



Growing with Confidence

Annual Report 2022



لوسينة
خبز أبيض
WHITENED BREAD
WHITE

لوسينة
خبز أبيض
WHITENED BREAD
WHITE

لوسينة
خبز أبيض
WHITENED BREAD
WHITE

لوسينة
خبز أبيض
WHITENED BREAD
WHITE

لوسينة
خبز أبيض
WHITENED BREAD
WHITE

لوسينة
خبز أبيض
WHITENED BREAD
WHITE

During a year that saw Almarai deliver on our strategic priorities while driving innovation, forging new partnerships and maintaining operational excellence, we reinforced our market-leading position and continued **Growing with Confidence**.

We successfully navigated a challenging operating environment to fulfill our promise to Consumers and create strong and sustainable value for our shareholders and all our stakeholders across the Kingdom and beyond.

Our Purpose

Our purpose is simple: to deliver on our promise of 'Quality you can trust'. Our commitment to the people and Consumers of the Middle East is unwavering. We will continue to deliver nutritious and high-quality food and beverages across the markets in which we operate and grow.



Read our 2022 Annual Report on
www.annualreport.almarai.com

Contents

01

2022 At A Glance

Highlights	9
What We Do	10
Where We Are	12
Awards and Recognition	14
Vision, Mission and Values	15
Year in Review	16
Investment Case	18
Shareholder Information	20

02

Strategic Review

Chairman's Statement	24
Growing with Confidence	28
CEO's Message	30
Market Review	34
Business Model	36
Strategy: Almarai 2025	38
Case Study	40
Key Performance Indicators	42
CFO Review	44
Operating Review	48
Risk Management	58
People and Culture	64
Sustainability	68



03

Governance

Board of Directors	74
Executive Management	78
Almarai Organizational Chart	80
Tadawul Announcements	81
Almarai and its Subsidiaries	82
Share Price and Shareholder Information	84
Main Transactions Investments and Other Events	87
Important Events in 2023	88
Preparation of the Financial Statements	89
Dividend Policy	90
Statutory Payments, Penalties and Sanctions	93
Corporate Governance Code	94
Rights of Shareholders and the General Assembly	95
Board of Directors Formation and Functions	96
Regular Meetings of the Board for 2022	99
Ownership of Board Members	100
Ownership of Senior Executives	101
Details of Paid Compensation and Remuneration	102
Company Committees	107
Investment Committee	108
Remuneration and Nomination Committee	110
Audit Committee	112
Results of Annual Internal Audit Procedures	114
Risk Committee	116
Related Party Transactions	117
Disclosure and Transparency Policy	119
Board of Directors Certification	120
Financial Performance for 2022	121

04


Financial Statements

Independent auditor's report to the shareholders of Almarai Company	126
Consolidated Statement of Financial Position	131
Consolidated Statement of Profit or Loss	132
Consolidated Statement of Comprehensive Income	133
Consolidated Statement of Changes in Equity	134
Consolidated Statement of Cash Flows	135
Notes to the Consolidated Financial Statements	136



01 2022 At a Glance

Highlights	9
What We Do	10
Where We Are	12
Awards and Recognition	14
Vision, Mission and Values	15
Year in Review	16
Investment Case	18
Shareholder Information	20



المراجعي
Almarai



2022 At A Glance

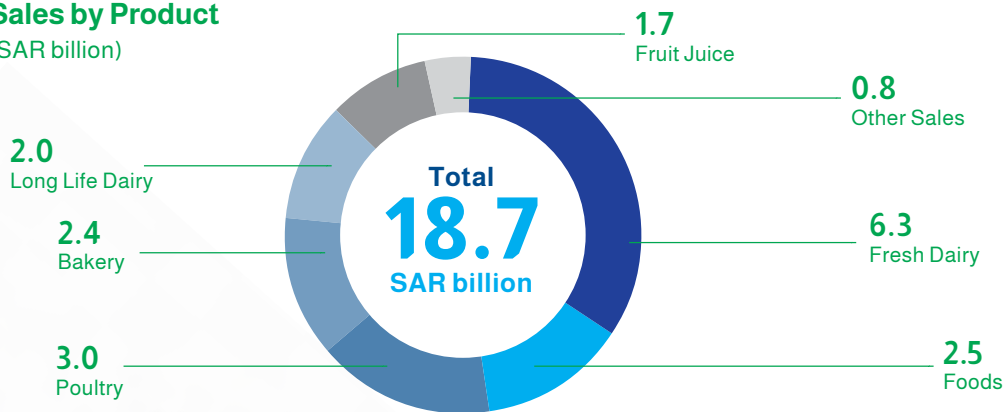
Founded in 1977, Almarai Company is the world’s largest vertically integrated dairy company and the region’s largest food and beverage manufacturing and distribution company.

Headquartered in the Kingdom of Saudi Arabia, Almarai is ranked as the number one Fast Moving Consumer Goods (FMCG) brand in the Middle East & North Africa (MENA) region and is the market leader in most of its categories across the Gulf Cooperation Council (GCC). After more than 40 years of sustainable growth, Almarai continues to provide nutritious and healthy products to consumers of all ages, with success derived from the bedrock principle of ‘Quality you

can trust’. In addition to its high-quality dairy products, Almarai has diversified its product portfolio to include juices, bakery, and poultry under the brand names Almarai, L’usine, 7DAYS, Albashayer and Alyoum. As of 31 December 2022, Almarai’s paid up share capital amounted to SAR 10 billion, consisting of one billion fully paid and issued shares of SAR 10.00 each.

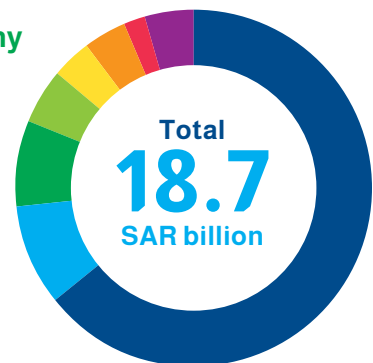
Revenue Segmentation

Sales by Product
(SAR billion)



Sales by Geography
(SAR billion)

■ KSA	12.1
■ UAE	1.6
■ Egypt	1.5
■ Kuwait	0.9
■ Oman	0.7
■ Jordan	0.7
■ Bahrain	0.4
■ Others	0.8

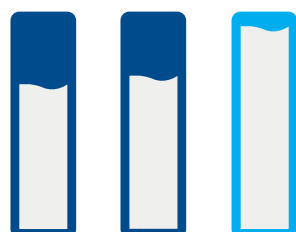


Highlights

Total sales

(SAR million)

15,357 15,850 18,722



2020 2021 2022

Free cash flow

(SAR million)

2,830 3,101 1,842



2020 2021 2022

Net profit*

(SAR million)

2022 1,760

2021 1,564

2020 1,984

Total Headcount

2022 43,104

2021 40,213

2020 41,222

Operating Cash Flow

(SAR million)

2022 3,829

2021 4,915

2020 4,203

CAPEX

(SAR million)

2022 1,334

2021 1,364

2020 969



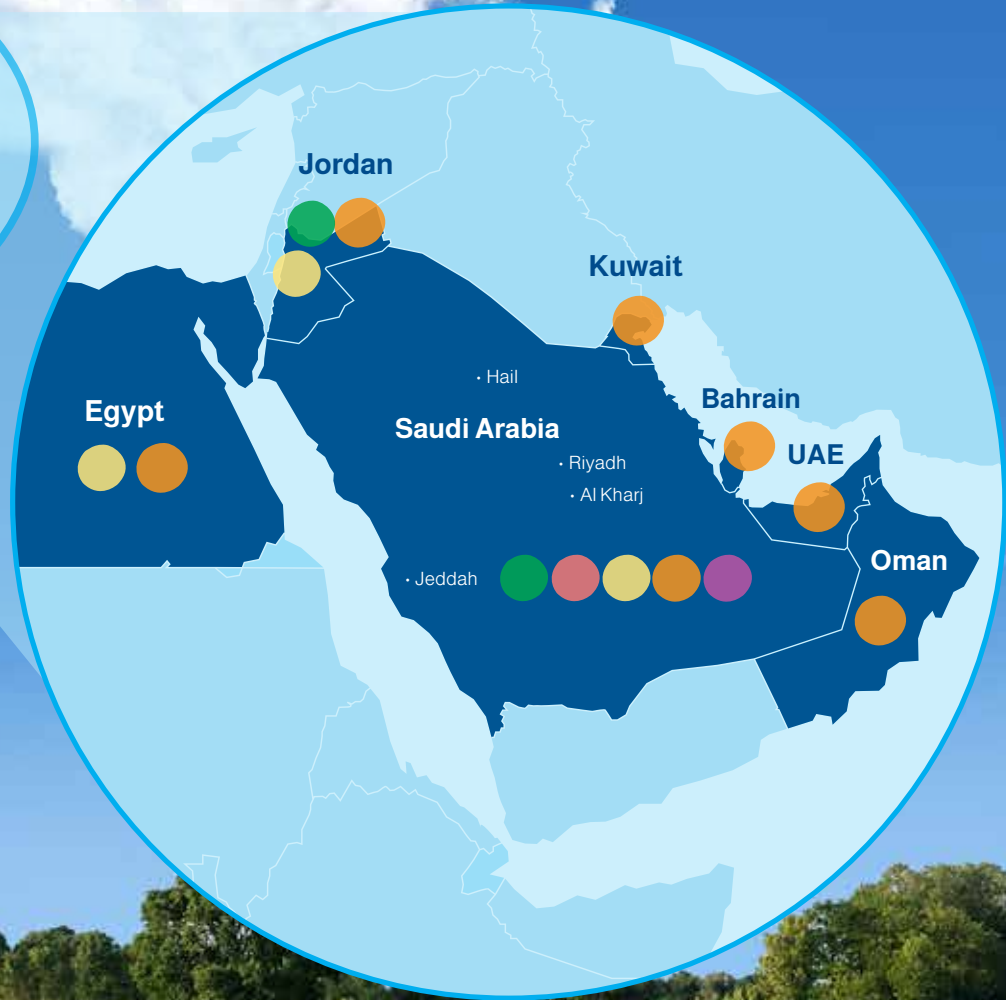
*Profit attributable to the Shareholders of the Company

Where We Are



- Arable farms
- Dairy farms
- Sales Depots
- Head Office
- Manufacturing
- Poultry farms

Romania



What We Do

Dairy

Dairy is the founding cornerstone of Almarai's product range and includes Fresh Dairy, Long Life Dairy and Dairy Foods. For over 40 years we have endeavoured to earn the trust of our consumers and are the regional market leader in a wide range of sub-categories.

Read more on Page 50-51



Juice

Almarai leads the GCC in the production of fresh juice, providing consumers with a wide range of juices, nectars, and drinks, as well as products for children.

Read more on Page 52-53



Poultry

Our Poultry brand, Alyoum, continues to enjoy the number one spot as brand of choice for over 34% of Saudi Arabia's fresh poultry consumers. It is a brand that symbolises quality and innovation, representing our core values in the marketplace. The product range includes a comprehensive selection of whole, part and value-added SKUs under the Alyoum and Albashayer brands.

Read more on Page 54-55



Bakery

Using the highest quality ingredients and world class facilities, we deliver a wide range of bakery products to consumers across the GCC, marketed under the L'usine and 7DAYS brands.

Read more on Page 56-57





Awards and Recognition

KANTAR

The Most Chosen Brand of the decade in KSA By KANTAR 2022

Brand Finance®

Top 10 Most Valuable Dairy Brands in the world By Brand Finance

LinkedIn

Top 15 Best Employers in KSA By LinkedIn



Best Marketing Campaigns for Long Life Juice and L'usine Puffs

Video Ads campaign - Gold Award.

Farm's Select Smoothies, 7 Days Croissants, and Almarai Hummus - Bronze Awards By Smarties Middle East



Almarai Hummus, natural honey, and ALYOUM Marinated Chicken win Awards as the best innovative product in Saudi Arabia By by NielsenIQ



Almarai is the first company to obtain an international certificate in animal care for the dairy and poultry By NSF International



Almarai Manufacturing Facilities achieved FSSC 22000, a GFSI recognized Food Safety Certification



Almarai obtains Pandemic Prepared Certification 2021 for the second year in a row By AIB International



3rd Place Best Annual Report 2021 (Print - Large Cap Companies in the Middle East) By MEIRA

To grow our leading position as the trusted choice for food and beverages in the region, delighting consumers with quality nutrition every day.

VISION



MISSION



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

VALUES

Adaptable

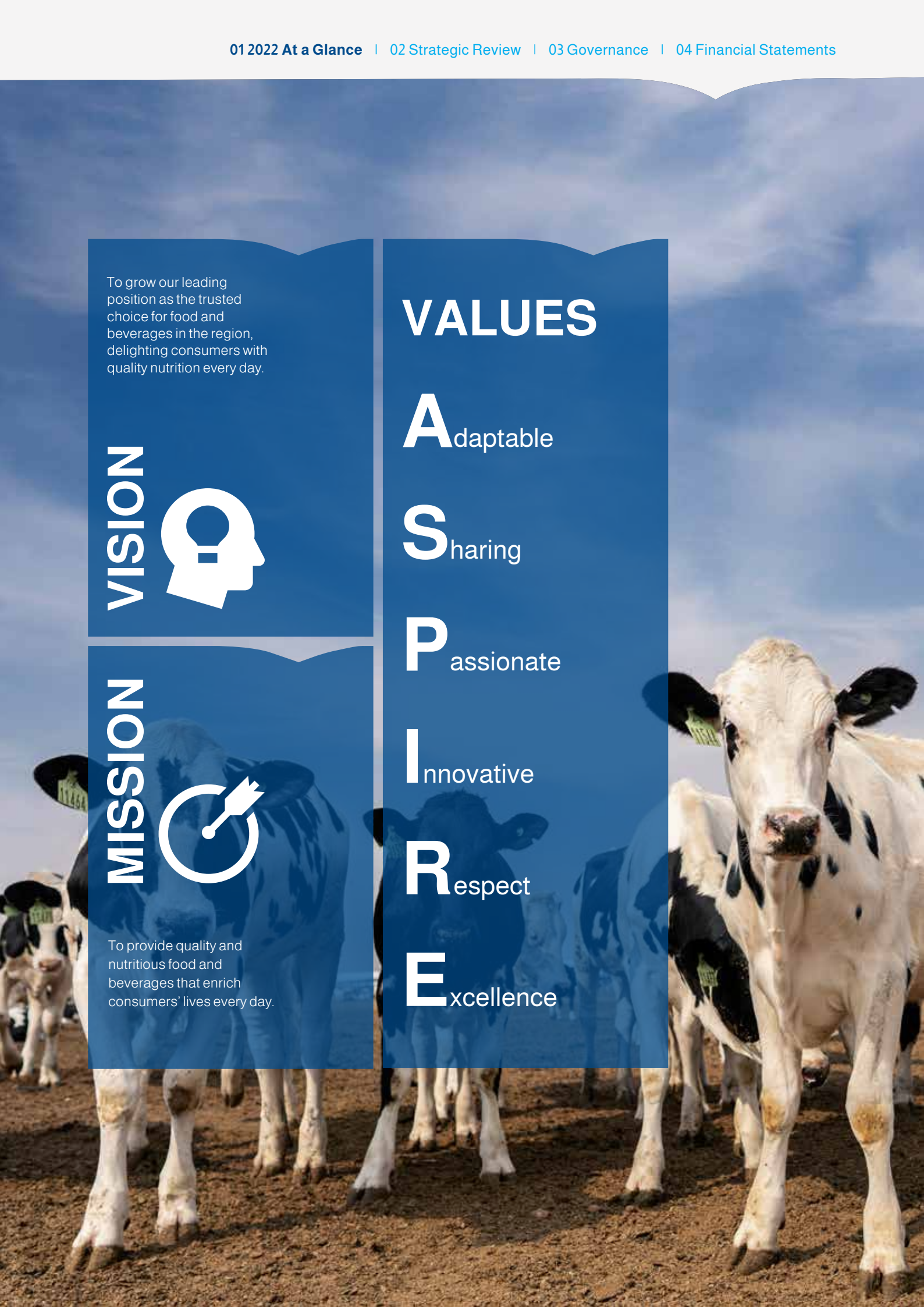
Sharing

Passionate

Innovative

Respect

Excellence



Year in Review

Jan

Almarai Company announces an update on the completion of the acquisition of Bakemart UAE and Bakemart Bahrain

Further to the earlier announcement in Tadawul dated 16 March 2021, Almarai Company hereby announces the completion of the acquisition of 100% of the shares of Bakemart UAE and Bakemart Bahrain for an enterprise value of AED 93.5 million.

Almarai Company announces the conclusion of the Sale and Purchase Agreement with the shareholders of Bakemart to acquire 100% of the shares in Bakemart UAE and Bakemart Bahrain.

Feb

Almarai Company announces that one of its subsidiaries has acquired an additional stake in Modern Food Industries (“MFI”)

Almarai Company (“The Company”) announces that one of its subsidiaries (Western Bakeries Company, Limited Liability Company) has completed the acquisition of an additional 25% stake owned by Chipita Saudi Arabia (Cyprus) Limited in Modern Food Industry LLC (a subsidiary company), for a total value of SAR 250 million. After this acquisition, the ownership of the shares of Western Bakeries Company became 100% of the capital of the Modern Food Industry LLC. This acquisition will enhance the leadership of the Company in the food sector in the region, and will support Saudi Vision 2030, local content and food security.



Jun

Almarai Company announces plan to enter Seafood category

The investment plan will enable Almarai to offer its consumers with seafood at a consistently high quality. This investment plan will expand Almarai’s product offering and contribute to the food security agenda as per Vision 2030.

The investment plan entails an initial investment of SAR 252 million for the seafood processing facility, financed from Almarai’s Operating Cash Flows

Almarai Company announces investment in parent bird facility to support the Food Security Agenda in the KSA

In the Board of Directors meeting held on Monday 13 June 2022, Almarai’s Board of Directors approved bringing forward an investment of SAR 153 million to secure the parent poultry birds supply for Almarai and the Kingdom of Saudi Arabia’s market.

Sep

Almarai Company announces the redemption of its SAR 1,600 million Sukuk – Series V

The financial impact of this transaction will appear in the financial results of the third quarter 2022.

Almarai Company announces the Appointment of the Chairman of the Board, Vice Chairman and formation of the Board’s Committees for the new term

Appointment of Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer as Chairman of the Board.

Dec

Almarai Company announces the distribution of a cash dividend for 2022

The Board of Directors of Almarai Company, during its meeting on 19th December 2022, has recommended to the General Assembly a payment of dividend for the financial year 2022



Investment Case

Almarai operates in a dynamic and resilient market segment, and fully understands the requirement to maintain customer loyalty while producing high quality products manufactured from world-class raw materials.

Market leadership

- Almarai occupies the top spot in almost all market segments in which it operates
- Almarai ranked as the number one issuer on the Saudi Stock Exchange for ESG performance

Stable top and bottom-line growth

- Revenue growth for 2022 was 18%, with revenues growing in all markets and from all product categories
- Net Income increased by 13% in 2022 to reach SAR 1,760 million, compared to SAR 1,564 million in the previous year
- Significant optimization of CAPEX resulted in a lower spend of SAR 1,334 million, against last year's spend of SAR 1,364 million

Track record for delivering value to shareholders

- Dividend payment amounting to SAR 1.0 per share, totalling SAR 1,000 million to be paid to shareholders for full year 2022
- 297% increase in share price since listing

Additional growth from bolt-on acquisitions

- Drive growth in core markets, notably Poultry while continuing to expand positions in GCC and Foodservice
- Six acquisitions over the past five years



Shareholder Information

Almarai Share Information

Listing date	2005	
Exchange	Saudi Stock	
Symbol	2280	
ISIN code	SA000A0ETH1	
Number of shares issued	1,000,000,000	
Market cap as of 31 December 2022	SAR million	53,500
	USD million	14,266

Share Price 31 December 2022	Share Price One Year Ago	Share Price Three Years Ago	52-Week High	52-Week Low	Change from 2021-2022
53.50	48.75	49.50	58.00	46.50	9.7%

Almarai Share Price Performance During the Year of 2022



Share Price and Shareholder Information

Almarai Shareholdings

As of 31 December 2022, Almarai had 55,054 shareholders. Institutional investors represent 91.8% of the total share ownership, while individual investors represent 8.2%. There

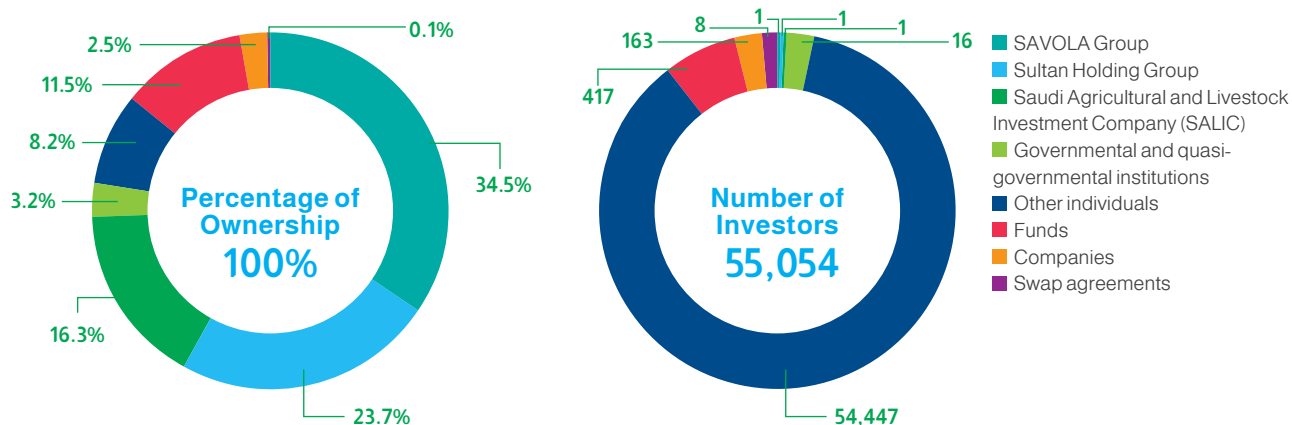
are 37 shareholders owning one million or more shares in Almarai, representing 89.8% of the issued shares. The following tables provide an overview of Almarai's investors:

31 December 2022			
Almarai Investors According to Nature of Investors	Percentage of Ownership	Number of Investors	Number of Shares
Institutional Investors	91.8%	607	917,701,238
Individual investors	8.2%	54,447	82,298,762
Total	100%	55,054	1,000,000,000

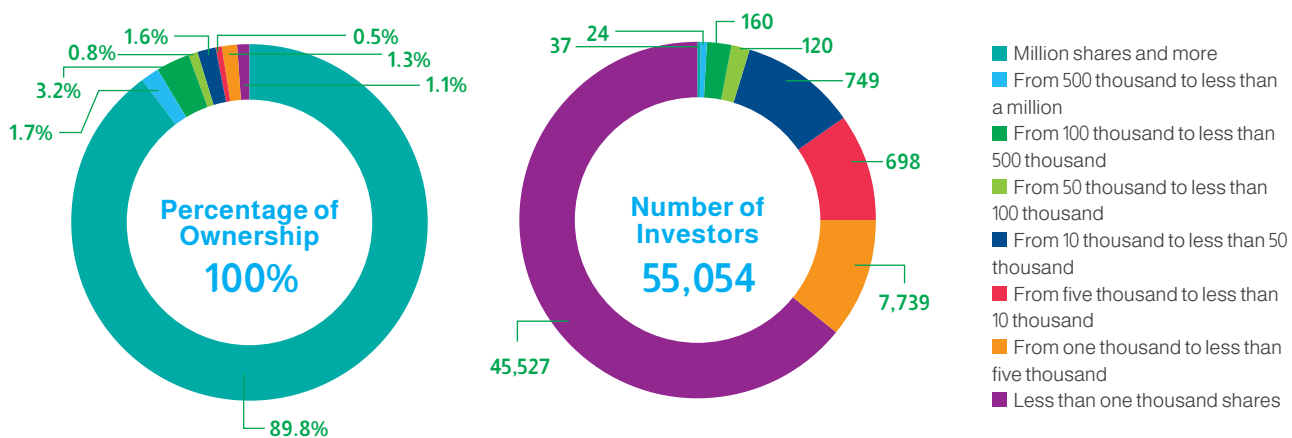
31 December 2022

Almarai Investors According to Nationality	Percentage of Ownership	Number of Investors	Number of Shares
Saudi	94.2%	53,330	942,298,058
Other nationalities	5.8%	1,724	57,701,942
Total	100%	55,054	1,000,000,000

Almarai Investors According to Investor Type



Almarai Investors According to Number of Shares Owned



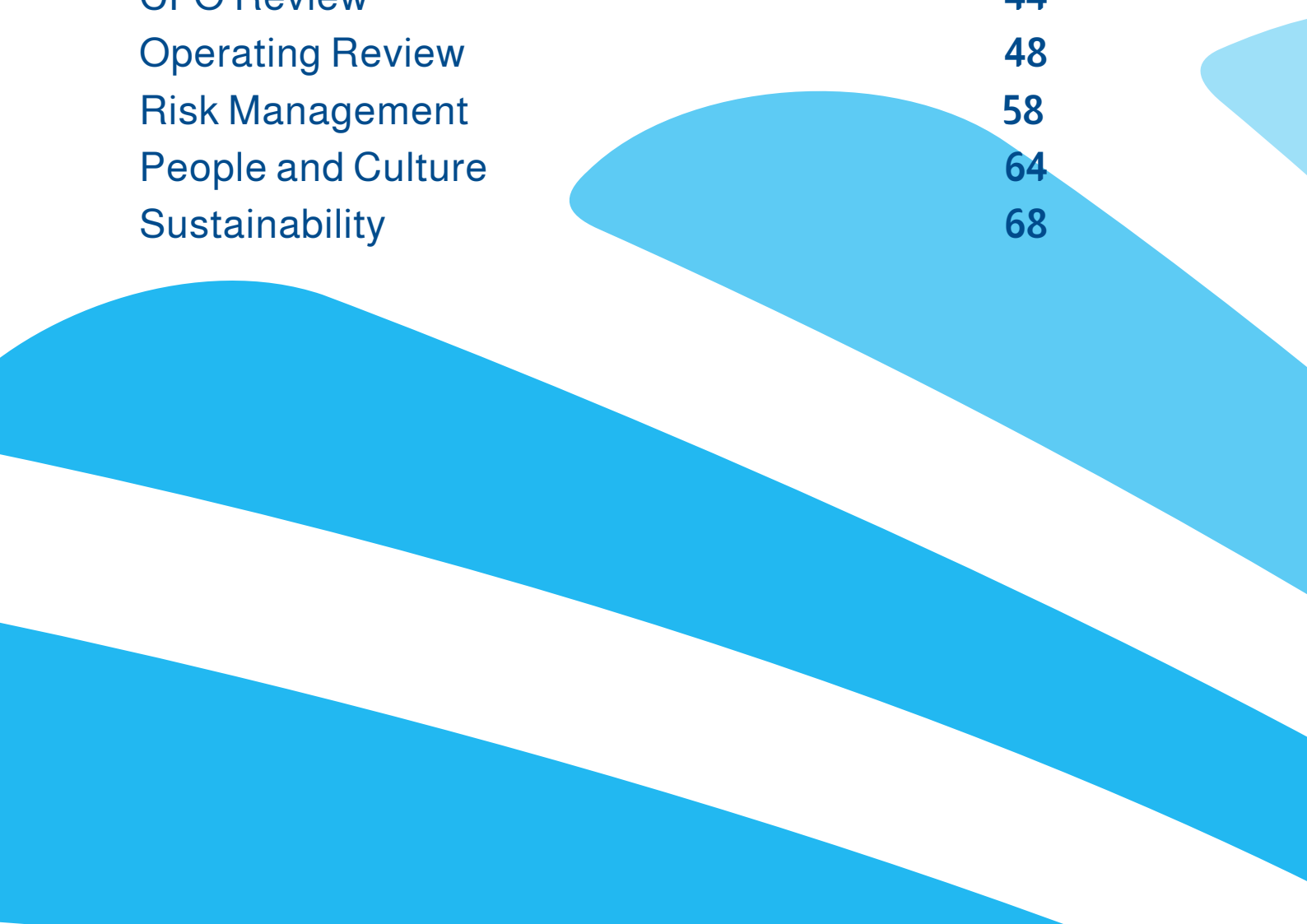
Ownership Notification

According to Article 68 of the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority (CMA), during 2022, Almarai received no new notifications of new ownership of more than 5% of the shares issued to the Company. The following table outlines ownership of 5% or more of the issued shares:

31 December 2022				
Ownership of 5% and more of the Issued Shares	Beginning of the Year		End of the Year	
	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership
SAVOLA Group	345,218,236	34.5%	345,218,236	34.5%
Sultan Holding Group	236,956,536	23.7%	236,956,536	23.7%
Saudi Agricultural and Livestock Investment Company (SALIC)	163,233,480	16.3%	163,233,480	16.3%
Total	745,408,252	74.5%	745,408,252	74.5%

02 Strategic Review

Chairman's Statement	24
Growing with Confidence	28
CEO's Message	30
Market Review	34
Business Model	36
Strategy: Almarai 2025	38
Case Study	40
Key Performance Indicators	42
CFO Review	44
Operating Review	48
Risk Management	58
People and Culture	64
Sustainability	68





Chairman's Statement

Growing with confidence

Almarai's approach to holistic and sustainable growth is the foundation of our corporate strategy, operational excellence, and outstanding performance. This approach delivered a successful year, and once again demonstrated our strength, capabilities, and resilience.

