المراعي
Almarai

Almarai Company Annual Report 2010

Snapshot of 2010

Sales

Increased by 18.1% from SAR 5,868.8 million to SAR 6,930.9 million.

Net Profit

Increased by 17.2% from SAR 1,096.7 million to SAR 1,285.4 million.

Cash flows from operating activities

The Company achieved a Cash Flow from Operating Activities of SAR 2,005.4 million, an increase of 11.3% from 2009.

Capital expenditure

Approval given by the Board of Directors for capital expenditure amounted to SAR 6.5 billion, as part of the company's 5 year plan. 2010 capital expenditure was SAR 2,237.2 million.

Distribution Channel

Almarai's 89 distribution depots allows the company to serve over 40,000 customers throughout the GCC.

Employees

Almarai employs 17,391 people of whom 2,808 are GCC nationals.

18.1% Sales

17.2% Net Profit

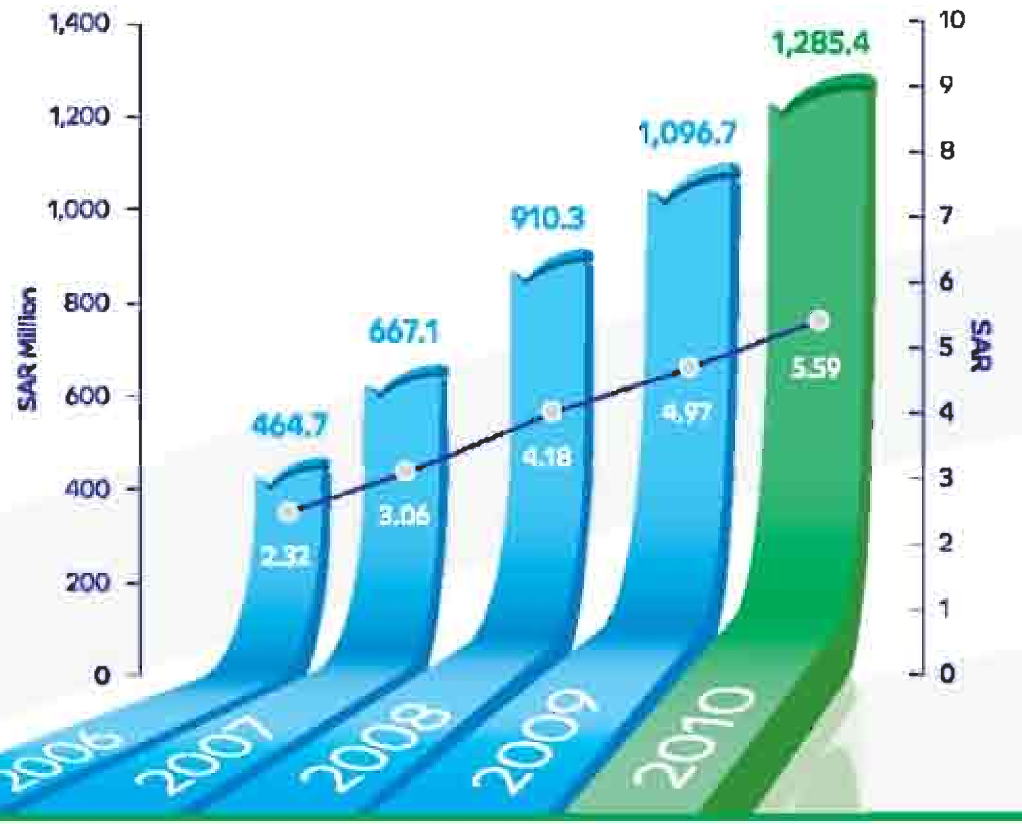
11.3% Operating Cash Flow

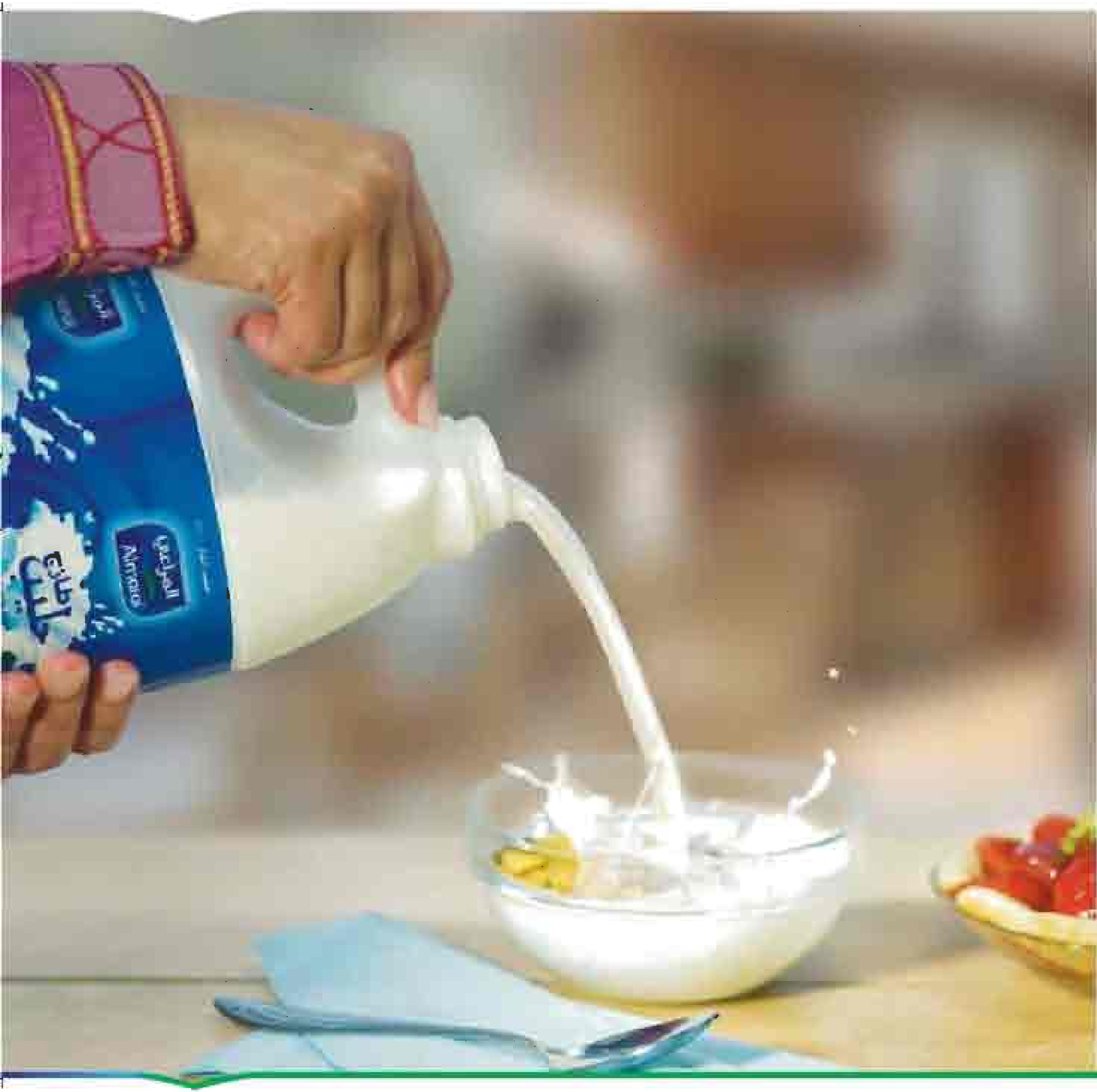
14.0% Shareholders' Equity

35.5% Market Capitalisation

8.4% No. of Employees

Net Profit and Earnings Per Share (EPS)





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الفواكه المشكلة
Mixed Fruit

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Chairman's Statement

Continued investment will maintain exceptional growth

Dear Shareholders,

On behalf of the Board of Directors, I have great pleasure in presenting Almarai's Annual Report, covering the year ended 31 December 2010.

With the blessings of Almighty Allah, this proved to be another very successful period. Sales increased by 18.1 percent to SAR 6,930.9 million (2009: SAR 5,868.8 million), yielding net income of SAR 1,285.4 million and equating to earnings per share of SAR 5.59. This enables the Almarai Board to recommend a dividend of SAR 2.25 per share, amounting to SAR 517.5 million and representing a dividend yield of 40.3 percent.

Almarai has maintained compound annual growth of 24.2 percent since going public in 2005. Over the same period, we have invested in excess of 30 percent of sales each year in business development, infrastructure and technology. As our core business continues to expand and acquisitions and diversification reach their full contribution to earnings, continued investment of this nature will secure future growth and maintain the impressive return on capital that we are achieving.

The transformation in the scale and diversity of Almarai operations has necessitated the development of a new corporate identity that conveys the brand's current status. Phased implementation began during 2010, presenting a visual image that retains the Almarai heritage while introducing elements that communicate the new dimensions of a cherished brand. We have also revised our mission, vision and values to correspond with the new business dynamics.

This balance between the old and the new is evident in the continued growth in core business, complemented by very encouraging results from our more recent entry into new areas of activity. Bakery sales continued to perform well; Alyoum – our new poultry brand – was launched towards the end of 2010, with every expectation of quickly becoming the leading fresh poultry brand; our joint venture with PepsiCo, International Dairy and Juice Ltd (IDJ), is expanding our geographic presence and the infant nutrition joint venture with Mead Johnson Nutrition, International Pediatric Nutrition Company (IPNC), will open up a strategic and valuable new category.

Further diversification is central to our five-year plan, reducing the business risk inherent in being a single sector operator and leveraging the strengths that have made Almarai so successful: our dedicated workforce, unrivalled domestic and regional distribution networks and above all – the consistently high quality of our products and service to customers and consumers.

I thank the Board of Directors, executive leadership and all employees for their outstanding performance during the year, which bodes well for the continued realisation of Almarai's vision of being the preferred choice of consumers. We also thank our shareholders, who have demonstrated continuing support for the aspirations we have for Almarai and our trade customers and consumers for their valued loyalty.

HH Prince Sultan bin Mohammed bin Saud Al Kabeer
Chairman


كريم كراميل

Mission, Vision & Values

Mission

To provide quality and nutritious food & beverages that enrich our consumers' lives every day.

Vision

To be the consumers' preferred choice by leading in chosen markets with superior food & beverage products.

Values

Adaptable	We are agile and flexible in our work, confidently taking bold decisions that benefit our stakeholders.
Sharing	We work together as one, openly collaborating and sharing skills & knowledge to enable our people to be the best.
Passionate	We are proud of the work we do, and strive for exceptional results.
Innovative	We are driven to improve our business everyday and to maximize the creative potential of our people.
Respect	We earn respect by embracing fairness, trust and integrity in all our relationships.
Excellence	We are diligent in our work and consistently deliver the best quality in everything we do.


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Almarai
شرائح الجبن
Cheese Slices

Company Overview

A remarkable story of quality-built achievement

In the 34 years since the establishment of the Company by the Chairman, HH Prince Sultan bin Mohammed bin Saud Al Kabeer, Almarai has become a byword for consistent quality in dairy products. From relatively modest beginnings, it has become the largest integrated dairy operator in the world as well as diversifying into fruit juice, bakery and poultry products.

Growth was steady in the early years but has taken on a spectacular trajectory in recent times. It took two decades to achieve annual revenue of SAR 1 billion but only one decade to double this. In just four years to 2010, total annual sales have soared to reach just short of SAR 7 billion, driven by the relentless pursuit of quality in every business aspect that has become synonymous with the Almarai brand.

This success is attributable to a unique blend of state-of-the-art infrastructure which includes farms, production operations and go-to market systems. For example, this painstaking dedication to quality enables Almarai's Saudi Holstein cows to each produce an average of more than 13,300 litres of milk every year – almost double the European figure and close to 1,500 litres more than their nearest international competitors.

A milking herd of roughly 60,000 produces more than 800 million litres a year. With the herd accommodated on seven farms covering 36,000 hectares, the Almarai name, meaning 'pastures' in Arabic, is very appropriate.

The company's fleet of 54 tankers, 500 trailers and 2,925 vans undertakes in excess of 100,000 trips annually and covers more than 110 million kilometres in delivering dairy, juice, bakery and poultry products to 89 sales depots and 41,797 customers across six GCC states.

A major milestone in Almarai's history was reached in 2005 when the company moved from private ownership to being listed on the stock exchange. At the end of 2010, market capitalisation was in excess of SAR 25 billion.

A major diversification in 1999 was the introduction of fresh fruit juice to complement the range of dairy products. Almarai juices quickly matched their predecessors in becoming market leaders, setting the pattern for expansion into bakery in 2007 with the acquisition of Western Bakeries.

In 2009, poultry was added through the acquisition of Hail Agricultural Development Company (HADCO). In the same year, a joint venture (IDJ) was initiated with PepsiCo, pooling respective expertise in dairy and juice to enable geographic expansion outside the GCC.

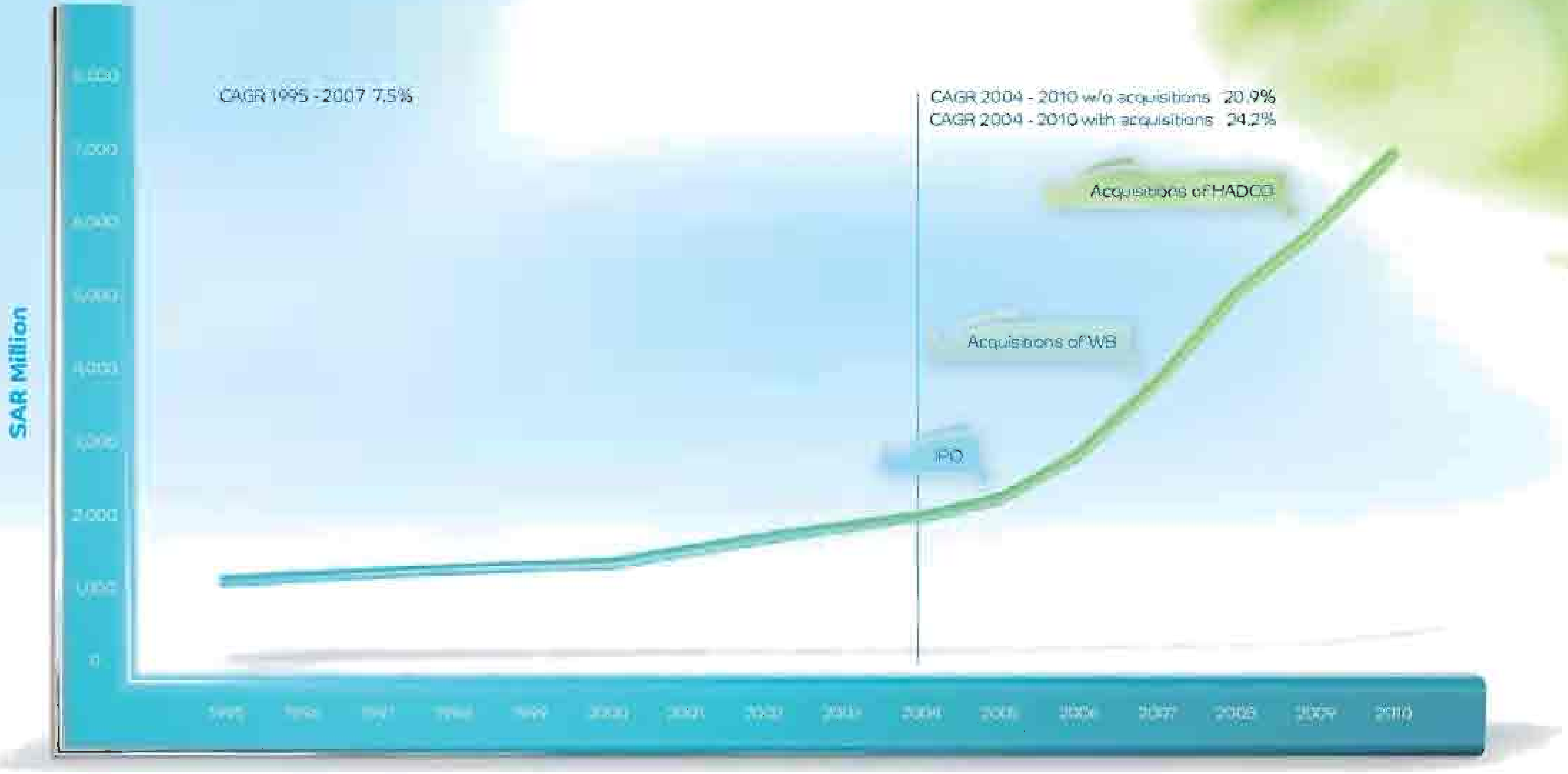
During 2009-10, Almarai made a commitment to enter the infant nutrition market and commenced the construction of the region's first infant nutrition plant at Al Kharj. Recognising that the best approach was to work with acknowledged experts in this area, Almarai reached agreement with Mead Johnson Nutrition to form a 50-50 joint venture known as the International Pediatric Nutrition Company (IPNC). The infant nutrition products will be co-branded Almarai and Mead Johnson's flagship 'Enfa' range.

