6 (b, c, e, ff)	(8,865,050)	48,958	(8,816,092)
Gross Profit		5,833,612	(311,125)	5,522,487
Selling and Distribution Expenses	36.6 (e, f)	(2,855,658)	375,297	(2,480,361)
General and Administration Expenses	36.6 (e)	(436,078)	3,129	(432,949)
Other Expenses , net		(91,398)	-	(91,398)
Operating Profit		2,450,478	67,301	2,517,779
Exchange Gain		44,676	-	44,676
Finance Cost, net		(351,336)	-	(351,336)
Share of Results of Associates and Joint Ventures		13,323	-	13,323
Profit before Zakat and Income Tax		2,157,141	67,301	2,224,442
Zakat and Foreign Income Tax		(74,345)	-	(74,345)
Profit for the year		2,082,796	67,301	2,150,097

36.4. Reconciliation of Consolidated Statement of Comprehensive Income

Profit for the period		2,082,796	67,301	2,150,097
Items that will not be reclassified to profit or loss:				
Actuarial Loss on End of Service Benefit	36.6 (e)	-	(12,723)	(12,723)
Items that may be reclassified subsequently to profit or loss:				
Foreign Currency Translation Differences		-	(514,707)	(514,707)
Movement in Fair Value on Cash Flow Hedges		-	(62,378)	(62,378)
Settlement of Cash Flow Hedges transferred to Profit or Loss			20,330	20,330
Movement in Fair Value of Available for Sale Investments		-	(1,365)	(1,365)
Share of Other Comprehensive Income of Associates		-	(10,388)	(10,388)
Other Comprehensive Income for the year		-	(581,231)	(581,231)
Total Comprehensive Income for the year		2,082,796	(513,930)	1,568,866

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

EFFECT OF CHANGE IN FINANCIAL REPORTING FRAMEWORK (Continued..)

36.5. Reconciliation of Profit

		For the year ended 31 December 2016	
		Profit before zakat and tax	Profit for the year
Notes		SAR '000	SAR '000
As per SOCPA Standards		2,157,141	2,082,796
Loss arising from changes in Fair Value less cost to sell	36.6 (c)	(15,248)	(15,248)
Restatement of Bearer Plants	36.6 (b)	33,590	33,590
Actuarial Valuation Charge	36.6 (e)	33,901	33,901
Government grants	36.6 (ff)	15,058	15,058
Total adjustment to Profit or Loss		67,301	67,301
Profit or Loss as per IFRS as endorsed in KSA		2,224,442	2,150,097
Other Comprehensive Income		(581,231)	(581,231)
Total Comprehensive Income as per IFRS as endorsed in KSA		1,643,211	1,568,866

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

EFFECT OF CHANGE IN FINANCIAL REPORTING FRAMEWORK (Continued..)

36.6. Index to the notes to the reconciliations

Changes due to transition from SOCPA to IFRS as endorsed in KSA:

- a. Bearer Plants
- b. Adjustment for maintenance costs on bearer plants and related agricultural produce
- c. Reclassification and re-measurement of Biological Assets
- d. Capitalisation of Sukuk Issuance costs
- e. Employee Benefits
- f. Trade discounts and rebates
- ff. Government Grants

Changes due to presentation enhancement and reclassification:

- g. Intangible Assets
- h. Investments in Associates and Joint ventures
- i. Zakat and Income Tax

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

EFFECT OF CHANGE IN FINANCIAL REPORTING FRAMEWORK (Continued..)

Changes due to Transition from SOCPA to IFRS as endorsed in KSA:

a. Bearer Plants

Under SOCPA standards, the bearer plants were classified as biological assets and inventory. IFRS require bearer plants to be classified under Property, plant and equipment. Consequently, the costs, accumulated depreciation and capital work in process have been reclassified accordingly.

Consolidated Statement of Financial Position:

	31 December 2016	01 January 2016
	SAR '000	SAR '000
Property, Plant and Equipment:		
Mature plantations – costs	101,075	49,465
Mature plantations – accumulated depreciation	(51,361)	(8,417)
Immature plantations	65,883	37,368
	115,597	78,416
Biological Assets:		
Mature plantations - costs	(48,284)	(47,108)
Mature plantations - accumulated depreciation	29,508	8,417
Immature plantations	(2,101)	(2,618)
	(20,877)	(41,309)
Inventories:		
Bearer plants (Alfalfa)	(74,961)	(50,938)
Adjustment to Retained Earnings - increase / (decrease)		
(Refer 36.6 b)	19,759	(13,831)

b. Adjustment for maintenance costs on bearer plants and related agricultural produce

Under SOCPA Standards, Alfalfa bearer plants were classified as inventory (Refer 37.5 a). Under IFRS, these bearer plants have been reclassified from inventories to Property, plant and equipment. Subsequent to harvest, the agricultural produce from these bearer plants is accounted for as inventories at fair value. Additionally, the biological transformation between maturity of an Alfalfa plant and subsequent harvests is insignificant, therefore costs incurred on the bearer plants during the period are not capitalised and treated as maintenance costs.

