



ALMARAI COMPANY
(A SAUDI JOINT STOCK COMPANY)

THE INTERIM CONSOLIDATED FINANCIAL
STATEMENTS AND INDEPENDENT ACCOUNTANTS'
REVIEW REPORT FOR THE NINE MONTHS
ENDED 30 SEPTEMBER 2007

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Shareholders of
Almarai Company
A Saudi Joint Stock Company
Riyadh - Saudi Arabia

We have reviewed the accompanying interim consolidated balance sheet of Almarai Company a Saudi Joint Stock Company and its subsidiaries (the "Group") as of 30 September 2007, the related interim consolidated statements of income, cash flow and changes in shareholders' equity for the period ended 30 September 2007, including the related notes. These interim consolidated financial statements are the responsibility of the Group's management.

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

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



Abdullah M. Al-Basri
Certified Accountant
Licence No. 171
Aldar Audit Bureau
Abdullah M. Al-Basri & Co.



Riyadh, 27 Ramadan 1428 A.H.
Corresponding to 9 October 2007 A.D.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY

INTERIM CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2007 (UNAUDITED)

	Notes	30 September 2007	30 September 2006
		SAR '000	SAR '000
ASSETS			
<u>Current Assets</u>			
Cash and Bank Balances		41,640	46,802
Receivables and Prepayments		395,024	272,962
Inventories		588,701	449,535
Total Current Assets		1,025,365	769,299
<u>Non Current Assets</u>			
Investments and Financial Assets	4	471,074	-
Property, Plant and Equipment		3,863,014	2,876,958
Intangible Assets - Goodwill	5	548,636	-
Total Non Current Assets		4,882,724	2,876,958
TOTAL ASSETS		5,908,089	3,646,257
LIABILITIES AND EQUITY			
<u>Current Liabilities</u>			
Short Term Loans	6	134,530	105,261
Payables and Accruals		505,828	466,357
Total Current Liabilities		640,358	571,618
<u>Non Current Liabilities</u>			
Long Term Loans	6	2,298,839	1,234,919
Employees' Termination Benefits		98,516	76,028
Total Non Current Liabilities		2,397,355	1,310,947
<u>Shareholders' Equity</u>			
Share Capital	7	1,090,000	1,000,000
Share Premium	5	612,000	-
Statutory Reserve		258,983	212,470
Retained Earnings		909,393	551,222
Total Shareholders' Equity		2,870,376	1,763,692
TOTAL LIABILITIES AND EQUITY		5,908,089	3,646,257

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THIS STATEMENT

ALMARAI COMPANY
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INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007 (UNAUDITED)

	Notes	July - September 2007	July - September 2006	YTD September 2007	YTD September 2006
		SAR '000	SAR '000	SAR '000	SAR '000
Sales	8	1,012,390	717,132	2,725,060	2,039,252
Cost of Sales		(595,881)	(432,865)	(1,625,698)	(1,255,674)
Gross Profit		416,509	284,267	1,099,362	783,578
Selling and Distribution Expenses		(150,483)	(110,710)	(427,318)	(303,472)
General and Administration Expenses		(43,461)	(32,728)	(113,760)	(93,718)
Income before Bank Charges and Zakat		222,565	140,829	558,284	386,388
Bank Charges		(31,880)	(14,866)	(71,360)	(41,143)
Income before Zakat		190,685	125,963	486,924	345,245
Zakat		(4,462)	(3,408)	(12,437)	(10,311)
Net Income for the Period		186,223	122,555	474,487	334,934
Earnings per Share (SAR)	7	1.71	1.23	4.35	3.35

The operating results reported above in this interim consolidated income statement present a true picture of the past performance of the Group, but are not necessarily indicative of future results.

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INTERIM CONSOLIDATED CASH FLOW STATEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007 (UNAUDITED)

	<u>Notes</u>	<u>YTD September 2007</u> SAR '000	<u>YTD September 2006</u> SAR '000
<u>OPERATING ACTIVITIES</u>			
Net Income		474,487	334,934
Adjustments for:			
Depreciation		178,473	130,147
Bank Charges		71,360	41,143
Change in Employees' Termination Benefits		13,123	9,827
Changes in:			
Receivables and Prepayments		(137,026)	(55,460)
Inventories		(134,773)	(128,554)
Payables and Accruals		72,282	95,966
Cash Flows from Operating Activities		537,926	428,003
<u>INVESTING ACTIVITIES</u>			
Additions to Property, Plant and Equipment		(853,177)	(651,460)
Proceeds from the Sale of Property, Plant and Equipment		54,865	40,612
Acquisition of Investments and Financial Assets	4	(471,074)	-
Acquisition of Subsidiaries, Net of Cash Acquired	5	7,580	-
Cash Flows used in Investing Activities		(1,261,806)	(610,848)
<u>FINANCING ACTIVITIES</u>			
Increase in Loans		969,189	229,115
Dividends Paid		(199,386)	-
Bank Charges		(71,360)	(41,143)
Cash Flows from Financing Activities		698,443	187,972
(Decrease) / Increase in Cash and Bank Balances		(25,437)	5,127
Cash and Bank Balances at 1 January		67,077	41,675
Cash and Bank Balances at 30 September		41,640	46,802