While our commitment to increasing financial returns and growing shareholder value is irrefutable, 'growth' means much more to us at Almarai. Across our thriving ecosystem of exceptional and engaged stakeholders, we are unrelenting in our pursuit of creating ever-increasing value for all our stakeholders and building a better future together.

Exceptional progress despite rising challenges

In early 2022, restrictions relating to the COVID-19 pandemic began to ease, and governments around the world started lifting travel and other limitations on public gatherings. We welcomed the return of children and adults to schools, hotels, and restaurants, as well as the resurgence of religious tourism. As Customers went back to socializing and meeting in person, our various businesses benefited from consumption and buying patterns returning to normal.

However, early 2022 brought fresh challenges: the war in Ukraine drove energy prices higher, steep increases in transport and logistics costs, and a sharp rise in feed and dairy inputs.

Nonetheless, Almarai - which is committed to a responsible approach to Customers, and the many communities we support - did not pass on the full impact of our costs. Instead, our dedicated team implemented exceptional forecasting and leveraged our scale and capabilities, mitigating some of the negative impacts on our business.

While steering a steady ship in these choppy waters, we also continued to implement our long term strategies to bolster the Kingdom's food security, expand in key sectors and geographies, build capacity and supply with targeted investments, and deliver innovative new products and marketing.

This growth mandate, deeply embedded in our corporate culture and integrated across our operations, guided us to overcome the significant and persistent market headwinds that confronted our industry and business this year, ensuring that we emerged even more vital.

With a beloved brand, trusted products, and exceptional people, we accelerated ahead of the competition, confident in our ability to continue our growth journey for many years.

By investing in Saudi talent and strengthening the nation's food security, we remain firmly on course to maintain our contribution to Saudi Vision 2030's social responsibility and sustainability objectives.

Accelerating towards our ambitions

Growth powers everything we do - from the innovation that brings new products to Consumers, to the relationships with our people and partners that drive enhanced performance, quality, and efficiency. It also supports our sustainability program that reinforces the vital role we play in our communities, safeguards the environment, and ensures food security in the Kingdom.

In our role as a national champion of food production and supply, we are honored to have achieved market leadership in many of our segments and categories, affirming the loyalty and support of our Customers across the region.

This allowed us to deliver solid double-digit top-line growth in all countries, regions, and channels. An exceptional performance from our Bakery business reflected the normalization of trading conditions. We were also encouraged by the contribution of the Bakemart business, following our acquisition to full ownership, with performance exceeding expectations.

“

By investing in Saudi talent and strengthening the nation's food security, we remain firmly on course to maintain our contribution to Saudi Vision 2030's social responsibility and sustainability objectives.

**Naif bin Sultan
bin Mohammed bin
Saud Al Kabeer**
Chairman



Key innovations in 2022 included launching ready-to-drink coffees and teas, non-dairy milk, and premium juices, and we announced several important developments, including our investment in a parent bird facility to grow our poultry business and withstand external disease challenges, and our expansion into new segments, namely beef and aquaculture.

We further consolidated our investment in the MENA region with our full acquisition of artisan bakery manufacturing company, Bakemart, and by acquiring the remaining 25% of the shares in Modern Food Industries (MFI) to increase our shareholding to 100%.

Group net operating profit growth lagged behind revenue growth due to our decision to manage price increases responsibly, and accordingly, the Group's margins contracted slightly to 12.2% in 2022 compared to 12.7% in 2021.

We are pleased to announce that our shareholders were rewarded with the same level of dividend as last year, supported by continued momentum in positive free cash flow.

Progressing on our commitments

Almarai's total market capitalization at the end of 2022 was SAR 54 billion, with one billion shares in issue. Our progressive cash dividend policy ensured we continued to deliver on our commitments to our shareholders.

Free cash flow of around SAR 2 billion in 2022 funded total cash dividends of SAR 1 billion, equivalent to SAR 1 per share and a dividend payout ratio of 57%.

In September, we fully redeemed our SAR 1.60 billion Sukuk – Series V, with 1,600 Sukuk notes redeemed at a par value of SAR 1 million each. I would like to thank our investors, specifically all the Sukuk holders who participated in this series for placing their trust in the Company, our Board and Management.

Championing corporate sustainability

During 2022, we worked to enhance the transparency of our sustainability efforts, taking our responsibility very seriously to people, place, and environment as the world's largest vertically integrated dairy company, and the most extensive food and beverages manufacturer and distributor in the Middle East.

Now in our fifth year of 'Doing Better Every Day', we remained on track to meet our 25 sustainability targets, which are fully aligned with Saudi Vision 2030 and the United Nations Sustainable Development Goals, while substantially improving transparency.

Our sustainability data collection and reporting processes were independently verified by a qualified and reputable third-party auditor, with Almarai receiving a formal assurance.

In addition, we created policies and position statements on 10 of our Environmental, Social, and Governance material issues to provide our internal and external stakeholders with additional clarity and transparency. This included animal welfare, climate change, community investment, energy, environmental impacts of packaging, ethical sourcing, environmental policy, human rights, responsible marketing, and water stewardship.

We accelerated our active engagement with government and non-governmental entities to transform the Kingdom's packaging industry, and we continued working on novel ideas to incorporate circularity in our packaging.

Maintaining robust Governance

The Almarai Board was voted in again for a new three-year term. Three new members were introduced to the Board in line with our governance policies, and six Directors remained. Board Committees were appointed for the new term.

Looking forward to 2023

Although elements of the global supply chain show signs of easing, we expect global commodity cost pressures to continue in 2023. The food industry has shown resilience in the face of global cost increases in 2022, and we expect this to continue next year.

Our anticipated growth will be strengthened by further streamlining and aided by digitization, new investments, and innovation streams.

Acknowledgements

On behalf of my fellow Board Members, I would like to thank the Government of the Kingdom of Saudi Arabia for its unwavering support and leadership.

I would also like to share my deep gratitude and appreciation for all our partners and shareholders whose loyal commitment to our shared objectives has ensured that we are able to remain firmly on course in delivering robust and meaningful growth.

Finally, I remain deeply indebted to our employees, who demonstrated exceptional fortitude in the past year, ensuring we thrived under challenging conditions and continued to provide outstanding customer satisfaction in all our markets.



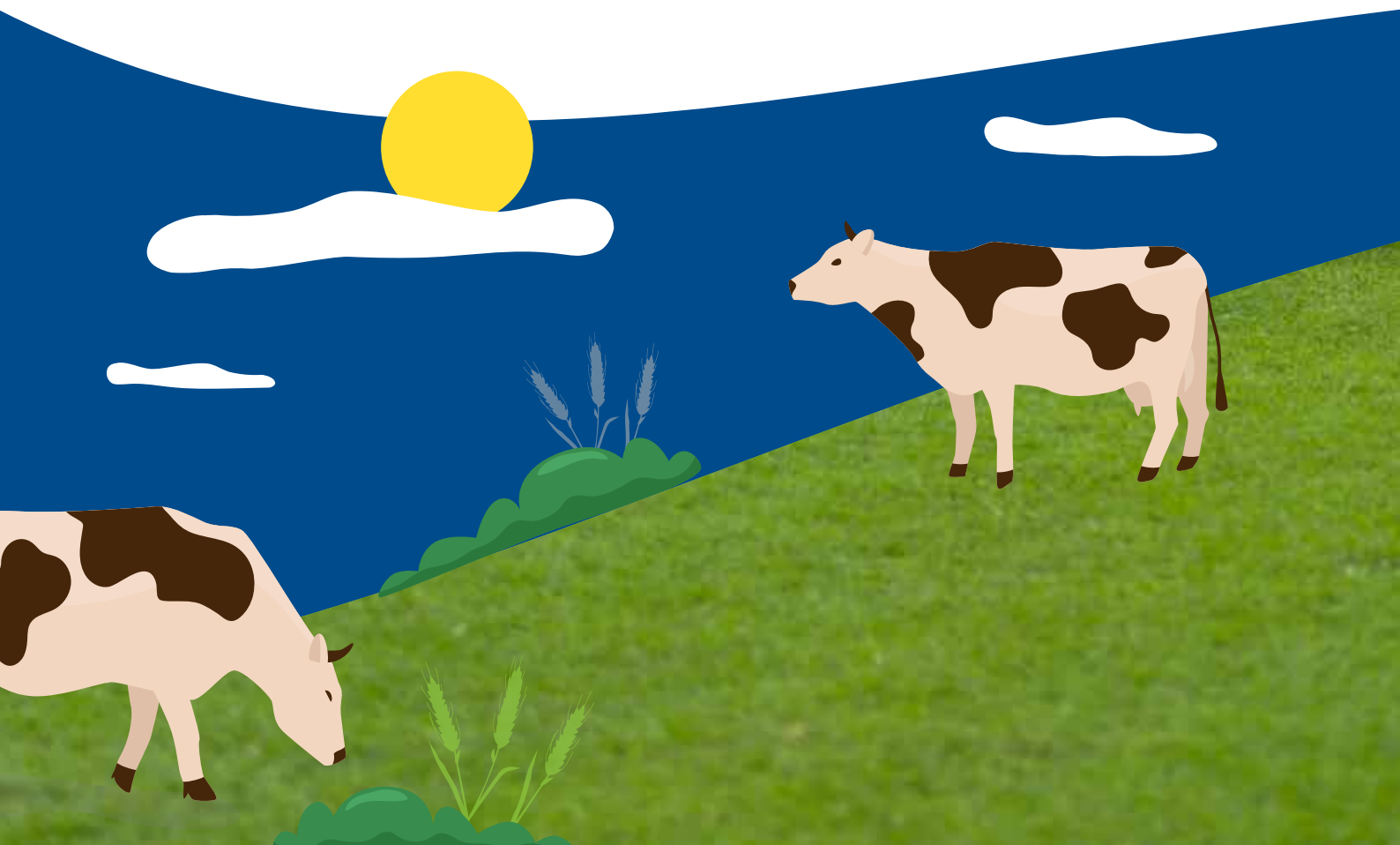
Growing With Confidence

During a successful year that once again demonstrated our strength, capabilities and resilience, Almarai continued to prioritize the delivery of our growth strategy to achieve operational excellence and outstanding results.

Built on our enduring commitment to 'Quality you can trust', we remained focused on increasing financial returns and growing shareholder value. Beyond this, our commitment to growth extends to ensuring that we create sustainable value for all our stakeholders and build a better future together.

Growth powers everything we do – from the innovation that brings new products to consumers, to the relationships with our people and partners that drive enhanced performance, quality and efficiency, to our Sustainability programme that reinforces the vital role we play in our communities, in safeguarding the environment, and in ensuring food security in the Kingdom.

This growth mandate, which is deeply embedded in our corporate culture and integrated across our operations, enabled us to overcome significant market headwinds throughout this year and emerge even stronger. With a beloved brand, trusted products and exceptional people, we are accelerating ahead of the competition, confident in our ability to continue our growth journey for many years to come.





CEO's Message

Delivering Value For Our Stakeholders

Almarai continued to deliver on promises to our stakeholders and grow with confidence during 2022, capitalizing on opportunities to expand and diversify our business to bring exceptional quality and variety to Consumers across our markets.

Confident growth

Almarai's pledge to increase robust financial returns and shareholder value is matched by our ongoing collaboration with all stakeholders in building a better future for all. This approach is the foundation of our corporate strategy, operational excellence, and outstanding performance.

A successful 2022 again demonstrated our strength, capabilities, and resilience in the face of continued market challenges and growing competition.

We demonstrated how- underpinned by our commitment to growth and responsibility to all stakeholders - we successfully leveraged our scale and capabilities, enabling us to maneuver through challenging times.

Supply chain disruptions and commodity price increases continued throughout the year, but we were able to forecast and mitigate risks. Importantly, we have once again validated the trust our stakeholders have in us, ensuring supply and food security continuity while also delivering solid top and bottom-line growth.

Consumers are at the center of everything we do, and we remain steadfast in our dedication to providing them with the quality they expect and trust.

Progressing our strategy

Growth in 2022 was driven more by volume and careful selection of product mix and channels. A particular focus on risk mitigation and forecasting helped us deliver industry-leading growth.

Consumer behavior began normalizing in 2022 after significant disruptions in the preceding years from COVID-19. Across the board, the market re-opened: schools and workplaces resumed normal operations, and residents and tourists returned to restaurants and hotels. Volumes in the religious tourism sector also improved.

The resumption in activity supported growth in Foodservice, a strategically important vertical for Almarai, and we are proactively driving our expansion. In the year under review of Foodservice, there was growth in value and volume of 41% and 18% respectively, with annual revenue of SAR 2.9 billion.

We continue to make good progress on our existing pillars. As part of our commitment to double poultry supply by 2025, we invested in our first parent bird facility to build a homegrown poultry business in the Kingdom and further bolster national food security. There are potentially new land signings in the near future that will further this plan.

Innovation has always been a mainstay of our business as we continue to develop new products to delight our Customers and stay ahead of our competitors. This year we introduced new ready-to-drink cold coffees and iced teas, several plant-based protein milks for Consumers wanting dairy alternatives, and new Almarai Refresh products and carton juices.

We also embarked on our strategy to enter new food markets, representing a significant expansion for Almarai. We have commenced our development of a seafood business with an initial investment of SAR 252 million for a processing facility in the Kingdom.

“

A successful 2022 again demonstrated our strength, capabilities, and resilience in the face of continued market challenges and growing competition.

Abdullah Al Bader
CEO



We announced plans to enter the red meat market and secured a land agreement. This will support the development of a new division, brand, and facility.

With technology key to our future success, we continued to digitize our business, making it more efficient, improving how we serve and engage with our Customers. Digital channels increased, and we launched a new customer-centric website.

We developed our eCommerce presence, achieving good results and paving the way for further investment to strengthen our connections with our Consumers and Customers.

In line with our overall strategy to expand our operational footprint, we also expanded our wholesale business.

Financial performance in 2022

Despite the many challenges we faced in 2022, our strategic response and proactive expansion enabled us to post strong revenue of SAR 18.7 billion, a 18.1% increase on 2021's revenue of SAR 15.8 billion.

Net income attributable to shareholders of the Company of SAR 1.8 billion was 12.6% higher than in the previous year, while operating profit of SAR 2.3 billion also showed healthy growth, up 13% on SAR 2.0 billion in 2021.

With EBITDA of SAR 3.9 billion, Almarai ended 2022 with net debt to EBITDA of 2.3x.

Achieving operational excellence

Although the restrictions around the global COVID-19 pandemic started lifting in 2022, new challenges emerged in the shape of much higher input costs, as well as supply chain and logistics issues. Nonetheless, we maintained our leadership in an increasingly competitive market.

Dairy, our core business and the most significant contributor to our volumes and financial performance, did not grow as an overall category in 2022. The lingering impact of the global pandemic continued to affect the entire dairy industry, leading to unprecedented commodity prices, a steep rise in freight charges, and supply chain disruptions.

Nonetheless, Almarai's Dairy business unit exceeded key performance targets - despite higher input costs - by maintaining its focus on its GCC markets, strengthening its core categories, implementing efficiency initiatives, particularly in long life (UHT) milk, and making improvements in the portfolio mix.

Our market-leading Poultry range of fresh whole chickens and related value-added products delivered solid volume and margin increases. Investment in production, regional economic recovery, and the implementation of accelerated

demand-generation strategies resulted in healthy growth in Retail and Foodservice, partially mitigating higher industry-wide input costs.

Our Bakery business performed exceptionally well in 2022, with revenues topping SAR 2 billion for the first time. This performance was helped by trading conditions returning to normal after COVID-19 restrictions eased. The resumption of travel and schools re-opening lifted demand for our higher margin single-serve products.

During the year, we acquired 100% of Bakemart UAE's shares and Bakemart Bahrain's shares, and secured an additional 25% stake in Modern Food Industries (MFI) from Almarai's subsidiary, Western Bakeries Company, taking our shareholding to 100%.

We are particularly pleased with Bakemart, which is already profitable following an accelerated turnaround. Adding Bakemart to our stable of brands brings valuable knowledge, access to the UAE, and a new channel to supply frozen foods and other products to Foodservice.

The entire Beverages category faced market pressure from steep increases in operating costs. Our Beverages business unit, however, still grew ahead of the rest of the segment in 2022, increasing value share thanks to the consistent implementation of its strategy. This helped us retain and grow our lead in the fresh and concentrated juices category while avoiding a price war to secure volume growth.

New products, namely ready-to-drinks cold coffees, iced teas, non-dairy milk, and additional Almarai Refresh products, will help us grow our market share and revenue moving forward.

Supporting our People

We are particularly pleased that our ongoing efforts to enhancing the environment in which our people work achieved an improvement in our employee retention rate, which increased to 90% in 2022, from 88% in the previous year. This advance validates the measures taken in the year to strengthen our commitment to being an employer of choice.

We ended the year with a total workforce of 43,104 higher in part due to our acquisitions outside the Kingdom.

Once again, we made significant investments in training, with the Almarai Academy coordinating and delivering 76,855 learning hours to 3,250 employees.

We maintained our employee experience strategy of engaging with our people via various channels, while recognizing their contributions to our business success by offering various incentives and rewards.

Solidifying our market leading position

Our focus in the coming year will be to maintain and grow our leadership position in all our primary market segments in the Kingdom, while boosting demand for our products in other GCC countries where we have a footprint. We anticipate continued top and bottom-line growth and increases in volumes in 2023.

Moreover, our strategy to accelerate performance in under-indexed segments and target new ones will continue, supported by identifying attractive, profitable organic and inorganic opportunities, and investing in capacity and distribution. We will also pursue further efficiencies by recalibrating lower-performing segments and channels.

As always, we will consider new categories and products that appeal to our Consumers and can deliver volumes, revenue, and sustainable growth. Accordingly, this will see us focus on poultry, red meat, and aquaculture.

We are in an excellent position to expand further internationally, and will take necessary steps to support our ability to grow in our current and other markets.

Innovation will remain integral to our DNA as we pursue novel ways to serve Consumers better. In addition, we plan to continue digitizing our systems and processes to become more efficient.

Acknowledgements

Our performance in 2022 was once again a testament to the immense contribution of all our employees, who faced new challenges with resilience and agility.

Not forgetting our Customers, who are always at the center of every decision we make, without them, we would have no reason to exist. Their support and loyalty are priceless assets to Almarai.

Market Review

This year, the MENA region and our home market of Saudi Arabia have seen an impressive recovery from the negative impacts of the COVID-19 pandemic, with the Kingdom registering one of the highest growth rates since 2011. While the region is experiencing higher inflation rates, the overall growth outlook remains promising.

The Global Economy

Despite a rapid initial recovery, the headwinds and uncertainty experienced in 2022 continued to cast their shadow across global markets during the year, creating volatility in most industry sectors. The Ukraine crisis that began earlier in the year has continued to be the biggest geo-political event of recent times. This unsettled the world economy just as it was recovering from the impacts of COVID-19, and adversely affected energy prices, especially in Europe. The rise in food inflation affected people's daily lives and had a significant impact on middle- and lower-income countries. Central banks have raised interest rates to cater for inflation, but this hike may risk the world economy entering a recession in 2023.

The MENA Region

The Ukraine crisis has also caused challenges in the regional economy, including rising inflation, particularly for commodity imports. This has led to increased volatility in commodity prices. Nonetheless, in 2022, the MENA region experienced a recovery and a rebound in economic activity. This year, GDP growth was at 6.1%¹, up from 4.1% in 2021.

The economic conditions and inflation in advanced economies have also had impacts on the MENA region. Regional inflation remains high at 14.2%² on average and is expected to remain elevated in 2023. In addition, emerging and middle-income economies in the MENA region have been negatively affected as global demand has weakened and financial conditions have tightened. This has led to increases in government debt and a worsening of debt dynamics.

On the other hand, GDP per capita of middle-income oil exporters has increased by around 3.9%³ in 2022. For oil exporters within the MENA region, the shifting global dynamics present a significant opportunity for increasing oil exports and improving foreign exchange figures.

The Kingdom of Saudi Arabia

Saudi Arabia is expected to be one of the fastest growing major economies in 2022, with real GDP growth at 8.8%⁴ in 2022, the fastest rate since 2011. This is driven by strong economic performance due to high energy prices and rising oil and petroleum rates. This growth also reflects the successful implementation of the Kingdom's extensive COVID-19 vaccination campaign. Real GDP growth is expected to be close to 5% in 2023, and around 3% in the following years.

On the other hand, as a net importer of food and other commodities, the Kingdom has been adversely affected by higher global inflation rates. In addition, the Saudi Central Bank has tightened the monetary policy in line with the Federal Reserve to maintain the exchange-rate peg to the US Dollar.

It is expected that increases in domestic interest rates will only have a minor impact on the Kingdom's economic performance, as it has witnessed a long period of high oil and gas prices, paired with strong liquidity in the financial sector.

Moreover, the Kingdom has implemented several reforms in efforts to attract foreign investment, improve the business environment, and encourage private sector participation in driving the economy. Many of these reforms have facilitated start-ups and reduced barriers for foreign companies to invest in the economy. These efforts are in line with Saudi Vision 2030 and will support the Kingdom's long-term development.

The Regional F&B Market

The F&B industry in Saudi Arabia is the largest in the Middle East and is expected to grow considerably over the next five years. Revenue in the sector amounted to USD 57.29 billion in 2022, and the market is expected to grow annually by 4.78% (CAGR 2022-2027). Moreover, in the first half of 2022, the Kingdom invested USD 187 million in F&B start-ups, making Saudi F&B more attractive to investors. In addition to investments in start-ups, this growth was driven by a rapidly changing demography, with a youthful population and higher disposable incomes, and a significant increase in cross-border travel. Overall, the Kingdom is moving towards the adoption of more business and tourism friendly policies, which is shifting dynamics in the Kingdom's F&B landscape.

1 S&P Global Market Intelligence, Q3 2022

2 Region Economic Outlook, IMF 2022 projections

3 World Bank estimates

4 Bloomberg, Q3 2022



Business Model

Our business model is structured to deliver on the promise of 'Quality you can trust'. It is tailored to our commitment to ongoing improvement and exists as a guiding force for operations across the Company. The business model enables management and staff to work in accordance with a clearly defined operating framework. It facilitates the practical application of a working culture that has efficient and effective process management at its heart.

Inputs

Raw materials

- 1,718+ suppliers
- Supplying 48,673 items
- SAR 8.7 billion spent on materials in 2022

Advanced manufacturing

- Four ultra-modern Dairy and Juice processing facilities
- State-of-the-art Infant Nutrition facility
- Three bakeries
- Poultry plant and facility

Leading innovation

- Innovative systems and processes
- Innovative product development to delight Consumers

Best-loved brands

- Eleven leading brands

Innovative people

- Workforce of 43,104 inspired by innovation
- World-class training and development programme
- 62 nationalities

Strong financial support

- Robust financial management, low leverage
- Access to funding from global capital markets
- Strong working capital and capital expenditure control



How We Do It

Consumer insights and powerful branding

- Earned the trust of Consumers to become a trusted brand across the Middle East
- Ongoing feedback process for maintaining quality and Consumer satisfaction



Best-in-class manufacturing

- Cutting-edge technology to mass produce nutritious products while reducing costs (Manufacturing 4.0)
- Continuous facilities expansion and renovation
- Meeting growing demand



Exceptional transport and logistics

- Transport and Logistics division larger than any logistics company in the Middle East
- 8,475 vehicles deliver 2 billion kg's of product on time and in perfect condition



Adding Value

Crop cultivation and selection

- Animals consume highest quality feed
- Almarai imports 100% of its yearly green fodder requirements through its overseas arable operations



Extraordinary care for farm animals

- Dairy herd and poultry flock have 24-hour veterinary care
- Temperature controlled housing
- Highly nutritious feed
- Ensures maximum yield and first-class end product



Innovation in our DNA

- Commitment to innovation is a core value
- Innovation underwrites the Almarai quality culture
- Digitalization of production and automation of business processes



Outputs

Shareholder value

- For 40 years, consistent delivery of strong returns to shareholders
- Almarai is committed to creating shareholder value by paying dividends and realizing compelling returns for long-term investors

People

- Almarai is recognized among the GCC's best employers
- All staff are encouraged to participate in training and develop their careers

Society

- Social responsibility and sustainability programmes designed to support Vision 2030
- Connecting all levels of society and the environment from helping children in need to reducing our environmental footprint

Consumers

- Delighting Consumers across the Middle East with healthy and nutritious food and beverages, at affordable prices from a brand they know and trust.

Business unit structure

- Almarai transitioned from a functional to business unit model
- Management focus on end-to-end sales, profitability and return on Net Operating Assets (RONOA) for each business unit

Commitment to quality

- Quality you can trust' is in our DNA
- The Almarai Quality 4.0 programme

covers process, people and technology, unifying the quality architecture across the Group

- Core values (ASPIRE) are directly connected to our world-class quality management system
- All business units served by Sales, Distribution and Logistics, Procurement and other corporate functions
- Exports team to grow opportunities for sales beyond GCC (worldwide)

Almarai innovation management

- Stage-gate innovation management process captures product ideas, managing them to final launch
- 140+ projects in pipeline meet new Consumers trends and maximize operational efficiency



Strategy: Almarai 2025

Our robust growth strategy remains in place, testifying to the resilience of its foundations, and Almarai continues to devote record levels of investment in the business, committing to double our supply through targeted investments over five years.

The key drivers of the strategy are:

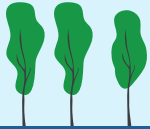
- 1** Strong focus on operating efficiencies and asset optimization and cost control
- 2** Increased investment in innovation and marketing
- 3** Expansion into new growth areas, organically and via acquisition
- 4** Technology enhancements, with a focus on digitization



2025 Aspiration

Mission

To provide quality and nutritious food and beverages that enrich Consumers' lives every day.



Vision

To grow our leading position as the trusted choice for food and beverages in the region, delighting Consumers with quality nutrition every day.

Values

Adaptable

Sharing

Passionate

Innovative

Respect

Excellence

Goals By 2025

~1.5X market growth

RONA > WACC+2%

Top quartile employee satisfaction

Preferred Consumer brand

Almarai's 2025 sustainability goals

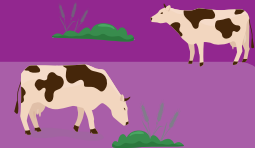
Where To Play

Focus on GCC core full potential

- Strongly Grow Poultry and Food service
- Expand Dairy market share in Foods and Long Life milk
- Develop UAE footprint
- Continue to strengthen Egypt and Jordan operations

Evaluate high-potential new growth opportunities

- **Adjacent categories**
 - Beef, Fish, Ice Cream, Other
- **New geographies**
 - Markets where Almarai can leverage its capabilities to create value



How To Win



Operational efficiency

- Cost reduction
- Asset utilization
- Distribution model optimization
- Channel profitability management



Operating model and talent

- Simplification and agility
- Delaying
- Organizational Design
- Offshoring/Outsourcing
- Performance-based culture
- Saudization
- Succession planning



Digitization

- Core system modification
- Process standardization and automation
- Digital and advanced analytics capability-building



Active M&A Process

- Expansion of core businesses
- New categories
- New geographies
- Alternative supply sources

Case Study

An acquisition with great potential and significant challenges

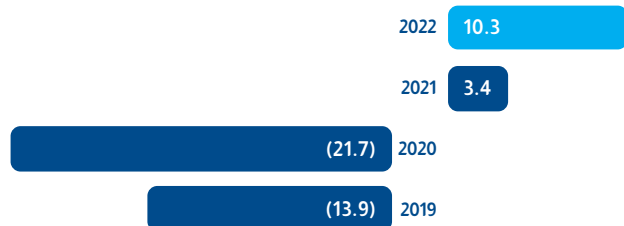


Taking Action to bring out the Best of Premier Chef



Delivering an Outstanding Turnaround in just One Year

Profit/(Loss) (SAR million)





Premier Chef

Almarai's strategy of organic and acquisition-driven growth is behind one of our biggest success stories this year: the turnaround at Premier Chef (previously Premier Food), which made a substantial contribution to Group revenue growth in 2022.