For the past six years, more than 30 percent of Almarai's sales revenue has been ploughed back into business development, infrastructure and technology, creating a sound platform to maintain the company's reputation for consistent quality and drive continued growth.

The size and scale of Almarai at the end of 2010 now dwarfs the original 1976 concept, visionary though it was, in seeking to transform traditional dairy farming in Saudi Arabia to meet the needs of a burgeoning domestic market.

Despite the enormous changes that have taken place, one constant remains and always will: Almarai's irrevocable commitment to producing only the best and holding true to its bedrock principle – "Quality you can trust".

Net Sales 1995 - 2010



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Report of the Board of Directors

Record results underline an outstanding year

Record sales of SAR 6,930.9 million in 2010 – an increase of 18.1% on the previous year – were accompanied by 17.2% growth in net income to reach an all-time high of SAR 1,285.4 million. Cash flow from operating activities amounted to SAR 2,005.4 million, representing 28.9% of sales and covered to a large extent the year's investment of SAR 2,188.7 million in developing and refining our business resources and abilities.

Significant sales growth was recorded across all product categories. Fresh dairy grew by 12.5%, long-life dairy by 17.1%, cheese and butter by 12.2%, fruit juice by 20.2% and bakery by 32.9%. Our most recent acquisition, poultry, contributed 2.5% of total sales.

Our core dairy business continued to perform very well, with milk, laban and zabadi reaching record market share figures in Saudi Arabia, by far the largest territory by volume. These products also continued to be the preferred choice in other GCC countries, where all succeeded in increasing their value and volume sales.

Almarai fruit juice is market leader in five out of six GCC states and more than maintained this status by achieving total growth of 20.2% for the year.

Bakery products indicated the extent of their full potential, with spectacular growth increasing sales by 32.9%. Substantial expansion in production capacity, currently under way – including a new production facility in Al Kharj – will further enhance the contribution from bakery operations.

The acquisition in 2009 of Hail Agricultural Development Company (HADCO) opened up a new product category for Almarai, poultry, and 2010 was largely devoted to integrating business and production processes to comply with Almarai's exacting requirements. The new Alyoum brand was formally launched in December. In parallel, the Company began the investment phase of SAR 2 billion to increase capacity to 100 million birds per annum. Increased contribution from this investment will be evident in future years.

The year also saw significant progress in advancing plans to enter the infant nutrition market. A state-of-the-art manufacturing facility is under construction at Al Kharj with a projected capital investment of SAR 800 million. This will be the first of its kind in the region and will be fully operational towards the end of 2011. Almarai signed an agreement in June with Mead Johnson Nutrition to form a 50-50 joint venture, International Pediatric Nutrition Company (IPNC), bringing together two dynamic market leaders and two powerhouse brands – Almarai and the "Enfa" range. IPNC will have exclusive responsibility for infant nutrition and associated products in GCC countries. The first imported products, co-branded Almarai and Enfamil, were launched in Saudi Arabia during December.

During the year, Almarai's new Five Year Plan put in place the objectives and plans to ensure continued growth in all business sectors whilst increasing stakeholder value by providing our customers and consumers with a wider range of premium quality products and services. In the same year, we launched the new Mission, Vision and Values of the company. 2010 also saw a new dawn for Almarai with the evolution of the Company's logo. This has been redesigned to incorporate our growing and changing business and is already visible to consumers across the majority of our products. This logo reflects the diversification of the Company into new food and beverage categories, whilst also remaining true to the Company's heritage.

Our commitment to social responsibility and protection of the environment was evidenced in Almarai importing 80% of the quantities of fodder necessary to produce the exported quantities of milk this year – i.e. for milk exported outside of the Kingdom. This amount will increase to 100% of the equivalent fodder requirement for 2011. Almarai continues to use the latest in modern technology throughout its production system to ensure water conservation.

We sincerely thank you, our investors, for your trust in the Board of Directors. We extend our appreciation to Almarai's management team and over 17,000 employees who have demonstrated whole-hearted commitment to the company's continuing development and exemplary performance.

The Board of Directors
12th February 2011

Board of Directors' Profile

HH Prince Sultan bin Mohammed bin Saud Al Kabeer
Chairman of the Board

Qualification:
Holds a bachelors degree in Economics and Political Science from King Saud University, Saudi Arabia.

Major Investments:
Almarai Company: A Joint Stock Company established in 1976 in the Dairy Industry sector. Al Yamama Cement Company: A Joint Stock Company established in 1961 in the cement industry, Arabian Shield Insurance Company, Al Tayyar Travel Group, one of the founders of the Saudi Yamani Cement Company (Yemen), one of the founders of Al Farabi Chemicals Co. Ltd., one of the founders of Zain Saudi Telecom, one of the Founders of Jusour Petro Chemicals Co., one of the founders of ARASCO, one of the founders of Al Salam Bank (Bahrain), Arcapita Bank (Bahrain), one of the founders of Dana Gas (UAE), one of the founders of Tatweer Construction (Qatar), one of the founders of Ras Al Khaima Petroleum (UAE), one of the founders of IBC Co. Lebanon, one of the founders of the Kuwaiti Chinese Holding Co. (Kuwait), one of the founders of the Kuwaiti Sudanese Holding Co. (Kuwait), one of the founders of the Kuwaiti Jordanian Holding Co. (Kuwait), one of the founders of the First Education Co. (Kuwait) and one of the founders of the Kingdom Schools Co.

Key Positions:
Chairman of the Arab Union for Cement & Buildings Materials Co. Managing Director of Al Yamama Cement Co. Chairman of Al Tayyar Travel Group, the Arab Shield Insurance Co. Owner of Nova Al Jezera Establishment, the Arab Cubs Establishment and the Technical Projects & Contracting Establishment.

Social and Humanitarian Positions:
Member of the Board of Trustees of 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. Honorary Chairman of the Saudi Heart Association, the Saudi Chest Medication & Surgery Association, Saudi Hearing Disability Association, the Saudi Physiotherapy Association and the Saudi Hypertension Association.

Dr. Ibrahim bin Hassan Mohammed Al Madhoun
Director

PHD in Civil Engineering - University of Arizona – USA. Member of the Boards of Directors of the Red Sea Housing Services Company, Herfy Company, Fitaihi Company and Al Obeikan Investment Group.

Dr. Abdulraouf bin Mohammed Abdullah Mana'a
Director

BSc. in Mechanical Engineering – King Fahad Petroleum & Minerals University. Master degree in Engineering. Master degree in Engineering Science – Mechanical Engineering – California University – Berkley, USA. PHD in Mechanical Engineering – Washington University – Seattle, USA. Savola Group Managing Director, Afia International Co., Managing Director. Member of the Board of Directors of the Saudi Investment Bank. Member of the Board of Directors of Kinan Real Estate International Development Company. Member of many Boards and branch committees of Savola Group.

Engr. Nasser bin Mohammed Humoud Al Muttawa
Director

Holds a bachelor degree in Civil Engineering from Marquette University, USA. He worked in the Government sector from 1973 to 1979 and in the private sector from 1980 to present. He has major business interests in various companies in the Middle East. He is also an active member of charitable organisations such as Saudi Orphans Foundation, The Handicapped Children Foundation, The Patients Friends Foundation, The Taibah Charity Foundation, The Saudi Red Crescent Foundation and the Handicapped Society.

Ibrahim bin Mohammed Bin Ibrahim Alissa
Director

Holds a degree in Business Administration from Chapman University, California, USA. Chairman and Managing Director of Saudi Sodrorbau Company. He is Chairman of the Taiba Holding Company. A director of the Banque Saudi Fransi, The Savola Group, Yanbu Cement Company, Jeddah Company for Development, Civil Aviation Authority and a member of the Municipal Council of Jeddah.

Engr. Musa bin Omran Al Omran
Director

Holds a Bachelor Degree in Industrial Engineering from King Saud University, Saudi Arabia, Master's degree in Business Administration from St. Edward University, USA in 1994 and Diploma in science and technical bread from Pittsburgh Institute, USA. He is a board member of The Savola Group, United Sugar Company, Banque Saudi Fransi, Chamber of Commerce and Industry in Jeddah, Jeddah Company for Development and Arabian Cement Company. He is an active member of the Young Managers, Member of the Board of the General Investment Authority and a member of the Makkah region.

Prince Naif Bin Sultan bin Mohammed Al Kabeer
Director

A business administration graduate of King Saud University, Saudi Arabia, is Chairman of Projects and Technical Contracting Company and Ashbal Al Arab Corporation. He is also a member of the board of the Faraby Al Khaleej Petrochemical Company, Zain Company, Kuwaiti-Sudanese Company, Kuwaiti-Chinese Company, Integrated Transport Company and Jassour Company.

Suliman bin Abdulgader Al Muhaideb
Director

Chairman of the Boards of Directors of Al Muhaideb Group, Savola Group, Joussour Swicorp Co. and Aloula for Real estate Development Co. Member of the Boards of Directors of Saudi British Bank (SABB), National Industrialization Co., Arabian Pipes Co. and Yamama Steel Industries. Further, he has been appointed by the Government as a Board Member of Competition Protection Board, Social Responsibility Board and Centennial Fund.

Abdulrahman bin Abdulaziz Al Muhanna
Managing Director

Joined Almarai in 1979 on graduating from King Saud University, Saudi Arabia with a degree in Agricultural Economics. He was appointed Managing Director in 1997. He is a board member of the Saudi Fisheries Company, Arcapita Bank of Bahrain, Arabian Agricultural Services Company (ARASCO), and the Al Jazeerah Press, Printing and Publication Company. He is also a member of the National Committee for Biodiversity.

Key Milestones

2010 – A year of many milestones

January

Launch of 7Days croissants and cakes in Kuwait.

February

Launch of Almarai Crème Caramel Lite.

Almarai

April

Launch of Almarai Vetal Probiotic range of laban products.

May

Launch of Almarai Vetal Zabadi.
Launch of hazelnut flavour L'Usine wafer.
Almarai recognised as 'Leader in the Retail Sector' during the 2010 Arab Investment Summit.

June

Joint venture agreement signed with Mead Johnson Nutrition to form the International Pediatric Nutrition Company (IPNC)

October

Almarai Ghiste fresh cream ad wins silver 'Effie' award for advertising effectiveness.
Almarai Vetal Drop Dairy Award from Arab Bureau for Food Industries and Arab Beverages Association.
Almarai recognised as the 'Leading Quoted Company for Investor Relations' by the Middle East Investor Relations Society.

November

Launch of the new Almarai Group corporate identity and revised Almarai product group branding.

December

Almarai Juice achieves market leadership in Qatar, Kuwait and Bahrain.
Launch of Almarai Jar Cheese for the horeca sector (hotel, restaurant and catering).
Launch of Almarai Cooking Cream.
Launch of new Alyoum brand identity for poultry.

Almarai Logo Change Story

A journey of growth and achievement

Almarai began as a dairy company in 1976 and today its portfolio extends over a wide range of foods and beverages, including dairy, juice, bakery, poultry and infant nutrition, with many more to come. The growth of the brand made rejuvenation of Almarai's iconic logo necessary and it is our pleasure to present you with the story of how the change was achieved.

A brand name cherished by all

Almarai – meaning 'pastures' – is one of the most recognised brand names in the Arab world. The name is fundamental to the brand's DNA, which is why it plays such a prominent and central role in the old and new logos.

The new Arabic typeface was created specially for Almarai, making it unique and proprietary. The calligraphy reinforces the brand's accessibility to adults and children alike. The English version followed the Arabic model, resulting in a modern and elegant representation of the brand name.

Both typefaces were straightened to convey the brand's stability and reliability. They were also enriched to further communicate quality. The typeface progression is evolutionary, not revolutionary, conveying Almarai's successful expansion and development over the years.

Almarai blue – the colour of trusted quality

The second most important component in Almarai's identity is its blue colour, evocative of the brand heritage and core business, focused on health, freshness, and nature. It is also one of the world's favourite colours. Often associated with positive notions such as infinity, purity, transparency and depth, blue is the colour that conveys the brand's status and dynamism.

Almarai blue has evolved from a solid colour to a dégradé (graded shades) that adds a modern touch to the brand while striking a difference between strength and emotion.

All the elements in harmony

Overall, the new logo is more human, emotional and confident, conveying Almarai's brand status and displaying a proprietary shape that is likeable and memorable. The brand name and colour merge in a harmonious, balanced and meaningful way that communicates openness and fluidity.

The new curved shape further highlights the humanity and generosity of the brand. It evokes optimism, good health, smoothness and good taste, the key to consumers young and old alike.

The white outline acts as a protective frame (like a halo) around the logo. It demonstrates that Almarai is a protective and trustworthy brand that cares about consumers' health, wellbeing and family values. The outline stands for purity, clarity and health, thanks to its white colour which stems from the brand's dairy heritage.

The upper right tip flares upward, symbolising Almara's optimism, modernity and progressive vision of the world. The fact that the logo shape is not symmetrical reinforces its uniqueness, sophistication and modernity.

A new icon building on the brand's heritage

Almarai's business expansion beyond dairy needed a new icon to embrace a wider reality. Visually and symbolically, the new brand icon has various interpretations. It expands the brand's dimensions with more diversity and strength.

The most direct interpretation of the brand's new symbol are open meadows, the rows representing the growth of Almarai and its business units, while the blue and green colours embody the food and beverage origin of the products in Almarai's portfolio.

Inspired by nature, Almarai radiates and branches out to its consumers through its diverse range of products.

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Quality you can trust

Our Brands

The foundation for success "Quality you can Trust"

The strength of the Almarai brand is fundamental to the enduring success of the Group and the spectacular growth it continues to achieve, year after year. Our brand promise – "Quality you can trust" – permeates every aspect of Almarai's corporate culture and is the guiding principle in all our planning, decision-making and business activity.

As a pure dairy producer, such unwavering commitment to quality was unquestionably the key success factor that made Almarai the biggest company of its kind in the world. Today, with diversification into fresh juice, bakery and poultry, the same relentless insistence on quality applies across a much wider product range. Consumers have become accustomed to Almarai as a synonym for premium quality and expect no less when they see the brand endorsement on new product lines.

This is where the 'trust' element comes into play. Consumers' implicit trust in Almarai is reflected in their willingness to sample new Almarai branded products – and become repeat purchasers. The perfect testimony to this is the growth in sales volume and market share achieved during 2010 by virtually all Almarai products, underpinning the Group's objective of being market leader in every segment where it operates.

Almarai

Dairy Liquids

Dairy liquids are Almarai's original product lines and are still the Group's flagship range, responsible for the majority of total sales and making a substantial contribution to EBIT. They comprise fresh milk, fresh laban, flavoured milk, UHT milk and evaporated milk.

Fresh laban and fresh milk are long-established leaders in their respective categories, with future growth driven by innovation and new product development. In this respect, a highlight of 2010 was the introduction of Almarai Vetal probiotic laban which found ready acceptance in a niche market segment, underlining consumer trust in the brand and the quality that confirms the purchasing decision.

In the first phase of introducing the updated Almarai logo and branding across the entire product range, dairy liquids packaging and labelling changed during the year to reflect the new visual identity.

Juices

Almarai continued to grow market share having progressively expanded the product range and geographic presence. Almarai Juices now comprise 13 flavours in mainstream and premium categories and are sold in all GCC states. Mainstream products contain pure fruit juice, while premium lines have added fruit pulp and fruit segments.

In Saudi Arabia – which alone represents 65 percent of the total GCC market by volume – Almarai holds market leadership. The same position is held in Oman, Qatar, Kuwait and Bahrain.