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THIS STATEMENT
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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007 (UNAUDITED)

	Notes	Share Capital	Share Premium	Statutory Reserve	Retained Earnings	Total
		SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Balance at 1 January 2006		1,000,000	-	212,470	216,289	1,428,759
Net Income for the Period		-	-	-	334,933	334,933
Shares Issued		-	-	-	-	-
Dividends Paid		-	-	-	-	-
Balance at 30 September 2006		1,000,000	-	212,470	551,222	1,763,692
Balance at 1 January 2007		1,000,000	-	258,983	634,906	1,893,889
Net Income for the Period		-	-	-	474,487	474,487
Shares Issued	5	90,000	612,000	-	-	702,000
Dividends Paid	9	-	-	-	(200,000)	(200,000)
Balance at 30 September 2007		1,090,000	612,000	258,983	909,393	2,870,376

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THIS STATEMENT
ALMARAI COMPANY
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. THE COMPANY AND ITS BUSINESS DESCRIPTION

Almarai Company (the "Company") is a Saudi Joint Stock Company, which was converted on 2 Rajab 1426 A.H. (8 August 2005). The Company initially commenced trading on 19 Dī' Hijjah 1411 A.H. (1 July 1991) and still operates under Commercial Registration No. 1010084223.

The Company and its subsidiaries (together, "the Group") are a major integrated consumer food group in the Middle East with leadership positions in the Kingdom of Saudi Arabia and the neighbouring Gulf Cooperative Council (GCC) countries. All raw milk production and related processing along with food manufacturing activities are undertaken in Saudi Arabia and United Arab Emirates (UAE). Final consumer products are distributed from the manufacturing facilities in Saudi Arabia and UAE to local distribution centres by the Company's long haul distribution fleet.

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

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

The Company operates in Bahrain and Oman through subsidiaries, Almarai Company Bahrain W.L.L. and Arabian Planets for Trade and Marketing L.L.C. respectively.

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

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

On 30 Muharram 1428 A.H. (18 February 2007) the Company acquired 100% of the share capital of Western Bakeries Company Limited and its subsidiary International Baking Services Company Limited, two Limited Liability Companies registered in the Kingdom of Saudi Arabia.

On 8 Rabi I 1428 A.H. (27 March 2007), the Company issued 9 million shares to the owners of the Western Bakeries Company Limited and its subsidiary International Baking Services Company Limited, on acquisition of the same (Note 5), and as a result the share capital of the Company increased from 100 million fully paid and issued shares of SAR 10 each to 109 million fully paid and issues shares of SAR 10 each.

In the second quarter of 2007 Western Bakeries Company Limited entered into a joint venture to manufacture and distribute a range of bakery products under the "7 Days" brand. The joint venture company is under formation and its initial share capital will be SAR 35 million, 60% Western Bakeries Company Limited, 25% Vivartia SA and 15% Olayan Financing Company.

In May 2007 the Company paid SAR 7 million for a 10% stake in Jannat for Agricultural Investment Company whose objective is to develop feed supplies within and outside the Kingdom of Saudi Arabia.

On 25 Jumada I 1428 (11 June 2007) the Council of Ministers licensed the consortium led by Zain (formerly Mobile Telecommunication Company in Kuwait - MTC) to operate the Kingdom's third mobile phone network. The Zain led consortium, in which the Company will ultimately have a participating interest of 2.5%, won the bid with an offer of SAR 22.9 billion. On 23 July 2007 Almarai Company paid

SAR 464 million into escrow accounts as its contribution to the Zain led consortium, of which SAR 354 million was to purchase equity and SAR 110 million was to fund a shareholders' loan.