Franchise operator Almar Foods established Premier Food Industries in 1999 to produce and distribute meat and poultry products. It expanded rapidly, supplying more than 21 international food chains throughout the Middle East. Almarai invested in the business in May 2019, taking the full 100% shareholding.

The successful integration of Premier Food is one of our best examples of how Almarai smoothly integrates value-added acquisitions, building a foundation for organic growth. It has not, however, been without significant challenges. Premier Food followed an entirely different business model and had many operational, financial and governance shortcomings. As a result, Premier Food was a loss-making business when it was acquired.

Almarai management rapidly implemented standard processes and procedures, strengthened financial management and administration, consolidated IT with Almarai systems, rebranded, and significantly improved the commercial strategy.

Key improvements included:

- Enhancing production capacity and utilization to improve efficiency and accommodate expansion.
- Integrating with SAP and other Almarai systems and introducing formal policies and procedures.

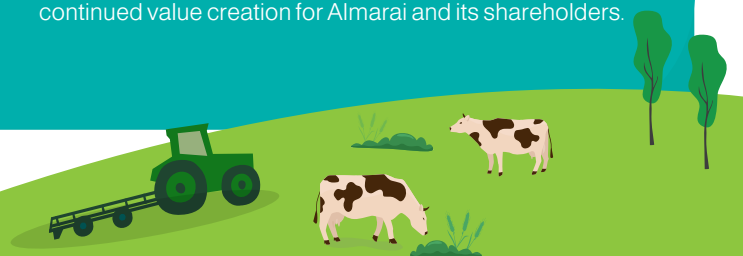
- Rebranding Premier Food to Premier Chef in 2021.
- Consolidating customer segments and expanding marketing and distribution activities to the entire Kingdom, supported by additional sales teams.
- Extending Premier Chef products to Almarai SDL to start the new distribution model via SDL in the UAE and Saudi Arabia.

Within months, Premier Chef started demonstrating widescale improvements. A year after acquisition, the business has been successfully turned around and become profitable – it has gone from 2019's loss of SAR 13.9 million to a profit of SAR 10.3 million in 2022.

Working capital management has improved dramatically, procurement efficiency is increasing, and the customer base has grown and expanded via Almarai's regional distribution network.

Looking ahead, Premier Chef will be marketed to Almarai's customer base to achieve geographical expansion, profitable growth, massive footprint expansion and improved cost efficiencies.

Production capacity will also increase over the coming years. We will look to achieve over 30% volume growth in 2023 compared to 2022. Then, when a new factory becomes operational by the end of 2024, production will rise 200% from current full capacity of 7,100/MT to a projected 21,000MT/year, creating the foundation for continued value creation for Almarai and its shareholders.



Key Performance Indicators

We have set Key Performance Indicators (KPIs) to monitor progress and to deliver on the objectives of our strategy. The KPIs address both our Vision and our quality-driven, consumer-focused working culture.

Vision

To grow our leading position as the trusted choice for food and beverages in the region, delighting Consumers with quality nutrition every day.

Corporate Scorecard

Net sales growth

18.1%

Market share growth

0.50% to 0.75%

in selected products

On track for the year 2025

RONOA on net operating assets

8.5%

Nitaqat status

All categories in platinum and high green

2022 KPIs

1 Growth drivers

- Defend number one position in key product categories
- Drive market share in under-indexed categories
- Accelerate Poultry momentum
- Expand Food service
- Grow exports

2 Operations / Efficiency

- Optimize forecast accuracy
- Reduce wastage
- Optimize new facilities
- Improve end-to-end planning
- Pursue efficiency projects
- Complete central warehousing project
- Reduce out-of-stock

3 Capabilities / Enablers

- Full implementation of new structure
- Saudization, to maintain platinum in Nitaqat rating
- Leadership development across management grades
- Robust succession planning
- Upgrade systems to manage regulatory and operational changes

Culture

Quality driven,
Consumer focused



CFO's Review

In a year marked by unprecedented input cost increases, Almarai's resilience, data-driven agility and focused collaborative workforce overcame these challenges to deliver stalwart financial results. Exemplary growth in our top line revenue and net profit validated the strength of our strategy, building the Group's confidence and driving momentum. Despite the formidable year, Almarai emerged stronger and leaner, and better equipped to advance its growth agenda.

Revenue growth amid dramatic cost increases

Net Income attributable to Almarai's shareholders increased 13% to SAR 1,760 million for the full year, compared to SAR 1,564 million in 2021. Trading conditions improved during the year; however, we faced rapid and substantial cost inflation, some of which we absorbed rather than passed on to Customers. We softened the impact of these obstacles with excellent forecasting that instituted rigorous cost management, and a positive review of management estimates of our provisions.

Revenues for the year came to SAR 18,722 million, an 18% increase on SAR 15,850 million in 2021. This was achieved against an exacting background of SAR 2 billion-plus in additional costs over the past two years, arising from unparalleled cost inflation in supply chain, commodities, and other inputs. We had no choice but to pass higher commodity costs on to Consumers, however we avoided over pricing by carrying other increased expenses. Absorbing these increases negatively affected our margin, which was 30% for 2022, compared to 32% in 2021.

Gross profit increased 11%, slower than the growth in revenue due to higher animal feed, dairy (mainly butter), and other input costs. Our operating profit grew 13%, higher than the gross profit growth rate, driven by the continued strong overhead cost control and efficiency initiatives.

Net profit rose 13%, with the rate of growth virtually the same as the operating profit level. While we were impacted by the global trend of steeply rising interest rates, net profits benefited from a favorable review of our existing Zakat provisions estimate.

For the 2022 financial year, earnings per share, based on consolidated profit attributable to shareholders of SAR 1,760 million, were SAR 1.79 and diluted earnings per share came to SAR 1.76.

Steep inflation of dairy and feed commodities costs are likely to remain challenging, and parts of the global supply chain are still under pressure. Nonetheless, we will continue to manage these risks with better hedging and leveraging stock cover if necessary.

Revenue (SAR million)



Precise cash flow and liquidity management in tougher markets

Given the cost growth previously mentioned, it was challenging to balance cash flow generation and liquidity. Nonetheless, we maintained availability of supply, with a close quarter-by-quarter focus on pricing.

Positive free cash flow of SAR 1,842 million in 2022 represented 10% of the net revenue and reflected enhanced cost controls and a strong operating performance, offset by the steep increase in costs. Net cash generated from operating activities came to SAR 3,829 million, a 22% decrease on SAR 4,915 million in 2021.

Our capital expenditure (Capex) programme in 2022 was largely similar to 2021. Net cash used in investment activities was SAR 1,987 million against SAR 1,814 million in 2021.

“

The outstanding performance on the top line was matched by our firm commitment to cost control, resulting in strong profit and healthy Operating Cash Flow generation

Danko Maras
CFO



We also refinanced a Sukuk that matured during the year, securing very attractive rates, which further bolstered the predictability of our Treasury function.

Free Cash Flow (SAR million)



Segmental results

Dairy reported growth of 13% in 2022, due to higher year on year sales growth that was partly offset by cost inflation, mainly in dairy and feed commodities. Additionally, the devaluation in the Egyptian Pound in early 2022 pushed certain costs higher, however we maintained bottom line growth by adopting tighter cost controls.

In our Juice segment, we continue to persist with our strategy, which helped us retain and grow our lead in the fresh and concentrated juices category while avoiding a price war. Successful implementation of Revenue Growth Management (RGM) in existing categories and Consumer focus innovations, while expanding into new categories helped us to grow 10% in 2022. While revenue growth in Beverages was higher than 2021, margin growth reflected industry-wide higher input costs that affected the entire category.

Our Bakery business had an exceptional year, with 36% growth in category sales, largely stemming from higher demand for single-serve products as educational facilities re-opened. Excellent economies of scale were achieved in bakery manufacturing, which resulted in higher profit for the category.

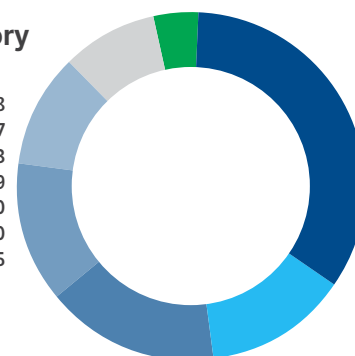
The Poultry category delivered outstanding revenue growth of 31%, supported by higher volumes in the Food Service segment and capacity expansion during the year that delivered 10% to volume growth. The better bottom line was aided by improved operational efficiencies and higher receipts of subsidies.

Finally, in the Other Category, we reported a loss of SAR 120 million, following a review of our overseas farming investment and timing differences between crop cycles in the USA and Argentina.

Revenue by Category

(SAR million)

Fresh Dairy	6,348
Foods	2,537
Poultry	3,013
Bakery	2,439
Long Life Dairy	1,960
Fruit Juice	1,660
Other Sales	765



Geographic results

The GCC benefited from the return to normality for Consumers as COVID-19 pandemic restrictions were lifted. This resulted in a rising demand for the Food service as religious tourism numbers started to recover, and there was a strong showing in the single serve category as people returned to offices and children to schools.

Saudi Arabia contributed 65% to Group sales in 2022 at country level. Full year revenue rose 18% to SAR 12,100 million from SAR 10,223 million in 2021, thanks in part to religious tourists returning to the Kingdom for Hajj and Umrah.

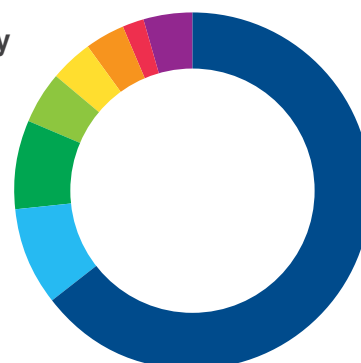
The UAE remains our second-largest market, representing 9% of total sales. UAE revenues of SAR 1,669 million were higher than the SAR 1,381 million achieved in 2021. The result was positively impacted by a resurgence in tourism boosting demand for food service.

We were very pleased by the excellent performance in non-GCC countries, which grew 19% overall in 2022. This comprised robust results in Jordan (+26%) and Egypt (+18%), with the latter's currency devaluation effectively mitigated. Exports and other countries were 15% higher driven by the export of Infant Nutrition and higher revenue in Fondomonte North America (USA) driven by feed export.

Sales by Geography

(SAR million)

KSA	12,100
UAE	1,669
Egypt	1,493
Kuwait	899
Oman	691
Jordan	687
Bahrain	382
Others	800



SAR million	For the year ended 31 December				
	2022	2021	2020	2019	2018
Operational Performance					
Revenue	18,722	15,850	15,357	14,351	13,558
Gross Profit	5,624	5,059	5,536	5,367	5,327
Operating Profit	2,276	2,015	2,522	2,473	2,521
Profit Attributable to Shareholders	1,760	1,564	1,984	1,812	2,012
Balance Sheet					
Net Working Capital	3,785	3,043	3,623	3,048	2,988
Property Plant and Equipment	20,115	20,873	21,113	21,951	21,978
Right of Use Assets	499	465	470	461	548
Biological Assets - Non Current	1,565	1,469	1,392	1,381	1,367
Intangible Assets and Goodwill	1,146	1,129	1,218	1,129	1,038
Investments in Associates and Joint Ventures	6	89	90	88	0
Net Debt	9,054	9,201	10,749	11,955	12,743
Total Equity	16,983	16,618	16,234	15,259	14,463
Total Assets	32,074	31,754	32,344	33,148	32,783
Total Liabilities	15,091	15,136	16,111	17,889	18,320
Cash Flow					
Cash Flow Generated from Operating Activities	3,829	4,915	4,203	4,732	3,669
Addition to Property Plant and Equipment	(1,334)	(1,364)	(824)	(1,517)	(1,919)
Free Cash Flows*	1,842	3,101	2,830	2,602	1,332
Key Indicators					
EBIT to Sales	12.2%	12.7%	16.4%	17.2%	18.6%
Return on Net Operating Assets	8.5%	7.4%	9.1%	8.9%	9.4%
Net Debt to Equity Ratio	53.3%	55.4%	66.2%	78.3%	88.1%
EPS - Basic	1.79	1.59	2.02	1.83	1.98
DPS	1.0	1.0	1.0	0.85	0.85

* Net of Investments

Operating Review

From farm to table, Almarai is the world's largest vertically integrated dairy company, operating across the value chain and throughout the region. Starting in our world-class farms and facilities in the heart of Saudi Arabia, with state-of-the-art production, processing and distribution operations, our diverse range of high-quality products are delivered to more than 100,000 customers within the Kingdom and across the GCC, Egypt and Jordan every day.

Production

We strive to produce quality and nutritious food and beverages that enrich Consumers' lives every day

Processing

Innovating to develop nutritious products

Distribution

Optimizing use of supply chain network and efficiency to maintain smooth and timely delivery of products



Delivering quality products to consumers across the Kingdom is at the heart of our promise and the foundation of our role in ensuring food security for the Kingdom. Millions of consumers depend on us each day to provide them with the highest quality, most nutritious dairy, juice, bakery and poultry products in the market. We repay this trust and loyalty through continuous consumer-focused innovation to ensure that every bite or sip of an Almarai product promotes health and wellness in line with our customers' evolving needs.

Food Service and Retail

Home cooks and consumers

Consumers in and out of home channels

(hotel, restaurant, and catering)



Operating Review

Dairy

Almarai’s Dairy business unit exceeded both profit and market share targets in a challenging 2022, thanks to consistent and thorough implementation of its proven strategy, specifically driving efficiencies and developing channels to market.

Throughout 2022, Almarai Dairy demonstrated its brand strength and resilience by delivering increased revenues despite much higher input costs. The impact of the global pandemic continued to affect the entire dairy industry, leading to unprecedented commodity prices, a steep rise in freight charges, and supply chain disruptions.

Almarai’s concerted effort to mitigate these headwinds included maintaining its focus on its GCC markets, strengthening its core categories, implementing efficiency initiatives particularly in long life (UHT) milk, and making improvements in the portfolio mix.

In the core fresh dairy category, milk, laban and zabadi performed strongly, delivering revenue growth of 13%, 16% and 14% respectively in the Kingdom. There were also excellent performances from our UHT milk, butter and spreadable cheese products, which increased revenues 31%, 23% and 17% respectively. The numbers will change as we are seeing an improved performance on core in Q4.

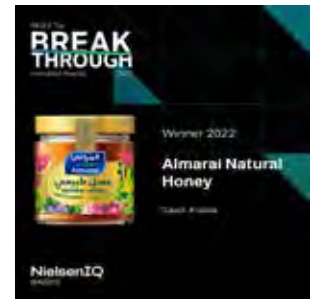
Continued Innovation and Expanding Capabilities

In addition, Almarai expanded its capabilities in its e-commerce channel, which resulted in a robust 13% increase in revenues. The key drivers behind the impressive growth were increased investment in infrastructure in the key regions and continued expansion of outlet coverage and service. Almarai will continue to invest in the channel to realize its high double-digit compound annual growth rate (CAGR) outlook.

During the year, the Dairy business unit continued its programme of product innovation and development to cater to emerging consumer needs and to enter new segments. We invested in enhancing our consumer knowledge across multiple product segments to inform product development and positioning.

Product and segment development was complemented by ongoing investment in next-generation packaging innovation to support our abiding commitment to improving functionality and consumer experience. All new products are tested rigorously according to sophisticated methodologies to ensure that they receive consistently high ratings from consumers, and particularly when compared to competitor offerings.

In 2022 we received a significant endorsement, earning the NielsenIQ BASES Breakthrough Innovation Award for our Hummus and Honey products that were launched in 2021. Almarai Hummus received Superstar recognition for “potential, incrementality, distinction, and endurance”.



Dairy in 2023

Building on the successful strategic programme followed this year, we will keep strengthening our value share and leadership positions in core segments in 2023. This will include investing in further packaging upgrades as well and enhancing accessibility, driving efficiency in the value chain, and focusing on communication.

Our strategy to accelerate performance in under-indexed segments and to target new segments will continue. We will support these activities by identifying attractive, profitable opportunities and investing in capacity and distribution. We will also pursue further efficiencies by recalibrating less profitable segments and channels.

SAR 10,844 million

Total Dairy Revenue for 2022
vs. SAR 9,631 million in 2021.

Value Share of Saudi Market (Dec 22 MAT)

Market Share		Market Position
Laban:	63.8%	1
Fresh milk:	65.3%	1
Zabadi:	63.7%	1
UHT milk:	19.9%	2

New Products in 2022

Mutabbal (Non-Dairy Dip)
Kashkaval Cheese
Bulgarian White Cheese

Total Dairy Revenue

(SAR million)

2022 10,844

2021 9,631

2020 9,476

Operating Review

Juice

Almarai's Beverages business unit grew ahead of its category in 2022, increasing value share thanks to the consistent implementation of its strategy to continue growing values ahead of the market in existing categories via Revenue Growth Management (RGM) and consumer innovations, while also expanding into new categories.

While revenue growth in Beverages was higher than 2021, margin growth reflected industry-wide higher input costs that affected the entire category.

After a difficult 2021, the current year was distinguished by similar and new challenges. Supply chain disruptions, the ongoing impact of the COVID-19 pandemic, and the conflict in Europe led to steep price increases in raw materials and other operating costs.

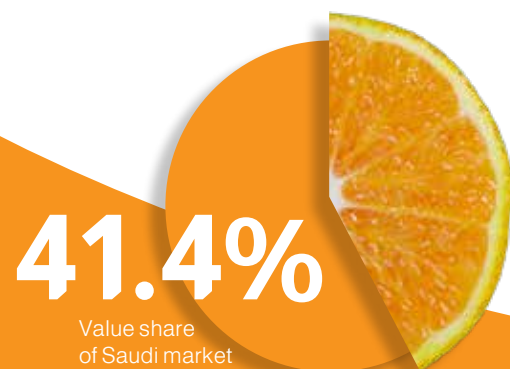
Solid Growth in a Tough Market

With all industry participants facing the same difficulties, competition was again robust. We persisted with our strategy, which helped us retain and grow our lead in the fresh and concentrated juices category while avoiding a price war to secure volume growth.

As of year-end 2022, our market share on juices is 41.4%, which represents an increase of 0.3% compared to the previous year.

In carton juices, our strong proposition with no added sugar and our commercial strategy resulted in 13.1% volume share, an increase of 4.9% compared to 2021.

Farm's Select maintained its leadership position in the super premium segment, driving higher Retail Sales Price (RSP) vs. Juice category (2.5 times vs. market average), despite our main competitors promoting aggressively to try to secure market share.



Innovation is in our DNA

In line with our strategy, we expanded Beverages in 2022 to cater to new consumer needs as well as opportunities arising from the expansion of the occasions segment.

Alongside new juices, like Almarai Refresh range and carton juices with milk, a wider range of ready-to-drink (RTD) coffees and teas joined our portfolio of nutritious products, as did high protein milks and several plant-based milks for consumers wanting dairy alternatives.

In a very competitive beverages market, product expansion is key to our growth strategy. Innovation ensures that we maintain and grow our lead over our competitors.

Accordingly, we will continue to strengthen our portfolio with new beverage choices and recipe optimization in response to changing consumer demand.

Award-winning Promotions

We are very pleased to be recognized for our innovative approaches with a SMARTIES Gold Award for Almarai Long Life Juice's influencer marketing campaign, and a SMARTIES Bronze for Farm's Select Smoothies location-based targeting campaign.

In addition, Farm's Select won the NielsenIQ BASES breakthrough innovation award. Almarai Long Life Juices' digital campaigns also took home one Gold and two Bronzes at the MENA Effie Awards.

During 2022 we built on the successes achieved in the previous year from our ROI-based promotion strategy to grow revenues and market share.

Beverages in 2023

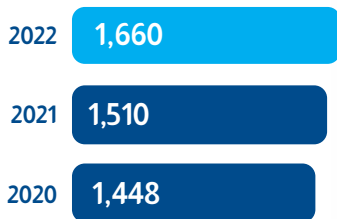
Conditions in our category will remain challenging in 2023, which further validates our proven strategy to evolve our portfolio. We will identify new categories and products that appeal to our consumers, and which deliver volumes, revenue, and sustainable growth.

Key Performance Indicators - KSA Market

Juice Volume Shares	42.9%
Juice Value Share	41.4%
Household Penetration	78.5%
Household Frequency	14.0%

Total Juice Revenue

(SAR million)



Total Beverages revenue for 2022 was

SAR 1,660 million

vs **SAR 1,510 million** in 2021



1 Rank in KSA market

New products in 2022

- Refresh Juice
- Tropical Mix Fruit
- Juice + Milk
- Ice Leaf Tea
- One Bean Coffee
- High Protein Milk
- Vetal Plant Based Dairy

Operating Review

Poultry

Almarai's market-leading range of fresh whole chickens and related value-added products reported solid increases in volumes and margin in 2022.

Investment in production, regional economic recovery, and the implementation of accelerated demand generation strategies delivered healthy growth in Retail and Foodservice, and helped to offset higher industry-wide input costs.

New production capacity and demand generation boosted sales volumes in Retail and Foodservice, which ended the year 21.2% and 7.9% higher respectively.

Our performance in 2022 further entrenched our role as a national champion supporting the Kingdom's Vision 2030 to raise local poultry production as a key part of its food security policies.

Almarai Poultry's market share value across all retail channels in the Kingdom's fresh poultry segment was 33.6% compared to the previous year's 32%, and our ALYOUM brand maintained its first place ranking in the market with a solid consumer awareness score of 92%.

As our other GCC markets recovered to pre-pandemic levels, we accelerated demand generation to grow our leadership positions. In 2022, our market share volume in Kuwait and the UAE increased to 75.9% and 19.3% respectively.

New Capacity drives Record Volumes

Almarai commenced operations on its fourth processing line during the year under review. The new line, which will process 50 million birds when fully operational, aims to increase our total capacity by 25% to 250 million birds.

Higher production that was supported by continuing optimization and efficiency programmes resulted in volumes rising 13.8% to a record 183,902 metric tons (MT), culminating in robust revenue growth of 32.3%. While margins improved to 45.5%, segment profitability growth of 39.3% reflected the impact of cost inflation in feed stock and transportation.

Expansion Programme contributes to Vision 2030 Food Security Goals

Production facilities in Hail region were completed this year for full deployment in 2023. Furthermore, we announced land signings in the Alshamli-Hail region for a new facility with a capacity of 150 million birds, while in Al-Jouf, we

initiated projects to increase our hatching capacity by 150 million eggs. All these projects are part of the SAR 6.6 billion investment, announced in 2021, that is designed to double Almarai's poultry capacity.

Phased investments in different regions in Saudi Arabia will support accelerated growth and ensure we remain on track to achieve our expansion targets. As we strengthen the resilience of our Poultry business by enabling full vertical integration of supply, Almarai will continue making a meaningful contribution to the Kingdom's commitment to self-sufficiency.

Leading the way in Animal Care

We were pleased to announce during 2022 that Almarai was the first company in Saudi Arabia to be certified by NSF International in poultry hatchery, transport, and operations, according to international animal wellness standards.

This important recognition validates Almarai's commitment to animal health and care, and ensures that we deliver the best products to the millions of consumers who trust our brand.



Award-winning Innovation Boosts Performance

Product innovation, accelerated demand generation, and enhanced production and distribution all contributed to strong volume growth in our Retail channel compared to 2022. This was a particularly strong performance given that last year Retail had surpassed pre-COVID-19 volumes.

The Ready-to-Cook portfolio was expanded to include limited edition pre-marinated products, offering traditional flavors that consumers love and enjoy in their daily meals and on special occasions.



ALYOUUM Marinated Whole Chicken Biryani

ALYOUUM Marinated Whole Chicken Mandi

ALYOUUM Sambosa filling

ALYOUUM Marinated products are distributed in the KSA and Kuwait across all retail channels.

ALYOUUM Marinated Whole Chickens was the preferred choice for consumers in the KSA in 2022, achieving 36.5% market share volume, 13 basis points higher than the second largest player.

Engaging communication campaigns were created to promote these limited-edition products, which will continue to add excitement to this new portfolio and further develop the Ready-to-Cook category. These seasonal products will also feature in ALYOUUM's core portfolio in the future, subject to consumer demand.

ALYOUUM continued to enhance the shopping experience across all retail channels with appealing innovations,

customer-friendly packaging, improved category navigation, and in-store activities in partnership with retailers. These initiatives supported ALYOUUM's 21.2% volume growth in retail in 2022, and helped further consolidate brand preference, which surged to 78% from 71% in 2021.

In 2022, Nielsen's IQ Bases awarded ALYOUUM Marinated Whole Chicken as one of Saudi Arabia's "Breakthrough Innovations".

Supporting Growth in Foodservice

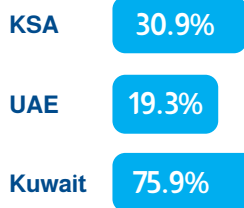
During 2022, we also accelerated demand generation strategies in our Foodservice division, Almarai Pro, resulting in a healthy 7% increase in sales volumes. We continue to support customers who opt for fresh poultry over frozen birds by consistently delivering quality products every day.

Almarai Poultry in 2023

In 2023, rising capacity and a continuing focus on efficiency will underpin our growth strategies in all channels and our commitment to consistent delivery of quality poultry to customers and consumers. Notwithstanding forecast sustained cost inflation in feed and energy, we are unwavering in our ability to deliver profitable growth across all channels, ensuring that we meet our robust expansion targets.

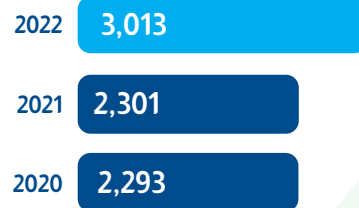
Poultry Market Share

by Volume



Total Poultry Revenue

(SAR million)



Total Poultry revenue for 2022 was

SAR 3,013 million

SAR 2,301 million in 2021

New products in 2022

- ALYOUUM Marinated Whole Chicken Biryani
- ALYOUUM Marinated Whole Chicken Mandi
- ALYOUUM Sambosa filling



Operating Review

Bakery

Our Bakery business provides quality, nutritious breads, snacks, and treats that enrich consumers' lives every day. It performed exceptionally well in 2022, with revenues topping SAR 2 billion for the first time. We also grew our contribution to Almarai's total income, remaining the second largest contributor to the Group margin after the Dairy business.

Double digit growth in volume, revenue, margins and earnings before interest and tax were driven by our continued focus on trade execution and brand marketing to ensure our products are easily accessible and front of mind with consumers across our markets.

Trading conditions in the region returned to normal in 2022 after COVID-19 restrictions eased. The resumption of travel and schools re-opening lifted demand for our higher margin single-serve products. Our snacking portfolio performed particularly well, with revenue of SAR 2,439 million rising 36.4%, contributing extensively to Bakery's overall margin growth.

We are particularly pleased with our new acquisition, Bakemart, which is already profitable following an accelerated turnaround. Adding Bakemart to our stable of brands provides valuable knowledge and access to the UAE, and a new channel to supply frozen foods and other products to Foodservice.

Bakery's strong performance in 2022 reflected its larger share of the market in all relevant categories. Our brands L'usine and 7DAYS did particularly well, expanding their overall market share from 54% to 56% in Saudi Arabia. L'usine, which offers savory and sweet baked goods, remained at number one in KANTAR's Brand Footprint survey in the Kingdom, and fourth in the UAE.