Yoghurts and Desserts

Zabadi (plain yoghurt) is the flagship of this product group, in full-cream, low-fat and skimmed milk variants. All are market leaders in their segments. Innovation in 2010 included the launch of Almarai Vetal zabadi.

Ghiste (fresh cream) continues to be the leading player in its segment, while labneh holds a strong position in all GCC states.

The desserts range appeals as a complement to the main meal and as a healthy snacking option. The range includes crème caramel, custards and fruit yoghurts. With the emphasis on low fat content and no added sugar, their popularity is growing in all territories as demonstrated by their consistent market leadership.

Home Snacks

This product group comprises spreadable cheese, sliced cheese, square cheese portions, block cheddar and halloumi, with strong emphasis on low fat and low cholesterol content. Spreadable cheese is the core product within this group and continues to show remarkable growth in volume and market share, maintaining market leadership.

A new recipe for ambient square cheese was also very well received, doubling market share.

Culinary

The 'Art of cooking' is the theme of the Culinary Unit, responsible for butter, cheddar cheese, feta cheese, mozzarella, ghee, whipping cream and cooking cream.

Our products are designed to help consumers in the preparation of meals that are pleasing to the palate as well as the eye.

Our brand is a market leader in the culinary category across the GCC due to continuous delivery of quality.

Kids

Young consumers are the future life blood of Almarai and are catered for with specially formulated flavoured milk, triangle cheese, laban, yoghurt and custard.

The Maher character, that embodies the values of flavoured milk, was given a makeover during 2010, introducing a series of different actions – including football to coincide with the World Cup – and strengthening his appeal to the target age group. With four taste options – chocolate, strawberry, banana, and vanilla – flavoured milk became number one in its category during the year.

A new TV commercial for triangle cheese contributed to the high sales volumes achieved by this product.

L'Usine

Historically, the GCC bakery market has comprised a widespread diversity of small independent operators serving their immediate catchment area, with the top 12 producers commanding a combined market share of less than 50 percent.

Now, backed by the Almarai endorsement and the best of modern production technology, L'Usine has introduced a new concept in bakery products, becoming the Kingdom's first truly national bakery brand. Geographic expansion during 2009 saw L'Usine enter parts of the Kuwait market and production capacity expansion will enable wider availability of its products.

With a range of sliced bread, burger buns, duster rolls, pastries, cakes, mammoul, waffles, biscuits and sambosa leaves, L'Usine is moving from a pure bakery brand to be a leading force in the snacks sector. Waffles, the first L'Usine innovation, were quickly followed by cookies and sandwich biscuits – including six new biscuit variants in 2010.

Bakery operations already account for roughly 12 percent of total Almarai revenues and have maintained compound annual growth of more than 30 percent since 2007. Further growth is expected as production capacity in a new facility in Al Kharj comes on-stream and geographic expansion continues.

As with all Almarai products, consistently high quality and freshness is always the top priority.

7Days

Phenomenal growth in 2010 saw 7Days running two years ahead of its five-year plan, as Saudi consumers discovered an appetite for its unique range of croissants, layered cake and Swiss rolls, which are produced using proprietary technology.

Sales of layered cake doubled during the year and croissants by 70 percent, giving 7Days a leading position within two years of launch. Layered cake – a sponge sandwich filled with chocolate, strawberry or vanilla – is rapidly becoming the snack of choice for Saudi consumers.

To meet growing consumer demand, capacity will be increased in 2011 with the commissioning of new production lines.

Alyoum

Similar to the bakery sector, the fresh poultry market in KSA has historically been fragmented, with few operators offering truly national brands. The launch of Alyoum brings the Almarai quality endorsement to a product category that previously lacked a similar hallmark of reliability.

Alyoum has replaced the HADCO brand that existed before Almarai's acquisition of Hail Agricultural Development Company. Using the Almarai national distribution system as a model, Alyoum will progressively be available across the Kingdom under one consistent brand, instantly recognisable everywhere – from hypermarkets to neighbourhood mini-markets.

The Alyoum brand applies to fresh, chilled, whole chickens and to portion packs – mixed parts, breasts, wings or drumsticks – where it has already captured substantial market share in 2010.

During 2010, the focus was on integrating and developing the new poultry range to meet Almarai requirements for quality and freshness, while beginning to build the infrastructure to produce and process 100 million birds a year.

At 42 kg annual consumption per capita, poultry represents two-thirds of Saudi Arabia's meat protein intake, underlining the opportunity for Alyoum to capture a large and valuable share of a market that is growing by five percent per annum.


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Our People

Delivering results through Human Capital

Our people are fundamental to the delivery of our outstanding performance. We have exceeded customer expectations through a combination of talent which has driven innovation and a strong commitment to uphold our guiding principle "Quality you can trust."

Attraction and retention of talent has been critical in sustaining market dominance and ensuring business growth. We have continued to invest in our people this year. Organic growth across all divisions, combined with acquisitions, increased Almarai head count to over 17,000 at the end of 2010, an increase of 8.4 percent on the previous year.

Our talent strategy is based on providing meaningful learning and development opportunities to all our employees. We will continue to identify and nurture future leaders, as well as provide engaging and relevant training to employees. The effectiveness of this approach has resulted in one in every four employees being promoted this year.

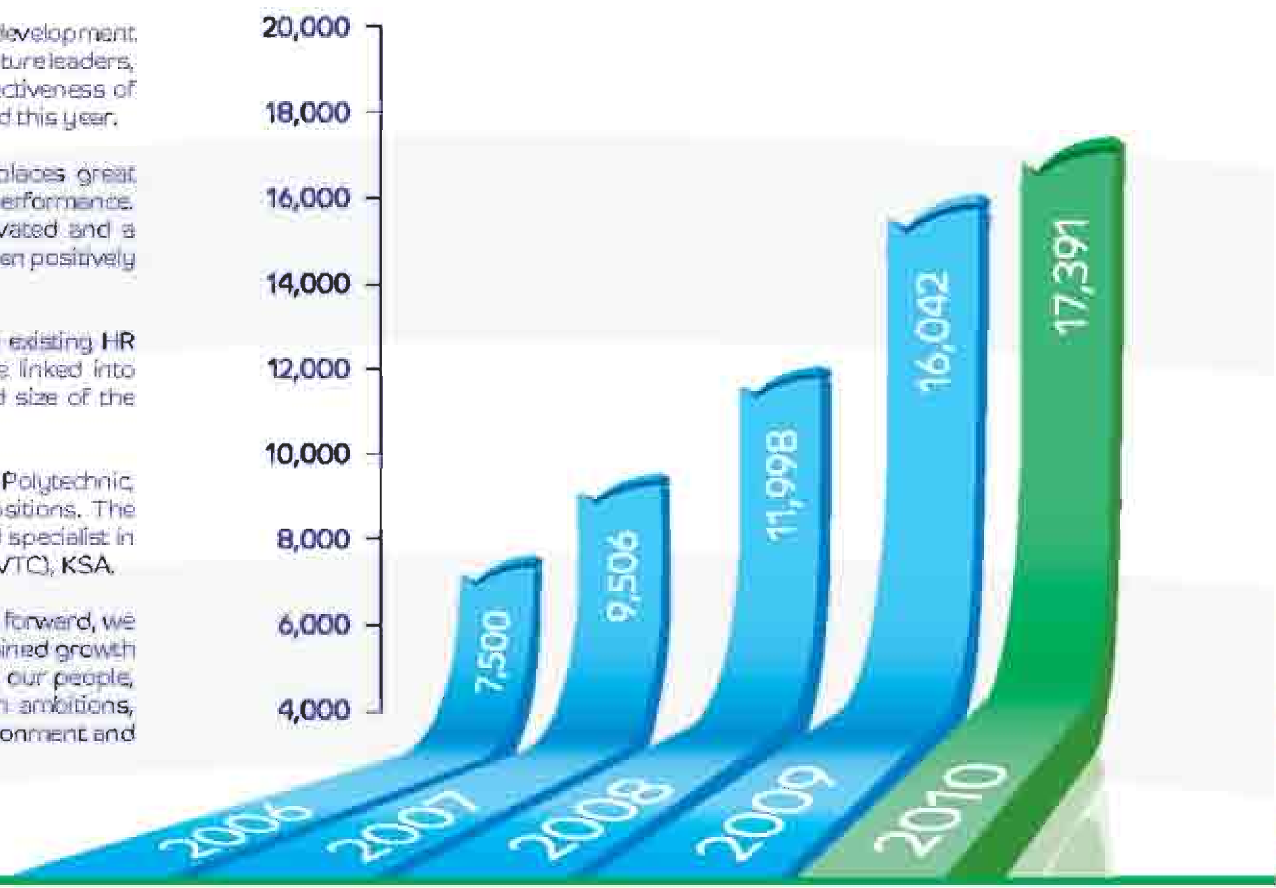
Almarai continues to offer a competitive pay & benefits package and places great importance towards recognising and rewarding hard work and excellent performance. We take a holistic approach to employee benefits encouraging a motivated and a committed workforce. As a result, one out of every three employees has been positively impacted by the pay & benefits alignment exercise in 2010.

Almarai has embarked on a crucial project of reviewing and revising the existing HR Policies to ensure the best in class HR Policies Manual. HR Policies are linked into the overall organisation strategy and are tailored to suit the culture and size of the organisation.

As part of Almarai's commitment to its social responsibility, a Dairy and Food Polytechnic, established in 2010, will prepare Saudis for employment in technical positions. The Polytechnic is managed in partnership with CINOP – a Netherlands based specialist in vocational education – and Technical & Vocational Training Corporation (TVTC), KSA.

Our people are the bedrock of our exceptional business model. As we look forward, we will continue to harness the full potential of our employees ensuring sustained growth in all our markets. This will be achieved through continued investment in our people, ensuring that our employees have the right skills to support our growth ambitions, by recruiting and retaining the right people, creating a positive work environment and nourishing a culture of winning that typifies Almarai.

Number of employees

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Corporate Social Responsibility

A sense of caring

Almarai pays great attention to the subject of social responsibility. This is clearly reflected in the Mission and Vision Statement - "to provide quality and nutritious food and beverages that enrich our consumers' lives every day".

Almarai's social responsibility extends to key environment issues, including one of the key environmental issues in the region today, water scarcity. To address this, the Company has undertaken numerous initiatives to conserve water. This includes the adoption and implantation of state-of-the-art production processes and the incorporation of modern plant designs and operating systems to reduce water consumption. Almarai is also committed to importing 100% of the alfalfa hay required for dairy equivalent exports.

Ethical values are based on transparency, respect, fairness, trust and integrity and cover all stakeholders - shareholders, employees and consumers. The objective is to ensure the sustained success of the company.

Almarai devotes considerable resources in helping to address unemployment in the Kingdom, including the offering of a wide variety of employment opportunities to all members of Saudi society. Staff development, through on the job training and education, equips the employee with the technical skills required to enable them to perform their jobs effectively and efficiently.

To equip Saudi Nationals for work in the private sector (with a specific focus on the dairy sector), Almarai has established - in conjunction with an international reputable organization - the Almarai Food Processing Academy. Successful completion of this programme will provide Saudi students with the required training, skill-set and experience to enter the food and beverage processing industry. Successful students would then have opportunities to join the Almarai workforce or to move into other job opportunities in the Saudi labour market. The academy will cater to an estimated 600 students.

Almarai is also involved in the University Students Co-operation Training programme. Summer Training is part of Almarai's ongoing commitment throughout the Kingdom to train and assist Saudi Nationals obtain suitable employment opportunities.

The Company also supports other initiatives in the education sector. In partnership with King Abdulaziz City for Science and Technology, Almarai has launched the Award for Scientific Creativity to encourage scientific research in the Kingdom. In 2010 Almarai launched a new scientific award (The Almarai Veterinarian Award) to support the veterinary profession and its drive for better livestock health and protection in the Kingdom, whilst simultaneously increasing the standing of the veterinary profession. In cooperation with the GCC's Arab Bureau for Education, the Company has organised a Scholarship Excellence Award for students. This award was launched in 2006 and continues to encourage students in their pursuit of academic excellence throughout the GCC.

Almarai contributes to a number of social, humanitarian and national causes. Examples include contributions to the Orphan Welfare Society (Ensan), Downs Syndrome Charitable Association, Saudi Autism Organisation and the Saudi Breast Cancer Society (Zahra). Another important element of Almarai's involvement in social and humanitarian causes is its support of an annual Group Marriage event.

Such initiatives, together with the relationships the Company has established with the different parts of GCC society, demonstrates Almarai's proactive involvement in key social and national causes. This commitment is, and will continue to be, an integral part of Almarai's Mission, Vision and Values.

Management Discussion and Analysis

Sustained growth underpins high returns

Almarai's compound annual sales growth of almost 25% between 2004 and 2010 has been driven by the premium quality of the Company's products, backed by an ongoing programme of heavy investment in production infrastructure, distribution capabilities and marketing, as well as investment in new categories and acquisitions.

Because of this, sales and net income amounted to SAR 6,930.9 million and SAR 1,285.4 million respectively, a corresponding increase of 18.1% and 17.2%, the upward trend continued in 2010.

The five-year chart below illustrates the continuous growth in sales and EBIT margin.

Sales by Product Group (SAR Million)	Year ended 31 December 2010	2009	% change
Fresh Dairy	3,168.7	2,817.6	12.5%
Long-Life Dairy	658.9	562.6	17.1%
Fruit Juice	745.1	620.2	20.2%
Cheese & Butter	1,282.4	1,143.0	12.2%
Bakery	821.2	618.1	32.9%
Other Dairy	30.7	34.4	(10.8%)
Sub-Total	6,707.1	5,795.9	15.7%
Poultry	176.1	44.5	295.8%
Arable & Horticulture	47.7	28.4	67.7%
Total Sales	**6,930.9**	**5,868.8**	**18.1%**

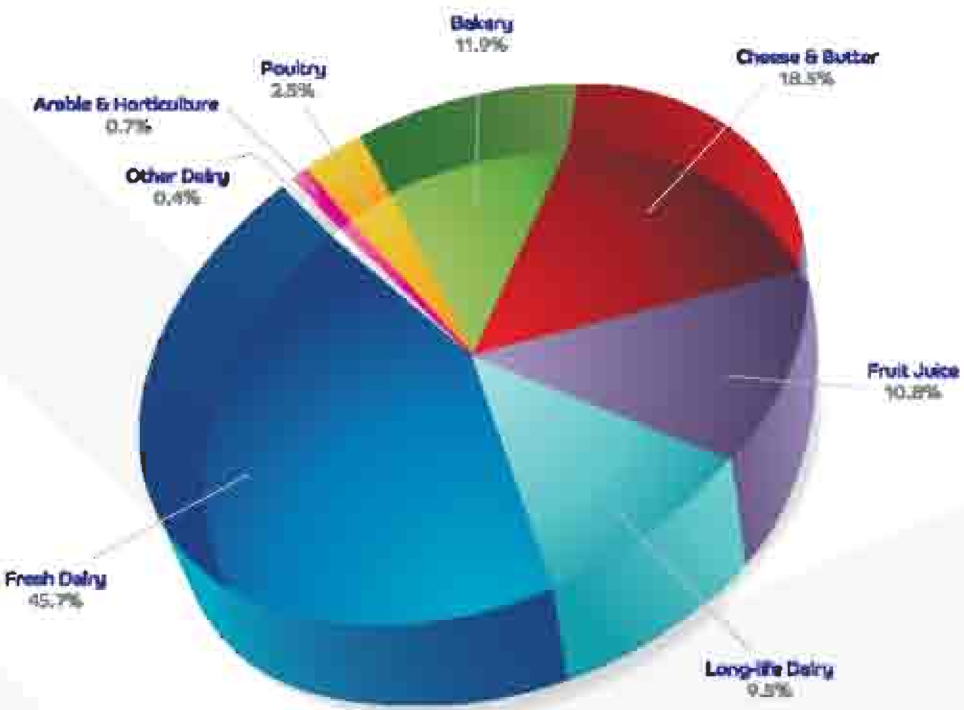
Sales and EBIT* Margin %

* Earnings before bank charges and Zakat

Strong sales growth in core dairy products during 2010 was complemented by excellent growth from both juice and the relatively new bakery operations. Poultry operations, acquired in 2009, were integrated during 2010, culminating in the launch of the new Alyoum brand for the category towards the end of the year.