The impact arising from the change is summarised as follows:

Consolidated Statement of Profit or Loss:

	31 December 2016
	SAR '000
Cost of Sales:	
Gain on recording of maintenance cost and agricultural produce - net	33,590
Adjustment to Profit for the year - increase	33,590

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

EFFECT OF CHANGE IN FINANCIAL REPORTING FRAMEWORK (Continued..)

c. Reclassification and re-measurement of Biological assets

Under SOCPA Standards, standing crops and broiler birds were classified as work in process - inventories. IFRS require living animals and plants, other than bearer plants to be classified as Biological Assets. Consequently, crops and other poultry have been reclassified from Inventories to Biological Assets. Further, IFRS require biological assets to be measured at fair value less cost to sell unless where quoted market prices are not available and for which alternative fair value measurements are determined to be clearly unreliable, biological asset shall be measured at its cost less any accumulated depreciation and accumulated impairment losses, if any. On the transition date, all the biological assets owned by the Group, other than crops in Argentina, are carried at cost less accumulated depreciation and impairment losses, since quoted market prices for these biological assets are not available and any alternative fair value measurements are assessed to be clearly unreliable.

The impact arising from the change is summarised as follows:

Consolidated Statement of Financial Position:

	31 December 2016	01 January 2016
	SAR '000	SAR '000
Biological Assets:		
Crops – measured at cost	2,983	3,399
Crops – measured at fair value	37,861	50,437
Other Poultry	55,598	62,543
	96,442	116,379
Inventories:		
Work in Process	(91,395)	(96,084)
Adjustment to Retained Earnings - increase	5,047	20,295

Consolidated Statement of Profit or Loss:

	31 December 2016
	SAR '000
Cost of Sales:	
Fair Value Adjustments of Crops	(15,248)
Adjustment to Profit for the year - decrease	(15,248)

d. Capitalisation of Sukuk Issuance costs

The Group issued Sukuks and incurred certain issuance costs. Under SOCPA Standards, these costs have been recorded as Prepayments. IFRS require issuance costs to be net off against the liability in respect of which these costs were incurred. The respective costs have been reclassified to be net off against Long Term Borrowings.

The impact arising from the change is summarised as follows:

Consolidated Statement of Financial Position:

	31 December 2016	01 January 2016
	SAR '000	SAR '000
Long Term Borrowings:		
Sukuk issuance costs	6,387	8,708
Trade Receivables, Prepayments and Other Receivables:		
Prepayments	(6,387)	(8,708)

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

EFFECT OF CHANGE IN FINANCIAL REPORTING FRAMEWORK (Continued..)

e. Employee Benefits

Under SOCPA Standards, the Group recorded its liability under Employee Benefit based on regulatory requirements. In order to determine the liability under IFRS, the Group performed detailed actuarial valuation of its Employee Benefits. Consequently, reduction of expense for the period has been reversed from profit or loss for the period.

The impact arising from the change is summarised as follows:

Consolidated Statement of Financial Position:

	31 December 2016	01 January 2016
	SAR '000	SAR '000
End of Service Benefit		
Decrease / (Increase) in liability – current year	21,178	(55,014)
Increase in liability – prior year	(55,014)	-
Adjustment to Retained Earnings - decrease	(33,836)	(55,014)

Consolidated Statement of Comprehensive Income:

	31 December 2016
	SAR '000
Cost of Sales:	
Current service costs and interest costs	15,558
Selling and Distribution Expenses:	
Current service costs and interest costs	15,214
General and Administrative Expenses:	
Current service costs and interest costs	3,129
Adjustment to profit for the year - increase	33,901
Actuarial losses on End of Service Benefit	(12,723)
Adjustment to Comprehensive Income for the year - increase	21,178

f. Trade discounts and rebates

Under SOCPA Standards, trade discounts and rebates are presented as Selling and Distribution Expenses. IFRS require trade discounts and rebates to be presented as a deduction against revenue. Consequently reclassification has been made to the Consolidated Statement of Profit or Loss.

The impact arising from the change is summarised as follows:

Consolidated Statement of Profit or Loss:

	31 December 2016
	SAR '000
Revenue:	
Trade discounts and rebates	(360,083)
Selling and Distribution Expenses:	
Trade discounts and rebates	360,083
Adjustment to profit for the year	-

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

EFFECT OF CHANGE IN FINANCIAL REPORTING FRAMEWORK (Continued..)

ff. Government Grants

As reported in the financial statements of year ended 31 December 2016 government grants have been recognised when it was virtually certain that the grant will be received from the state authority. On implementing IFRS, the Group reassessed its Government Grant recognition policy and concluded to recognise it within other liabilities at fair value when there is reasonable assurance that it will be received and the Group will comply with the conditions associated with the grant. Government Grants are recognised in the consolidated statement of profit or loss on a systematic basis over the periods in which the Group recognises as expense the related inventories for which the grants are intended to compensate.