Consistent and creative consumer marketing remained an essential business investment to support and build brand loyalty. Both L'usine and 7DAYS received awards during the year with the former earning the Smarties Gold award for L'usine Puffs Campaign. L'usine also took home the NielsenIQ BASES Packaging Design Impact Award for its Multigrain bread.

7DAYS, which produces a wide variety of croissants, cakes, strudel, and bake rolls, received a Smarties Bronze for its Mini Croissant Campaign.

Like most industries, we were affected by the global supply chain disruptions in 2022 that caused the cost of raw materials to increase. In response, we improved our cost per unit with economies of scale in manufacturing, and increased prices in the first quarter.

Expanding Product Lines and Geographical Markets

We maintained our strategic focus on converting unpackaged bakery to packaged bakery products and growing our market share in existing and new categories. We also branched out regionally in 2022, expanding store presence in Oman by introducing extended shelf life breads, and launching in Jordan with the same bread products and related treats.

The Bakemart acquisition has expanded our footprint to the UAE and other GCC markets. Its outstanding assortment and opportunities for innovation will drive growth, while the additional capacity it brings will provide us with new platforms for expansion.

Bakery in 2023

Our focus next year is to maintain and grow our leadership position in all our main market segments in the Kingdom, and grow demand for our products in the other GCC countries where we have a footprint. We will also concentrate on expanding our wholesale business (Win in trade). In line with our successful innovation strategy, we will also launch a range of new products across main categories and markets.

New products in 2022

- Dates and Fruits Puff
- Plain Brioche Sandwich Rolls
- Tortilla Wraps BIF
- Chocolate Brownie
- Traditional Cakes
- 7DAYS Enrobed Cakes
- 7DAYS Mini Croissant
- 7DAYS Bake Roll Tomato

Total Bakery Revenue

(SAR million)

2022 2,439

2021 1,789

2020 1,712



Risk Management

Risk Management and Internal Control Framework

Almarai has defined its risk management process according to the COSO Framework principles, which define industry best practice. Almarai's Board of Directors and Senior Management use these principles in the course of setting the strategy and making decisions. Management then plans, organizes and directs the performance of sufficient actions to provide reasonable assurance that the Company's objectives, stated below and articulated as per the COSO Framework, can be achieved while ensuring that associated risks are kept within an acceptable risk level. The Company's internal controls and risks are grouped within the COSO Framework categories:

- Strategy – high-level goals, aligned with and supporting the Company's mission
- Operations – effective and efficient use of resources
- Reporting – reliability of financial reporting
- Compliance – compliance with applicable laws and regulations

Internal Control Participants

Senior Management and oversight

Senior Management is responsible for Almarai's Internal Control System, while the Audit Committee is responsible for oversight of the effectiveness of Almarai's internal controls over financial reporting. To this end, Senior Management relies primarily upon the finance function and various second line of defense functions disseminated throughout Almarai, assurance providers such as the quality audit team, the risk champions and the operational reporting lines (by business locations, regions, business units and/or subsidiaries).

Corporate Finance Department

The Corporate Finance Department is responsible for the finance function within the Company, both directly through centralized functions (Financial Planning and Analysis; Financial Policy and Regulatory Compliance Consolidation; Treasury and Financing; Tax; Corporate Legal) and through functional ties with the financial controllers of the various business locations, regions, business areas and subsidiaries.

The Corporate Finance Department's additional responsibility regarding risk management and internal control consists of a direct oversight over regulatory and compliance-related matters. The Chief Financial Officer (CFO) chairs monthly meetings of the Finance Executive Committee, which comprises of Corporate and Divisional

Finance; Legal, Business Systems Department, Investor Relations, Treasury and Risk Management, and Internal Control.

Risk Management

Almarai's risk identification and risk management system adopts the COSO-based enterprise risk management framework geared to achieving an entity's objectives. The Risk Management function comprises a dedicated corporate team as well as one assigned risk champion in each business area. The function is overseen by the Executive Management Team and the Risk Committee. The process of identifying and managing Almarai's risks is described below under the subheading 'Risk identification and assessment'.

Internal Control Department

The Internal Control Department comprises a dedicated central team, which is supported by a network of local Finance Managers who report to the Corporate Managers of the business areas, but who are ultimately answerable to the CFO. The role of these Finance Managers is to ensure, through close and recurrent controls, that the Company policies and procedures are properly applied within their area of the Company. The Internal Control Department's main responsibilities are as follows:

- Ensuring company-wide implementation of Almarai's internal control framework
- Defining (i) priorities related to internal control and (ii) the methodology to be used for self-assessment, its testing and documentation
- Managing and analyzing (i) the internal control indicators and (ii) the results of the assessments and action plans implemented by the community of Finance Managers
- Supporting and overseeing Finance Managers through coordination, communication and training initiatives
- Identifying gaps in current policies and procedures and recommending changes to the Policies Group

Internal Audit Department

Almarai has a fully developed and independent Internal Audit Department reporting directly to the Audit Committee on all functional matters. The Internal Audit Department develops a risk-based audit plan that the Audit Committee reviews and approves annually. All control gaps identified during the audits are discussed with the Senior Management and remediation plans along with expected timelines are agreed. The Internal Audit Department

independently follows up to ensure gaps are closed as expected. The Head of Internal Audit reports quarterly to the Audit Committee on all key matters and provides the Committee (and, through the Committee, the Board and the shareholders) overall assurance of the effective operation of internal control systems.

Other internal control participants

Apart from the financial governance in place within Almarai, the following departments perform regular internal reviews to ensure operational effectiveness and compliance with industry benchmarks and standards (ISO3 9001:2015, 14001:2015, 22000:2005 and 27001:2013, FSSC 22000, 45001:2018):

- Quality, Regulatory, Health, Safety, Security and Sustainability (QRHSS&S)
- Manufacturing
- Farming
- Sales Distribution and Logistics
- Information Security

Internal control and Risk management process

The internal control and Risk management processes consist of the following five closely related components:

- Control environment
- Risk identification and assessment
- Control activities
- Dissemination of information
- Continuous monitoring

Control environment

The aim of the control environment is to make staff aware of the usefulness and necessity of internal control. Such awareness is the foundation of all other components of internal control. Almarai's control environment is based on the following:

- Almarai's core values, which are widely communicated across the Company
- Almarai's Corporate Governance Rules, updated and approved by the Board in December 2017
- Human Resources and social policies, particularly regarding employee development and training
- Directions given by the Board of Directors and Almarai's Executive Management to achieve continuous improvements in all operating procedures

- Standardization of Almarai's operating processes and the regular use of a single integrated information system for the majority of functions
- Deployment of the Almarai operating processes and the single integrated information system across all Almarai subsidiaries and geographies
- Overlay of Almarai's internal control framework and Company-wide authority matrix, which is periodically reviewed to ensure Almarai's internal control and governance framework is up to date
- An intranet providing standardization and governance documents that allow staff within Almarai's financial and non-financial community to stay abreast of Almarai's internal control and quality best practices
- Written guidance on internal control, assessment and remediation distributed each quarter by the Internal Control Department

Risk identification and assessment

Almarai defines risk as 'the possibility of an event occurring that will have an impact on its essential business processes and activities or the compliance, reporting or strategic objectives of the Company'. Risks are evaluated via a combination of the consequences of an event and the likelihood of its occurrence.

Almarai's approach to risk

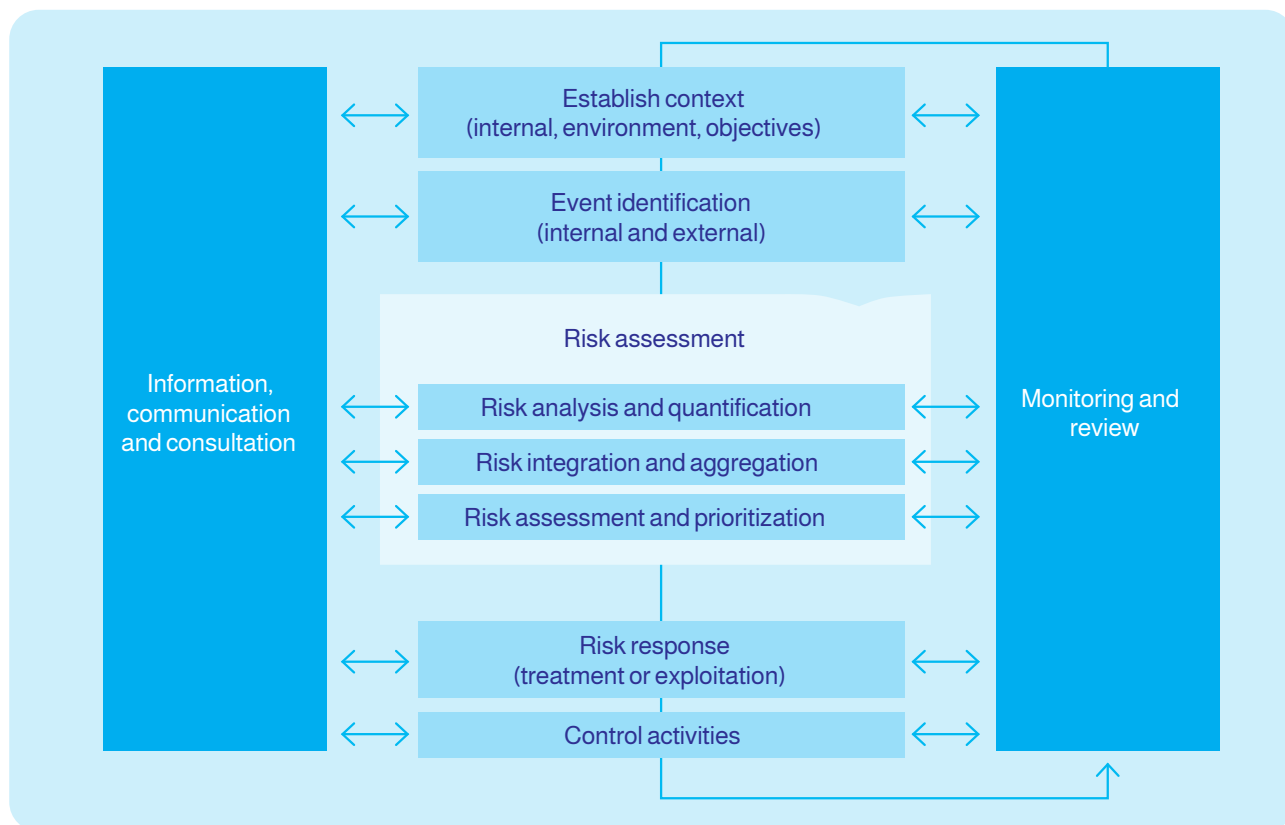
Almarai has developed a methodology to manage potential business risks. This is aligned with recognized industry standards and best practices, based on: the COSO Enterprise Risk Model – Integrated Framework; and ISO 31000:2018, Risk Management – Principles and Guidelines.

The methodology is reviewed regularly and, where necessary, adapted to ensure it evolves with the Company's business needs, thereby allowing Almarai to manage risks effectively and efficiently, supporting the achievement of short and long term objectives.

The Almarai Risk Management framework is aligned to the COSO model components and the process defined in ISO 31000:2018. This cyclical process is supported by Almarai's Enterprise Risk Management Function through the provision of education, training and monitoring, review and assessment through guidance to business management teams and the use of an ancillary toolset for recording, analyzing and reporting on risks.

ISO process defined
31000:2018

Almarai Risk management process



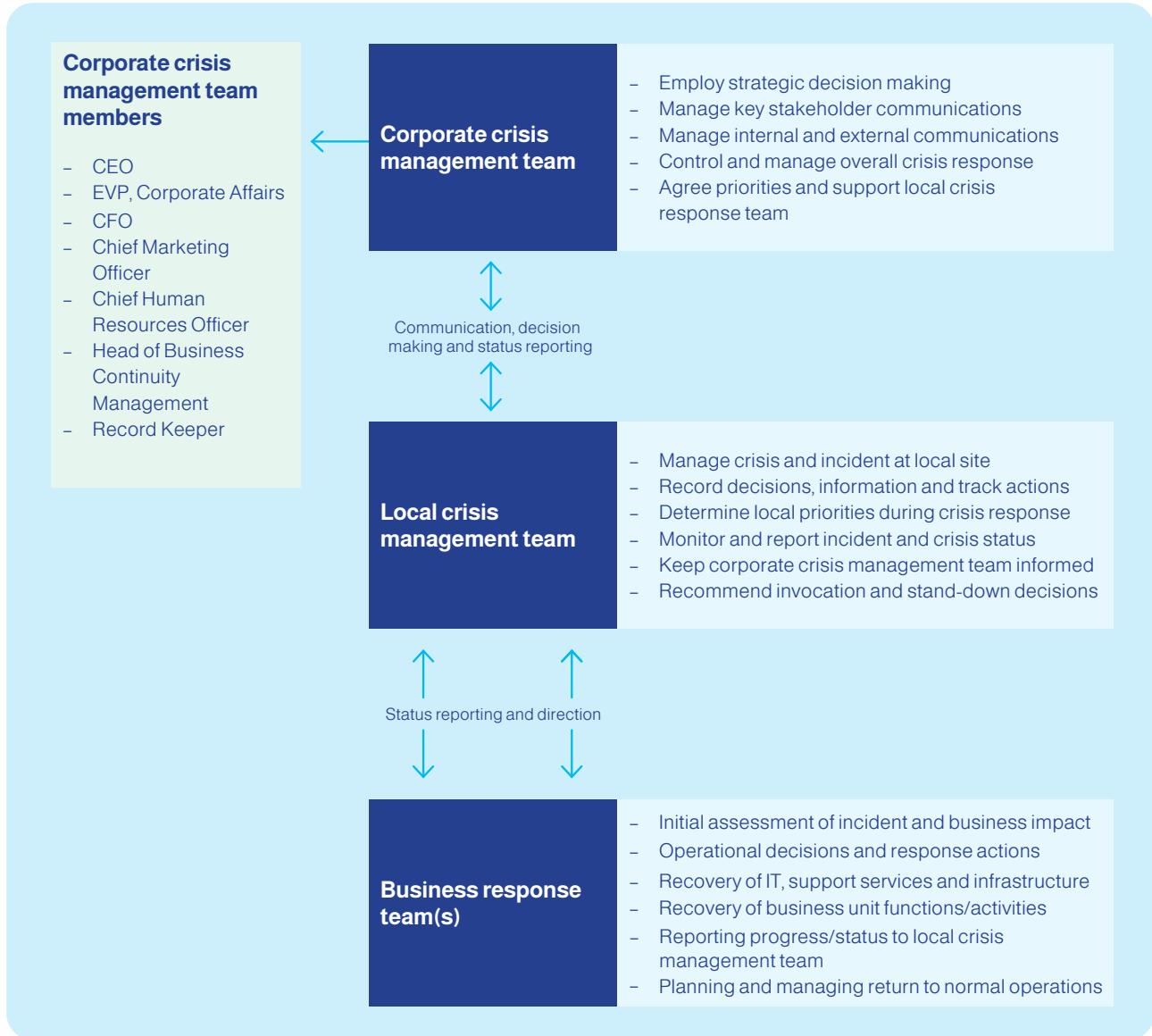
Risk Governance model

Aligned with industry recognized and adopted best practice, Almarai operates a three lines of defense model to ensure accountability across the Company for governance, management and reporting of risks and the control environment.

	First Line of defense	Second Line of defense	Third Line of defense
		Almarai Board	
Board Level			<ul style="list-style-type: none"> Risk Committee Audit Committee
Executive Level		<ul style="list-style-type: none"> Compliance and Ethics Committee Executive Risk Committee 	Head of Internal Audit
Management Level	Management Teams	<ul style="list-style-type: none"> Enterprise Risk Management Quality Regulatory Safety Compliance Ethics Management 	Head of Internal Audit

Almarai Crisis Management Structure (CMT)

Almarai has developed a major incident and crisis management protocol, that can be activated if an abnormal or unstable event threatens the Company’s strategic objectives, reputation, or ongoing viability. The approach to these types of incidents is based on industry standards and best practice. It incorporates a three-tiered response system to ensure rapid decisionmaking and action:



Risk monitoring

Almarai's business risk register is reviewed quarterly by the risk champions and respective Executive Vice Presidents of each business area. It is then consolidated and challenged by the Enterprise Risk Management (ERM) Department at Almarai's corporate head office. The Enterprise Risk Management Department presents the most significant risks that Almarai faces to the Company's CEO, CFO, and all other Executives. A map of Almarai's major risks and risk mitigation plans is reviewed and assessed and this work serves as the basis for the presentations made to Almarai's Audit Committee and Risk Committee.

Other elements of risk identification and analysis

Procedures such as competitive monitoring, training, risk prevention and protection, along with the initiatives of specialized departments such as the Quality, Regulatory, Health, Safety and Security Department and Information Security, all contribute to the identification, analysis, and management of risks.

The Quality, Regulatory, Health, Safety and Security Department also helps to identify threats against Almarai's employees and assets. Almarai's Business Continuity function uses information in risk maps to identify potential crises and to prepare appropriate responses in all cases.

Control activities

Control activities are intended to ensure the application of the standards, procedures and recommendations that contribute to the implementation of financial policies. All business areas use a quarterly self-assessment process and send the results to the Internal Control Department, which analyzes them and sends summaries to relevant stakeholders. Appropriate action plans are put in place by the entities under the supervision of the Internal Control Department with the aim of facilitating continuous improvement. Internal reviews are subsequently carried out to validate that corrective measures have been taken. In addition, the performances, and results of each operating unit in the area of internal control are regularly and systematically monitored by the management committee of the relevant entity.

Transmission of information

Appropriate information is identified, collected, quantified, and disseminated in a manner and within a time frame that enables each person to discharge their responsibilities. To this end, Almarai relies upon:

- Its organization and information system, which facilitates the communication of information needed for decision-making
- Training sessions for the network of internal controllers, including workshops and information-sharing seminars

Almarai also uses an intranet site and various documentation database systems that enable information to be shared within the Company. This information includes not only financial information but also non-financial information that meets the needs of the various operating and administrative departments. Since 2011, Almarai has used social media to help transmit information and develop communication and experience sharing.

Continuous monitoring

The internal control system's performance is ensured by the Internal Control Department, which reviews, updates, and reports regularly on the operation and effectiveness of the established control structure. In addition, corporate and business finance Managers at a corporate level obtain reasonable assurance through various layers of review and monitoring.



المراعي
Almarai

اليوم
ALYOUN

شركة تطوير
Development Co.

People and Culture

Almarai's ability to deliver outstanding products, efficient operations and strong financial results is a clear reflection of the outstanding talent we have at every level of the organization. During this year, we maintained focus on supporting and engaging all our dedicated employees to reinforce our culture while empowering them to excel and perform to their potential.

WE@Almarai is a market-leading employee value proposition that sets Almarai apart and positions the Company as an employer of choice for our industry in the Kingdom. Sitting at the heart of our corporate culture, it

establishes our quality makers and aligns them to form a single path to greatness, by recognizing the importance of engaging our employees and keeping them satisfied in order to support operational excellence and strategic progress.

Our ongoing commitment to our quality makers remained the core of our support for the progress and skill development of our employees in 2022. We continued to foster a vibrant and innovative workplace that unlocks progressive value for quality makers and the business.

WE Pillars

WE@Almarai has four pillars derived from the Almarai brand values. They serve to attract talent, strengthen culture and engage our people across the organization.

WE Evolve

Focuses on any new personal innovations, initiatives, talents including art, music, and technology.



WE Care

Involves all employees centered approaches and activations, including promoting, wellbeing and a healthy lifestyle.

WE Empower

Support our quality makers in their career path and achievements.



WE Celebrate

Includes celebrating any official days on a national and international level, and internal festivities.



WE are proud to share these success stories which are divided into four main pillars:

WE
Care
+1,400

WE
Evolve
+170

We
Empower
+100

WE
Celebrate
+706

Our year in numbers:

43,104*
Almarai quality
makers

8,762
Saudi
nationals

6,195
new hires in
2022

3,240
No. of
learners

76,855
No. of
learning hours

*Total HC that covers KSA, GCC, IDJ, and Fondomonte entities of Almarai Company.

Ensuring Diversity and Inclusiveness

As a certified Gold Member of the Mowaamah programme, Almarai recognizes the highest standards and practices in establishing a working environment that is welcoming and accessible to people with disabilities.

We are also a certified Gold and Founder member of the Qadeeron network, which also advances inclusivity in the workplace for people with disabilities.



We maintained our commitment to supporting the national talent development goals of the Kingdom in 2022 through a range of ongoing initiatives. We hired around 1,000 new Saudi staff this year, including 234 trainees joining the FIP Institute. We also maintained our Nitaqat status in all categories in platinum and high green, while achieving the targets for Nitaqat professions. Furthermore, we continued to provide all national development programmes, with 71 Saudis enrolled in our Tamheer programme and 44 in our Cooperative Training (Coop) programme this year. We also hired over 100 new female staff this year, with a particular focus on enhancing inclusiveness in Executive and management positions.

Training and Developing our People

Our development programmes, processes and opportunities enable everybody to thrive, whether they are fresh hires, mid careers or experienced professionals. Our “build-from-within” approach to talent development is about

fostering learning spirit and realizing potential, not only in our work context but also within ourselves. We believe in giving every employee access to a range of continuous personal and professional development opportunities to meet their career aspirations.

Our learning and development strategy is aligned with Almarai’s 2025 Vision and drives progress towards making Almarai a sustainable, successful organization. It is also aligned with the broader Human Capability programme envisaged by Saudi Vision 2030, to ensure that Saudi citizens have the required capabilities, skills and competencies to enhance the Kingdom’s current and future global competitiveness.



Almarai Academy

Our flagship Almarai Academy is an established industry benchmark in offering general leadership programmes, topic-focused trainings, customized behavioral interventions and cross-divisional learning programmes. The Academy provides a comprehensive suite of outstanding courses led by first-class professionals in a wide range of well researched, competitive and future-oriented specialty areas,

such as Growth through Innovation, Strategic Thinking and Planning, Resilience and Agility, Change and Crisis Management, Digital Transformation and Finance Acumen for Non-Finance Professionals.

In the past year, 1,475 employees benefitted from 43,740 hours of immersive learning experience as part of their development journeys. Employees, at all levels and across all functions, also undergo on-the-job training with the aim to strengthen their capabilities in line with job dynamics and workflows, and broadly, the Company culture.

The Academy successfully employs digital technologies to offer high-quality virtual learning opportunities that broaden our learning reach through provision of accessible and flexible learning experiences for diverse learners across the organization. Virtual trainings replicate the fundamentals of face-to-face classroom trainings to an online experience, in real-time. Our eLearning platform helps to deliver active, engaging, and relevant content through the adoption of best practices for learning with technology. This virtual learning environment has enabled us to bring our employees closer to the ever-changing technology trends and industry best practices, while still providing the required learning transfer in a cost effective, engaging way for all learners, regardless of their location.

Our leadership programmes, in collaboration with world-class business schools and institutes, prepare our leaders for tomorrow to tackle real-world challenges. We offer transformative, human-centered leadership programmes for all our management and team leaders, tailored to the challenges faced and skills needed at each level. Keeping in line with the fast-paced world, all the leadership programmes have been delivered through a virtual platform, providing a real-time and engaging learning experience.



Food Industries Polytechnic (FIP)

Almarai launched a national initiative in 2011, in partnership with the public sector, to enhance community development by developing high caliber Saudi youth for the Food Industry. Food Industries Polytechnic (FIP) is a premier institute providing a number of diversified programmes related to the food supply chain to train and equip young Saudi Nationals with essential knowledge and skills to build promising careers in the food industries.

FIP runs four major diploma programmes, namely: Farm Technologies, Food Technology, Maintenance

and Repair, and Technical Accounting. These diploma programmes include six months on the job training that allows participants to experience a variety of different roles, improving employee exposure to new opportunities and encouraging knowledge transfer between colleagues and teams. FIP also offers a number of short courses to upskill/reskill existing employees in partner industries.

FIP and all its training programmes are accredited by national and international accrediting bodies, such as the Education and Training Evaluation Commission (ETEC) and ISO 29993: 2017. FIP is an accredited center for the Health and Safety Training programme of the Ministry of Human Resource and Development (HRSD), and maintains an active partnership with the Ministry of Industries through Industrial Cluster.

FIP has institutional memberships with international food organizations, including the American Institute of Baking (AIB), International Association for Cereal Science and Technology (ICC), and ISEKI Food Association. Since 2011, FIP has delivered training to 1,934 Saudi employees at Almarai and has achieved an average course satisfaction rate of 92% since 2019.

Succession Planning

Almarai uses a structured and systematic succession planning programme to identify and develop employees to fill critical business roles within the organization. The objective of succession planning is to ensure continuity in key positions and develop intellectual capital for the future. During periods of significant change or challenge, Almarai's succession planning has ensured that there is a strong talent pool of personnel available with the corporate values and behaviors needed to lead the Company into the future.

Succession Planning has been established for the top N-1 level (direct reports to CEO) and is ongoing. In 2022, the programme extended to business-critical positions two levels down from the CEO. We successfully completed the calibration of its entire talent pool of 1,450 managers covering all M grades across the Company. The insights gained from the talent review allow Almarai to make strategic talent decisions and more effectively plan for the Company's future.

Building Digital Capabilities

During 2022, we continued to build capabilities and drive efficiencies through enhanced digital channels and engagement for our employees.

We introduced multiple enhancements in SuccessFactors to maximize efficiencies and ensure legal compliance, upgraded the SuccessFactors Recruiting module, and launched a new homepage in SuccessFactors for an enhanced user experience.

We also developed and implemented our new Performance Management Form, launched a new SAP Jam platform that helps to raise the engagement among our employees, and successfully recertified our Human Resources for ISO 9001:2015 certification.

Engaging our People

To ensure a healthy, engaged and productive workforce, we carried out countless events and initiatives within our facilities and across our communities during the year. We aim to inspire and encourage our employees by engaging them in a range of campaigns, communications and activations, including:

Almarai Marathon – getting our employees moving in line with the goals of WE Care.



Mental Health Awareness campaign – promoting a working environment that protects the mental health of all employees, in line with WE Care.

Celebrating employee occasions – engaging the quality makers with Almarai by celebrating the moments and milestones of our employees.

Celebrating National and International days – to strengthen the relationship between Almarai and the quality makers.



Wellbeing initiatives – 150 health activities across all quality makers to improve mental, physical and nutritional health.

Looking towards 2023

Our commitment to ensuring that we have the right talent at every level of the organization and that every employee is supported and engaged will remain a top priority for Almarai in 2023. We continue to invest in our capabilities and build skills and strength to deliver our strategy, with a particular focus strengthening HR infrastructure and reinforcing our corporate culture.

We plan to continue the process of enhancing our HR policies by benchmarking and adopting HR best practices in Almarai's governing policies, including developing a holistic HR manual, employee handbooks, etc. We will also enhance and expand our job architecture framework to become broad-banded rather than specific to current roles and responsibilities, allowing for growth and development of our employees as they progress their careers with Almarai.

Finally, we will seek to enhance Almarai's performance-driven culture by instilling employee performance management. We have already kick started the appraisal phase of our new performance management programme for a segment of the Almarai population. In the year ahead, we will expand and deploy the full programme to deliver comprehensive performance management that is completely integrated with the performance outcomes of our other HR processes

Sustainability

During 2022, sustainability principles continued to guide how Almarai thrives in the midst of evolving macro challenges. Our integrated management of environmental, social, and governance performance helped us evolve stronger from the pandemic and market conditions. We remain committed to the three pillars of our 2025 strategic sustainability plan and implementing industry-leading practices that protect both the wellbeing of our Consumers and employees, while delivering true value for the environment, the communities we serve, and our stakeholders. We continued to review and sharpen our sustainability strategy in 2022 to ensure it remains relevant and effective and helps to set a conducive path for our business to thrive in years to come. Further details on the progress we made in 2022 can be found in our 2022 Sustainability Report.

issues that are most relevant to the organization. During 2022, Almarai concluded a review of the identified and other relevant material issues to ensure their relevance, the results are presented below. We observed that ‘Nutrition and wellbeing’ has gained importance for our internal stakeholders, likely due to the ensuing pandemic that highlighted Almarai’s crucial role on food security for our communities. In addition, our external stakeholders placed more importance in employee health, safety, talent, and diversity, and on our community investment efforts. In 2022, Almarai continued to monitor the identified material issues, programmes, and progress to ensure we remain on-track to deliver on our committed goals.