The following chart gives a breakdown of sales by product group, which illustrates the positive impact of the company's diversification initiatives:

Sales by Product Group



Fresh Dairy

The flagship product group comprises locally-produced fresh milk and laban, zabadi (plain yoghurt), fruit yoghurts, and cream and dairy desserts. Sales in this product category, Almarai's largest, grew by 12.5% year-on-year to reach SAR 3,168.7 million.

Milk, laban and zabadi achieved record market shares in Saudi Arabia and reinforced their status as the preferred choice in other GCC countries.

In the course of 2010, Almarai Vetal advanced nutrition laban and zabadi products were launched into the GCC market, providing consumers with a probiotic alternative. The success of these products has surpassed our most optimistic projections and exceeded initial market share targets.

Long-Life Dairy

This category comprises UHT milk, evaporated milk, whipping cream and sterilised cream. A gap in the market was addressed by the development and launch of Almarai cooking cream.

Flavoured UHT milk for children underwent a packaging change with a revitalised Maher character. Total sales for the year amounted to SAR 658.9 million, an increase of 17.1%, reflecting the increased marketing and distribution of this category.

Fruit Juice

Consumers continued to show their appreciation of the superior quality and taste of Almarai Fruit Juice, available in 13 flavours and four pack sizes, increasing annual sales by 20.2% to SAR 745.1 million and reinforcing the brand's strong market leadership.

Cheese and Butter

This extensive product group is made up of spreadable cheese in jars, cheese triangles, slices, blocks and squares, halloumi, feta and mozzarella cheese, butter and butter ghee.

Sales remained strong during 2010, reflecting well-established consumer preferences, growing by 12.2% to reach SAR 1,282.4 million. Several products were updated with improved recipes and redesigned packaging, as part of the continuous product enhancement that increases our competitive advantage and market share.

Bakery

Sales of bakery products that include pastry, cakes, biscuits, bread, buns, waffle, mammoul and sambosa leaves reached new highs in 2010. Total bakery sales amounted to SAR 821.2 million, up 32.9% on the previous year.

A new state of the art bakery was commissioned in Al Kharj, providing the platform for further growth and future expansion into the Gulf countries for both L'Usine and 7Days brands. It also allows Almarai to deliver fresher product to the Central and Eastern regions of KSA.

Poultry

Launch of the Alyoum brand of poultry products towards the end of 2010 marked the culmination of an intensive period of restructuring and integration, following the acquisition of HADCO a year earlier. The poultry range comprises fresh whole chickens, portion packs and other value added products sold to the retail market. Combined sales reached SAR 176.1 million during the year.

The focus of the poultry business in its first year under Almarai management was to introduce a quality fresh product, achieved through the implementation of Almarai's quality standards and improved distribution.

Arable & Horticulture

Sales from arable and horticultural operations, including dates, olive oil, grapes and wheat, grew to SAR 47.7 million.

Operating Costs

Despite the noticeable increase of commodity, juice ingredient, packaging and feed costs during the second half of 2010, Almarai ensured, through sophisticated procurement strategies and careful financial management, that the ratio of income to expenditure was maintained at a satisfactory level. However, going forward, and notwithstanding initiatives by Almarai to mitigate the impact of these cost increases, such hikes in input costs will have an inevitable negative impact on margins.

The increase in Other Cost of Sales is primarily driven by increased depreciation and the integration of the poultry and arable operations.

Operating Costs (SAR Million)	Year ended 31 December				
	2010	% of Sales	2009	% of Sales	Change in %
Direct Material Costs	2,891.3	41.7%	2,486.4	42.4%	16.3%
Other Cost of Sales	1,303.7	18.8%	1,016.6	17.3%	28.2%
Selling & Distribution Expenses	1,046.0	15.1%	887.1	15.1%	17.9%
General & Administration Expenses	230.4	3.3%	199.7	3.4%	15.4%
Total Operating Costs	**5,471.4**	**78.9%**	**4,589.8**	**78.2%**	**19.2%**

Operating Costs may also be viewed by the nature of the expenditure incurred:

Operating Costs (SAR Million)	Year ended 31 December				
	2010	% of Sales	2009	% of Sales	Change in %
Direct Material Costs	2,891.3	41.7%	2,486.4	42.4%	16.3%
Employee Costs	1,089.6	15.6%	884.4	15.0%	23.2%
Operating Overheads	630.4	9.1%	535.8	9.1%	17.6%
Marketing Expenses	351.7	5.1%	297.4	5.1%	18.2%
Insurance	23.4	0.3%	22.5	0.4%	3.9%
Depreciation & Amortisation	485.0	7.0%	363.2	6.2%	33.5%
Total Operating Costs	**5,471.4**	**78.9%**	**4,589.8**	**78.2%**	**19.2%**

Depreciation and Disposal of Assets

Biological assets include the dairy herd, poultry flocks and horticultural crops. Net biological asset appreciation represents the growth in such assets, capitalised in accordance with our accounting policy and in line with SOCPA standards. The accounting policy is outlined in the Financial Statements.

Depreciation and disposal of assets increased by SAR 121.8 million due to the ongoing investment in our farming, production and distribution facilities.

Share of Results of Associates and Joint Ventures

Investments in associated companies include International Dairy & Juice (a venture with PepsiCo), and Pure Breed Company, an associate company, acquired as part of the HADCO transaction. Investment in joint venture relates to IPNC – our joint venture with Mead Johnson Nutrition.

Associates & Joint Ventures (SAR Million)	Opening Balance	Capital Intro-duced	Share of Results for The Year	Distribu-tions	Closing Balance
International Dairy & Juice Limited	455.1	64.8	(6.4)	-	513.5
Pure Breed Company	29.1	-	4.7	(1.0)	32.8
International Pediatric Nutrition Company	-	20.5	(4.3)	-	16.2
Almarai Company WLL	-	0.2	-	-	0.2
Total	484.2	85.5	(6.0)	(1.0)	562.7

Statutory Payments

Statutory payments during the year were:

Statutory Payments (SAR Million)	Year ended 31 December 2010	2009
Customs duty	100.5	89.3
Zakat & Income Tax	21.3	17.6
G.O.S.I.	20.9	20.7
Ministry Costs	30.5	23.2
Others	4.2	2.0
Total Payments	177.4	152.8

Zakat is calculated at the higher of net adjusted income or Zakat base as required by the Department of Zakat and Income Tax (DZIT). In 2010, the Zakat charge is based on the net adjusted income method.

The Company has filed its Zakat returns for all the years up to 2009 and settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the DZIT for all the years up to 2006 while the 2007, 2008 and 2009 returns are still under review by the DZIT.

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 DZIT for all years up to 31 December 2002. From 2009 onwards, HADCO is not required to file returns as results are consolidated into the group's return.

Net Income

Net income increased to SAR 1,285.4 million in 2010 from SAR 1,096.7 million in 2009, representing 18.5% and 18.7% of sales respectively.

Cash Flows

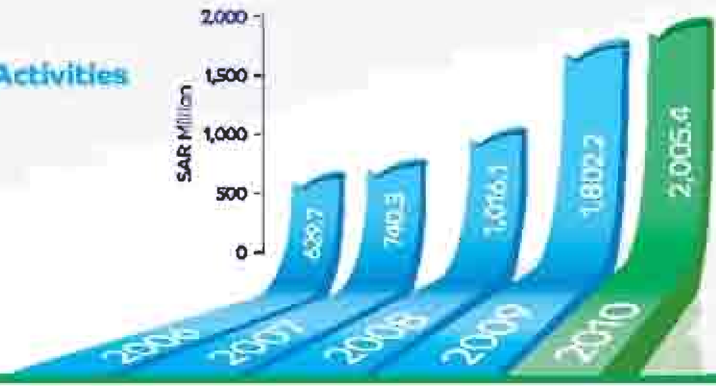
Cash flow from operating activities grew to SAR 2,005.4 million, an increase of 11.3% from 2009 and equating to 28.9% of total sales. Operating cash flow largely funded Almarai's SAR 2,188.7 million investment programme for the year, after servicing debt and paying shareholder dividends.

Continued heavy investment will enable Almarai to satisfy growth in consumer demand and maintain/grow market share in the GCC, while also financing diversification into new business areas, by product category and geographically.

Improved management of working capital resulted in a decrease in operating net working capital of 7.3% versus prior year. Operating net working capital improved from 12.1% to 9.5% of sales.

Cash Flow Statement (SAR Million)	Year ended 31 December 2010	2009
From Operating Activities	2,005.4	1,802.2
Used in Investing Activities	(2,188.7)	(1,711.0)
From/(Used in) Financing Activities	(83.6)	169.9
Increase/(Decrease) in Cash	(266.9)	261.1
Cash at beginning of period	507.7	246.6
Cash at end of period	**240.8**	**507.7**

Cash Flows from Operating Activities



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Cash Flows from Operating Activities (SAR Million)	Year ended 31 December 2010	2009
Net Income	1,285.4	1,096.7
Depreciation & Disposal of Assets	485.0	363.2
Bank Charges	120.6	147.5
Share of Results of Associates & Joint Ventures	5.9	2.0
Change in Employees' Termination Benefits	40.3	26.2
Share of Minority Interest in Net Income of a Consolidated Subsidiary	21.5	3.4
Changes in Net Operating Working Capital	46.7	163.2
Net Operating Cash Flows	**2,005.4**	**1,802.2**

Cash Flows Used in Investing Activities (SAR Million)	Year ended 31 December 2010	2009
Capital Expenditure	(2,237.2)	(1,334.8)
Proceeds from disposals	133.0	107.4
Investments in Associates and Joint Ventures	(84.5)	(457.9)
Acquisition of Subsidiaries, Net of Cash Acquired	-	(25.7)
Net Investing Cash Flows	**(2,188.7)**	**(1,711.0)**

Capital Expenditure (SAR Million)	2010						2009
	Dairy and Juice	Bakery	Poultry	Arable and Horticulture	Other Activities	Total	Total
Replacement	(65.3)	(1.1)	-	(54.6)	-	(121.0)	(136.4)
New Capex	(904.2)	(409.8)	(236.5)	(241.4)	(324.3)	(2,116.2)	(1,198.4)
Total	**(969.5)**	**(410.9)**	**(236.5)**	**(296.0)**	**(324.3)**	**(2,237.2)**	**(1,334.8)**
Capital Commitments	**(557.7)**	**(201.8)**	**(437.4)**	**(85.9)**	**(264.3)**	**(1,547.1)**	**(1,555.6)**

Acquisition, Geographic and Market Expansion

Almarai made a commitment during 2009 to enter the infant nutrition category, and following a full feasibility study, decided to build the region's first manufacturing facility. During 2010, construction of a state-of-the art facility began at Al Kharj. It will be fully operational towards the end of 2011. This facility will focus on the production of infant nutrition (a sole source of nutrition product for babies up to one year old) and children's nutrition (highly enriched products designed to supplement children's nutritional needs up to the age of five) products. All similar products currently available in the GCC are imported.

Recognising that the best approach was to work with an acknowledged expert in the category, Almarai reviewed a number of potential partners and, following detailed discussions, agreed to form a 50-50 joint venture with Mead Johnson Nutrition – IFNC. The joint venture will take full operational responsibility for infant nutrition and associated products in the six GCC countries, with the objective of quickly becoming a major player in the category, estimated to be worth over SAR 2 billion a year.

Almarai provides its deep knowledge of the regional market, the highest quality dairy produce and an extensive distribution network. Mead Johnson contributes profound understanding of the pediatric nutrition industry, proven product acceptance and trust and industry-leading capabilities in R&D and innovation. The combination creates a win-win combination, bringing benefits to the people of the GCC and its healthcare communities.

IFNC's products will be co-branded with Almarai and Mead Johnson's 'Enfa' – iconic names that share high levels of consumer respect and trust. Already, the first imported product was launched in Saudi Arabia during December 2010.

The establishment of IFNC is the most recent of a series of joint ventures and acquisitions by Almarai. IDJ was formed with PepsiCo in 2009 to exploit the potential for growth in dairy and juice in IDJ markets outside the GCC. The operations in Jordan and Egypt are progressing and pave the way for further expansion in the Middle East (excluding the GCC), Africa and South East Asia.

The acquisition of Hail Agricultural Development Company (HADCO) in 2009 has enabled Almarai to diversify into the poultry sector. During 2010, Almarai concentrated on integrating the acquisition while planning and developing farming and processing infrastructure. This will enable production and processing of 25 million birds in 2011, leading to an eventual target of 100 million a year.

Financing

The strong cash flow generating capability of Almarai has enabled the company to obtain additional credit facilities to finance the continued heavy investment required to satisfy the growth in consumer demand and maintain market leadership in the GCC.

Cash Flows from Financing Activities (SAR Million)	Year ended 31 December 2010	2009
Increase in Loans	470.5	689.6
Borrowings from government financial Institutions		
Repayments	(116.1)	(70.4)
Receipts	94.5	132.6
Borrowings from Islamic banking Facilities (Murabaha)		
Repayments	(433.6)	(233.6)
Receipts	925.7	861.0
Dividends Paid	(454.8)	(380.0)
Distribution to Minority Interest	(0.9)	(0.7)
Bank Charges	(120.6)	(147.5)
Deffered Charges	8.2	8.5
Minority Interest Share in Modern Food Industries Limited	14.0	-
Cash Flows from Financing Activities	**(83.6)**	**169.9**

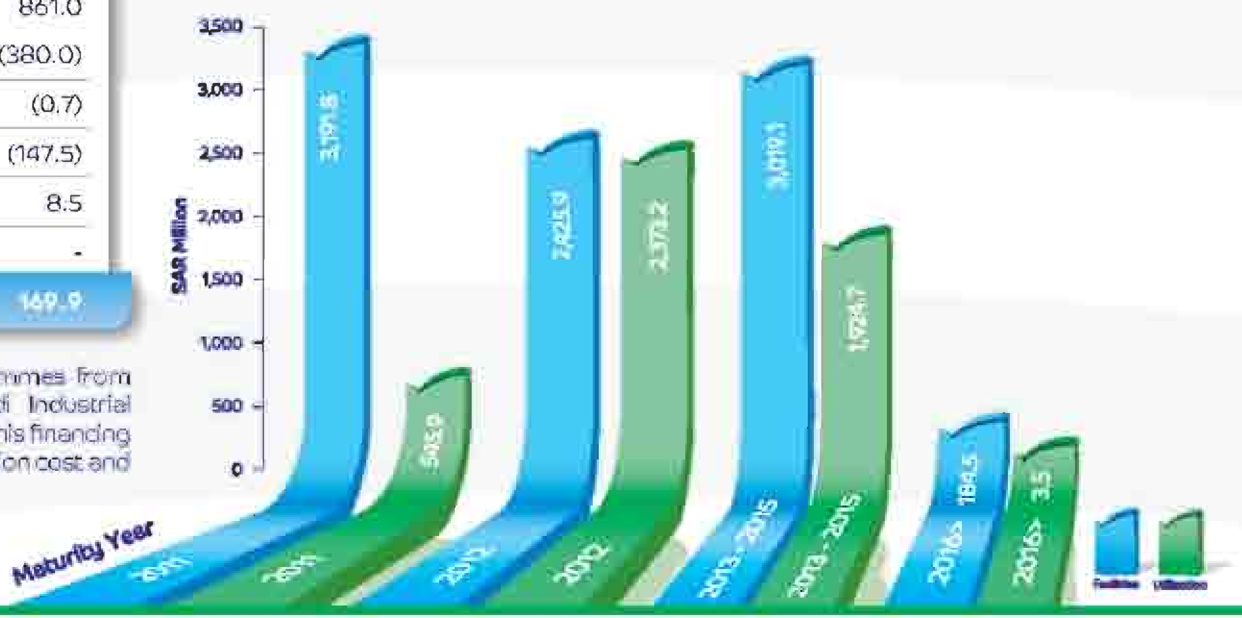
We have obtained financing in respect of our major investment programmes from Government financial institutions in Saudi Arabia, namely the Saudi Industrial Development Fund (SIDF) and the Agricultural Development Fund (ADF). This financing is not commission-bearing and, in the case of SIDF, carries an initial evaluation cost and ongoing follow-up costs.