The impact arising from the change is summarised as follows:

Consolidated Statement of Financial Position:

	31 December 2016	01 January 2016
	SAR '000	SAR '000
Trade Receivables, Prepayments and Other Receivables		
Government Grants	153,278	77,989
Trade and Other Payables		
Other Payables	122,622	62,391
Adjustment to Retained Earnings	<u>30,656</u>	<u>15,598</u>

Consolidated Statement of Profit or Loss:

	31 December 2016
	SAR '000
Cost of Sales:	
Government Grants	15,058
Adjustment to Profit for the year - increase	<u>15,058</u>

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

EFFECT OF CHANGE IN FINANCIAL REPORTING FRAMEWORK (Continued..)

Changes due to Presentation Enhancements and Reclassification:

g. Intangible Assets

Software Licenses have been reclassified from Property, Plant and Equipment to be presented under Intangible Assets for fair presentation.

The impact arising from the change is summarised as follows:

Consolidated Statement of Financial Position:

	31 December 2016	01 January 2016
	SAR '000	SAR '000
Intangible Assets:		
Software Licenses – costs	170,020	117,116
Software Licenses – accumulated depreciation	(95,399)	(66,780)
Software Licenses under progress	34,753	81,864
	109,374	132,200
Property, Plant and Equipment:		
Software Licenses – costs	(170,020)	(117,116)
Software Licenses – accumulated depreciation	95,399	66,780
Software Licenses under progress	(34,753)	(81,864)
	(109,374)	(132,200)
Adjustment to Retained Earnings	-	-

h. Investments in Associates and Joint Ventures

Under SOCPA Standards, Investment in Associates and Joint Ventures was presented under the caption of Investments. IFRS require investments in associates to be presented separately from other investments on the statement of financial position.

The impact arising from the change is summarised as follows:

Consolidated Statement of Financial Position:

	31 December 2016	01 January 2016
	SAR '000	SAR '000
Investment in Associates and Joint Ventures	96,612	94,177
Investments	(96,612)	(94,177)
Adjustment to Retained Earnings	-	-

i. Zakat and Income Tax

Under SOCPA Standards, Zakat and income tax liability is presented under Trade and other payables. For the purpose of presentation enhancement, Zakat and Income Tax liability is now presented separately on the Statement of Financial Position.

The impact arising from the change is summarised as follows:

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

EFFECT OF CHANGE IN FINANCIAL REPORTING FRAMEWORK (Continued..)

Consolidated Statement of Financial Position:

	31 December 2016	01 January 2016
	SAR '000	SAR '000
Zakat and Income Tax payable	214,902	146,190
Trade and Other Payables	(214,902)	(146,190)
Adjustment to Retained Earnings	-	-

36.7. Exemptions Applied

IFRS 1 “First-Time Adoption of International Financial Reporting Standards” as endorsed by SOCPA allows first-time adopter certain exemptions from the retrospective application of certain IFRS as endorsed in KSA.

The Group has applied the following exemptions:

- (a) IFRS 3 “Business Combinations” as endorsed by SOCPA has not been applied to acquisitions of subsidiaries, which are considered businesses for IFRS, or of interests in associates and joint ventures that occurred before 1 January 2016. Use of this exemption means that the carrying amounts of assets and liabilities under SOCPA Standards, which are required to be recognised under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS Statement of Financial Position. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements. IFRS 1 as endorsed by SOCPA also requires that the carrying amount of goodwill under SOCPA Standards must be used in the opening IFRS Statement of Financial Position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with IFRS 1 as endorsed by SOCPA, the Group has tested goodwill for impairment at the date of transition to IFRS. No goodwill impairment was deemed necessary at 01 January 2016.
- (b) The Group has not applied IAS 21 “The Effects of Changes in Foreign Exchange Rates” as endorsed by SOCPA retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to IFRS. Such fair value adjustments and goodwill are treated as assets and liabilities of the Parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the Parent or are non-monetary foreign currency items and no further translation differences occur.

37. DIVIDEND APPROVED AND PAID

On 28 Jumada Thani 1438 A.H. (26 March 2017) the Extraordinary General Assembly Meeting approved a dividend of SAR 720.0 million (SAR 0.90 per share) for the year ended 31 December 2016 out of which SAR 717.9 million was paid on 16 Rajab 1438 A.H. (12 April 2017).

38. DIVIDEND PROPOSED

The Board of Directors have proposed, for shareholder’s approval at the General Assembly Meeting, a dividend of SAR 750.0 million (SAR 0.75 per share) for the year ended 31 December 2017.

39. SUBSEQUENT EVENTS

In the opinion of the management, there have been no significant subsequent events since the yearend that would have a material impact on the financial position of the Group as reflected in these Consolidated Financial Statements.

40. BOARD OF DIRECTORS APPROVAL

These Consolidated Financial Statements were approved by the Board of Directors on 04 Jumada Al-Awwal 1439 A.H. (21 January 2018).

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