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

- (a) The interim consolidated financial statements have been prepared on the accrual basis under the historical cost convention and in compliance with the accounting standards issued by the Saudi Organisation for Certified Public Accountants (SOCPA).
- (b) The statutory records are maintained in Arabic.
- (c) When necessary, prior period comparatives have been regrouped on a basis consistent with current period classification.
- (d) The interim consolidated financial statements reflect all business operations undertaken on behalf of the Company and its subsidiaries and the assets and liabilities beneficially held by the Company.
- (e) The figures in these interim consolidated financial statements are rounded to the nearest thousand.

3. SIGNIFICANT ACCOUNTING POLICIES

A. Use of Estimates

The preparation of interim consolidated financial statements, in conformity with generally accepted accounting principles, requires the use of estimates and assumptions. Such estimates and assumptions may affect the balances reported for certain assets and liabilities as well as the disclosure of certain contingent assets and liabilities as at the balance sheet date. Any estimates or assumptions affecting assets and liabilities may also affect the reported revenues and expenses for the same reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

B. Revenue Recognition

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

C. Cash and Bank Balances

Time deposits purchased with original maturities of less than three months are included in Cash at Bank.

D. Accounts Receivable

Accounts receivable are carried at the original invoiced amount less any provision made for doubtful debts. Provision is made for all debts for which the collection is considered doubtful.

E. Inventory Valuation

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

and distribution costs. Provision is made, where necessary, for obsolete, slow moving and defective stocks.

F. Goodwill

Goodwill represents the difference between the cost of businesses acquired and the aggregate of the fair values of their identifiable net assets at the date of acquisition. Goodwill arising on acquisitions is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

G. Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. There is no open market for dairy livestock in the GCC against which to measure fair value. Accordingly, dairy livestock are treated as fixed assets and included in the accounts at their cost of purchase or at the cost of rearing to the point of first calving, less accumulated depreciation. The cost of dairy youngstock is determined by the cost of rearing to their respective age.

Cows in the dairy herd are depreciated to their estimated residual value, at rates between 10% - 25%, based on their expected continuing useful life. Other fixed assets are depreciated on a straight line basis at the following annual rates:

Buildings	3% - 10%
Plant, Machinery & Equipment	5% - 33%
Motor Vehicles	15% - 25%
Land is not depreciated	

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. Impairment losses are expensed in the interim consolidated Income Statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately in the consolidated Income Statement.

H. Conversion of Foreign Currency Transactions

During the financial period foreign currency transactions are converted and booked in Saudi Riyals at standard exchange rates which are periodically set to reflect average market rates or forward rates if the transactions were so covered. At the balance sheet date, assets and liabilities denominated in foreign currencies are converted into Saudi Riyals at the exchange rates ruling on such date or at the forward purchase rates if so covered. Any resulting exchange variances are charged or credited to the interim consolidated Income Statement as appropriate. Gains and losses on derivative financial instruments used to hedge foreign currency exposures are recognised in the interim consolidated Income Statement when the underlying transaction occurs.

I. Employees' Termination Benefits

Employees' termination benefits are payable as a lump sum to all employees employed under the terms and conditions of the Saudi Labour and Workman Law on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments

are based on the employees' final salaries and allowances and their cumulative years of service, in compliance with the conditions stated in the laws of the Kingdom of Saudi Arabia.

J. Selling, Distribution, General & Administration Expenses

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

K. Management Fees

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

L. Zakat

Zakat is provided for in the interim consolidated balance sheet on the basis of an estimated Zakat assessment carried out in accordance with Saudi Department of Zakat and Income Tax (DZIT) regulations. Adjustments arising from final Zakat assessments are recorded in the period in which such assessments are made.

M. Operating Leases

Rentals in respect of operating leases are charged to the interim consolidated Income Statement over the terms of the leases.

N. Investments in Securities

Investments in securities are measured and carried in the interim consolidated Balance Sheet at fair value. Where there is no market for the Investments cost is taken as the most appropriate, objective and reliable measurement of fair value of the securities.

4. INVESTMENTS AND FINANCIAL ASSETS

	30 September 2007	30 September 2006
	SAR '000	SAR '000
Jannat for Agricultural Investment Company - 10%	7,000	-
Zain Equity Investment (Company Under Formation)	354,487	-
Share of Zain Subordinated Funding Shareholders' Loan	109,587	-
	<u>471,074</u>	<u>-</u>

5. BUSINESS COMBINATION

Acquisition of Western Bakeries Company Limited and its Subsidiary International Baking Services Company Limited (together, "the Subsidiaries")

On 30 Muharram 1428 A.H. (18 February 2007), the Company acquired 100% of the share capital of Western Bakeries Company Limited, a company engaged in the production of bread and other bakery items, and its subsidiary company International Baking Services Company Limited, a company engaged in the wholesale and retail trading in food stuff, bakery machinery and equipment and cooked and non-cooked food catering for a purchase consideration of SAR 708 million. These interim consolidated financial statements include the results of the Subsidiaries for the period from 1 January 2007 as the Company effectively obtained control of the Subsidiaries from that date.