The effective cost of borrowings from SIDF is typically lower than commercial banks and is not subject to commission rate risk.

Recognising the need for further financing to fund our future plans, the Company secured an additional SAR 750.0 million of Islamic banking facilities (Murabaha) on a fixed rate basis and an additional SAR 318.2 million of SIDF facilities with a maturity of three to five years.

As at 31 December 2010, SAR 3,295.3 million and SAR 678.9 million of Islamic banking facilities and SIDF facilities respectively were unutilised and available for draw down. Bank charges decreased from SAR 147.5 million to SAR 120.6 million primarily due to lower interest rates.

Facilities and Utilisation



Dividend Policy

At the General Assembly of 11 April 2010, Almarai shareholders approved a dividend distribution of SAR 4.00 per share (based on 115 million shares), amounting to SAR 460 million for 2009.

In December 2010, Almarai increased its share capital from SAR 1,150 million to SAR 2,300 million, through the distribution of one bonus share for each outstanding share. This doubled the number of shares from 115 million to 230 million.

For 2010, the Board of Directors proposes a dividend of SAR 2.25 per share (based on 230 million shares), amounting to SAR 517.5 million.

The high level of investment which has underpinned Almarai's performance and is integral to the Company's five-year plan may inhibit the ability to pay high annual dividends to shareholders. While high levels of investment continue, Almarai will target a dividend payout ratio of 30-40%, always mindful of alternative dividend policy options that are in the best interests of the Company and its shareholders.

Board Meetings and Directors' Disclosure

During the year we held six board meetings the majority of which were fully attended.

Directors Name and other Public Company Directorships	Independent or Non Executive	First Meeting (03.02.2010)	Second Meeting (12.04.2010)	Third Meeting (14.06.2010)	Fourth Meeting (14.08.2010)	Fifth Meeting (04.10.2010)	Sixth Meeting (05.12.2010)	Total
HH Prince Sultan bin Mohammed bin Saud Al Kabeer (Chairman of the Board of Almarai Company) Yamama Cement Company, Arabian Shield Insurance Company	Non Executive	√	√	√	√	√	√	6
Abdulrahman bin Abdulaziz Al Muhanna (Managing Director of Almarai Company) Saudi Fisheries Company	Executive	√	√	√	√	√	√	6
Engr. Nasser Mohammed Al Muttawa Arabian Shield Insurance Company	Non Executive (Independent)	-	√	√	√	√	-	4
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer Zain KSA	Non Executive	√	√	√	√	√	√	6
Ibrahim Mohammed Al Issa Banque Saudi Fransi, The Savola Group, Taibah for Investments, Yanbu Cement Company	Non Executive	√	√	√	√	√	-	5
Mosa Omran Mohammed Al Omran The Savola Group, Arabian Cement Company, Banque Saudi Fransi	Non Executive (Independent)	√	√	√	√	√	√	6
Dr Sami Mohsen Baroom ** The Savola Group, Arabian Cement Company	Non Executive	√	√	√	-	-	-	3
Mohammed Al Damer **	Non Executive (Independent)	√	√	-	-	-	-	2
Dr. Majed M. Al Gassabi ** Red Sea Company	Non Executive (Independent)	√	√	√	-	-	-	3
Dr. Abdulraof Mohammed Mana'a * The Savola Group, Saudi Investment Bank	Non Executive	-	-	-	-	√	√	2
Sulman Abdulqader Al Muhaidib * The Saudi British Bank, Arabian Pipes Company, The Savola Group, National Industrialization Company	Non Executive	-	-	-	-	√	√	2
Ibrahim Hassan Al Madhon * Read Sea Company, Herfy Food Services Company, Fitaihi Holding Group	Non Executive (Independent)	-	-	-	-	√	√	2

*Appointed August 2010 **Directors until August 2010

The Company's By-Laws stipulate that the election of Board members is by cumulative vote at the General Assembly Meeting.

Board of Directors	Number of Shares 01.01.2010	Number of Shares Net Change	Number of Shares 31.12.2010	Number of Shares % Change	Debt Instruments (SAR) 01.01.2010	Debt Instruments (SAR) Net Change	Debt Instruments (SAR) 31.12.2010	Debt Instruments (SAR) % Change
HH Prince Sultan bin Mohammed bin Saud Al Kabeer	66,000,000	-	66,000,000	-	-	-	-	n/a
Abdulrahman bin Abdulaziz Al Muhanna	1,716,000	(746,000)	970,000	(43.5%)	-	-	-	n/a
Engr. Nasser Mohammed Al Muttawa	286,660	76,952	363,612	26.8%	-	-	-	n/a
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	2,000,000	-	2,000,000	-	-	-	-	n/a
Ibrahim Mohammed Al Issa	2,000	-	2,000	-	-	-	-	n/a
Mosa Omran Mohammed Al Omran	2,296,508	-	2,296,508	-	-	-	-	n/a
Abdulraof Mohammed Mana'a	-	2,000	2,000	n/a	-	-	-	n/a
Suliman Abdulqader Al Muhaideb	-	2,000	2,000	n/a	-	-	-	n/a
Ibrahim Hassan Al Madhon	2,000	-	2,000	-	-	-	-	n/a
Total	**72,303,168**	**(665,048)**	**71,638,120**	**(0.9%)**	**-**	**-**	**-**	**n/a**

The table above reflects the share structure subsequent to the bonus share issue as of December 2010. Shares held prior to this have been restated.

Senior Management Disclosure

Senior Management	Number of Shares 01.01.2010	Number of Shares Net Change	Number of Shares 31.12.2010	Number of Shares % Change	Debt Instruments (SAR) 01.01.2010	Debt Instruments (SAR) Net Change	Debt Instruments (SAR) 31.12.2010	Debt Instruments (SAR) % Change
Abdulrahman A. Al Fadley	2,000	-	2,000	-	-	-	-	n/a
Abdullah M. Abdulkarim	100	-	100	-	-	-	-	n/a
Georges P. Schorderet	24,992	20,008	45,000	80.1%	-	-	-	n/a
Andrew Mackie	28,000	4,158	32,158	14.9%	-	-	-	n/a
Total	**55,092**	**24,166**	**79,258**	**43.7%**	**-**	**-**	**-**	**n/a**

The table above reflects the share structure subsequent to the bonus share issue as of December 2010. Shares held prior to this have been restated.

Related Party Transactions

During the normal course of its operations, the Group had the following significant transactions with related parties during the years ended 31 December 2010 and 31 December 2009 along with their balances:

Nature of Transaction (SAR million)	Amount	Balance at 31-Dec
2010		
Sales	(374.8)	81.1
Purchases	193.7	(30.9)
2009		
Sales	(257.2)	67.5
Purchases	182.6	(23.6)

Entity	Relationship
Savola Group	Major Shareholder
Arabian Shield Cooperative Insurance Company	Common Ownership
Managed Arable Farms	Common Ownership
International Dairy and Juice Limited	Investment in Associate
Pure Breed Company	Investment in Associate
International Pediatric Nutrition Company	Investment in Joint Venture

Pricing and terms of payment for these transactions are at arm's length and are reviewed annually at the Annual General Meeting.

Segmental Reporting and Geographical Analysis

The Group's principal business activities involve manufacturing and trading of dairy and juice products under the Almarai brand, bakery products under the brands L'Usine and 7Days, and poultry products under the Alyoum brand. The investment in infant nutrition is included under other activities. Selected financial information for the years ended 31 December 2010 and 2009, categorised by segments, are as follows:

Segmetal Reporting (SAR Million)	Dairy & Juice	Bakery	Poultry	Arable and Horticulture	Other Activities	Almarai Group
2010						
Sales	5,910.1	873.0	176.1	245.3	-	7,204.5
Third Party Sales	5,885.9	821.2	176.1	47.7	-	6,930.9
Depreciation	(278.9)	(76.5)	(23.7)	(45.9)	-	(425.0)
Share of Results of Associates and Joint Ventures	(6.4)	-	4.7	-	(4.2)	(5.9)
Income before Minority Interest	1,198.7	116.9	(10.5)	17.3	(15.3)	1,307.0
Share of Net Assets in Associates and Joint Ventures	513.7	-	32.8	-	16.2	562.7
Additions to Non-Current Assets	1,633.3	411.0	261.5	-	344.7	2,650.5
Non-Current Assets	6,304.3	1,620.2	621.8	1,047.6	817.0	10,410.9
Total Assets	8,070.4	1,787.0	688.7	1,204.1	821.0	12,571.2
Total Liabilities	(5,395.4)	(273.4)	(69.6)	(121.7)	(525.7)	(6,385.8)
Return on Net Operating Assets	21.8%	13.5%	-4.4%	1.8%	n/a	17.1%
Return on Net Assets	20.2%	8.5%	-2.0%	1.7%	n/a	14.1%
2009						
Sales	5,204.6	646.4	44.5	158.9	-	6,054.4
Third Party Sales	5,177.7	618.1	44.5	28.5	-	5,868.8
Depreciation	(206.6)	(56.5)	(2.7)	(22.2)	-	(288.0)
Share of Results of Associates	(3.4)	-	1.4	-	-	(2.0)
Income before Minority Interest	972.4	139.8	8.4	(7.9)	(12.5)	1,100.2
Share of Net Assets in Associates	455.1	-	29.0	-	-	484.1
Additions to Non-Current Assets	1,537.7	338.3	383.4	847.9	88.7	3,196.0
Non-Current Assets	5,664.0	1,280.6	377.9	922.2	560.6	8,805.3
Total Assets	7,490.6	1,467.1	454.2	1,010.5	564.6	10,987.0
Total Liabilities	(4,666.3)	(218.4)	(70.2)	(131.7)	(500.7)	(5,587.3)
Return on Net Operating Assets	19.5%	23.1%	n/a	n/a	n/a	18.7%
Return on Net Assets	18.5%	12.5%	n/a	n/a	n/a	15.8%

The business activities and operating assets of the Group are mainly concentrated in the GCC. Selected financial information as at 31 December 2010 and 2009, categorised by geographic segments are as follows:

Segmetal Reporting (SAR Million)	Sales 2010	Sales 2009	Non-Current Assets 2010	Non-Current Assets 2009
Saudi arabia	4,935.3	4,061.9	9,763.9	8,239.3
Other GCC Countries	1,932.0	1,744.2	126.5	103.9
Other Countries	63.6	62.7	520.4	462.1
Total	6,930.9	5,868.8	10,410.8	8,805.3

Subsidiaries

Name of Subsidiary	Country of Incorporation	Business Activity	Direct and Beneficial Ownership Interest 2010	Direct and Beneficial Ownership Interest 2009	Shares Capital	Shares Issued
Almarai Investment Company Limited	Saudi Arabia	Holding Company	100%	100%	SAR 1,000,000	100,000
Almarai Baby Food Company Limited	Saudi Arabia	Manufacturing and Trading Company	100%	100%	SAR 200,000,000	20,000,000
Hail Agricultural Development Company	Saudi Arabia	Poultry / Agricultural Company	100%	100%	SAR 300,000,000	30,000,000
Western Bakeries Company Limited	Saudi Arabia	Bakery Company	100%	100%	SAR 200,000,000	200,000
International Baking Services Company Limited	Saudi Arabia	Trading Company	100%	100%	SAR 500,000	500
Modern Food Industries Limited	Saudi Arabia	Bakery Company	60%	60%	SAR 70,000,000	70,000
Agricultural Input Company Limited (Mudkhalat)	Saudi Arabia	Agricultural Company	52%	52%	SAR 25,000,000	250
Almarai Company Bahrain S.P.C.	Bahrain	Sales Company	100%	100%	BHD 100,000	1,000
Almarai International Holding W.L.L.	Bahrain	Holding Company	100%	100%	BHD 250,000	2,500
Almarai Investment Holding W.L.L.	Bahrain	Holding Company	99%	99%	BHD 250,000	2,500
Markley Holdings Limited	Jersey	Dormant	100%	100%	-	-
Arabian Planets for Trade and Marketing L.L.C.	Oman	Sales Company	90%	90%	OMR 150,000	150,000
Alyoum for Food Products Company L.L.C	Oman	Sales Company	100%	-	OMR 20,000 (Unpaid)	20,000

During the year the capital of the subsidiary companies listed below was increased:

Name of Subsidiary	Number of Shares Issued	Share Capital Increase SAR
Almarai Baby Food Company Limited	19,500,000	195,000,000
Western Bakeries Company Limited	100,000	100,000,000
Modern Food Industries Limited	35,000	35,000,000

Risk Management

Risk taking is an integral part of doing business. Risks are managed in our 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.

We broadly categorise risks into operational risks and financial risks. Our approach to risk management leverages the scale and diversity of our 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 risk including, but not limited to, overall business risk in the Company's operations, treasury risk (including currency and borrowing risks), procurement, insurance and litigation.

Further details on financial risk management can be seen in note 21 of the Consolidated Financial Statements.

Corporate Governance

Almarai is dedicated to maintaining the highest standards of quality and performance in all of its activities. This applies equally to the area of Corporate Governance, where the Company is committed to best practice principles in all of its dealings. The Company has a comprehensive Corporate Governance policy setting out rules for directors and officers to adhere to, in order to protect and further the interests of the Company and its stakeholders. The Board of Directors, with the assistance of sub-committees like the Audit & Risk Committee, continually support strong corporate governance practices and regularly review the Company's governance and control practices.

Audit and Risk Committee

The Audit & Risk committee is a vital part of Almarai's commitment to strong Corporate Governance. The committee reports to the Almarai Board of Directors, and met four times during 2010.

The committee members are:

a) Dr. Abdulrahman Al Turaigi, Chairman
b) Dr. Muhammad A. H. Ikhwan
c) Mr. Farraj Abo Thenain
d) Mr. Sulaiman N. Alhatlan

The committee maintains a close oversight of financial, governance and risk related matters in the Company, and monitors audit activities in order to gain sufficient comfort in the adequacy of internal control systems, the safeguards over the assets of the Company and the integrity of the Company's financial statements.

Almarai has a modern professional Internal Audit department that review controls and activities established by the Company to manage the risks that it has identified to its business objectives as set out in the Internal Audit Plan dated 1 January 2010, approved by the Audit and Risk Committee. The Internal Audit plan is aligned to the three key themes of Corporate Governance, Risk Management and Internal Controls. The Head of Internal Audit provides an annual statement on the adequacy and effectiveness of the Company's Corporate Governance, Risk Management and Internal Control processes. In 2010 the statement confirmed that those activities and controls examined were suitably designed to achieve the objectives required by management and that those controls reviewed were operating with sufficient effectiveness to provide reasonable but not absolute assurance that the related objectives were achieved during 2010.

The Head of Internal Audit reports directly to the Audit and Risk Committee and formally presents the results of the Annual Plan of internal control reviews at least four times year, with a summary audit opinion for the year in the first Audit and Risk Committee for the preceding year in the January meeting. The Audit and Risk Committee fully discharge its responsibilities as required in Article 14 of the Corporate Governance Regulations and in particular supervise the internal audit function in relation to the annual review of internal controls to ensure its effectiveness in executing activities and duties specified by the Board. The effectiveness of Internal Audit is also monitored though quarterly reporting of the departments balanced scorecard. All internal controls reports contain agreed action plans that are monitored for implementation by Internal Audit and the Audit and Risk Committee. The Internal Audit Annual Report is reviewed by the Audit and Risk Committee and is made available to the Board of Directors following the first Audit and Risk Committee meeting of each calendar year.

Nomination and Remuneration Committee

In accordance with Capital Market Authority (CMA) requirements, Almarai has constituted a Nomination & Remuneration Committee, in line with the recommendations of the Board of Directors and the approval of the General Assembly. This committee met twice during the year 2010.

The committee members are:

a) HH Prince Sultan bin Mohammed bin Saud Al Kabeer, Chairman
b) Abdulrahman bin Abdulaziz Al Muhanna
c) Mosa Omran Mohammed Al Omran
d) Abdulrahman A. Al Fadley

The Nomination & Remuneration Committee looks at the appointment, composition, capacity and remuneration of the Board of Directors and the senior management of the Company. The purpose of the committee is to ensure that the directors of the Company are able to oversee the affairs of the Company in the interests of all shareholders and that the remuneration paid to directors and senior management is appropriate for the roles performed.