Materiality

Almarai conducted a formal materiality assessment in 2019 that engaged both internal and external stakeholders to identify material environmental, social, and governance



Sustainability framework

Almarai believes that the world can be a better place if we are all committed to doing better every day. By living up to our commitments, we can make positive changes that support a better tomorrow.

In 2019, we developed a set of 25 goals and targets to achieve by 2025 during the development of our sustainability strategy, “Doing better every day”.

Our strategy is built upon three interconnected pillars and 12 material issues that are essential in supporting our contribution to building a more sustainable future”

Doing better every day

Almarai believes the world can be a better place if we are all committed to doing better every day. By living up to our commitments, we can make positive changes that support a better tomorrow.

Our commitments



Caring for people

Our promise to improve the lives of those that are integral to our business success every day.



Protecting the planet

Our promise to minimize our impact on our shared natural resources every day.



Producing responsible products

Our promise to deliver “Quality you can trust” and enhance supply chain sustainability every day.

Nutrition and wellbeing

We are working to make sure that our products and communications support healthy living every day.

Health and safety

We are working to make sure we foster a health and safety culture among our people every day.

Employee talent and diversity

We are working to make sure that our people are developed, valued and included every day.

Community investment

We are working to make sure that we are leveraging our resources to create a positive impact every day.

Water management

We are working to make sure we are effectively using water resources every day.

Packaging innovation

We are working to make sure we reduce the impact of our packaging on the environment every day.

Climate change

We are working to make sure we implement more sustainable solutions to reduce our emissions every day.

Waste management

We are working to make sure that we are moving towards zero to landfill every day.

Sustainable agriculture

We are working to make sure that our agricultural practices are regenerative every day.

Quality and food safety

We are working to make sure our products are safe and satisfy consumers’ needs every day.

Animal welfare

We are working to make sure that our animals are treated and handled humanely throughout their lifecycle every day.

Ethical sourcing

We are working to make sure we take a collaborative approach to elevate sustainability in our supply chain every day.

Selected activities in 2022

Below are examples of initiatives taken throughout the year that highlight our commitment to sustainability, grouped into our three priority areas as a key part of our existing five-year strategic plan.

Caring for people:

Reduced employee voluntary turnover

At Almarai, we recognize that we are only as strong as our employees, and we are committed to attract, develop, and retain a motivated and diverse workforce. Our aim is to foster a positive working environment in which everyone is part of our growth, where life and work within is defined by the values of the Company. Almarai provides a wide range of activities that seek to create a flexible work culture to encourage a productive, healthy work/life balance, employee retention, and personal and professional growth opportunities. Our voluntary employee turnover reduced 12% from 2021.

Revised goal for gender equality

The Almarai 2021 Sustainability Report outlined the modification of one of our targets from increasing number of female employees to ensuring gender equality in our workforce, with focus on talent development, capabilities building, and opportunities. We are working aggressively in alignment with the Saudi Vision 2030 and the National Transformation Programme to promote gender equality in all of our businesses and functions.

Improved youth employability

Almarai has long supported education initiatives including the Technical and Vocational Training Corporation (TVET) which commenced in 2011. This project supports robust TVET programmes, such as the Dairy and Food Polytechnic to develop the skills of young Saudi Nationals, particularly in the dairy and food industry. As one of the major industries in Saudi Arabia, the project takes high school graduates and provides training to meet business demand for technically qualified people with dairy and food industry specific skills. Through this programme, we exceeded our 2025 goal of improving employability of at least 1,400 young people.

Occupational health and wellbeing

As a part of our occupational health and wellbeing programme, Almarai conducted anonymous surveys and health and wellbeing checks, and worked in collaboration with the Saudi National Center for Mental Health to raise awareness of health and wellbeing among employees.

Management of road risks

As a part of our occupational health and wellbeing programme for road safety, Almarai developed defensive driver training programmes, installed inward and outward facing cameras monitoring driver behaviors, and set-up driving simulators.

Protecting the planet:

Zabadi cups packaging optimization

In December 2022, Almarai conducted a commercial trial for utilizing 10% post-consumer recycled PET plastics for Zabadi cups, which ran successfully paving way for the official launch in 2023. This effort is one of many ways that Almarai intends to drive demand for post-consumer recycled material to help evolve the waste recycling ecosystem in the Kingdom.

Actively supporting packaging economy in KSA

Almarai has been working with packaging suppliers, recyclers, plastics manufacturers, National Center for Waste Management (MWAN), and Saudi Investment Recycling Initiative (SIRC) to reduce waste at source and divert most waste away from landfill. In addition, Almarai has been working with other businesses from FMCG, plastics manufacturing, and recycling sectors at KSA Packaging Working Group under the Federation of Saudi Chambers to engage with MWAN and SIRC to divert more waste from landfill and evolve a circular packaging economy.

Explored and trialed alternate fuel vehicles in our sales fleet in the UAE

We strive to accomplish our 2025 target to explore and trial alternative fuel in the sales fleet vehicles. From late 2021, we began using biofuel in an increasing number of our fleet vehicles to deliver our products across the UAE and are engaged with biofuel suppliers in Saudi Arabia to trial them in the Kingdom.

Producing responsible products:

World Quality Day 2022

Almarai's commitment to "Quality you can trust" is also a commitment to continuous improvement, which is envisioned in principles of our sustainability strategy, "Doing better every day." We celebrated the annual World Quality Day by reflecting on our achievements to ensure the best quality to our Consumers and our ambition to lead the way in every sector we participate in. The theme of "World Quality Day 2022" was 'Quality Conscience – Doing the right thing,' which we as a business subscribe to. Employees at all levels of the business participated in various activities to reinvigorate the quality mindset and culture and to celebrate our successes.

Always audit-ready mindset

In 2022, we continued to conduct some of our internal and external food safety audits as unannounced to demonstrate our "Quality you can trust" mindset. We believe this is a true reflection of our continually improving quality and food safety practices to deliver safe products of the highest quality to our Consumers.

Engagement with stakeholders

We endeavor to maintain an active dialogue with stakeholders on a continual basis, whether Consumers, investors, employees, regulators, or civil organizations. In so doing, we use a range of communication channels that are most appropriate to their specific interests.

Historically, the most popular of our engagement programmes has been the access we provide to the public at manufacturing facilities in Saudi Arabia. During the pandemic we made the decision to lockdown all onsite facilities to ensure sustained production capabilities, restricting access for the public to visit our pioneering facilities. However, as our communities emerged to normality, we resumed our facilities visit programme in the later part of 2022.

In addition to the above engagements, we recently published sustainability policies and position statements covering our aspirations on animal welfare, climate change, community investment, energy, environmental impacts of packaging, ethical sourcing, environmental policy, human rights, responsible marketing, and water stewardship. This effort brings transparency for our stakeholders on everything we do. To enhance transparency and reliability for our stakeholders, Intertek Saudi Arabia Ltd, a third-party independent auditing firm, audited and assured our sustainability data and report as per ISAE 3000 standard.



03 Governance

Board of Directors	74
Executive Management	78
Almarai Organizational Chart	80
Tadawul Announcements	81
Almarai and its Subsidiaries	82
Share Price and Shareholder Information	84
Main Transactions Investments and Other Events	87
Important Events in 2023	88
Preparation of the Financial Statements	89
Dividend Policy	90
Statutory Payments, Penalties and Sanctions	93
Corporate Governance Code	94
Rights of Shareholders and the General Assembly	95
Board of Directors Formation and Functions	96
Regular Meetings of the Board for 2022	99
Ownership of Board Members	100
Ownership of Senior Executives	101
Details of Paid Compensation and Remuneration	102
Company Committees	107
Investment Committee	108
Remuneration and Nomination Committee	110
Audit Committee	112
Results of Annual Internal Audit Procedures	114
Risk Committee	116
Related Party Transactions	117
Disclosure and Transparency Policy	119
Board of Directors Certification	120
Financial Performance for 2022	121



المراعي
Almarai



المراعي
Almarai

المراعي
Almarai

Board of Directors

**HH Prince Naif bin
Sultan bin Mohammed
bin Saud Al Kabeer**

Chairman



Mr. Sulaiman A.K. Al Muhaidib
Vice Chairman



**Mr. Ammar bin Abdulwahid
Al Khudairy**
Director



Mr. Bader bin Abdullah Al Issa
Director



Mr. Hosam Ali Al Qurashi
Director



**Mr. Mohammed Mansour
Al Mousa**
Director



**Mr. Salman Abdelmuhsin
Al Sudeary**
Director



**HH Prince Saud bin Sultan bin
Mohammed bin Saud Al Kabeer**
Director



Mr. Waleed bin Khalid Fatani
Director

HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer, Chairman

Prince Naif is a seasoned businessman. His highness holds a bachelor's degree in business administration & Marketing from King Saudi University in 1999.

In addition to being the chairman of Almarai Company, he is the chairman for several other reputable companies including Zain, Arabian Shield, Global Downstream Industries, Global Chemical industries. He is also a board member of numerous companies such as Yamama Cement, Faraby Al Khaleej Petrochemical, Tejoury Company, The Ideal Factory.

Mr. Sulaiman A.K. Al Muhaidib, Vice Chairman

Mr. Sulaiman Muhaidib is the Chairman of Al-Muhaidib Group. He is also the Chairman of Savola Group, RAFAL Real Estate Development Company. In addition, he sits on the Board of Directors of Vision Invest, ACWA Power International, King Salman Center for Disability Research and Prince Fahad Bin Salman Charity Association for Renal Failure Patients Care.

Mr. Ammar bin Abdulwahid Al Khudairy, Director

Mr. Ammar Al khudairy is the Chairman of Saudi National Bank. Prior to his bank chairmanship, he played key leadership roles in various Saudi financial institutions such as Riyadh Bank, United Saudi Bank, and Banque Saudi Fransi. In addition, Al khudairy served as a Board Member from 2015 to 2018, Chairman of the Audit Committee from 2015 to 2018, and was the interim Managing Director/CEO from October 2017 to March 2018 at Banque Saudi Fransi. Alkhudairy's expertise, which spans over 30 years in the financial sector, focused on areas such as Corporate Banking, Project Finance, Corporate Finance, M&A, and Asset Management. Al khudairy has also served in various public and private board memberships, including Chairmanship of Goldman Sachs Saudi Arabia, Chairmanship of Morgan Stanley Saudi Arabia, Chairmanship of Allianz Saudi Arabia, and board member of Almarai. He founded and chairs Amwal Capital Partners, an alternative assets' management business based in DIFC and also Riyadh. He also served as director in government related entities, including Real Estate Development Fund and the Economic Cities Authority. Alkhudairy earned a M.Sc. in Engineering Administration and B.Sc. in Civil Engineering from George Washington University.

Mr. Bader bin Abdullah Al Issa, Director

Mr. Bader Al Issa is the CEO of Assila Investments and the Vice Chairman of Savola Group. He also serves several Boards including Banque Saudi Fransi, Dur Hospitality, Panda Retail Company, Afia International Company, United Sugar Company and Savola Foods. Bader is a CFA charter

holder and holds a BA in Economics from the University in Virginia and an MBA from Rice University in the United States of America.

Mr. Hosam Ali Al Qurashi, **Director

Mr. Hosam Al Qurashi has over 20 years of rich professional industry experience with government entities and national and multinational conglomerates. He is currently a Board Member at the Saudi Coffee Company (PIF Subsidiary), The Madinah Heritage Company (PIF Subsidiary) and Nana, the largest grocery app in the Kingdom. As an Executive Advisor to The Royal Commission for Riyadh City, Hosam has played a key role in the development of the Riyadh City brand and marketing strategy, leading a multi-government entity programme to attract regional headquarters of multinational companies to Riyadh, established the city marketing and investment promotion function covering the investment support office, the city marketing department, marketing operations, diversity equity and inclusion, city diplomacy and city excellence. Prior to that Hosam was the CCO/CMO of Panda Retail Company, the largest grocery retailer in the Middle East and Africa. In this venture Hosam was accountable for category management, merchandise planning, strategic buying, and marketing. As the CEO of Whites (fast-growing lifestyle retailer), Hosam developed a five year strategy which restructured the companies end-to-end operations. Whilst in the role of CMO of Nahdi Medical Company (largest pharmacy chain in MENA), Hosam redefined the company's brand and created an entirely new marketing function for the chain, launched its award-winning loyalty programme (Nuhdeek) and its private label range which also led to Hosam winning the Middle East 'Retail Professional of the Year' award in 2015 from the ICSE. In addition, Hosam has experience with Procter & Gamble and managed several mega brands across the GCC such as Bonux, Downy, Fairy and Pantene.

Mr. Mohammed Mansour Al Mousa, **Director

Mr. Mohammed Almousa is the Group CFO for SALIC Co. Prior to this, he assumed various executive roles within Al Faisaliah Group Holding Co. and its affiliates, the last of which was Group CFO in addition to his directorship on various boards and committees. He is currently a Board Director for SALIC Ukraine Co. (Ukraine), Minerva Foods Co. (Brazil), Daawat Foods Co. (India), and United Farmers Investment Co. (KSA). He also Chairs the Executive Committee of G3 Canada Co., an affiliate of G3 Global Holdings Co. in Canada, and sits on the Audit Committee of Abdullah Al-Othaim Markets. Mohammed holds a Master's degree in Accountancy from Missouri State University and a Bachelor's degree in Business Administration from King Saud University. He also attended executive programmes at IMD and Harvard Business School, and holds several professional certifications (CPA, CME1).

Mr. Salman Abdelmuhsin Al Sudaery,Director**

Mr. Salman Al Sudaery holds a master's degree in Finance and commenced his career in the financial sector in the United States of America, working in both the private equity and investment banking field. Following several years in this sector, Salman moved back to Saudi Arabia, where he launched his first company, Tejoury, a company specializing in Records and Information Management. This company has grown to be the largest provider of RIM services in the Kingdom. In addition to launching several other start-ups, he also participates on several boards and committees of both publicly and privately held companies.

HH Prince Saud bin Sultan bin Mohammed bin Saud Al Kabeer, Director

A business administration graduate of King Fahad University of Petroleum and Minerals. He is also a board member at Aldar Chemicals Company and Chairman of Export 30. Prince Saud joined Almarai in a role within the marketing department following two years of working at Banque Saudi Fransi.

Mr. Waleed bin Khalid Fatani, Director

Mr. Waleed bin Khalid Fatani is the CEO of Savola Group. He also held Saudi Fransi Capital CEO (from June 2015 till 31 December 2020). He worked as the Group Treasurer of Abdul Lateef Jamil and Capital Markets & Investment Advisor to the President from June 2013 to June 2015. He was also the General Manager of Deutsche Bank KSA from May 2011 to June 2013. Additionally, he started his career with Banque Saudi Fransi in 1994. He was the Head of Group Treasury and was a member of several executive committees to develop and follow up the Group's treasury strategy. Waleed has over 26 years of banking, financial and investments experience, and his career has given him vast experience across various business sectors and the financial services sector. He holds a bachelor's degree of science in accounting from California State University (1993).

Mr. Peter Amon,*Director

Mr. Peter Amon is an international Senior FMCG Executive with over 27 years of experience working for leading consumer goods companies, Unilever, Kraft, Nestlé and for a global professional service company, Aramark. He has a proven track record in building winning brands and services globally, successful innovation management and internationalization of businesses. In his previous position he was the Head of Global Food for Nestlé Professional. He is currently a Supervisory Board Member and Executive Director of More-Than-Meals (MTM), Luxembourg. Peter holds an MBA degree from the University of Würzburg, Germany.

Mr. Saad bin Abdulmohsen Al Fadly,*Director

Mr. Saad Al Fadly has more than 20 years of experience in investment management, investment banking, risk control and corporate governance. He has a solid educational and training background and holds a Master's degree in Financial Economics.

Mr. Sultan Abdulmalik Al Sheikh,*Director

Mr. Sultan Abdulmalek Al-Sheikh is a Senior Director - Head of Financial Institutions Sector at the MENA Investments Division at the Public Investment Fund of Saudi Arabia (PIF). Mr. Al-sheikh joined PIF in 2015. He is also a Board and Committee member of Almarai Company, Gulf International Bank B.S.C.& Gulf International Bank - Saudi Arabia, Tahakom Investment Company, Saudi Company for exchanging Digital Information (Tabadul), and The Saudi Real Estate Refinance Company. He was also a Board and Committee member of The Helicopter Company (ended 31 Jan. 2021), Saudi Fisheries Company (ended 24 Oct 2020). Al-Sheikh was an Executive Committee member at the Saudi Telecom Company (April 2021). Prior to joining PIF, Mr. Al-Sheikh held key positions in reputable financial institutions. He served as an Associate and Vice President of Investment Banking at Saudi Fransi Capital.

Mr. Al-Sheikh also worked as an Officer in the Securities Listing Department at the Saudi Capital Market Authority (CMA) and as a Relationship Manager at the National Commercial Bank (NCB) of Saudi Arabia.

Mr. Al Sheikh has an extensive experience in finance, with a focus on advising on a range of different ECM transactions including IPOs, rights issues, and M&A. In addition to possessing 18 years of professional experience in financial institutions, Mr. Al-Sheikh holds a Master of Science in Finance from The George Washington University, USA and a Bachelor of Science in Finance from King Fahad University of Petroleum & Minerals, Saudi Arabia.

* Membership ended on 6 August 2022.

** Membership started on 7 August 2022

Executive Management

Abdullah Al Bader, Chief Executive Officer

Abdullah Al Bader joined Almarai in 2000 and was involved in the strategic functions, until he was appointed as the Company's CEO in March 2021. Through a career with Almarai of more than 20 years, Abdullah held several positions within the Company's different sectors, including manufacturing, distribution, sales, marketing, and shared services. The most recent position he held was the Executive Vice President of the Bakery division. Abdullah holds a Master's degree in Business Administration from the University of Leicester in the UK.

Andrew Mackie, Executive Vice President – Farming

Andrew Mackie is the Executive Vice President for Farming at Almarai through which he is responsible for the global farming operations for Dairy, Poultry and Arable Farming. Andrew joined Almarai in 1977, after which he held several positions in the Farming sector of the business. He was the General Manager of Farming from 1998 after serving as the Regional Manager of Farming. Andrew holds a qualification from the West of Scotland Agricultural College, UK.

Danko Maras, Chief Financial Officer

Danko Maras was appointed as Almarai's CFO effective 6 April 2020. He is an experienced financial professional having had senior international positions in the fast-moving consumer goods industry such as Unilever, Leaf and Cloetta, where in addition to being Group CFO, he also has held positions such as CEO and President. He holds a GMP from Harvard Business School (HBS) and a B.Sc. in Business Administration and Economics from Uppsala University.

Fahad Mohammed Al Drees, Chief Human Resources Officer

Fahad Aldrees joined Almarai in 2006 and was appointed as Chief Human Resources Officer in March 2021. During his 15 years at Almarai, Fahad has worked in several capacities from manufacturing to distribution and sales. Most recently, he held the position of Head of Human Resources Services. Fahad holds a BA in English Language and completed specialized courses in Human Resources from the University of Michigan, USA.

Faisal Al Fahadi, Executive Vice President – Corporate Affairs

Faisal Alfahadi is the Executive Vice President of Corporate Affairs for Almarai where he leads on all corporate and government affairs throughout the organization and its investment portfolio. During his tenure at Almarai he has held several senior positions, including General Manager of Human Resources and Support Services and General

Manager of Juice Business. Faisal holds a Master's degree in Marketing from the University of Salford, UK.

Fawaz Al Jasser, Executive Vice President – Bakery

Fawaz Aljasser is currently the Executive Vice President of the Bakery Division at Almarai Company. Before that, Fawaz held a number of positions at Almarai Company, including Chief Human Resources Officer, where he managed the Company's Human Resources and Support Services unit. He was also Director of the Technical Institute for Dairy and Food and General Manager of "Teeba" company, a joint venture for Almarai in Jordan. Fawaz holds a Bachelor's degree in English Literature from Imam Muhammad bin Saud University in Saudi Arabia and a Higher Diploma from the University of Leicester in the United Kingdom.

Hussam Abdulqader, Chief Marketing Officer

Hussam Abdulqader is Almarai's Chief Marketing Officer. His responsibilities span over branding, product and packaging innovation and development, corporate communications and public relations and marketing services. Since joining Almarai in 2003, he held several positions across the Company, including General Manager of Marketing, CEO of MFI - a joint venture between Almarai and Chipita, CEO of Teeba - the Jordan operation of the joint venture between Almarai and PepsiCo. Prior to joining Almarai, Hussam worked for Nielsen as Head of Retail Measurement Services for the Gulf Cooperation Council (GCC). He holds a BA in Business Administration from Amman Private University, Jordan.

Michael McDonald, Executive Vice President – Poultry

Michael McDonald was appointed Executive Vice President of Poultry in January 2020, prior to which he held the role of Head of Business Unit Poultry. Michael joined Almarai in 2000, during his time he has held several positions within the Almarai Farming and Poultry divisions. He holds a Higher National Diploma from Greenmount Agricultural College, a Postgraduate Certificate in Food Safety and Security from Queens University Belfast, as well as an MBA from Liverpool University, UK.

Mohammed Al Shuhail, Executive Vice President – Food Service

Mohammed Al Shuhail is the Executive Vice President of Food Service and manages Almarai's portfolio within B2B operations (HORECA). Mohammed joined the Company as Chief Executive Officer of the International Pediatric Nutrition Company (IPNC). Prior to this, he worked for Al Safi Danone and the Danone Group in the Middle East and

Spain, holding several key positions. These included CEO of Al Safi Dairy Company, where he built a sustainable B2B business model, and EVP of Human Resources of Alsafi Danone Company, Head of Export where he developed the company's portfolio and opened new international markets and managed different brands in the marketing department. In addition, he was the Innovation Manager for Danone Dairy Company in Spain. Mohammed was awarded an Executive MBA from London Business School (LBS), UK, and holds a B.Sc. in Marketing from King Fahad University of Petroleum and Minerals (KFUPM).

Niall Mackay, Executive Vice President – Supply Chain

Niall Mackay is the Executive Vice President of Supply Chain for Almarai, a role in which he is responsible for planning, distribution, and logistics throughout the Almarai supply chain including all sourcing and purchasing activities. Prior to joining Almarai he held senior operational positions at Pedigree Pet Foods (a part of Mars Inc.), Coca-Cola Enterprises, British Bakeries (part of Rank and Hovis McDougal) and Royal Mail, UK. Niall holds a Master's degree in Chemical Engineering from Imperial College, UK, and an MBA from Henley Management College, UK.

Nikolaos Stavridis, Executive Vice President – Sales

Nikolaos Stavridis is the Executive Vice President of Sales for Almarai. He is responsible for the overall Almarai sales function. Nikolaos has extensive sales experience in FMCG. Prior to joining Almarai, he held various executive positions, such as Key Account Manager at Pepsico (Greece), Sales Director at Danone (Greece and Cyprus), Commercial Director at Arla Foods (Greece, Romania, Malta, and Cyprus), CCO - Board Member at Global Finance Group (Greece, Romania, Bulgaria, Spain, and Cyprus), COO at Group Linette (North and East Africa), General Manager at Almarai, and Vice President (Board Member) at Olayan Group (GCC and Africa). Nikolaos holds a Master's degree in Corporate Finance from the University of Indianapolis, USA and a Master's degree in Business Administration and Strategy from the University of Nottingham, UK.

Omar Salim, Executive Vice President – Dairy and Juice

Omar Salim is the Executive Vice President for Dairy and Juice, a role in which he is responsible for all Dairy and Juice business units in the Company. Prior to joining Almarai, he worked for Mars Inc. as Director of Marketing for the Africa, India and Middle East regions and he also worked at Procter & Gamble across many regions in its Research and Development team. When he first joined Almarai he was appointed to the position of General Marketing Manager. Omar holds a Master's degree in Industrial Engineering from the University of Oklahoma, USA.

Paul Partelides, Chief Strategy and Planning Officer

Paul Partelides is the Chief Strategy and Planning Officer for Almarai, leading the Company's Strategic Business unit with responsibility for strategy and mergers and acquisitions (M&A) for existing and new businesses and markets. Prior to joining Almarai, Paul was Director of Global Strategy and Development at INVISTA where he was responsible for growing the international scope of the business both organically and via M&A. Paul holds an MBA from INSEAD and a B.Sc. in Economics. He started his career at KPMG, where he qualified as a Chartered Accountant.

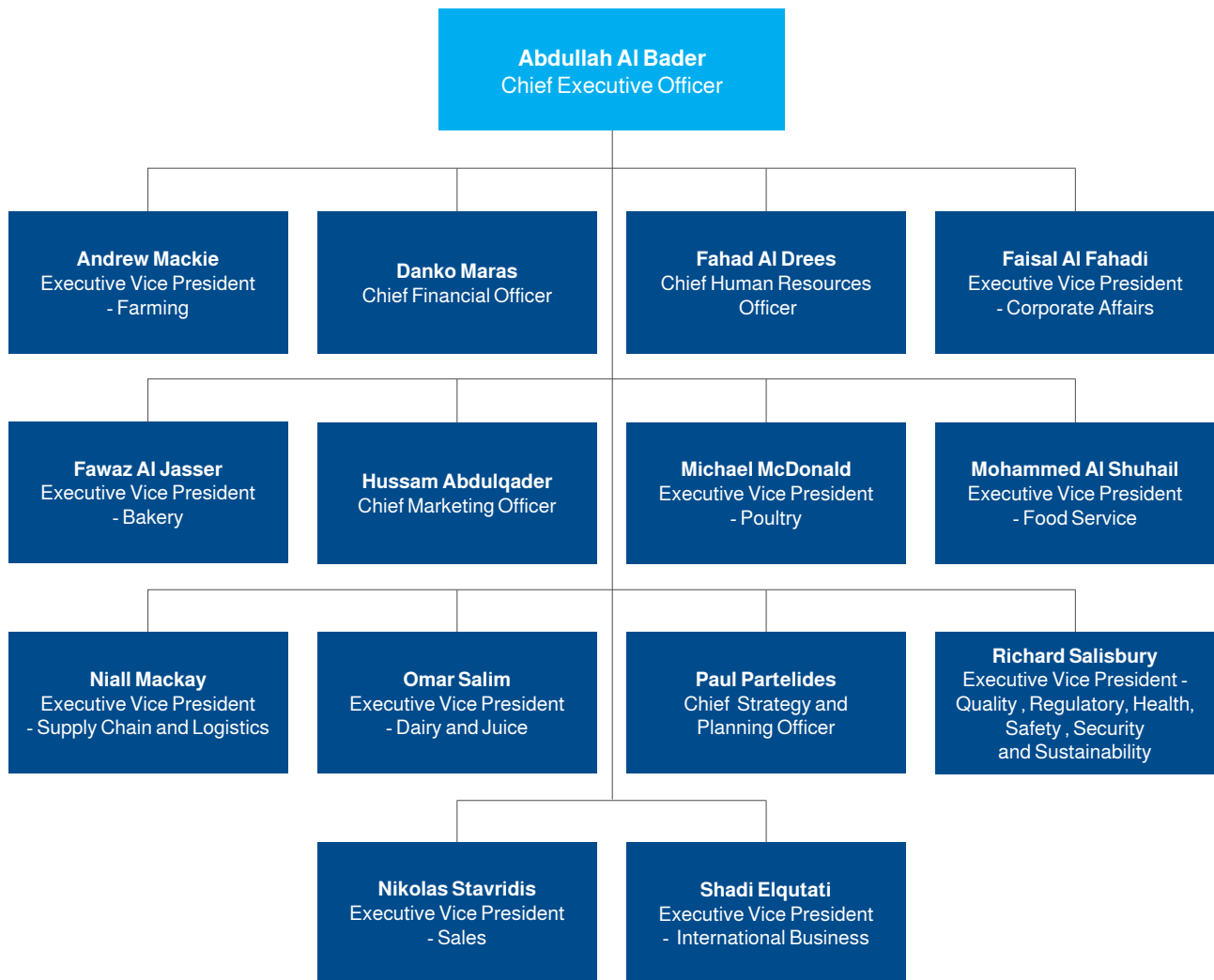
Shadi Elqutati, Executive Vice President – International Business

Shadi Elqutati is the Executive Vice President of the International Business Unit at Almarai. Shadi joined the Company as CEO for Teeba company in Jordan in 2018 and prior to this, he worked for Nestle KSA as General Manager for Infants Nutrition. Shadi has 21 years of experience in well-known pharmaceutical companies like Merck, AstraZeneca and Janssen Inc which includes different fields like sales and marketing in which he held several key positions. Shadi holds an MBA degree from New York Institute of Technology University, USA and a Bachelor's degree in Pharmaceutics from Applied Science University, Jordan.