The fair value of the identifiable assets and liabilities of the Subsidiaries as at the date of acquisition were as follows:

	Recognised Values on Acquisition	Fair Value Adjustments	Carrying Value
	<u>SAR '000</u>	<u>SAR '000</u>	<u>SAR '000</u>
Fixed Assets	197,366	-	197,366
Inventories	22,645	(5,019)	27,664
Receivable and Prepayments	34,593	(3,334)	37,927
Bank Balances and Cash	9,275	-	9,275
	<u>263,879</u>	<u>(8,353)</u>	<u>272,232</u>
Payables and Accruals	25,233	-	25,233
Short Term Loans	33,224	-	33,224
Long Term Loans	42,750	-	42,750
Employees' Terminal Benefits	3,291	-	3,291
	<u>104,498</u>	<u>-</u>	<u>104,498</u>
Fair Value of Net Assets	159,381	<u>(8,353)</u>	<u>167,734</u>
Goodwill Arising on Acquisition	<u>548,636</u>		
Total Acquisition Cost	<u><u>708,017</u></u>		

The total acquisition cost of SAR 708 million comprised an issue of shares and costs directly attributable to the combination. The Company issues 9 million ordinary shares with a fair value of SAR 78 each, being the published price of the shares of the Company at the date of exchange.

Total Acquisition Cost:

Shares Issued, at Fair Value	702,000
Costs Associated with the Acquisition	<u>6,017</u>
Total	<u><u>708,017</u></u>

Cash Inflow on Acquisition:

Net Cash Acquired with the Subsidiaries	9,275
Cash Paid	<u>(1,695)</u>
Net Cash Inflow	<u><u>7,580</u></u>

The goodwill is attributable to the Subsidiaries' strong positions in their markets and the projected cash flows expected to arise after acquisition by the Company.

6. LOANS

	30 September 2007	30 September 2006
	SAR '000	SAR '000
Saudi Industrial Development Fund	426,680	393,480
Saudi Arabian Agricultural Bank	16,381	19,854
Islamic Banking Facilities (Murabaha)	1,990,308	926,846
	<u>2,433,369</u>	<u>1,340,180</u>

The borrowings of the Group from the Saudi Industrial Development Fund are secured by mortgage on specific assets amounting to SAR 426.7 million as at 30 September 2007 and SAR 375.8 million as at 30 September 2006.

7. EARNINGS PER SHARE

On 8 Rabi I 1428 A.H. (27 March 2007), the Company issued 9 million shares to the owners of the Western Bakeries Company Limited and its subsidiary International Baking Services Company Limited, on acquisition of the same (Note 5), and as a result the share capital of the Company increased from 100 million fully paid and issued shares of SAR 10 each to 109 million fully paid and issues shares of SAR 10 each.

Earnings per Share are calculated on the total number of issued shares at 30 September 2007 and 30 September 2006 amounting to 109 million shares and 100 million shares respectively.

8. SEGMENT INFORMATION

Analysis of Sales is given by Product Group as shown below. The disclosure of segmental information by geographical area would, in the opinion of the Board of Directors, be prejudicial to the interest of the Company and accordingly is not disclosed.

	July - September 2007	July - September 2006	YTD September 2007	YTD September 2006
	SAR '000	SAR '000	SAR '000	SAR '000
By Product Group				
Fresh Dairy	538,197	430,186	1,417,438	1,187,126
Long Life Dairy	72,231	62,618	221,945	199,567
Fruit Juice	103,671	60,548	237,457	149,873
Cheese and Butter	187,761	157,812	547,849	486,327
Non-Dairy Foods	3,816	4,493	11,799	11,743
Bakery Products	95,367	-	274,610	-
Other	11,347	1,475	13,962	4,616
	<u>1,012,390</u>	<u>717,132</u>	<u>2,725,060</u>	<u>2,039,252</u>

9. DIVIDENDS PAID

On 8 Rabi I 1428 A.H. (27 March 2007), the General Assembly Meeting approved a dividend of SAR 200 million (SAR 2 per share) for the year ended 31 December 2006, which was paid on 22 Rabi I 1428 A.H. (10 April 2007).

10. SUBSEQUENT EVENTS

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