Description	Executive Board Member	Non Executive / Independent Board Member	Five Highest Paid Executives Including CEO & CFO
Salaries and Compensation	1,386,000	-	5,942,749
Allowances	519,000	384,000	1,156,000
Annual and Periodic Bonuses	1,200,000	1,600,000	10,615,673
Incentive Schemes	-	-	-
Other Annual and Periodic Remuneration	200,000	1,300,000	431,000
Total	**3,305,000**	**3,284,000**	**18,145,422**

General Assembly Meeting

The General Assembly Meeting will take place on 3rd April 2011 at the Riyadh Holiday Inn Al Izdehar Hotel - Al Lula'ah Hall at 7:00 p.m.

Certification

We certify that:

- proper books of account have been maintained which are in accordance with SOCPA;
- the system of internal control is sound in design and has been effectively implemented; and
- there are no significant doubts concerning the issuer's ability to continue as a going concern.

Board of Directors
12th February 2011

Key Financial Highlights

Operational Performance (SAR Million)	Year ended 31 December 2010	2009	2008	2007	2006
Total Sales	6,931	5,869	5,030	3,770	2,757
Cost of Sales	(4,195)	(3,503)	(3,031)	(2,276)	(1,682)
Gross Profit	**2,736**	**2,366**	**1,999**	**1,494**	**1,075**
Selling and Distribution Expenses	(1,046)	(887)	(751)	(570)	(423)
General and Administration Expenses	(230)	(200)	(187)	(143)	(117)
Share of Results of Associates	(6)	(2)	-	-	-
Financing Cost and Bank Charges	(121)	(148)	(125)	(95)	(56)
Income Before Zakat	**1,333**	**1,129**	**936**	**686**	**479**
Zakat	(26)	(29)	(25)	(18)	(14)
Minority Interest	(22)	(3)	(1)	(1)	(0)
Net Income	**1,285**	**1,097**	**910**	**667**	**465**

Balance Sheet (SAR Million)	Year ended 31 December 2010	2009	2008	2007	2006
Net Operating Working Capital	660	711	837	561	249
Property, Plant and Equipment	7,867	6,282	4,704	3,553	2,719
Biological Assets	770	735	639	488	327
Net Operating Assets	**9,297**	**7,728**	**6,180**	**4,602**	**3,295**
Intangible Assets - Goodwill	793	793	549	549	-
Investment and Financial Assets	981	995	529	471	-
Net Assets	**11,071**	**9,517**	**7,258**	**5,622**	**3,295**
Net Debt	4,680	3,951	3,499	2,463	1,315
Employee Termination Benefits	206	166	128	105	82
Total Equity	6,185	5,400	3,631	3,054	1,898
Net Capital Employed	**11,071**	**9,517**	**7,258**	**5,622**	**3,295**
Total Assets	**12,571**	**10,987**	**8,181**	**6,336**	**3,772**
Total Liabilities	**6,386**	**5,587**	**4,550**	**3,282**	**1,874**

Cash Flow (SAR Million)	Year ended 31 December 2010	2009	2008	2007	2006
Cash Flow from Operating Activities	2,005	1,802	1,016	740	630
Cash Flow used In Investing activities	2,189	1,711	1,572	1,488	824
Dividend Paid	455	380	270	199	-

Key Indicators	Year ended 31 December 2010	2009	2008	2007	2006
Return on Sales	18.5%	18.7%	18.1%	17.7%	16.9%
Return on Equity*	22.6%	26.9%	27.2%	24.0%	27.9%
Return on Net Operating Assets*	17.1%	18.7%	19.7%	19.8%	18.3%
Return on Net Assets*	14.1%	15.8%	16.5%	17.5%	18.3%
Net Debt to Equity Ratio	75.6%	73.2%	96.4%	80.6%	69.3%
Current Ratio	115.0%	151.5%	136.5%	161.6%	141.2%
Revenue Growth Rate	18.1%	16.7%	33.4%	36.7%	28.5%
Dividends Payout Ratio**	40.3%	41.9%	41.7%	40.5%	42.9%
Shares Issued (in millions)	230	115	109	109	100
Earnings per Share (SAR)***	5.59	4.97	4.18	3.06	2.32
Dividend Proposed (SAR Million)	518	-	-	-	-

* 2009 calculated on quarterly average as a result of the HADCO acquisition. All other years based on average of opening and closing balances.
** Calculated on previous year's net income and for 2010 based on the proposed dividend.
*** Based on 230 million shares to reflect the effect of the bonus share issue.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Auditors' Report

AUDITORS' REPORT TO THE SHAREHOLDERS
OF ALMARAI COMPANY
(A SAUDI JOINT STOCK COMPANY)

SCOPE OF AUDIT:

We have audited the accompanying consolidated balance sheet of Almarai Company, a Saudi Joint Stock Company (the Company), and its subsidiaries (the Group) as of 31 December 2010 and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These consolidated financial statements are the responsibility of the Group's management and have been prepared by them in accordance with the provisions of article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

UNQUALIFIED OPINION:

In our opinion, the consolidated financial statements taken as a whole:

i) present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2010 and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

ii) comply with the requirements of the Regulations for Companies and the Company's By-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

For Ernst & Young

Abdulaziz A. Al-Sowailim
Certified Public Accountant
Registration No. 277
Riyadh: 13 Safar 1432H
(17 January 2011)

ERNST & YOUNG

Consolidated Balance Sheet

Consolidated Balance Sheet	Notes	2010 SAR '000	2009 SAR '000
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	240,750	507,666
Derivative Financial Instruments	22	6,529	-
Receivables and Prepayments	5	613,756	455,492
Inventories	6	1,299,337	1,218,575
Total Current Assets		**2,160,372**	**2,181,733**
Non Current Assets			
Investments and Financial Assets	7	957,683	963,131
Property, Plant and Equipment	8	7,866,639	6,282,208
Biological Assets	9	769,505	734,689
Intangible Assets - Goodwill	10	793,468	793,468
Deferred Charges		23,550	31,766
Total Non Current Assets		**10,410,845**	**8,805,262**
TOTAL ASSETS		**12,571,217**	**10,986,995**
LIABILITIES AND EQUITY			
Liabilities			
Current Liabilities			
Short Term Loans	11	545,902	395,534
Payables and Accruals	12	1,253,424	962,585
Derivative Financial Instruments	22	79,120	82,153
Total Current Liabilities		**1,878,446**	**1,440,272**
Non Current Liabilities			
Long Term Loans	11	4,301,301	3,981,193
Employees' Termination Benefits		206,088	165,814
Total Non Current Liabilities		**4,507,389**	**4,147,007**
Total Liabilities		**6,385,835**	**5,587,279**
EQUITY			
Shareholders' Equity			
Share Capital	13	2,300,000	1,150,000
Share Premium		1,600,500	1,600,500
Statutory Reserve		654,903	526,361
Other Reserves		(155,828)	(81,390)
Retained Earnings		1,734,039	2,187,164
Total Shareholders' Equity		**6,133,614**	**5,382,635**
Minority Interest		**51,768**	**17,081**
Total Equity		**6,185,382**	**5,399,716**
TOTAL LIABILITIES AND EQUITY		**12,571,217**	**10,986,995**

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

Consolidated Statement of Income

Consolidated Statement of Income	Notes	2010 SAR '000	2009 SAR '000
Sales	14	6,930,910	5,868,805
Cost of Sales	15	(4,194,989)	(3,503,013)
Gross Profit		**2,735,921**	**2,365,792**
Selling and Distribution Expenses	16	(1,045,973)	(887,147)
General and Administration Expenses	17	(230,423)	(199,735)
Net Operating Income		**1,459,525**	**1,278,910**
Share of Results of Associates & Joint Ventures	7	(5,913)	(2,003)
Bank Charges		(120,621)	(147,518)
Income from Main and Continuing Operations		**1,332,991**	**1,129,389**
Zakat & Income Tax	18	(26,021)	(29,229)
Income before Minority Interest		**1,306,970**	**1,100,160**
Minority Interest		(21,553)	(3,438)
Net Income for the Year		**1,285,417**	**1,096,722**
Earnings Per Share (SAR)	**19**		
Attributable to Income from Main and Continuing Operations		5.80	5.12
Attributable to Net Income for the Year		5.59	4.97

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

Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows	Notes	2010 SAR '000	2009 SAR '000
Operating Activities			
Net Income for the Year		1,285,417	1,096,722
Adjustments for:			
Depreciation of Property, Plant and Equipment	20	635,320	505,201
Net Appreciation of Biological Assets	20	(210,358)	(217,175)
Profit on Sale of Property, Plant and Equipment	20	(11,251)	(3,636)
Loss on Sale of Biological Assets	20	71,248	78,819
Bank Charges		120,621	147,518
Share of Results of Associates & Joint Ventures		5,913	2,003
Change in Employees' Termination Benefits		40,274	26,202
Share of Minority Interest in Net Income of Consolidated Subsidiaries		21,553	3,438
Changes in:			
Receivables and Prepayments		(158,264)	26,086
Inventories		(80,762)	(32,779)
Payables and Accruals		285,689	169,757
Cash Flows from Operating Activities		**2,005,400**	**1,802,156**
Investing Activities			
Additions to Property, Plant and Equipment	8	(2,230,332)	(1,334,987)
Purchase Price Rebates / (Additions) to Biological Assets	9	(6,880)	183
Proceeds from the Sale of Property, Plant and Equipment	20	21,832	16,216
Proceeds from the Sale of Biological Assets	20	111,174	91,180
Investments in Associates & Joint Ventures, Net	7	(84,465)	(457,864)
Acquisition of Subsidiaries, Net of Cash Acquired		-	(25,730)
Cash Flows Used in Investing Activities		**(2,188,671)**	**(1,711,002)**
Financing Activities			
Increase in Loans		470,476	689,625
Dividends Paid		(454,850)	(379,977)
Distribution to Minority Interests		(866)	(707)
Bank Charges		(120,621)	(147,518)
Change in Deferred Charges		8,216	8,504
Minority Interest Share in Modern Food Industries		14,000	-
Cash Flows (used in) / From Financing Activities		**(83,645)**	**169,927**
Increase / (Decrease) in Cash and Cash Equivalents		**(266,916)**	**261,081**
Cash and Cash Equivalents at 1 January		507,666	246,585
Cash and Cash Equivalents at 31 December	4	**240,750**	**507,666**

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

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity	Attributable to equity holders of the parent							
	Share Capital SAR '000	Share Premium SAR '000	Statutory Reserve SAR '000	Other Reserves SAR '000	Retained Earnings SAR '000	Shareholders' Equity SAR '000	Minority Interest SAR '000	Total Equity SAR '000
Balance at 1 January 2009	**1,090,000**	**612,000**	**416,689**	**(83,161)**	**1,581,614**	**3,617,142**	**14,350**	**3,631,492**
Net Income for the Year	-	-	-	-	1,096,722	**1,096,722**	3,438	**1,100,160**
Transfers from Retained Earnings	-	-	109,672	-	(109,672)	-	-	-
Net Movement on Financial Investments	-	-	-	(17,500)	-	**(17,500)**	-	**(17,500)**
Distribution to Minority Interests	-	-	-	-	-	-	(707)	**(707)**
Dividends Approved	-	-	-	-	(381,500)	**(381,500)**	-	**(381,500)**
Net Movement on Cash Flow Hedges	-	-	-	19,271	-	**19,271**	-	**19,271**
Share Capital Issued	60,000	988,500	-	-	-	**1,048,500**	-	**1,048,500**
Balance at 31 December 2009	**1,150,000**	**1,600,500**	**526,361**	**(81,390)**	**2,187,164**	**5,382,635**	**17,081**	**5,399,716**
Net Income for the Year	-	-	-	-	1,285,417	**1,285,417**	21,553	**1,306,970**
Transfers from Retained Earnings	-	-	128,542	-	(128,542)	-	-	-
Net Movement on Financial Investments	-	-	-	(84,000)	-	**(84,000)**	-	**(84,000)**
Distribution to Minority Interests	-	-	-	-	-	-	(866)	**(866)**
Dividends Approved	-	-	-	-	(460,000)	**(460,000)**	-	**(460,000)**
Net Movement on Cash Flow Hedges	-	-	-	9,562	-	**9,562**	-	**9,562**
Minority Interest Share in Modern Food Industries Limited	-	-	-	-	-	-	14,000	**14,000**
Bonus Share Issued	1,150,000	-	-	-	(1,150,000)	-	-	-
Balance at 31 December 2010	**2,300,000**	**1,600,500**	**654,903**	**(155,828)**	**1,734,039**	**6,133,614**	**51,768**	**6,185,382**

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

Notes to the Consolidated Financial Statements

1. The Company, its Subsidiaries and its Business Description

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

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

The dairy, fruit juices and related food business is operated under the Almarai brand name. All raw milk production and related processing along with dairy 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 Group's long haul distribution fleet.

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

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

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

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

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

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

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

On 14 Rabi-Thani 1431 A.H. (30 March 2010) the Company announced the creation of International Pediatric Nutrition Company (IPNC) a 50:50 joint venture with Mead Johnson to produce, market and distribute infant nutrition products in the GCC. On 8 Rajab 1431 A.H. (21 June 2010) the Company paid SAR 20.5 million representing 50% of the share capital of IPNC. In December 2010 IPNC launched its co-branded products (Almarai – Enfamil) in Saudi Arabia, which are manufactured by Mead Johnson and imported into Saudi Arabia. The joint venture will lease the plant under construction from the Group, which is scheduled for commissioning during 2011.

On 20 Jumad-Thani 1431 A.H. (3 June 2010) Almarai Company W.L.L. (Qatar) was incorporated (which is 50% owned by the Group and 50% by Khalid for Foodstuff & Trading Company) for the purpose of holding intellectual property in Qatar.

On 4 Muharram 1432 A.H. (13 December 2010) Alyoum for Food Products Company L.L.C (Oman) was incorporated (which is 100% owned by the Group) for the purpose of trading bakery products in Oman.

Details of the subsidiary companies are as follows:

Name of Subsidiary	Country of Incorporation	Business Activity	Direct and Beneficial Ownership Interest		Shares	
			2010	2009	Capital	Issued
Almarai Investment Company Limited	Saudi Arabia	Holding Company	100%	100%	SAR 1,000,000	100,000
Almarai Baby Food Company Limited	Saudi Arabia	Manufacturing and Trading Company	100%	100%	SAR 200,000,000	20,000,000
Hail Agricultural Development Company	Saudi Arabia	Poultry / Agricultural Company	100%	100%	SAR 300,000,000	30,000,000
Western Bakeries Company Limited	Saudi Arabia	Bakery Company	100%	100%	SAR 200,000,000	200,000
International Baking Services Company Limited	Saudi Arabia	Trading Company	100%	100%	SAR 500,000	500
Modern Food Industries Limited	Saudi Arabia	Bakery Company	60%	60%	SAR 70,000,000	70,000
Agricultural Input Company Limited	Saudi Arabia	Agricultural Company	52%	52%	SAR 25,000,000	250
Almarai Company Bahrain S.P.C.	Bahrain	Sales Company	100%	100%	BHD 100,000	1,000
Almarai International Holding W.L.L.	Bahrain	Holding Company	100%	100%	BHD 250,000	2,500
Almarai Investment Holding W.L.L.	Bahrain	Holding Company	99%	99%	BHD 250,000	2,500
Markley Holdings Limited	Jersey	Dormant	100%	100%	-	-
Arabian Planets for Trade and Marketing L.L.C.	Oman	Sales Company	90%	90%	OMR 150,000	150,000
Alyoum for Food Products Company L.L.C.	Oman	Sales Company	100%	-	OMR 20,000 (Unpaid)	20,000

During the year the capital of the subsidiary companies listed below was increased:

Name of Subsidiary	Number of Shared Issued	Share Capital Increase SAR
Almarai Baby Food Company Limited	19,500,000	195,000,000
Western Bakeries Company Limited	100,000	100,000,000
Modern Food Industries Limited	35,000	35,000,000

All legal formalities to effect these increases in capital have been completed during the year.

2. Basis of Accounting, Preparation, Consolidation & Presentation of Consolidated Financial Statements

(a) The consolidated financial statements have been prepared on the accrual basis under the historical cost convention (except for derivative financial instruments and investments that have been measured at fair value) and in compliance with the accounting standards issued by the Saudi Organisation for Certified Public Accountants (SOCPA).