Richard Salisbury, Executive Vice President – Quality, Regulatory, Health, Safety, Security and Sustainability

Richard Salisbury is the Executive Vice President for Quality, Regulatory, Health, Safety, Security and Sustainability. In this role it is his duty to protect and develop the Almarai brand and business by leading and safeguarding Almarai's principles for Sustainable Excellence by implementing business strategies in line with the Company's overall strategy. Prior to joining Almarai, Richard worked at Britvic Soft Drinks, where he held various positions in product development, packaging development and project management. He holds a Food Science and Technology qualification from Seale-Hayne Agricultural College, UK.

Almarai Organizational Chart



Tadawul Announcements

Almarai announced a number of events and strategic activities throughout the year. The most important events, activities and strategic decisions were announced on the official website of the Saudi Stock Exchange (Tadawul),

Almarai's corporate website and on Almarai's Investor Relations application. In total, 18 announcements were made to shareholders. The following table summarizes the announcements by date, type and subject

No.	Date	Announcement Type	Title of Announcement
1	13 January 2022	Notice to Shareholders	Almarai Company Announces an update on the Completion of the acquisition of Bakemart UAE and Bakemart Bahrain
2	23 January 2022	Financial Results	Almarai Company Announces Its Consolidated Financial Results for The Year Ended on 31 December 2021 (Twelve Months)
3	7 February 2022	Notice to Shareholders	Almarai Company Announces that one of its subsidiaries has acquired an Additional Stake in Modern Food Industries ("MFI")
4	27 February 2022	Notice to Shareholders	Almarai Company Announces the Opening of Nomination for Membership to The Board of Directors
5	20 March 2022	Notice to Shareholders	Almarai Company Invites Its Shareholders to The Extraordinary General Assembly Meeting (The First Meeting) by Means of Modern Technology
6	7 April 2022	Invitation to EGM	Almarai Company Announces to its Shareholders the Starting Date of the Electronic Voting on the Agenda Items of the Extraordinary General Assembly Meeting (The First Meeting)
7	10 April 2022	Financial Results	Almarai Company Announces Its Condensed Consolidated Interim Financial Results for The Period Ended 31 March 2022 (Three Months)
8	13 April 2022	Invitation to EGM	Almarai Company Announces the Results of The Extraordinary General Assembly Meeting (The First Meeting)
9	22 May 2022	Notice to Shareholders	Almarai Company Invites Its Shareholders to The Ordinary General Assembly Meeting (The First Meeting) by Means of Modern Technology
10	9 June 2022	Invitation to EGM	Almarai Company Announces to its Shareholders the Starting Date of the Electronic Voting on the Agenda Items of the Ordinary General Assembly Meeting (The First Meeting)
11	14 June 2022	Notice to Shareholders	Almarai Company Announces Investment for Parent Bird facility to support the Food Security Agenda in KSA
12	14 June 2022	Notice to Shareholders	Almarai Company Announces plan to enter Seafood Category
13	15 June 2022	Invitation to EGM	Almarai Company Announces the Results of The Ordinary General Assembly Meeting (The First Meeting)
14	17 July 2022	Financial Results	Almarai Company Announces Its Condensed Consolidated Interim Financial Results for The Period Ended 30 June 2022 (Six Months)
15	8 August 2022	Notice to Shareholders	Almarai Company Announces the Appointment of the Chairman of the Board, Vice Chairman and Formation of the Board's Committees for the New Term
16	18 September 2022	Notice to Shareholders	Almarai Company Announces the Redemption of its SAR 1,600 million Sukuk – Series V
17	9 October 2022	Financial Results	Almarai Company Announces Its Condensed Consolidated Interim Financial Results for The Period Ended on 30 September 2022 (Nine Months)
18	20 December 2022	Notice to Shareholders	Almarai Company Announces the Board of Directors' recommendation to distribute dividends to shareholders for the year 2022

Almarai and its Subsidiaries

Almarai operates its business through a variety of subsidiaries, joint ventures, associates and agency relationships. The Company maintains long term investments and exerts effective control through the full

capacity to lead and direct economic performance, financial policies and operational processes. Almarai consolidates its financial operations and results as one business unit, issuing Consolidated Financial Statements after elimination of all

Name of Subsidiary	Country of Incorporation	Business Activity Country of Incorporation
Almarai Investment Company Limited	Saudi Arabia	Holding Company
Almarai Baby Food Company Limited	Saudi Arabia	Manufacturing Company
Almarai Agricultural and Livestock Production Company Limited	Saudi Arabia	Liquidated
Almarai Construction Company Limited	Saudi Arabia	Dormant
Almarai for Maintenance and Operation Company Limited	Saudi Arabia	Liquidated
Agricultural Input Company Limited (Mudkhalat)	Saudi Arabia	Dormant
Hail Agricultural Development Company	Saudi Arabia	Poultry / Agricultural Company
Hail Agricultural and Livestock Production Company Limited	Saudi Arabia	Liquidated
International Baking Services Company Limited	Saudi Arabia	Dormant
International Pediatric Nutrition Company Limited	Saudi Arabia	Dormant
Modern Food Industries Company Limited (Refer note 1)	Saudi Arabia	Bakery Company
Nourlac Company Limited	Saudi Arabia	Liquidated
Western Bakeries Company Limited	Saudi Arabia	Bakery Company
Pure Breed Poultry Company Limited	Saudi Arabia	Poultry Company
Premier Food Industries Company L.L.C	Saudi Arabia	Manufacturing and Trading Company
Artas United Limited Company	Saudi Arabia	Transportation and Storage Company
Almarai for Meat LLC	Saudi Arabia	Meat Company
Agro Terra S.A.	Argentina	Dormant
Fondomonte South America S.A.	Argentina	Agricultural Company
Almarai Company Bahrain W.L.L.	Bahrain	Trading Company
Almarai Investment Holding Company W.L.L.	Bahrain	Holding Company
Bakemart W.L.L. (Refer note 13)	Bahrain	Manufacturing and Trading Company
IDJ Bahrain Holding Company W.L.L.	Bahrain	Holding Company
International Dairy and Juice Limited	Bermuda	Holding Company
International Dairy and Juice (Egypt) Limited	Egypt	Holding Company
International Company for Agricultural Industries Projects (Beyti) (SAE)	Egypt	Manufacturing and Trading Company
Beyti For Importation and Exportation Company L.L.C.	Egypt	Trading Company
BDC Info Private Limited	India	Operations Management
Markley Holdings Limited	Jersey	Dormant
Al Muthedoon for Dairy Production	Jordan	Dormant
Al Atheer Agricultural Company	Jordan	Dormant
Al Namouthjya for Plastic Production	Jordan	Dormant
Al Rawabi for juice and UHT milk Manufacturing	Jordan	Manufacturing Company
Teeba Investment for Developed Food Processing	Jordan	Manufacturing Company
Arabian Planets for Trading and Marketing L.L.C.	Oman	Trading Company
Alyoum for Food Products Company L.L.C.	Oman	Dormant
Fondomonte Inversiones S.L.	Spain	Holding Company
Hail Development Company Limited	Sudan	Dormant
Almarai Emirates Company L.L.C.	UAE	Trading Company
BDC international L.L.C.	UAE	Operations Management
Almarai Company Drinks Manufacturing LLC	UAE	Manufacturing Company
Bakemart L.L.C (Refer note 13)	UAE	Manufacturing and Trading Company
Bakemart FZ L.L.C (Refer note 13)	UAE	Manufacturing and Trading Company
Fondomonte Holding North America L.L.C.	USA	Holding Company
Fondomonte Arizona L.L.C.	USA	Agricultural Company
Fondomonte California L.L.C.	USA	Agricultural Company
Hayday Farm Operation L.L.C.	USA	Agricultural Company

significant intergroup balances and transactions. Minority interests represent the portion of profit or loss and net assets not dominated or controlled by the Group and are presented separately in the Consolidated Income Statement and Balance Sheet. The following table sets out the subsidiary

companies' names, business activity, functional currency, ownership interest, share capital and number of shares issued. There are no shares or debt instruments issued to any of these entities.

Effective Ownership Interest				
	2022	2021	Share Capital	Number of Shares Issued
	100%	100%	SAR 1,000,000	1,000
	100%	100%	SAR 200,000,000	20,000,000
	-	100%	SAR 1,000,000	1,000
	100%	100%	SAR 1,000,000	1,000
	-	100%	SAR 1,000,000	1,000
	52%	52%	SAR 25,000,000	250
	100%	100%	SAR 300,000,000	30,000,000
	-	100%	SAR 1,000,000	1,000
	100%	100%	SAR 500,000	500
	100%	100%	SAR 41,000,000	410,000
	100%	75%	SAR 70,000,000	70,000
	-	100%	SAR 3,000,000	3,000
	100%	100%	SAR 200,000,000	200,000
	94%	94%	SAR 46,500,000	465,000
	100%	100%	SAR 500,000	50,000
	100%	100%	SAR 10,000	100
	100%	-	SAR 1,000,000	100,000
	100%	100%	ARS 5,097,984	5,097,984
	100%	100%	ARS 2,211,988,598	2,211,988,598
	100%	100%	BHD 100,000	1,000
	100%	100%	BHD 34,450,000	344,500
	100%	-	BHD 30,000	600
	52%	52%	BHD 250,000	2,500
	52%	52%	USD 7,583,334	7,583,334
	52%	52%	EGP 3,233,750,000	323,375,000
	52%	52%	EGP 3,802,366,670	380,236,667
	52%	52%	EGP 2,000,000	2,000
	100%	100%	INR 2,750,680	275,068
	100%	100%	GBP 5,769,822	5,769,822
	52%	52%	JOD 500,000	500,000
	52%	52%	JOD 750,000	750,000
	52%	52%	JOD 250,000	250,000
	52%	52%	JOD 500,000	500,000
	52%	52%	JOD 21,935,363	21,935,363
	70%	70%	OMR 150,000	150,000
	100%	100%	OMR 20,000	20,000
	100%	100%	EUR 138,505,946	138,505,946
	100%	100%	SDG 100,000	100
	100%	100%	AED 300,000	300
	100%	100%	AED 200,000	200
	100%	100%	AED 250,000 (Unpaid)	100
	100%	-	AED 300,000	300
	100%	-	AED 300,000	300
	100%	100%	USD 500,000	50,000
	100%	100%	USD 500,000	50,000
	100%	100%	-	-
	100%	100%	-	-

Share Price and Shareholder Information

Almarai Shareholdings

As of 31 December 2022, Almarai had 55,054 shareholders. Institutional Investors represent 91.8% of the total share ownership, while individual investors represent 8.2%. There

are 37 shareholders owning one million or more shares in Almarai, representing 89.8% of the issued shares. The following tables provide an overview of Almarai's investors:

31 December 2022			
Almarai Investors According to Nature of Investors	Percentage of Ownership	Number of Investors	Number of Shares
Institutional Investors	91.8%	607	917,701,238
Individual investors	8.2%	54,447	82,298,762
Total	100.0%	55,054	1,000,000,000

31 December 2022			
Almarai Investors According to Nationality	Percentage of Ownership	Number of Investors	Number of Shares
Saudi	94.2%	53,330	942,298,058
Other nationalities	5.8%	1,724	57,701,942
Total	100.0%	55,054	1,000,000,000

31 December 2022		
Almarai Investors According to Investor Type	Percentage of Ownership	Number of Investors
SAVOLA Group	34.5%	1
Sultan Holding Group	23.7%	1
Saudi Agricultural and Livestock Investment Company (SALIC)	16.3%	1
Governmental and quasi-governmental institutions	3.2%	16
Other individuals	8.2%	54,447
Funds	11.5%	417
Companies	2.5%	163
Swap agreements	0.1%	8
Total	100.0%	55,054

31 December 2022		
Almarai Investors According to Size of Ownership	Percentage of Ownership	Number of Investors
Million shares and more	89.8%	37
From 500 thousand to less than a million	1.7%	24
From 100 thousand to less than 500 thousand	3.2%	160
From 50 thousand to less than 100 thousand	0.8%	120
From 10 thousand to less than 50 thousand	1.6%	749
From 5 thousand to less than 10 thousand	0.5%	698
From 1 thousand to less than 5 thousand	1.3%	7,739
Less than one thousand shares	1.1%	45,527
Total	100.0%	55,054

Ownership Notification

According to Article 68 of the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority (CMA), during 2022, Almarai received no new

notifications of new ownership percentages of more than 5% of the shares issued to the Company. The following table outlines ownership of 5% or more of the issued shares:

Ownership of 5% and more of the issued shares	Beginning of the Year		End of the Year	
	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership
SAVOLA Group	345,218,236	34.5%	345,218,236	34.5%
Sultan Holding Group	236,956,536	23.7%	236,956,536	23.7%
Saudi Agricultural and Livestock Investment Company (SALIC)	163,233,480	16.3%	163,233,480	16.3%
Total	745,408,252	74.5%	745,408,252	74.5%

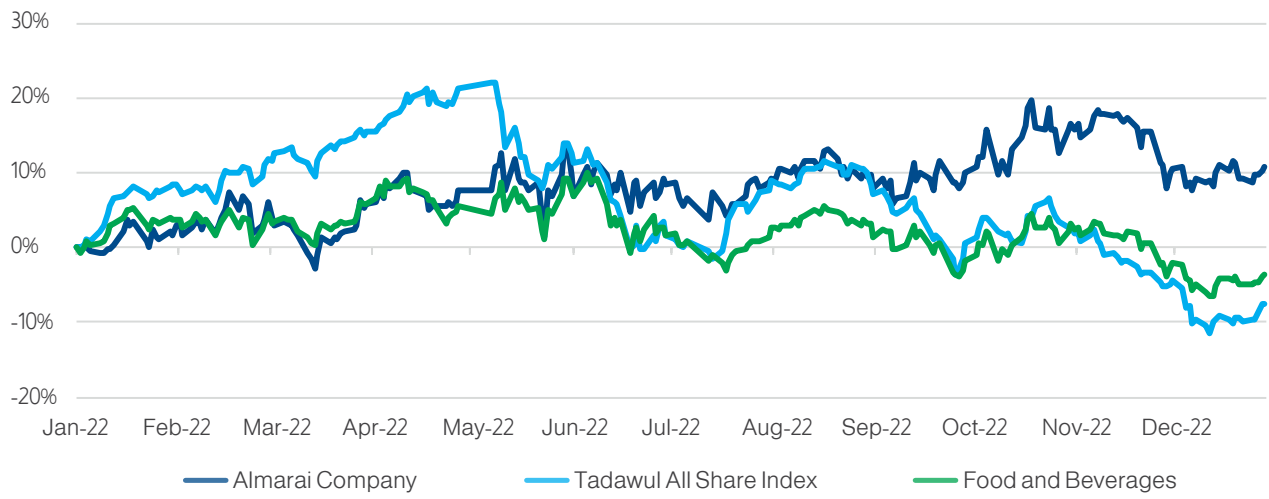
Number of Company's Requests of Shareholders Records	Date of Request	Reason for the Request
1	10 January 2022	Periodic Reports
2	14 February 2022	Periodic Reports
3	14 February 2022	Periodic Reports
4	16 February 2022	Periodic Reports
5	21 February 2022	Periodic Reports
6	27 February 2022	Periodic Reports
7	14 April 2022	Dividend Entitlement
8	15 April 2022	Dividend Entitlement
9	26 May 2022	Periodic Reports
10	26 May 2022	Periodic Reports
11	23 August 2022	Periodic Reports
12	4 September 2022	Periodic Reports
13	2 November 2022	Periodic Reports
14	7 December 2022	Periodic Reports

Share Data Performance (SAR)

Almarai Share Information		
Listing Date		2005
Exchange		Saudi Stock
Symbol		2280
ISIN code		SA000A0ETH1
Number of shares issued		1,000,000,000
Market cap as of 31 December 2022	SAR million	53,500
	USD million	14,266

Share Price 31 December 2022	Share Price 1 Year Ago	Share Price 3 Year Ago	52-week High	52-week Low	Change from 2021-2022
53.50	48.75	49.50	58.00	46.50	9.7%

Share Price Performance during the Year of 2022



Main Transactions Investments and Other Events

Acquisitions

On 7 February 2022, one of Almarai's subsidiaries, Western Bakeries Company, Limited Liability Company (WBL) completed the acquisition of an additional 25% stake, owned by Chipita Saudi Arabia (Cyprus) Limited, in Modern Food Industry LLC (a subsidiary company), for a total value of SAR 250 million. After this acquisition, the ownership of the shares of Western Bakeries Company became 100% of the capital of the Modern Food Industry LLC. This acquisition will enhance the leadership of the Company in the food sector in the region, and will support Saudi Vision 2030, local content and food security. MFI is engaged in the manufacturing and sale of long shelf life Bakery products, under the brand name of "7DAYS".

Full Commitment Towards Achieving Food Security

On 13 June 2022, the Board approved bringing forward an investment of SAR 153 million to secure parent poultry birds supply for Almarai and the Kingdom of Saudi Arabia market. The investment will allow Almarai to mitigate an imminent risk of supply shortages of parent stock in the Kingdom. Once further investments are deployed to secure additional parent stock supply, the parent bird facility will be utilized for hatching egg production as initially planned for poultry capacity expansion. Almarai's proactive investment in securing parent bird stock is part of its commitment to all stakeholders to provide quality food product and a recognition of its contribution to food security in the Kingdom.

On 13 June 2022, the Board approved an investment plan to enter the branded sea food category. This will enable Almarai to offer its consumers with seafood at consistently high quality. This investment plan will expand Almarai's product offering and contribute to the food security agenda as per Vision 2030. The investment plan entails an initial investment of SAR 252 million, financed from Almarai's Operating Cash Flows. The investment plan is subject to approval by various regulatory authorities and the expected time frame of this investment is 24 months from the date of final regulatory approval.

Capital Expenditure

CAPEX incurred in 2022 amounted to SAR 1.3 billion, which is at a similar level to 2021, to maintain normal business operation. Expenditure was incurred as follows:

- All manufacturing facilities, sales, supply chain and dairy farming amounting to SAR 0.5 billion for various capacity expansion projects including the poultry plant expansion.
- Poultry operation and poultry farming SAR 0.5 billion.
- Replacement and other CAPEX accounted for approximately another SAR 0.3 billion.

Important Events in 2023

Dates	Subject of Announcement*
9-16 April 2023	Announcement of the Interim Consolidated Financial Results for Q1 2023
11 April 2023	The Extraordinary General Assembly meeting will be held to approve amendments to Almarai's Bylaws, The Board of Directors's report and the Financial Statements for 2022, as well as other subjects
16-27 April 2023**	Maturity and distribution of profits to shareholders for the financial year 2022
9-23 July 2023	Announcement of the Interim Consolidated Financial Results for Q2 2023
8-15 October 2023	Announcement of the Interim Consolidated Financial Results for Q3 2023

*Announcement dates for Financial Results are preliminary and subject to change

** Dividends distribution date is preliminary and subject to change

Preparation of the Financial Statements

The Condensed Consolidated Interim Financial Statements are issued with a review report and the Annual Consolidated Financial Statements are issued with an audit report by the Independent Auditors. These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). As part of this requirement, the Group has prepared Condensed Consolidated Interim Financial Statements for each quarter of 2022 and Annual Consolidated Financial Statements for the year ended 31 December 2022 in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA. PricewaterhouseCoopers (PwC) was appointed as Almarai's Independent Auditors after the Audit Committee recommended PwC to the Board of Directors to audit the

Company's accounts for the fiscal year 2022 and Q1 2023. The Board of Directors requested the approval of the nomination of PwC and its fees during the General Assembly Meeting in April 2020, at which time the appointment was approved. After auditing the Consolidated Financial Statements for the year ended 31 December 2022, PwC issued its unqualified Independent Auditors' Report expressing their opinion that the Consolidated Financial Statements as a whole present fairly, in all material respects, the consolidated financial position of Almarai Company and its subsidiaries as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the SOCPA.

Dividend Policy

As per Article 48 of Almarai's Bylaws, after deducting all general expenses and other costs, the Company's annual Net Profits shall be allocated as follows:

- 10% of the annual Net Profits shall be allocated to form the Company's statutory reserve. Such allocation may be discontinued by the Ordinary General Assembly when this reserve totals 30% of the Company's paid-up capital.
- The Ordinary General Assembly may, upon the recommendation of the Board of Directors, allocate a specific percentage of the Net Profits to create a voluntary reserve to be allocated to the determined objective or objectives allocated for specific purposes.
- The Ordinary General Assembly, upon determining the dividend, may resolve to form other reserves, to the extent that the same is in the interests of the Company or will ensure the distribution of fixed profits so far as possible among the shareholders. The said Assembly may likewise deduct from the Net Profit amounts to establish social organizations for the Company's workers or to assist any such organizations already in existence.
- Out of the balance of the Net Profits a payment of not less than 5% of the paid-up capital shall be distributed to shareholders.
- Subject to the provisions laid down in Article 21 of these Bylaws, and Article 76 of the Companies Law, a percentage not more than 5% of the remaining balance, if any, shall be allocated as remuneration to Members of the Board of Directors, provided that the entitlement to such remuneration shall be proportionate to the number of sessions attended by a Member.
- The Company, after complying with the regulations laid down by the competent authorities, may distribute semi-annual and quarterly dividends. As per Article 48 of Almarai's Bylaws, profits distributed to shareholders are paid at the location and time

determined by the Board of Directors in compliance with CMA regulations. Almarai has achieved a 46.6% payout ratio for the five year period from 2017-2021. Even though Almarai expects, as per its current distribution practice, to distribute annual cash dividends, there are no guarantees for the distribution of dividends on an ongoing basis. There are no guarantees for the value and percentage of dividends each year. Cash dividends are approved or recommended according to factors including profits achieved, cash flows, new capital investments and prospects of outgoing funds, taking into account the importance of maintaining a strong financial policy to meet any emergency events. The Board of Directors strives to maintain consistency of cash flow each year by reducing the impact of any change in free cash flow that may be attributed to the achievement of profits or losses in specific financial years, while maintaining a medium term target distribution rate of dividend ratio. Almarai has distributed to its shareholders approximately SAR 19,009 million since it was listed on Tadawul, in the form of cash dividends and bonus shares. Cash dividends amounted to approximately SAR 9,909 million, representing 41.1% of total dividends and bonus shares, while bonus shares from a capital increase reached SAR 9,100 million. This excludes the capital increase resulting from the acquisition of Western Bakeries and International Bakeries Services at a nominal value of SAR 90 million and the 100% acquisition of Hail Agricultural Development Company (HADCO) at a nominal value of SAR 60 million.

Dividends Paid Compared to Net Income Attributable to Shareholders of the Company

Year	Net Income (SAR million)	Dividend (SAR million)	Percentage	Capital (SAR million)	Amount (SAR)
2005	386.1	-	-	75	-
2006	464.7	200.0	43.0%	100	2
2007	667.3	272.5	40.8%	109	2.5
2008	910.3	381.5	41.9%	109	3.5
2009	1,096.7	460.0	41.9%	115	4
2010	1,285.4	517.5	40.3%	230	2.25
2011	1,139.5	517.5	45.4%	230	2.25
2012	1,440.6	500.0	34.7%	400	1.25
2013	1,502.2	600.0	39.9%	600	1
2014	1,674.3	600.0	35.8%	600	1
2015	1,915.7	690.0	36.0%	600	1.15
2016	2,080.5	720.0	34.6%	800	0.9
2017	2,182.2	750.0	34.0%	1,000	0.75
2018	2,008.8	850.0	42.3%	1,000	0.85
2019	1,811.8	850.0	46.9%	1,000	0.85
2020	1,984.4	1,000.0	50.4%	1,000	1
2021	1,563.5	1,000.0	64.0%	1,000	1
Total	24,114.0	9,909.0	41.1%	-	-

Dividend Dates

Year	Announcement Date	Due Date	Distribution Date	Distribution Method	Amount (SAR)
2006	21-Jan-07	27-Mar-07	10-Apr-07	Account transfer	2
2007	21-Jan-08	24-Mar-08	7-Apr-08	Account transfer	2.5
2008	19-Jan-09	23-Mar-09	7-Apr-09	Account transfer	3.5
2009	20-Jan-10	11-Apr-10	26-Apr-10	Account transfer	4
2010	6-Dec-10	3-Apr-11	11-Apr-11	Account transfer	2.25
2011	7-Dec-11	2-Apr-12	11-Apr-12	Account transfer	2.25
2012	19-Jan-13	2-Apr-13	10-Apr-13	Account transfer	1.25
2013	29-Dec-13	2-Apr-14	9-Apr-14	Account transfer	1
2014	28-Dec-14	5-Apr-15	12-Apr-15	Account transfer	1
2015	14-Dec-15	3-Apr-16	12-Apr-16	Account transfer	1.15
2016	6-Dec-16	26-Mar-17	4-Apr-17	Account transfer	0.9
2017	11-Dec-17	9-Apr-18	17-Apr-18	Account transfer	0.75
2018	10-Dec-18	7-Apr-19	15-Apr-19	Account transfer	0.85
2019	9-Dec-19	5-Apr-20	13-Apr-20	Account transfer	0.85
2020	15-Dec-20	13-Apr-21	21-Apr-21	Account transfer	1
2021	15-Dec-21	12-Apr-22	20-Apr-21	Account transfer	1
2022*	20-Dec-22	As per EGM Approval	As per EGM Approval	Account transfer	1

*2022 is recommended to the Board of Directors for EGM approval and subject to change

Distribution in the Form of Granting Bonus Shares

Year	Share Capital (SAR million)	Nominal Value of Bonus (SAR million)	Share Capital After Bonus (SAR million)	Percentage	Notes
2005	750	250	1,000	33.3%	One bonus share for every 3 outstanding shares
2010	1,150	1,150	2,300	100.0%	One bonus share for every 1 outstanding share
2012	2,300	1,700	4,000	73.9%	One bonus share for every 1.353 outstanding shares
2013	4,000	2,000	6,000	50.0%	One bonus share for every 2 outstanding shares
2016	6,000	2,000	8,000	33.3%	One bonus share for every 3 outstanding shares
2017	8,000	2,000	10,000	25.0%	One Bonus share for every 4 outstanding shares
Total		9,100.0			

Dates of Bonus Shares and Other Capital Changes

Year	Announcement Date	Issue Type	Due Date	Previous Capital (SAR million)	New Capital (SAR million)
2005	18-Oct-05	Bonus shares	25-Dec-05	750	1,000
2007	19-Feb-07	Acquisition (WB and IBS)	27-Mar-07	1,000	1,090
2009	9-May-09	Acquisition (HADCO)	7-Oct-09	1,090	1,150
2010	5-Oct-10	Bonus shares	5-Dec-10	1,150	2,300
2012	7-Dec-11	Bonus shares	2-Apr-12	2,300	4,000
2013	29-May-13	Bonus shares	9-Sep-13	4,000	6,000
2016	14-Dec-15	Bonus shares	3-Apr-16	6,000	8,000
2017	8-Jun-17	Bonus Shares	8-Oct-17	8,000	10,000

Statutory Payments, Penalties and Sanctions

Statutory Amounts Recorded during 2022

Almarai is committed to paying certain fees and expenses to Saudi Government departments as per applicable terms and regulations. These inherent expenses are recorded in

the Financial Statements of the Company's operations. The following table details statutory charges in 2022, with a brief description and related reason.

Statutory Organization	Description	Reason	2022 (SAR million)	2021 (SAR million)
Saudi Customs	Amounts paid or charged as customs fees on imports & port charges.	Government requirement	77	69
General Authority of Zakat and Income Tax	Amounts paid as Zakat, WHT, Income Tax & VAT expenses according to the various laws	Government requirement	1,635	1,208
General Organization for Social Insurance	Amounts paid or charged as social insurance expenses, in accordance with Saudi Labour Law	Government requirement	91	87
Other Statutory Organizations	Amounts paid or charged according to various other laws	Other government requirements	251	249
Total			2,054	1,614

Penalties and Sanctions

Almarai was not charged any penalties or sanctions during 2022 by any supervisory, regulatory or judicial unit.