(b) When necessary, prior year comparatives have been regrouped or adjusted on a basis consistent with current year classification.

(c) These consolidated financial statements include assets, liabilities and the results of the operations of Almarai Company (the company) and its subsidiaries (the Group) as set out in note (1) above. A subsidiary company is that in which the Company has, directly or indirectly, long term investment comprising an interest of more than 50% in the voting capital or over which it exerts practical control. A subsidiary company is consolidated from the date on which the Company obtains control until the date that control ceases. The consolidated financial statements are prepared on the basis of the individual financial statements of the company and the audited financial statements of its subsidiaries, as adjusted by the elimination of all significant inter group balances and transactions. The Company and its subsidiaries have identical reporting periods. Minority Interests represent the portion of profit or loss and net assets not controlled by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet.

(d) The figures in these consolidated financial statements are rounded to the nearest thousand.

3. Significant Accounting Policies

A. Use of Estimates

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

B. Cash and Cash Equivalents

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

C. Accounts Receivable

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

D. Inventory Valuation

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

E. Investments in Securities

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

F. Investment in an Associates and Joint Ventures

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

G. Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and 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	

H. Biological Assets

Biological assets are stated at cost of purchase or at the cost of rearing or growing to the point of commercial production, less accumulated depreciation. The costs of immature biological assets are determined by the cost of rearing or growing to their respective age. Biological assets are depreciated to their estimated residual value based on commercial production periods ranging from 36 weeks to 50 years. Biological assets are depreciated on a straight line basis (excluding poultry flocks which are depreciated according to actual output) at the following annual rates:

Dairy Herd	15% - 25%
Plantations	2% - 8%

I. Impairment

The carrying values of property, plant and equipment and biological 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 consolidated statement of income.

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

J. Intangibles-Goodwill

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

K. Accounts payable and accruals

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

L. Zakat and Income Tax

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

M. Derivative Financial Instruments and Hedging

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

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

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

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

The Group policy is to use financial instruments which are compliant with Shari'a.

N. Employees' Termination Benefits

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

O. Statutory Reserve

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

P. 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 consolidated statement of income as appropriate.

The functional currencies of Bahrain operations for Almarai Company Bahrain S.P.C, Almarai Investment Holding Company W.L.L., Almarai International Holding W.L.L is the Bahraini Dinar and the functional currency of Arabian Planets for Trade and Marketing L.L.C is the Omani Riyal. As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Group (SAR) at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year.

Q. Revenue Recognition

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

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

R. Government Grants

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

S. 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 accounting standards generally accepted in Saudi Arabia. Allocations between Cost of Sales and Selling, Distribution, General and Administration Expenses, when required, are made on a consistent basis. The Group charges payments in respect of long term agreements with customers and distributors to Selling and Distribution Expenses.

T. Management Fees

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

U. Operating Leases

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

V. Segmental Reporting

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

4. Cash and Cash Equivalents

	2010 SAR '000	2009 SAR '000
Cash at Bank	139,547	437,823
Cash in Hand	101,203	69,843
Total	**240,750**	**507,666**

5. Receivables and Prepayments

	2010 SAR '000	2009 SAR '000
Trade Accounts Receivable:		
- Third Parties	414,223	376,945
- Related Parties (Refer to note 25)	81,146	67,464
	495,369	**444,409**
Less: Provision for Impairment of Trade Receivables	(38,135)	(56,728)
Less: Provision for Sales Returns	(13,795)	(11,331)
Net Accounts Receivable	443,439	376,350
Prepayments	170,317	79,142
Total	**613,756**	**455,492**

(a) The Group's policy is to provide 100% impairment provision for all trade receivables due over three months. As at 31 December 2010, trade receivables more than three months due and impaired were SAR 38.1 million (2009: SAR 56.7 million). Movement in the group provision for impairment of trade receivables was as follows:

Provision For Impairment Of Trade Accounts Receivable	2010 SAR '000	2009 SAR '000
Balance at 1 January	56,728	11,726
Provisions made / (released) during the year	(18,593)	45,002
Balance at 31 December	38,135	56,728

Trade Accounts Receivable	2010 SAR '000	2009 SAR '000
Up to 3 months	457,234	387,681
More than 3 months	38,135	56,728
Total	495,369	444,409

(b) Unimpaired receivables are expected on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables.

(c) Provision for sales returns is calculated based on the forecasted return of expired products in line with the Group's product return policy.

6. Inventories

Inventories	2010 SAR '000	2009 SAR '000
Raw Materials	958,245	874,765
Finished Goods	178,137	201,455
Spares	101,107	102,883
Work in Progress	61,848	39,472
Total	1,299,337	1,218,575

7. Investments and Financial Assets

The investments in associated companies, joint ventures and securities comprise of the following:

Investments and Financial assets		2010 SAR '000	2009 SAR '000
Investments In Associates And Joint Ventures			
International Dairy and Juice Limited (IDJ Limited)	48.0%	513,485	455,080
Pure Breed Company (PB Company)	21.5%	32,764	29,050
International Pediatric Nutrition Company	50.0%	16,229	-
Almarai Company WLL	50.0%	204	-
		562,682	**484,130**
Investments In Securities			
Zain Equity Investment	2.5%	271,250	355,250
Zain Subordinated Founding Shareholders' Loan	-	109,587	109,587
National Company for Tourism	1.1%	4,500	4,500
National Seeds and Agricultural Services Company	7.0%	2,064	2,064
Jannat for Agricultural Investment Company	10.0%	7,000	7,000
United Dairy Farms Company	8.3%	600	600
		395,001	**479,001**
Total		957,683	963,131

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

31 December	2010 SAR '000	2009 SAR '000
International Dairy & Juice Limited		
Opening Balance	455,080	-
Add: Capital Introduced	64,756	458,451
Less: Share of Results for the year	(6,351)	(3,371)
Closing Balance	**513,485**	**455,080**
Pure Breed Company		
Opening Balance	29,050	-
Add: Capital Introduced	-	28,269
Less: Distributions	(995)	(587)
Add: Share of Results for the year	4,709	1,368
Closing Balance	**32,764**	**29,050**
International Pediatric Nutrition Company		
Opening Balance	-	-
Add: Capital Introduced	20,500	-
Less: Share of Results for the year	(4,271)	-
Closing Balance	**16,229**	-
Almarai Company WLL		
Opening Balance	-	-
Add: Capital Introduced	204	-
Less: Share of Results for the year	-	-
Closing Balance	**204**	-

(a) The Zain equity investment of 35 million shares at a par value of SAR 10 per share is measured at fair value based on a quoted market price for the shares on the Saudi Arabian (Tadawul) stock exchange at 31 December 2010 of SAR 7.75. This has resulted in an unrealised loss of SAR 83.2 million which is included within other reserves in shareholders' equity. The founding shareholders have extended the repayment date of the shareholders' loans to ZAIN KSA and have agreed to pledge their ZAIN shares for and on behalf of the preferred creditors until 27 July 2012 in order to enable ZAIN KSA to refinance its existing debts. On 21 August 2010 Zain KSA announced a restructuring proposal in respect of its share capital. Any financial impact will be quantified in the course of 2011.

(b) All other investments in securities are stated at cost less impairment.

8. Property, Plant and Equipment

	Land and Buildings [a] SAR '000	Plant, Machinery and Equipment SAR '000	Motor Vehicles SAR '000	Capital Work-in Progress SAR '000	Total 2010 SAR '000	Total 2009 SAR '000
Cost						
At the beginning of the year	3,402,893	4,228,197	832,893	778,228	9,242,211	6,564,994
Acquisition of Subsidiaries	-	-	-	-	-	1,444,443
Additions during the year	144,451	208,511	41,728	1,835,642	2,230,332	1,334,987
Transfers during the year	182,232	472,930	181,675	(836,837)	-	-
Disposals during the year	(91,887)	(196,181)	(43,269)	-	(331,337)	(102,213)
At the end the year	**3,637,689**	**4,713,457**	**1,013,027**	**1,777,033**	**11,141,206**	**9,242,211**
Accumulated Depreciation						
At the beginning of the year	651,227	1,930,236	378,540	-	2,960,003	1,860,421
Acquisition of Subsidiaries	-	-	-	-	-	684,014
Depreciation for the year	103,022	392,237	140,061	-	635,320	505,201
Disposals during the year	(91,887)	(191,617)	(37,252)	-	(320,756)	(89,633)
At the end of the year	**662,362**	**2,130,856**	**481,349**	**-**	**3,274,567**	**2,960,003**
Net Book Value						
At 31 December 2010	**2,975,327**	**2,582,601**	**531,678**	**1,777,033**	**7,866,639**	
At 31 December 2009	**2,751,666**	**2,297,961**	**454,353**	**778,228**		**6,282,208**

(a) Land & Buildings include land granted to a subsidiary of the company at a historic fair value of SAR 61.0 million.

9. Biological Assets

	Mature Dairy SAR '000	Immature Dairy SAR '000	Mature Poultry SAR '000	Immature Poultry SAR '000	Mature Plantations SAR '000	Immature Plantations SAR '000	Total 2010 SAR '000	Total 2009 SAR '000
Cost								
At the beginning of the year	619,799	281,678	12,932	4,015	15,576	28,566	962,566	821,217
Acquisition of Subsidiaries	-	-	-	-	-	-	-	58,302
Additions / (Purchase Price Rebates) during the year	-	-	-	6,880	-	-	6,880	(183)
Appreciation	-	327,800	-	-	-	-	327,800	313,064
Transfers during the year	217,334	(217,334)	7,356	(7,356)	-	-	-	-
Disposals during the year	(183,544)	(80,546)	-	-	-	-	(264,090)	(229,834)
At the end the year	**653,589**	**311,598**	**20,288**	**3,539**	**15,576**	**28,566**	**1,033,156**	**962,566**
Accumulated Depreciation								
At the beginning of the year	215,689	-	8,081	-	4,107	-	227,877	182,482
Acquisition of Subsidiaries	-	-	-	-	-	-	-	9,341
Depreciation for the year	106,144	-	11,066	-	232	-	117,442	95,889
Disposals during the year	(81,668)	-	-	-	-	-	(81,668)	(59,835)
At the end of the year	**240,165**	-	**19,147**	-	**4,339**	-	**263,651**	**227,877**
Net Book Value								
At 31 December 2010	**413,424**	**311,598**	**1,141**	**3,539**	**11,237**	**28,566**	**769,505**	
At 31 December 2009	**404,110**	**281,678**	**4,851**	**4,015**	**11,469**	**28,566**		**734,689**

10. Intangible Assets – Goodwill

	2010 SAR '000	2009 SAR '000
Western Bakeries and International Baking Services	548,636	548,636
HADCO	244,832	244,832
Total	**793,468**	**793,468**

The goodwill noted above arised from the acquisition of Western Bakeries Limited and International Baking Services Limited in 2007 and HADCO in 2009 ("the Subsidiaries").

Goodwill is subject to impairment testing. Western Bakeries and International Baking Services Limited form part of the Bakery Products reporting segment, while HADCO represents part of both the Arable and Horticulture reporting segment and the Poultry reporting segment.

Assets are tested for impairment by comparing the residual carrying amount of each cash-generating unit 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 is 12% 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.

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 inflation have been made based on the publicly available information in Saudi Arabia and past 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 inflation used to extrapolate cash flows beyond the budget period as well as the earnings multiple applied to the net income for the final year of the forecast period.

Sensitivity to Changes in Assumptions – Western Bakeries and International Baking Services

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount. The implications of the key assumptions are discussed below.

(a) Sales Growth Assumption
The current sales growth in 2010 is 1% and in the forecast period has been estimated to be a compound annual growth of 16%. All other assumptions kept the same; a reduction of this growth rate to 9% would give a value in use equal to the current carrying amount.

(b) Cost of Sales Inflation
The current cost of sales in 2010 is 42% and in the forecast period has been estimated at an average of 37%. All other assumptions kept the same; an increase in the rate to an average of 54% would give a value in use equal to the current carrying amount.

(c) Terminal Value Multiple
The multiple applied to net income for the final year of the forecast period to determine the terminal value is 14.7. All other assumptions kept the same; a reduction of this multiple to 0.3 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 above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount. The implications of the key assumptions are discussed below.

(a) Sales Growth Assumption
The current sales growth in 2010 is 1% and in the forecast period has been estimated to be a compound annual growth of 41%. All other assumptions kept the same; a reduction of this growth rate to 36% would give a value in use equal to the current carrying amount.

(b) Cost of Sales Inflation
The current cost of sales in 2010 is 45% and in the forecast period has been estimated at an average of 43%. All other assumptions kept the same; an increase in the rate to an average of 54% would give a value in use equal to the current carrying amount.

(c) Terminal Value Multiple
The multiple applied to net income for the final year of the forecast period to determine the terminal value is 10.0. All other assumptions kept the same; a reduction of this multiple to 5.1 would give a value in use equal to the current carrying amount.

11. Term loans

	2010 SAR '000	2009 SAR '000
Islamic Banking Facilities (Murabaha)	4,248,815	3,756,739
Saudi Industrial Development Fund	593,388	612,270
Agricultural Development Fund	5,000	7,718
Total	4,847,203	4,376,727

(a) The borrowings from Islamic banking facilities (Murabaha) are secured by promissory notes given by the Group.

(b) The borrowings from the Saudi Industrial Development Fund (SIDF) are secured as follows:

(i) in respect of borrowings amounting to SAR 593.4 million for 31 December 2010 (2009: SAR 612.3 million) by a mortgage on specific assets;

(ii) in respect of uncollateralised borrowings, no payment guarantee was given for both the years ended 31 December 2010 and 2009.

(c) The borrowings from Agricultural Development Fund are secured by a bank payment guarantee.

(d) Maturity of Financial Liabilities:

	Facilities available at 31 December SAR '000	Outstanding Term Loans 2010 SAR '000	2009 SAR '000
Less than one year	3,191,817	545,902	395,534
One to two years	2,425,919	2,373,155	1,452,227
Two to five years	3,019,143	1,924,659	2,527,966
Greater than five years	184,486	3,487	1,000
Total	**8,821,365**	**4,847,203**	**4,376,727**

The Islamic banking facilities (Murabaha) with a maturity period of less than two years are predominantly of a revolving nature.

During 2010 the group secured an additional SAR 750.0 million of Islamic Banking Facilities (Murabaha) with maturities between three to five years (2009: SAR 790.0 million).

As at 31 December 2010 SAR 3,295.3 million Islamic Banking Facilities (Murabaha) were unutilized and available for drawdown (2009: SAR 2,515.3 million).

As at 31 December 2010 the Group had SAR 678.9 million of unutilized SIDF facilities available for draw down with maturities predominantly greater than five years (2009: SAR 481.8 million).

12. Payables and Accruals

	2010 SAR '000	2009 SAR '000
Trade Accounts Payable - Third Parties	645,885	446,686
- Related Parties (Refer note 25)	30,944	23,593
Other Payables	511,359	431,790
Zakat & Income Tax Provision (Refer note 18)	65,236	60,516
Total	**1,253,424**	**962,585**

13. Share Capital

On 28 Thul Hijja 1431 A.H. (5 December 2010) the shareholders' approved an increase in the share capital from SAR 1,150.0 million to SAR 2,300.0 million through the distribution of one bonus share for each outstanding share.

The Company's share capital at 31 December 2010 and 31 December 2009 amounted to SAR 2,300.0 million and SAR 1,150.0 million respectively, consisting of 230 million and 115 million respectively fully paid and issued shares of SAR 10 each.

14. Segmental Reporting

The Group's principal business activities involve manufacturing and trading of dairy and juices products under the Almarai brand, bakery products under the brands L'usine and 7 Days, poultry products under the Alyoum brand, arable and horticultural products as well as other activities. Other activities include our investment in Zain and infant formula. Selected financial information as of 31 December 2010 and 2009 and for the years then ended categorized by these business segments, are as follows:

SAR '000	Dairy and Juice	Bakery	Poultry	Arable and Horticulture	Other Activities	Total
31 December 2010						
Sales	5,910,086	873,045	176,135	245,274	-	**7,204,540**
Third Party Sales	5,885,867	821,211	176,135	47,697	-	**6,930,910**
Depreciation	(278,916)	(76,488)	(23,708)	(45,850)	-	**(424,962)**
Share of Results of Associates & Joint Ventures	(6,351)	-	4,709	-	(4,271)	**(5,913)**
Income before Minority Interest	1,198,658	116,912	(10,530)	17,279	(15,349)	**1,306,970**
Share of Net Assets in Associates and Joint Ventures	513,689	-	32,764	-	16,229	**562,682**
Additions to Non-Current Assets	1,633,303	411,004	261,487	-	344,678	**2,650,472**
Non-Current Assets	6,304,313	1,620,194	621,783	1,047,601	816,954	**10,410,845**
Total Assets	8,070,426	1,787,018	688,706	1,204,056	821,011	**12,571,217**
Total Liabilities	(5,395,390)	(273,440)	(69,604)	(121,740)	(525,661)	**(6,385,835)**
31 December 2009						
Sales	5,204,614	646,416	44,498	158,926	-	**6,054,454**
Third Party Sales	5,177,730	618,122	44,498	28,455	-	**5,868,805**
Depreciation	(206,632)	(56,468)	(2,696)	(22,230)	-	**(288,026)**
Share of Results of Associates	(3,371)	-	1,368	-	-	**(2,003)**
Income before Minority Interest	972,450	139,770	8,395	(7,910)	(12,545)	**1,100,160**
Share of Net Assets in Associates	455,080	-	29,050	-	-	**484,130**
Additions to Non-Current Assets	1,537,741	338,253	383,365	847,917	88,706	**3,195,982**
Non-Current Assets	5,663,992	1,280,632	377,916	922,179	560,543	**8,805,262**
Total Assets	7,490,557	1,467,132	454,201	1,010,519	564,586	**10,986,995**
Total Liabilities	(4,666,296)	(218,375)	(70,241)	(131,717)	(500,650)	**(5,587,279)**

The business activities and operating assets of the Group are mainly concentrated in GCC countries, and selected financial information as at 31 December 2010 and 2009 and for the years then ended, categorized by these geographic segments are as follows:

	Sales SAR '000	Non-Current Assets SAR '000
2010		
Saudi Arabia	4,935,258	9,763,889
Other GCC Countries	1,931,954	126,471
Other Countries	63,698	520,485
Total	6,930,910	10,410,845
2009		
Saudi Arabia	4,061,912	8,239,294
Other GCC Countries	1,744,249	103,888
Other Countries	62,644	462,080
Total	5,868,805	8,805,262

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

	2010 SAR '000	2009 SAR '000
Fresh Dairy	3,168,709	2,817,587
Long Life Dairy	658,911	562,619
Fruit Juice	745,143	620,162
Cheese and Butter	1,282,423	1,143,002
Bakery	821,211	618,122
Poultry	176,135	44,498
Arable and Horticulture	47,697	28,445
Other Dairy	30,681	34,370
Total	**6,930,910**	**5,868,805**

15. Cost of Sales

	2010 SAR '000	2009 SAR '000
Direct Material Costs	2,991,477	2,580,261
Government Grants	(100,151)	(93,812)
Employee Costs	477,684	363,440
Depreciation of Property, Plant and Equipment	490,928	390,750
Depreciation of Biological Assets	117,442	95,889
Biological Asset Appreciation	(327,800)	(313,064)
Loss on Sale of Biological Assets	71,248	78,819
Other Expenses	474,161	400,730
Total	**4,194,989**	**3,503,013**

16. Selling and Distribution Expenses

	2010 SAR '000	2009 SAR '000
Employee Costs	452,077	376,909
Marketing Expenses	351,690	297,442
Depreciation of Property, Plant and Equipment	123,437	96,680
Other Expenses	118,769	116,116
Total	**1,045,973**	**887,147**

17. General and Administration Expenses

	2010 SAR '000	2009 SAR '000
Employee Costs	159,834	144,077
Insurance	23,416	22,527
Depreciation of Property, Plant and Equipment	20,955	17,771
Profit on Sale of Property, Plant and Equipment	(11,251)	(3,636)
Other Expenses	37,469	18,996
Total	**230,423**	**199,725**

18. Zakat and Income Tax

(a) Zakat is charged at the higher of net adjusted income or Zakat base as required by the Department of Zakat and Income Tax (DZIT). In the current year, the Zakat charge is based on the net adjusted income method.

	2010 SAR '000	2009 SAR '000
Zakat Charge	24,839	27,966
Income Tax Expenses for Foreign Subsidiaries	1,182	1,263
Charged to Consolidated Statement of Income	**26,021**	**29,229**

(b) Zakat and Income Tax Provisions

	2010 SAR '000	2009 SAR '000
Balance at 1 January	60,516	22,782
Acquisition of Subsidiary	-	26,070
Charged to Consolidated Statement of Income	26,021	29,229
Payments	(21,301)	(17,565)
Balance at 31 December	**65,236**	**60,516**

(c) The Company has filed its Zakat returns for all the years up to 2009 and settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the DZIT for all the years up to 2006 while 2007, 2008 and 2009 Zakat returns are still under review by DZIT.

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 DZIT for all years up to 31 December 2002. From 2009 onwards HADCO is not required to file a return as results are consolidated in to the Group's return.

19. Earnings per share

Earnings per Share are calculated on the weighted average number of issued shares for the years ended 31 December 2010 and 31 December 2009 amounting to 230 million shares and 220.6 million shares respectively. The weighted average number of shares of issued shares has been retrospectively adjusted for the prior period to reflect the effect of the bonus share issue.

20. Depreciation and Disposal of Assets

	2010 SAR '000	2009 SAR '000
A. Depreciation		
Property, Plant and Equipment		
Depreciation	635,320	505,201
Biological Assets		
Depreciation of Biological Assets	117,442	95,889
Biological Assets Appreciation	(327,800)	(313,064)
Net Biological Assets Appreciation	**(210,358)**	**(217,175)**
Total	**424,962**	**288,026**
B. (Profit)/Loss on the Sale of Assets		
Property, Plant & Equipment		
Proceeds from the Sale of Property, Plant and Equipment	(21,832)	(16,216)
Net Book Value of Property, Plant and Equipment Sold	10,581	12,580
Profit on the Sale of Property, Plant and Equipment	**(11,251)**	**(3,636)**
Biological Assets		
Proceeds from Sale of Biological Assets	(111,174)	(91,180)
Net Book Value of Biological Assets Sold	182,422	169,999
Loss on the Sale of Biological Assets	**71,248**	**78,819**
Total	**59,997**	**75,183**

21. Financial Risk Management Objectives and Policies

Financial instruments carried on the consolidated balance sheet include cash and cash equivalents, trade and other accounts receivable, derivative financial instruments, investments in securities, loan, short term bank borrowings, accounts payable, accrued expenses and other liabilities and long term debt.

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) amounting to SAR 4,248.8 million at 31 December 2010 (2009: SAR 3,756.7 million) bear 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 between 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 impact on the Company's equity.

	Increase / decrease in basis points of commission rates	Effect on income for the year SAR '000
2010		
SAR	+ 30	12,727
SAR	- 30	(12,727)
2009		
SAR	+ 30	11,141
SAR	- 30	(11,141)

Foreign Currency Risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group has transactional currency exposure principally in United States Dollars, Great British Pounds and Euros. Other transactions in foreign currencies are not material.

The outstanding foreign currency forward purchase agreements were as follows:

	2010 SAR '000	2009 SAR '000
Euro	1,005,085	703,642
Great British Pound	69,454	66,409
Other	20,482	30,924
Total	**1,095,021**	**800,975**

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.

The following analysis calculates the sensitivity of income to reasonably possible movements of the SAR currency rate against the Euro, with all other variables held constant, on the fair value of currency sensitive monetary assets and liabilities as at the reporting date.

	Increase / decrease in Euro rate to SAR	Effect on income for the year SAR '000
2010		
SAR	+ 10%	7,852
SAR	- 10%	(7,852)
2009		
SAR	+ 10%	11,229
SAR	- 10%	(11,229)

Credit Risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group limits its credit risk by trading only with recognized, creditworthy third parties. The Group's policy is that all customers who wish to trade on credit terms are subject to credit verification procedures. Trade and other account receivables are mainly due from local customers and related parties and are stated at their estimated realizable values. 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. The five largest customers account approximately for 31% of outstanding accounts receivable at 31 December 2010 (2009: 19%).

With respect to credit risk arising from other financial assets of the Group comprising of cash and cash equivalents, investments in securities and loan, the Group's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments. Cash and bank balances are placed with national and international banks with sound credit ratings.

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. Liquidity risk is managed by monitoring on a regular basis that sufficient funds and bank 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. The average days of sales outstanding for 2010 were 25 days (2009: 24 days). Trade payables are typically settled on a terms basis, the average payables outstanding for 2010 were 50 days (2009: 45 days).

22. Financial Instruments

Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Group's consolidated financial statements are prepared under the historical cost method, differences can arise between the carrying values and the fair value. The fair values of financial instruments are not materially different from their carrying values.

Hedging Activities

At 31 December 2010 the Group had 10 commission rate swap agreements in place covering total notional amounts of SAR 300 million and US$ 210 million. At 31 December 2009 the Group had 8 commission rate swap agreements in place covering total notional amounts of SAR 100 million and US$ 210 million.

The swaps result in the Group receiving floating 6 month SIBOR/ 3 month US$ LIBOR rates while paying fixed rates of commission or floating 3 month US$ LIBOR rates under certain conditions. One had a deferred start of one year from trade date. The swaps are being used to hedge the exposure to commission rate changes of the Group's Islamic borrowings.

At 31 December 2010 and 2009 the Group had various forward foreign exchange contracts that were designated as hedges to cover purchases and other expenditures in a variety of foreign currencies.

All derivative financial instruments are being used as cash flow hedges and are carried in the consolidated balance sheet at fair value. All cash flow hedges are either against transactions with either firm commitments, or forecast transactions that are highly probable. The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 14 months.

All 2010 hedges were considered highly effective and the net gain on cash flow hedges during the year recognised in Other Reserves within equity was SAR 9.6 million (2009: net gain of SAR 19.3 million).

23. Commitments and Contingencies

(a) The contingent liabilities against letters of credit are SAR 144.5 million for 31 December 2010 (2009: SAR 170.9 million).

(b) The contingent liabilities against letters of guarantee are SAR 70.2 million for 31 December 2010 (2009: SAR 83.0 million).

(c) The Company had capital commitments to SAR 1,547.1 million for 31 December 2010 in respect of ongoing projects (2009: SAR 1,555.6 million). The majority of the capital commitments are for new production facilities, sales depot development, distribution fleet, fridges and information technology.

(d) Commitments under operating leases expire as follows:

	2010 SAR '000	2009 SAR '000
Within one year	63,095	63,517
Two to five years	94,533	61,759
After five years	41,156	20,104
Total	**198,784**	**145,380**

24. Directors Remuneration

The Directors' remuneration paid to the Board of Directors for year ended 31 December 2010 amounted to SAR 6.6 million (2009: SAR 6.3 million).

25. Related Party Transactions and Balances

During the normal course of its operations, the Group had the following significant transactions with related parties during the year ended 31 December 2010 and 31 December 2009 along with their balances:

Nature of Transaction	Amount SAR '000	Balance at 31 December SAR '000
2010		
Sales	(374,776)	81,146
Purchases	193,699	(30,944)
2009		
Sales	(257,250)	67,464
Purchases	182,615	(23,593)

Pricing and terms for these transactions are at arms length. The related parties noted above include the following:

Entity	Relationship
Savola Group	Major Shareholder
Arabian Shield Cooperative Insurance Company	Common Ownership
Managed Arable Farms	Common Ownership
International Dairy and Juice Limited	Investment in Associate
Pure Breed Company	Investment in Associate
International Pediatric Nutrition Company	Investment in Joint Venture

26. Dividends Approved and Paid

On 26 Rabi Akher 1431 A.H (11 April 2010) the General Assembly Meeting approved a dividend of SAR 460 million (SAR 4 per share based on 115 million shares) for the year ended 31 December 2009, which was paid on 12 Jamad Al Awal 1431 (26 April 2010).

27. Dividends Proposed

The Board of Directors proposes for approval at the General Assembly Meeting a dividend for the year ended 31 December 2010 of SAR 517.5 million (SAR 2.25 per share based on 230 million shares).

28. Subsequent Events

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

29. Approval of Consolidated Financial Statements

The consolidated financial statements where approved by the Board of Directors on 13 Safar 1432 A.H. (17 January 2011).

Contact Details

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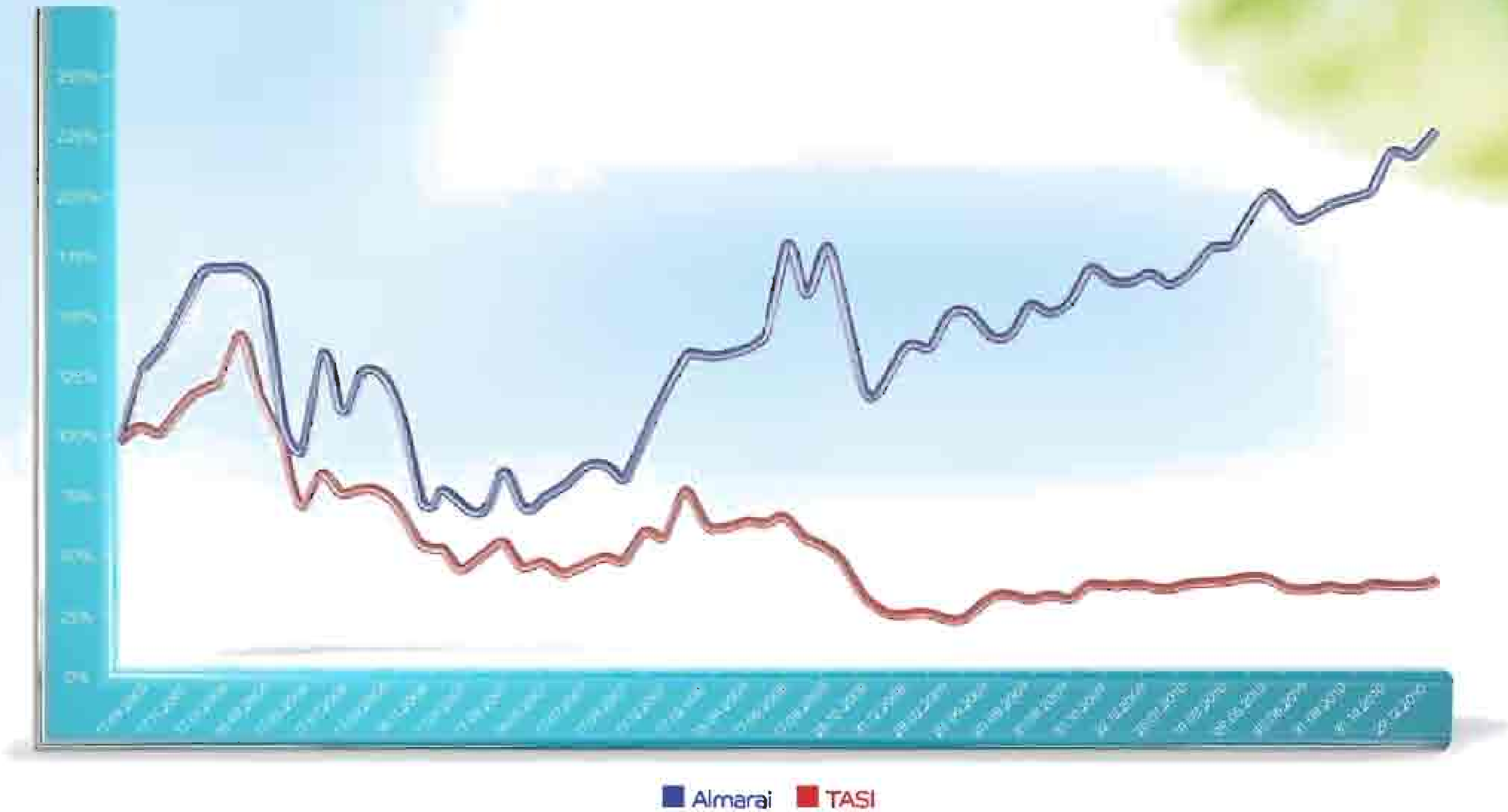
Almarai / TASI Stock Trend from 2005 to 2010



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