Corporate Governance Code

The purpose of these Rules is to set out Almarai's approach to corporate governance. Almarai is committed to maintaining high standards of corporate governance and considers good corporate governance an essential tool for maximizing long term shareholder value and is consistent with its commitment to quality in all its processes and products. The Company's Corporate Governance Rules are mandatory for all Directors and staff of Almarai and can only be amended by a resolution of the Board of Directors. Corporate governance is defined as 'the system by which business corporations are directed and controlled'. The corporate governance structure specifies the distribution of authority and responsibilities among different participants in the Company, such as the Board of Directors, managers, shareholders and others, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the Company's objectives are set and the means of attaining those objectives and monitoring performance. The Board of Directors is responsible for Almarai's Corporate Governance Rules. The shareholders' role in governance is to appoint the Directors, Audit Committee and Independent Auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the Board include setting the Company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The Board's actions are subject to laws, regulations and accountability to the shareholders in the General Assembly Meeting.

Almarai's Corporate Governance Rules have been prepared according to international principles of corporate governance and local regulatory requirements, particularly the Capital Market Authority (CMA). It should be viewed as setting the framework of requirements for corporate governance within the Company. It should not be seen as a substitute for sound judgment and honorable arms' length dealings by Directors and Officers of the Company and should be viewed within the context of the broader legislative framework of Saudi Arabia. In particular, the stipulations of the following, the requirements of which have not all been incorporated in these Rules, need to be borne in mind when considering corporate governance issues:

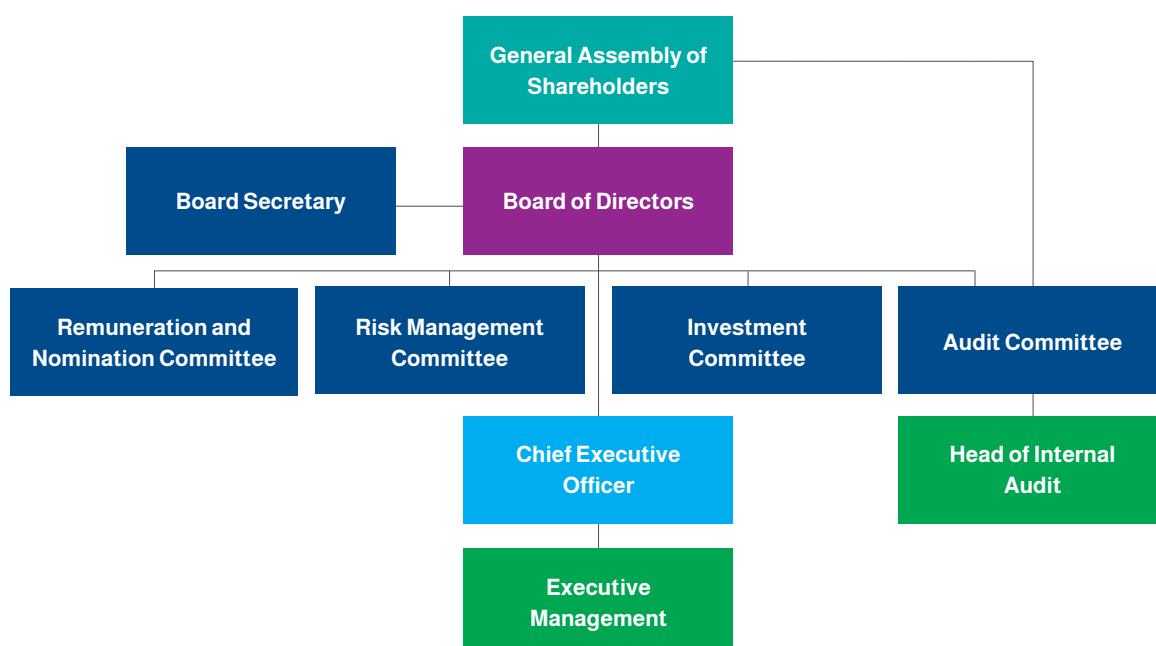
- The requirements of the CMA and of Tadawul.
- The Companies Law of Saudi Arabia and associated ministerial directives of the Ministry of Commerce and Ministry Investment.
- Almarai's Bylaws.
- The Board establishes governance rules for the Company in accordance with the provisions of these regulations, and monitors their implementation, verifies their effectiveness, and amends them as necessary.

Rights of Shareholders and the General Assembly

Almarai's Bylaws and Corporate Governance Rules ensure that shareholders enjoy all rights related to shares, in particular, the right to receive a share of approved dividend payments, the right to receive a share of the Company's assets upon liquidation, the right to attend General Assembly Meetings and participate in their deliberations and voting, the right to dispose of shares, the right to oversee the work of the Board of Directors and file responsibility litigation against Board Members, and the right to inquire and request information that does not compromise the interests of the Company and does not conflict with the terms and executive regulations of the CMA. Almarai allows maximum participation by shareholders at General Assembly Meetings and is keen to ensure that the choice of time and venue enables full participation. The Company has adopted an electronic voting system to make it easier for shareholders to exercise their right of voting if they are unable to attend in person. Almarai's Bylaws and Corporate Governance Rules also contain provisions related to the General Assembly, including procedures and precautions necessary to ensure that all shareholders are exercising their regular rights. The General Assembly is the highest power in the Company, with sole authorities including: the appointment and termination of Board Members, approval of the Consolidated Financial Statements, appointment of the Audit Committee and the external auditor and

determination of his fees, approval of the regulation for the Audit Committee including its procedures, duties and rules for selecting its members, the means of their nomination, the term of their membership, their remunerations, and the mechanism of appointing temporary members in case a seat on the Committee becomes vacant, approval of the regulation for the Remuneration and Nomination Committee including its procedure, duties and rules for selecting its members, the term of their membership and their remunerations, approval of dividend distribution as recommended by the Board of Directors, increase or decrease of the capital of the Company and, amendment of the Bylaws. Almarai provides sufficient access for its shareholders to read the minutes of the General Assembly Meeting and provides the CMA with a copy of the minutes within 10 days of the meeting. Shareholder concerns that have a significant gravity are elevated through the appropriate channels to the Board of Directors for consideration and action. If necessary, these concerns would be raised to the Board Secretary. Any material concerns that could potentially impact the Company or its financial position and which are available in all means of media, newspaper, Almarai website or announcement via Tadawul will be communicated to the Board of Directors.

Corporate Governance Structure



Board of Directors Formation and Functions

Almarai's Bylaws provide for a Board of Directors (comprising nine Members). The rules regarding the appointment, resignation, term of office, powers, remuneration and the principal requirements are summarized below. The Board of Directors is the supreme management body within the Company and is appointed by the shareholders at the General Assembly in order to represent and protect the Company's interests. The Board is responsible for leading and controlling the Company and discharges this responsibility by approving the implementation of Company strategies and objectives. The Board empowers the management of the Company to run the business within defined parameters and monitors the performance of the Company. While the Board delegates authority to the Company's management, under the direction of the CEO, to attend to the routine running of the business, the Board retains ultimate fiduciary responsibility to shareholders to ensure the proper operation of the Company. The Board is appointed by the shareholders with the primary responsibility for operating the Company in their long term best interests. The Board also has a responsibility to provide clear directions and boundaries for the Company's Executive Management to operate within. This involves setting out a clear vision and strategy for the Company and defining the delegations that will be allowed to management and the policies and boundaries within which they are permitted to operate. This process is achieved by:

- a) Approving the strategic plans and main objectives of the Company and supervising their implementation. This includes:
 - Laying down a comprehensive strategy for the Company, the main work plans and policy related to risk management and reviewing and updating such policy.
 - Determining the most appropriate capital structure of the Company, its strategies and financial objectives and approving its annual budgets.
 - Supervising the main capital expenses of the Company and acquisition/disposal of assets.
 - Deciding the performance objectives to be achieved, supervising the implementation thereof and overseeing the overall performance of the Company.
 - Reviewing and approving the organizational and functional structures of the Company on a periodic basis
- b) Laying down rules for internal control systems and supervising those systems. This includes:
 - Developing a written policy to regulate conflicts of interest and remedy any possible cases of conflict by Members of the Board of Directors, Executive Management and shareholders. This includes misuse of the Company's assets and facilities and arbitrary disposition resulting from dealings with related parties.
 - Ensuring the integrity of financial and accounting procedures including procedures related to the preparation of the financial reports.
 - Ensuring the implementation of control procedures appropriate for risk management by forecasting the risks that the Company could encounter and disclosing them transparently.
 - Reviewing the effectiveness of internal control systems annually.
 - Drafting Corporate Governance Rules for the Company that do not contradict the provisions of existing laws and regulations, supervising and

monitoring, in general, the effectiveness of the Rules and amending them whenever necessary.

- Laying down specific and explicit policies, standards and procedures for the Members of the Board of Directors and implementing them after they have been approved by the General Assembly.
- c) Outlining a written policy that regulates the relationship with stakeholders with a view to protecting their respective rights. Such a policy must cover the following:
- Mechanisms for indemnifying the stakeholders in the event that their rights are contravened under the law and their respective contracts.
 - Mechanisms for the settlement of complaints or disputes that might arise between the Company and stakeholders. Suitable mechanisms for maintaining good relationships with customers and suppliers and protecting the confidentiality of information related to them.
 - A Code of Conduct for the Company's Executives and employees compatible with proper professional and ethical standards and regulating their relationship with stakeholders.
- d) The Board of Directors lays down procedures for supervising the following:
- Deciding on policies and procedures to ensure the Company's compliance with laws and regulations and the Company's obligation to disclose material information to shareholders, creditors and other stakeholders.
 - Preparing the Financial Statements and the Annual Report on the activities and financial status of the Company for the last financial year including the proposed method for a dividend payment.
 - Recommending to the General Assembly of shareholders the appointment, dismissal and the remuneration of external auditors Almarai's Corporate Governance Rules stipulate that the Board should include a minimum of one in three independent Directors. Executives may be Directors upon satisfaction of the relevant legal requirements. Almarai has implemented internal check-and-balance measures for assessing the performance of the Board of Directors and its committees. These measures include but are not limited to a formal review process involving an evaluation by each Board Member on the performance and effectiveness of the Board as a body, and its Members individually.

Members of the Board of Directors

The following tables include Directors' names, positions, membership status in other joint stock companies, and attendance at the Board meetings held during 2022, noting

that these meetings were planned, and the Chairman did not receive any request by two or more of the Board Members to hold emergency meetings during 2022.

Member name	Position	Membership status	(Listed/Unlisted)	Membership of Joint Stock Companies inside and outside of KSA
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	Chairman of the Board	Non-Executive	Listed	Yamamah Cement Co., Arabian Shield Cooperative Insurance Company, Zain Company
			Unlisted	Sultan Holding Group, Global Thermal Chemical-GTC, Global Chemical Industries Company-GCI, Al-Faraby Petrochemical Company, Tejoury Company, Tarabot investment & development company, Diplomat Art, Dar Alselal, Sabeen Investment Company.
Mr. Sulaiman A.K. Al Muhaidib	Vice Chairman	Non-Executive	Listed	Savola Group.
			Unlisted	Vision invest Co. (Roaia), Abdulkadir Al Muhaidib and Sons, RAFAL Real Estate Development Company, Al Muhaidib Holding, Amwal Alajjal, Taj Alawfia, That Alsawari.
Mr. Ammar bin Abdulwahid Al Khudairy	Board Member	Independent	Listed	Saudi Pharmaceutical Industries & Medical Appliances Corporation (SPIMACO), Saudi National Bank,
			Unlisted	Amwal Capital, Real Estate Development Fund, Saudi National Capital, Amwal AlKhaleej Alola, Saudi Sports Company, Amwal AlKhaleej Investment, Yasmeeen Alshrouq Company, Global Chemical Industries - GCI, Global Thermal Chemical GTI, Rwaal Altanmiah Company, Qantarrah Investment Company, Al-Farabi Pharmaceutical, Thuraa Almostaqbal Investment, Saudi Taab Contracting, Dubai Saudi Arabia Contracting,
Mr. Bader bin Abdullah Al Issa	Board Member	Non-Executive	Listed	Savola Group, Banque Saudi Fransi, Dur Hospitality Co.
			Unlisted	Savola Foods Company, Panda Retail Company, United Sugar Company, Afia International Company, Assila Investment.
Mr. Hosam Ali Al Qurashi**	Board Member	Independent	Listed	-
			Unlisted	Saudi Coffe Company, Saudi Heritage Company, Nana Delivery App, Modern Foods Company.
Mr. Mohammed Mansour Al Mousa**	Board Member	Non-Executive	Listed	Abdullah Alothaim Markets Company.
			Unlisted	-
Mr. Salman Abdelmuhsin Al Sudeary**	Board Member	Independent	Listed	Arabian Shield Cooperative Insurance Company.
			Unlisted	Tejoury CJSC, Tejoury Company - Foreign Branch Company, Bahrain, Archiving Warehouses (Subsidiary of Tejoury), Laian Homes Company LLC, ISNDA Corp. (Subsidiary of Tejoury), Abdulrahman Al-sudairy Foundation
HH Prince Saud bin Sultan bin Mohammed bin Saud Al Kabeer	Board Member	Non-Executive	Listed	-
			Unlisted	ADDAR Chemicals Company, Thirty Exports Company Ltd, Sultan Holding Group.
Mr. Waleed Khalid Fatani	Board Member	Non-Executive	Listed	Knowledge Economic City Company (KEC), Herfy Foods Co., Savola Group
			Unlisted	Kinan International Real Estate Development Company Limited, Panda Retail Co., United Sugar Company, Afia International Company, Alkabeer Holding Company, Savola World Est.
Mr. Peter Amon*	Board Member	Independent	Listed	-
			Unlisted	More-Than-Meals
Mr. Saad bin Abdulmohsen Al Fadly*	Board Member	Independent	Listed	Saudi British Bank
			Unlisted	Hassana Investment Company
Mr. Sultan bin Abdulmalek Al Sheikh*	Board Member	Non-Executive	Listed	-
			Unlisted	Gulf International Bank (Saudi Arabia), Gulf International Bank (Bahrain), Saudi Company for Exchanging Digital Information ("Tabadul"), Tahakom Investment Company, The Saudi Real Estate Refinance Company (SRC)

* Membership ended on 6 August 2022

** Membership started on 7 August 2022

Regular Meetings of the Board for 2022

No.	Member Name	Position	Meetings					Attendance Rate
			First 14-Feb-22	Second 11-Apr-22	Third 13-Jun-22	Fourth 26-Sep-22	Fifth 19-Dec-22	
1	HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	Chairman	Attended	Attended	Attended	Attended	Attended	100%
2	Sulaiman A.K. Al Muhaidib	Vice Chairman	Attended	Attended	Attended	Attended	Attended	100%
3	Mr. Ammar bin Abdulwahid Al Khudairy	Member	Attended	Attended	Attended	Attended	Attended	100%
4	Mr. Bader bin Abdullah Al Issa	Member	Attended	Attended	Attended	Attended	Attended	100%
5	Mr. Hosam Ali Al Qurashi**	Member	-	-	-	Attended	Attended	100%
6	Mr.Mohammed Mansour Al Mousa**	Member	-	-	-	Attended	Attended	100%
7	Mr.Salman Abdelmuhsin Al Sudeary**	Member	-	-	-	Attended	Attended	100%
8	HH Prince Saud bin Sultan bin Mohammed bin Saud Al Kabeer	Member	Attended	Attended	Attended	Attended	Attended	100%
9	Mr. Waleed bin Khalid Fatani	Member	Attended	Attended	Attended	Attended	Attended	100%
10	Mr. Peter Amon*	Member	Attended	Attended	Attended	-	-	100%
11	Mr. Saad bin Abdulmohsen Al Fadly*	Member	Attended	X	Attended	-	-	80%
12	Mr. Sultan bin Abdulmalek Al Sheikh*	Member	Attended	Attended	Attended	-	-	100%

* Membership ended on 6 August 2022

** Membership started on 7 August 2022

Shareholders General Assembly Meetings during 2022

No.	Member Name	Position	First Meetings	Second Meetings	Attendance Rate
			12-Apr-22	14-Jun-22	
1	HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	Chairman	Attended	Attended	100%
2	Mr. Sulaiman A.K Al Muhaidib	Vice Chairman	Attended	Attended	100%
3	Mr. Ammar bin Abdulwahid Al Khudairy	Member	Attended	Attended	100%
4	Mr. Bader bin Abdullah Al Issa	Member	Attended	Attended	100%
5	Mr. Hosam Ali Al Qurashi**	Member	-	-	-
6	Mr.Mohammed Mansour Al Mousa**	Member	-	-	-
7	Mr.Salman Abdelmuhsin Al Sudeary**	Member	-	-	-
8	HH Prince Saud bin Sultan bin Mohammed bin Saud Al Kabeer	Member	Attended	Attended	100%
9	Mr. Waleed bin Khalid Fatani	Member	Attended	Attended	100%
10	Mr. Peter Amon*	Member	Attended	Attended	100%
11	Mr. Saad bin Abdulmohsen Al Fadly*	Member	Attended	Attended	100%
12	Mr. Sultan bin Abdulmalek Al Sheikh*	Member	Attended	Attended	100%

* Membership ended on 6 August 2022

** Membership started on 7 August 2022

Ownership of Board Members

The table below illustrates shares held by Members of the Board of Directors and any changes that occurred during

2022. There were no arrangements by which any of the Board Members waived any salary or compensation.

Ownership by Members of the Board of Directors

Member Name	Note	Opening Balance (January 2022)	Closing Balance (December 2022)	Percentage Change
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	Personal ownership	8,695,651	8,695,651	0.0%
Mr. Sulaiman A.K Al Muhaidib	Personal ownership	8,695	8,695	0.0%
Mr. Ammar bin Abdulwahid Al Khudairy	-	-	-	-
Mr. Bader bin Abdullah Al Issa	Personal ownership	1,666	1,666	0.0%
Mr. Hosam Ali Al Qurashi**	-	-	-	-
Mr. Mohammed Mansour Al Mousa**	-	-	-	-
Mr. Salman Abdelmuhsin Al Sudeary**	-	-	-	-
HH Prince Saud bin Sultan bin Mohammed bin Saud Al Kabeer	-	-	-	-
Mr. Waleed bin Khalid Fatani	-	-	-	-
Mr. Peter Amon*	-	-	-	-
Mr. Saad bin Abdulmohsen Al Fadly*	-	-	-	-
Mr. Sultan bin Abdulmalek Al Sheikh*	-	-	-	-

* Membership ended on 6 August 2022

** Membership started on 7 August 2022

Ownership of Senior Executives

The following table illustrates Senior Managers, their interests in Almarai shares, as well as any changes that occurred in 2022. None of them have any interest in debt

instruments issued by Almarai and there were no arrangements or agreements by which any of the Senior Managers waived any salary or compensation.

Ownership by Senior Managers

Name	Shares Ownership		
	Opening Balance (January 2022)	Closing Balance (December 2022)	Percentage Change
Abdullah Al Bader	260	260	0%
Andrew Mackie	0	0	-
Danko Maras	0	0	-
Fahad Al Drees	470	470	0%
Faisal Al Fahadi	0	0	-
Fawaz Al Jasser	11,960	0	-100%
Hussam Abdulqader	0	1	100%
Michael McDonald	1	1	0%
Mohammed Al Shuhail	48,488	48,488	0%
Niall Mackay	0	0	-
Nikolaos Stavridis	0	0	-
Omar Salem	3,280	30,000	815%
Paul Partelides	0	0	-
Richard Salisbury	0	0	-
Shadi Elqutati	0	0	-

Details of Paid Compensation and Remuneration

Board Remunerations 2022								
Fixed Remunerations								
Name	Position	Specific amount *	Allowance for attending Board meetings	Total Allowance for attending committee meetings	In-kind benefits	Remunerations for technical, managerial and consultative work	Remunerations of the Chairman, Managing Director or Secretary, if a member	Total
Independent Directors								
Mr. Ammar bin Abdulwahid Al Khudairy	Member	500,000	15,000	15,000	-	-	-	530,000
Mr. Hosam Ali Al Qurashi**	Member	140,959	6,000	3,000	-	-	-	149,959
Mr. Salman Abdelmuhsin Al Sudeary**	Member	161,096	6,000	6,000	-	-	-	173,096
Mr. Peter Amon*	Member	209,041	91,500	9,000	-	-	-	309,541
Mr. Saad bin Abdulmohsen Al Fadly*	Member	328,493	6,000	6,000	-	-	-	340,493
Total		1,339,589	124,500	39,000	-	-	-	1,503,089
Non-Executive Directors								
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	Chairman	350,000	15,000	15,000	-	-	500,000	880,000
Mr. Sulaiman A.K. Al Muhaidib	Vice Chairman	200,000	15,000	-	-	-	-	215,000
Mr. Bader bin Abdullah Al Issa	Member	410,411	15,000	18,000	-	-	-	443,411
Mr. Mohammed Mansour Al Mousa**	Member	140,959	6,000	6,000	-	-	-	152,959
HH Prince Saud bin Sultan bin Mohammed bin Saud Al Kabeer	Member	350,000	15,000	6,000	-	-	-	371,000
Mr. Waleed bin Khalid Fatani	Member	350,000	35,000	24,000	-	-	-	409,000
Mr. Sultan Abdulmalik Al Sheikh*	Member	209,041	9,000	3,000	-	-	-	221,041
Total		2,010,411	110,000	72,000	-	-	500,000	2,692,411
Sub Total		3,350,000	234,500	111,000	-	-	500,000	4,195,500

* This amount includes annual remuneration for membership of the Board of Directors and fixed remunerations for membership of committees.

*Membership ended on 6 August 2022

**Membership started on 7 August 2022

Board Remunerations 2022

Variable Remunerations

Percentage of the profits	Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Granted shares	Total	End-of-service award	Aggregate Amount	Expenses Allowance
-	-	-	-	-	-	-	530,000	-
-	-	-	-	-	-	-	149,959	-
-	-	-	-	-	-	-	173,096	-
-	-	-	-	-	-	-	309,541	-
-	-	-	-	-	-	-	340,493	-
-	-	-	-	-	-	-	1,503,089	-
-	-	-	-	-	-	-	880,000	-
-	-	-	-	-	-	-	215,000	-
-	-	-	-	-	-	-	443,411	-
-	-	-	-	-	-	-	152,959	-
-	-	-	-	-	-	-	371,000	-
-	-	-	-	-	-	-	409,000	-
-	-	-	-	-	-	-	221,041	-
-	-	-	-	-	-	-	2,692,411	-
-	-	-	-	-	-	-	4,195,500	-

Paid to Five Top Senior Executives 2022 (including CEO and CFO) *

The five top Senior Executives, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), receive a remuneration according to employment contracts signed with them. The following table illustrates details of remuneration and compensation paid to Senior Executives.

Remunerations of Top Five Senior Executives (CEO & CFO Included)	Fixed Remunerations (SAR)			
	Salaries	Allowances	In-kind benefits	Total
For 2022 (SAR)	8,640,000	2,510,000	390,000	11,540,000
For 2021 (SAR)	7,707,234	2,440,541	690,000	10,837,775

*The Company committed to disclose total remuneration of the Senior Executive Management in accordance with the requirements of Article 93(4-b) of the Corporate Governance Rules. In order to protect the interests of the Company, its shareholders and its employees, and to avoid any damage that may result from the disclosure in details as per job titles and positions, the description of remuneration is not presented pursuant to Appendix (1) Remuneration Schedule of Corporate Governance Rules related to Senior Executives.

Committees

Board of Directors

Name	Position	Fixed Remuneration (SAR)	Meeting Attendance Allowance (SAR)	Total (SAR)
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	Chairman	200,000	15,000	215,000
Mr. Sulaiman A.K. Al Muhaidib	Vice Chairman	200,000	15,000	215,000
Mr. Ammar bin Abdulwahid Al Khudairy	Member	200,000	15,000	215,000
Mr. Bader bin Abdullah Al Issa	Member	200,000	15,000	215,000
Mr. Hosam Ali Al Qurashi**	Member	80,548	6,000	86,548
Mr. Mohammed Mansour Al Mousa**	Member	80,548	6,000	86,548
Mr. Salman Abdelmuhsin Al Sudeary**	Member	80,548	6,000	86,548
HH Prince Saud bin Sultan bin Mohammed bin Saud Al Kabeer	Member	200,000	15,000	215,000
Mr. Waleed bin Khalid Fatani	Member	200,000	35,000	235,000
Mr. Peter Amon*	Member	119,452	91,500	210,952
Mr. Saad bin Abdulmohsen Al Fadly*	Member	119,452	6,000	125,452
Mr. Sultan Abdulmalik Al Sheikh*	Member	119,452	9,000	128,452
Total		1,800,000	234,500	2,034,500

*Membership ended on 6 August 2022

**Membership started on 7 August 2022

	Variable Remunerations (SAR)					End of Service Award	Other Benefits	Aggregate Amount	
	Periodic Remunerations	Profits	Short-term Incentive Plans	Long-term Incentive Plans	Granted shares (insert the value) Total				
	-	-	8,355,250	-	3,331,776	11,687,026	-	1,358,879	24,585,905
	-	-	6,582,066	-	1,087,408	7,669,474	-	5,951,870	24,459,119

Remuneration and Nomination Committee

Name	Position	Fixed Remuneration (Except for the allowance for attending Board meetings) (SAR)	Meeting Attendance Allowance (SAR)	Total (SAR)
Mr. Ammar bin Abdulwahid Al Khudairy	Chairman	150,000	3,000	153,000
Mr. Bader bin Abdullah Al Issa	Member	60,411	3,000	63,411
Mr. Hosam Ali Al Qurashi**	Member	60,411	3,000	63,411
HH Prince Saud bin Sultan bin Mohammed bin Saud Al Kabeer	Member	150,000	6,000	156,000
Mr. Saad bin Abdulmohsen Al Fadly*	Member	89,589	3,000	92,589
Mr. Sultan Abdulmalik Al Sheikh*	Member	89,589	3,000	92,589
Total		600,000	21,000	621,000

*Membership ended on 6 August 2022

**Membership started on 7 August 2022

Audit Committee

Name	Position	Fixed Remuneration (Except for the allowance for attending Board meetings) (SAR)	Meeting Attendance Allowance (SAR)	Total (SAR)
Mr. Raied A. Al Seif	Chairman	200,000	15,000	215,000
Mr. Eid bin Faleh Al Shamri	Member	200,000	15,000	215,000
Mr. Salah Khalid Al Taleb**	Member	80,548	6,000	86,548
Mr. Salman Abdelmuhsin Al Sudeary**	Member	80,548	6,000	86,548
Mr. Sulaiman bin Naser Al Hatlan	Member	200,000	12,000	212,000
Dr. Abdulrahman bin Suliman Al Turaigi*	Member	119,452	9,000	128,452
Mr. Saad bin Abdulmohsen Al Fadly*	Member	119,452	3,000	122,452
Total		1,000,000	66,000	1,066,000

*Membership ended on 6 August 2022

**Membership started on 7 August 2022

Risk Committee

Name	Position	Fixed Remuneration (Except for the allowance for attending Board meetings) (SAR)	Meeting Attendance Allowance (SAR)	Total (SAR)
Mr. Waleed Khalid Fatani	Chairman	150,000	24,000	174,000
Mr. Raied A. Al Seif**	Member	59,918	6,000	65,918
Mrs. Vanessa Fisk	Member	150,000	12,000	162,000
Mr. Jayson Day*	Member	90,082	6,000	96,082
Total		450,000	48,000	498,000

*Membership ended on 6 August 2022

**Membership started on 7 August 2022

Investment Committee

Name	Position	Fixed Remuneration (Except for the allowance for attending Board meetings) (SAR)	Meeting Attendance Allowance (SAR)	Total (SAR)
Mr. Bader bin Abdullah Al Issa	Chairman	150,000	15,000	165,000
Mr. Ammar bin Abdulwahid Al Khudairy	Member	150,000	12,000	162,000
Mr. Mohammed Mansour Al Mousa**	Member	60,411	6,000	66,411
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	Member	150,000	15,000	165,000
Mr. Peter Amon*	Member	89,589	9,000	98,589
Total		600,000	57,000	657,000

*Membership ended on 6 August 2022

**Membership started on 7 August 2022

Company Committees

With the exception of the Audit Committee, which shall be formed by the resolution of the Company's Ordinary General Assembly, the Board may at any time establish specialized committees as may be needed depending on the Company's circumstances in order to enable it to effectively perform its duties. The formation of committees shall be made in accordance with general procedures developed by the Board, which shall determine the duties, duration and powers of each committee, and the way in which the Board monitors the activities of each committee. The committee shall inform the Board of its findings or decisions with complete transparency. The Board shall regularly follow up the activities of such committees to ensure the performance of the duties dedicated to them. Each committee shall be responsible before the Board for its activities; this shall not relieve the Board of its responsibility for such activities,

and the duties and powers that it has delegated to such committee. The list of non-Board Company Committee Members:

Risk Committee

Vanessa Eastham Fisk, Risk Committee Member

Vanessa Fisk is a full time Independent Non-Executive, currently sitting on the Boards of ABC International Bank plc, UK; Almarai Company, KSA; Banque Saudi Fransi, KSA; is the Special Advisor to the Al Omran family KSA and an Independent Supervisory Board member of the family office, Narmo Capital and most recently she has joined the Board of TPL REIT Management Co Ltd, Pakistan. Vanessa focuses on companies which have a strong innovation and/or transformation agenda, with her current portfolio spanning both traditional and new digital enterprises. In particular she

has a keen interest in those businesses deploying newer technologies to gain competitive advantage and is an active Board Advisor and Mentor to a number of the Middle East's emerging Fintech and Regtech start-ups. Prior to pursuing a Non-Executive career, Vanessa spent over 20 years in a wide variety of Senior Executive Director positions across multiple geographies. During 18 years at Barclays Bank PLC, Vanessa undertook roles of Chief Operating Officer and Chief Risk Officer for the Middle East; Director of Strategy and Transformation at Gerrard Investment Management Ltd; Chief Risk Officer for the Corporate Bank and Head of the Regional UK Leveraged Finance businesses. More recently Vanessa spent five years as Wholesale Banking Managing Director and Chief Operating Officer for Standard Chartered Middle East, North Africa and Pakistan. Vanessa holds a BA Hons in Accountancy and Finance from Huddersfield University, a post graduate degree in Leadership Studies from Exeter University and after leaving Standard Chartered completed the International Executive Programme in Global Corporate Governance at Insead Business School, Fontainebleau, Paris. For the last three years, Vanessa has also been a visiting guest speaker on the Insead Global Executive MBA Programme.

Audit Committee

Raied A. Al Seif, Audit Committee Chairman

Raied Al Seif is the CEO of Sultan Holding Company. He currently holds the following Board positions: Member of the Board of Arabian Shield Insurance, IBC Environmental Lebanon, Dar Al Selal, Diplomat and Barq Logistic Company. Prior to that, Raied held the position of Division Head at ANB, leading a team of Relationship Managers. Raied holds a Bachelor's degree in Accounting from the College of Administrative Science at King Saud University in Riyadh, KSA.

Eid F. Al Shamri, Audit Committee Member

Eid Al Shamri holds a degree in Bachelor of Science in Industrial Management with Honors from King Fahd University of Petroleum and Minerals (1989). He received his Certified Public Accountants license from the State of Colorado (1995) and has been a member of the American Institute of Certified Public Accountants (AICPA) since 1995. Eid is a professional with a 30 year proven track record and has held various Executive positions. He is also a member of several boards and committees in other companies.

Salah Khalid Al Taleb, Audit Committee Member

Salah Al-Taleb is a member of the Saudi Consultative Assembly, "Shura" council and a member of the board of directors of Tejoury company. He also holds numerous memberships and fellowships: member of Saudi Organization for Chartered and Professional Accountants, member of the Saudi Institute of Internal Auditors, member of the Saudi Management Association, American Fellowship for Certified Public Accountants (CPA), American Fellowship for Certified Management Accountants (CMA), American Fellowship for Certified Financial Accountants (CFM), American Fellowship for Certified Internal Auditor Accountants (CIA), American Fellowship for Certified Government Auditing Professional (CGAP), American Fellowship for Certified Control Self-Assessment (CCSA). Prior to his current role, Salah was the assistant chairman of the board of directors for strategic affairs and review of the Saudi Space Commission.

Salah has a PHD in Financial Accounting from George Washington University, USA and a master's degree in Applied Accounting from Miami University, Florida USA and a Bachelor's in Finance from King Saud University, Riyadh Saudi Arabia.

Sulaiman N. Al Hatlan, Audit Committee Member

Sulaiman Alhatlan currently serves as a Board Member and Managing Director for Maharah Human Resources Company. He is also a Board Member at Saudi Vitrified Clay Pipes Company. He is an Audit Committee member for several listed and unlisted companies. Throughout his career, Sulaiman has carried out many senior roles of financial advisory for both the public and private sectors. He holds a Bachelor's degree in Accounting from King Saud University (1994), and a Master's degree in Accountancy from California State University.

Investment Committee

The Board of Directors issued a resolution dated 8 June 2020 to form the Investment Committee as a new committee, including the Investment Committee Regulation setting out the Committee's duties and authorities. At the same time, the Board abolished its Executive Committee. The purpose of the Investment Committee (the "Investment Committee" or "Committee") Regulation is to set out the composition, responsibilities, and duties of the Committee and to define the interaction with the Board of Directors and Executive Management. The primary purpose of the Committee is to assist the Board in fulfilling its responsibilities towards the strategic planning and investments of Almarai Company and to oversee the Company's existing and future investments.

Rules for selecting members of the Investment Committee, how they are nominated and the duration of their membership

- An Investment Committee shall be formed from among the Board Members or others by a resolution of the Board of Directors.
- Nomination of Investment Committee members shall be pursuant to the recommendation of the Remuneration and Nomination Committee.
- The number of members of the Committee shall not be less than three nor more than five.
- The Committee Chairman shall be appointed by the members thereof at the first Committee meeting.
- Members of the Investment Committee shall be appointed for a period not exceeding three years and may be reappointed as needed for the Committee's formation.
- At its first meeting, the Investment Committee shall appoint a Secretary from among its members or the Company's employees.
- The Committee members shall have the appropriate experience and qualifications relevant to the duties, responsibilities and the nature of the Committee's functions.
- If an Investment Committee seat becomes vacant, the Company's Board of Directors may appoint a temporary member to the vacant position, provided that the latter has the required expertise and competence. The CMA shall be informed thereof, within five business days from the date of such appointment.
- The Company undertakes to notify the CMA of the names of its Investment Committee members and the status of their membership, within five business days from the date of their appointment, as well as

any changes that may affect their membership within five business days from the occurrence of such changes.

- Membership of the Investment Committee shall expire upon the expiry of the Committee's term or the expiry of the member's membership, in accordance with any applicable Saudi law, regulation or instruction. However, the Board of Directors may, at any time, remove all or some members of the Investment Committee. Members may also resign, on condition that they do so at an appropriate time, lest they be held liable towards the Company for damages resulting therefrom.

Duties and Competencies of the Investment Committee

The Investment Committee shall be competent to:

- Work with Executive Management to develop an investment strategy and policy for the Company commensurate with the nature of its business, activities, and risks, and make appropriate recommendations to the Board of Directors.
- Review the investment strategy and policy regularly to ensure its alignment with any changes that may occur in the external work environment in which the Company operates, legislation regulating business, or strategic objectives or otherwise, and recommend to the Board proposed changes.
- Oversee the Company's investment activities and establish appropriate processes for measuring and assessing investment performance.
- Study and evaluate the investment opportunities proposed by the Executive Management regarding the following transactions and make appropriate recommendations:
 - Mergers or acquisitions of companies, businesses, or assets
 - Any termination, sale, transfer of ownership, exit, or disposition of an existing investment
 - Joint ventures under partnership agreements
 - Investments/expansions in new or existing projects
 - Investment opportunities that Executive Management wishes to enter
 - Examination of financing prospects for the above transactions
 - Ensure that the proposed investment opportunities comply with relevant regulations and instructions

- Identify and prioritize proposed investment proposals
- Study the progress on the approved investment opportunities
- Carry out any tasks assigned by the Board of Directors
- Review and follow up on the implementation of Board and Investment Committee decisions

Meetings of the Investment Committee

- The Investment Committee shall convene periodically, at least every six months, and whenever needed.
- The Investment Committee meetings are quorate, if attended by a majority of its members. Committee resolutions shall be adopted by a majority of the members present. In case of a tie, its Chairman shall have the casting vote.
- The Chairman of the Investment Committee shall call for the convening of Committee meetings. Any member of the Investment Committee or the Chairman of the Board may ask the Chairman of the Investment Committee to call the Committee to meet.
- The invitation to the meeting of the Investment Committee shall be sent to the Committee members, together with the agenda, seven days before the date of the scheduled meeting, unless the members agree otherwise.
- No Member of the Board of Directors or Executive Management shall be entitled to attend Investment Committee meetings unless the Committee requests to hear his/her opinion or obtain his/her advice. Attendance of Investment Committee meetings shall be limited to the members and the Secretary of the Committee.
- Investment Committee meetings shall be documented and minutes including the discussions and deliberations carried during such meetings shall be prepared. Recommendations of the Committee and voting results shall be documented and retained in a special and organized register, including the names of the attendees and any reservations they expressed (if any). Such minutes shall be signed by all of the attending members.
- The Chairman of the Investment Committee or his assignee shall attend the Company's General Assemblies to answer shareholders' questions.

- The Investment Committee shall submit summary reports to the Board of Directors following each of its meetings.
- Within the scope of its powers, the Investment Committee may seek assistance from any expert or specialist, whether internal or external. This shall be included in the minutes of the Committee meeting. Such minutes shall state the name of the expert and his/her relation to the Company or its Executive Management.

Powers of the Investment Committee

In the performance of its duties, the Investment Committee may:

- Request appropriate information that will enable the Committee to carry out its roles and responsibilities.
- Investigate any matter falling within its functions, or any subject specifically requested by the Board of Directors.
- Access the Company's records and documents.
- Seek legal and technical advice from any third party or other independent consultant, when necessary, to assist the Committee in performing its functions.
- Review investment opportunities proposed by the Executive Management, provided that the justifications for approval or rejection are documented in the minutes of meetings.
- Recommend investment opportunities to the Board of Directors.

Investment Committee Members Remuneration

- The remuneration of the Committee members shall be a fixed cash amount, in addition to an attendance allowance.
- The annual remuneration for the members of the Committee shall be determined as per the recommendation of the Remuneration and Nomination Committee to the Board of Directors.

Final Provisions (Application and Review)

This Regulation shall be effective from the date of its approval by the Board of Directors. This Regulation shall be reviewed by the Board of Directors, and any amendments shall be approved by the Board of Directors.

No.	Member Name	Position	Meetings					Attendance Rate
			First	Second	Third	Fourth	Fourth	
			21-Mar-22	23-May-22	21-Jun-22	14-Sep-22	28-Nov-22	
1	Mr. Bader bin Abdullah Al Issa	Chairman	Attended	Attended	Attended	Attended	Attended	100%
3	Mr. Ammar bin Abdulwahid Al Khudairy	Member	Attended	X	Attended	Attended	Attended	80%
5	Mr. Mohammed Mansour Al Mousa**	Member	-	-	-	Attended	Attended	100%
2	HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	Member	Attended	Attended	Attended	Attended	Attended	100%
4	Mr. Peter Amon*	Member	Attended	Attended	Attended	-	-	100%

*Membership ended on 6 August 2022

**Membership started on 7 August 2022

Remuneration and Nomination Committee

The Board formed this Committee for a period of three years starting from 7 August 2019. The regulation of the Remuneration and Nomination Committee including the remuneration of its members was approved by the Company's General Assembly on 8 October 2017 in accordance with Articles 60 and 64 of the Corporate Governance Regulations issued by the CMA. The Committee has the role of making recommendations to the Board of Directors on nominations to the Board, developing clear policies for the remuneration of the Board of Directors and Senior Executives of the Company and its subsidiaries, reviewing the structure of the Board of Directors, identifying weaknesses and strengths of Members of the Board, ensuring the independence of independent Members (annually) and ensuring the absence of conflicts of interest if Members also belong to the board of directors of another company.

Regarding remuneration, the Committee shall be responsible for the following:

- Preparing a clear policy for the remuneration of the Board Members and its committees, and the Executive Management, and presenting such policy to the Board in preparation for approval by the General Assembly, provided that such policy follows standards that are linked to performance, and disclosing and ensuring the implementation of such policy.
 - Clarifying the relation between the paid remuneration and the adopted Remuneration Policy and highlighting any material deviation from that policy.
 - Periodically reviewing the Remuneration Policy and assessing its effectiveness in achieving its objectives.
 - Providing recommendations to the Board in respect of the remuneration of its Members, its Committees and Senior Executives, in accordance with the approved policy.
 - Reviewing the financial remuneration of the CEO, including long term and short term incentives, in addition to setting the performance level to be achieved by the CEO, and providing recommendations to the Board in respect thereof.
- Reviewing and authorizing the CEO's recommendations as to financial remuneration of Senior Executives.
 - Ensuring and observing the compliance of the Company with respect to the policy for the remuneration of the Board Members and its committees, and the Executive Management approved by the General Assembly of shareholders.

Regarding nominations, the Committee shall be responsible for the following:

- Suggesting clear policies and standards for membership of the Board and the Executive Management.
- Providing recommendations to the Board for the nomination or renomination of its Members, in accordance with approved policies and standards, taking into account that nominations shall not include any person convicted of a crime involving moral turpitude or dishonesty.
- Preparing a description of the capabilities and qualifications required for Membership of the Board and Executive Management positions.
- Determining the amount of time that the Member shall allocate to the activities of the Board.
- Annually reviewing the skills and expertise required of the Board Members and the Executive Management, while determining the strengths and weaknesses of the Board and Executive Management, and recommending remedial solutions that serve the Company's interests.
- Reviewing the structure of the Board and Executive Management, as well as providing recommendations regarding changes that may be made to such structure.
- Annually ensuring the independence of Independent Directors and the absence of any conflicts of interest if a Board Member also acts as a member of the board of directors of another company.
- Providing job descriptions for the Executive, Non-Executive and Independent Directors and Senior Executives.

- Setting procedures to be followed if the position of a Member of the Board or a Senior Executive becomes vacant.
- Determining the strengths and weaknesses of the Board and recommending remedial solutions that serve the Company's interests.
- Providing an appropriate level of training and induction to new Board Members regarding the Company's tasks and achievements so that they can perform their duties effectively.
- Examining and reviewing the Executive Management's performance.
- Examining and reviewing succession plans for the Company in general, and for the Board of Directors, Chief Executive Officer and Senior Executives.
- Examining and reviewing the recommendations of the Chief Executive Officer regarding the appointment and termination of Senior Executives, except for the Head of Internal Audit department who shall be appointed and dismissed upon the recommendation of the Company's Audit Committee.

Remuneration and Nomination Committee Meetings during 2022

During 2022, the Remuneration and Nomination Committee held two meetings. The following table illustrates the names, positions and attendance of Committee members.

No.	Member Name	Position	Meetings		Attendance Rate
			First 23-May-22	Second 28-Nov-22	
1	Mr. Ammar bin Abdulwahid Al Khudairy	Chairman	X	Attended	50%
2	Mr. Bader bin Abdullah Al Issa**	Member	-	Attended	100%
3	Mr. Hosam Ali Al Qurashi**	Member	-	Attended	100%
4	HH Prince Saud bin Sultan bin Mohammed bin Saud Al Kabeer	Member	Attended	Attended	100%
5	Mr. Saad bin Abdulmohsen Al Fadly*	Member	Attended	-	100%
6	Mr. Sultan bin Abdulmalek Al Sheikh*	Member	Attended	-	100%

*Membership ended on 6 August 2022

**Membership started on 7 August 2022

Audit Committee

The Company's Ordinary General Assembly formed this Committee for a period of three years starting from 7 August 2016. As an amendment, regulation of the Audit Committee, including the remuneration of its members, was approved by the Company's General Assembly on 8 October 2017, in accordance with Article 101 of the Companies Law. The Audit Committee shall be competent in monitoring the Company's activities and ensuring the integrity and effectiveness of the reports, Financial Statements and internal control systems. The duties of the Audit Committee shall particularly include the following:

Financial Reports

- Analyzing the Company's Interim and Annual Financial Statements before presenting them to the Board and providing its opinion and recommendations thereon to ensure their integrity, fairness and transparency.
- Providing its technical opinion, at the request of the Board, regarding whether the Board's report and the Company's Financial Statements are fair, balanced, understandable and contain information that allows shareholders and investors to assess the Company's financial position, performance, business model and strategy.
- Analyzing any important or non-familiar issues contained in the financial reports.
- Accurately investigating any issues raised by the Company's CFO or any person assuming his or her duties, or the Company's Compliance Officer or external auditor.
- Examining accounting estimates in respect of significant matters that are contained in the financial reports.
- Examining the Company's accounting policies and providing the Board with its opinion and recommendations thereon.

Internal Audit

- Examining and reviewing the Company's internal and financial control systems.
- Analyzing internal audit reports and following up on the implementation of corrective measures in respect of the remarks contained therein.
- Monitoring and overseeing the performance and activities of the Company's internal Auditor and Internal Audit department to ensure the availability of the necessary resources and their effectiveness in performing the assigned activities and duties.

- Submitting a recommendation to the Board on appointing a Director for the Internal Audit department, and suggesting the remuneration thereof.
- Studying and reviewing the Company's internal control system and preparing a written report on its opinion regarding the adequacy thereof and other activities that it conducted within its competence.
- The Board shall make available sufficient copies of said report at the Company's head office at least 10 days prior to the date set for the General Assembly Meeting, in order to provide each shareholder with a copy of said report, which shall be read during the Assembly.

The Auditor

- Providing recommendations to the Board to nominate auditors, dismiss them, determine their remuneration and assess their performance after verifying their independence and reviewing the scope of their work and the terms of their contracts.
- Verifying the independence of the Auditor, its objectivity, fairness and the effectiveness of audit activities, taking into account relevant rules and standards.
- Reviewing the plan of the Company's Auditor and its activities, and ensuring that it does not provide any technical or administrative work that is beyond its scope of work, and provides its opinion thereon.
- Responding to queries of the Company's Auditor.
- Reviewing the Auditors' reports and its comments on the Financial Statements, as well as following up on the procedures taken in connection therewith.

Ensuring Compliance

- Reviewing the findings of the reports of supervisory authorities and ensuring that the Company has taken the necessary actions in connection therewith.
- Ensuring the Company's compliance with relevant laws, regulations, policies and instructions.
- Reviewing the contracts and proposed related party transactions, and providing its recommendations to the Board in connection therewith.
- Reporting any issues to the Board in connection with what it deems necessary to take action on and providing recommendations as to the steps that should be taken.

The Committee is formed according to the following rules:

- An Audit Committee shall be formed by a resolution of the Ordinary General Assembly of the Company upon the recommendation of the Board of Directors.
- Nomination of Audit Committee members shall be pursuant to the recommendation of the Remuneration and Nomination Committee.
- Audit Committee members may be shareholders or others, provided that at least one of them is an independent member, and that one of its members is specialized in finance and accounting.
- The Audit Committee shall not include any Executive Directors.
- Any person who works or has worked in the executive or financial management of the Company or with the Auditor of the Company during the last two years may not be a member of the Audit Committee.
- The number of members of a committee shall not be less than three or more than five.
- The Chairman of the Board of Directors may not be a member of the Audit Committee.
- Members of the Audit Committee shall be selected in such a way as to ensure that they possess a variety of skills and expertise, taking into account their possession of appropriate expertise in the Company's business sector, including those who are competent in financial and accounting matters.
- Members of the Audit Committee shall be appointed for a period not exceeding three years and may be reappointed as needed for the Committee's formation.
- The Chairman of the Audit Committee shall be an independent member and shall be appointed by the members thereof at the first Committee meeting.
- At its first meeting, the Audit Committee shall appoint a secretary from among its members or the Company's employees.
- If an Audit Committee seat becomes vacant, the Company's Board of Directors may appoint a temporary member to the vacant position, provided that the latter has the required expertise and competence. The CMA shall be informed thereof within five business days from the date of appointment, which shall be submitted before the Ordinary General Assembly at its first subsequent meeting. The new Audit Committee member shall complete the term of his or her predecessor.
- The Company undertakes to notify the CMA of the names of its Audit Committee members and the status of their memberships within five business days from the date of their appointment, as well as any changes that may affect their membership, within five business days from the occurrence of such changes.

As per Article 103 of the Companies Law, the Audit Committee may ask the Board of Directors to call the General Assembly to convene if the Board of Directors hinders its work or when the Company suffers serious damages or losses. During 2022, the Audit Committee held five meetings. The following table illustrates the names, positions and attendance of the Committee members.

No.	Member Name	Position	Meetings					Attendance Rate
			First 20-Jan-22	Second 7-Apr-22	Third 14-Jul-22	Fourth 6-Oct-22	Fifth 6-Dec-22	
1	Mr. Raied A. Al Seif	Chairman	Attended	Attended	Attended	Attended	Attended	100%
2	Mr. Eid bin Faleh Al Shamri	Member	Attended	Attended	Attended	Attended	Attended	100%
3	Mr. Salah Khalid Al Taleb**	Member	-	-	-	Attended	Attended	100%
4	Mr. Salman Abdulmuhsin Al Sudeary**	Member	-	-	-	Attended	Attended	100%
5	Mr. Sulaiman bin Naser Al Hatlan	Member	Attended	Attended	X	Attended	Attended	80%
6	Dr. Abdulrahman bin Suliman Al Turaigi*	Member	Attended	Attended	Attended	-	-	100%
7	Mr. Saad bin Abdulmohsen Al Fadly*	Member	X	Attended	X	-	-	60%

*Membership ended on 6 August 2022

**Membership started on 7 August 2022

Results of Annual Internal Audit Procedures

Internal Control System

The Board shall approve an internal control system for the Company in order to assess the policies and procedures relating to risk management, implementation of the provisions of the Company's governance rules approved by the Company and compliance with the relevant laws and regulations. Such a system shall ensure compliance with clear accountability standards at all executive levels in the Company, and that related party transactions are implemented in accordance with the relevant provisions and controls.

Establishing Independent Departments within the Company

For purposes of implementing the approved internal control system, the Company has established departments for the assessment and management of risks and for internal auditing. The Company may utilize external entities to perform the duties and competencies of the units or departments of risk assessment and management and internal control without prejudice to the Company's responsibility for those duties and competencies.

Duties of the Internal Audit Department

The Internal Audit department shall assess and monitor the implementation of the internal control system and verify that the Company and its employees comply with the applicable laws, regulations and instructions and the Company's policies and procedures. The Internal Audit department shall be composed of an internal Audit Manager whose appointment is recommended by the Audit Committee. Such internal auditor shall be responsible before the Audit Committee and a number of competent employees. The formation and operation of the Internal Audit department shall take into consideration the following:

- Employees of such department shall be competent, independent and adequately trained, and shall not be entrusted with any functions other than internal audit duties and internal control systems.
- The Internal Audit department shall report to the Audit Committee, and shall be subordinate and accountable to it.

- The remuneration of the Manager of the Internal Audit department shall be determined by a recommendation of the Audit Committee, as per Company policies.
- The department shall be given access to information and documents, and shall be able to obtain the same without any restrictions.

Internal Audit Plan

The Internal Audit department shall operate pursuant to a comprehensive audit plan approved by the Audit Committee. The plan shall be updated annually. Key activities and operations, including the activities of the Risk Management and Compliance departments, shall be reviewed at least annually.

Maintaining Internal Audit Reports

The Company shall keep records of the audit reports and business documents, which shall clarify its accomplishments, findings and recommendations, and all actions taken in this regard.

Internal Audit Report

- The Internal Audit department shall prepare and submit, at least quarterly, a written report on its activities to the Board and the Audit Committee. Such report shall include an assessment of the Company's internal control system and the final opinion and recommendations of the department. Such report shall also specify the procedures taken by each department for addressing the findings and recommendations from the previous audit, and any remarks thereon, particularly failures to promptly address such findings and recommendations and the reasons for such failure.
- The Internal Audit department shall prepare a general written report to be submitted to the Board and the Audit Committee on the audit activities it carried out during the financial year, compared to the approved plan. Such report shall explain the reasons for any deviation from the plan, if any, during the quarter following the end of the relevant financial year.

- The Board shall specify the scope of the report of the Internal Audit department, based on recommendations from the Audit Committee and the Internal Audit department. The report shall include the following in particular:
 - Procedures for monitoring and overseeing the financial affairs, investments and risk management.
 - Assessing the development of risk factors threatening the Company and the existing systems, in order to confront radical or unexpected changes on Tadawul.
 - An assessment of the performance of the Board and the Senior Management with respect to the implementation of internal control systems, including specifying the number of times the Board has been informed of control issues (including risk management) and a description of the method followed to address such issues.
 - Failures or weaknesses in the implementation of internal control, or emergency situations that have affected or may affect the Company's financial performance, and the measures taken by the Company to address such failures (particularly the issues disclosed in the Company's Annual Reports and its Financial Statements).
 - The extent to which the Company has complied with the internal controls when determining and managing risks.
 - Information describing the Company's risk management operations.

The Audit Committee directly supervises Internal Audit, while Internal Audit continuously examines the efficiency and effectiveness of Almarai's internal control systems. Accordingly, the Board of Directors, based on the reports and recommendations of the Audit Committee, and in line with its business plan, confirms the following in respect of 2022:

- That no matters were brought to the Board's attention that would lead the Board to believe that there was a fundamental lack of integrity in financial and accounting systems such that it would require disclosure.
- That the control systems are effectively functioning and facilitating the mitigation of potential risks that Almarai and its subsidiaries may face and that no matters relating to the functioning of internal controls were brought to the Board's attention that were material and would require disclosure.
- That all necessary arrangements and corrective actions have been taken on all concerns and recommendations raised by Internal Audit to the Audit Committee.

Risk Committee

The Committee has the role of developing a strategy and comprehensive policies for risk management, monitoring their implementation, and reviewing and updating them. The Committee also determines and maintains an acceptable level of risk that may be faced by the Company ensuring that the Company does not go beyond such level, ensuring the feasibility of the successful continuation of the Company.

The Committee shall be responsible for the following:

- Examining and reviewing the Company's risk management policies.
- Developing a strategy and comprehensive policies for risk management that are consistent with the nature and volume of the Company's activities, monitoring their implementation, and reviewing and updating them based on the Company's internal and external changing factors.
- Determining and maintaining an acceptable level of risk that may be faced by the Company and ensuring that the Company does not go beyond such level.
- Ensuring the feasibility of the Company's continuation, the successful continuity of its activities and determining the risks that threaten its existence during the following 12 months.
- Overseeing the Company's risk management system and assessing the effectiveness of the systems and mechanisms for determining and monitoring the risks that threaten the Company in order to determine areas of inadequacy therein.
- Regularly reassessing the Company's ability to manage risks and to be exposed to such risks.
- Preparing detailed reports on the exposure to risks and the recommended measures to manage such risks, and presenting them to the Board.
- Providing recommendations to the Board on matters related to risk management.
- Ensuring the availability of adequate resources and systems for risk management.
- Reviewing the organizational structure pertaining to risk management and providing recommendations regarding the same before approval by the Board.
- Verifying the independence of risk management employees from activities that may expose the Company to risk.
- Ensuring that risk management employees understand the risks threatening the Company and seeking to raise awareness of the culture of risk.
- Reviewing any issues raised by the Audit Committee that may affect the Company's risk management.

Risk Management Committee Meetings during 2022

During 2022, the Risk Management Committee held four meetings. The following table illustrates the names, positions and attendance of Committee members.

No.	Member Name	Position	Meetings				Attendance Rate
			First	Second	Third	Fourth	
			20-Mar-22	22-May-22	4-Sep-22	27-Nov-22	
1	Mr. Waleed bin Khalid Fatani	Chairman	Attended	Attended	Attended	Attended	100%
2	Mr. Raied A. Al Seif**	Member	-	-	Attended	Attended	100%
2	Mrs. Vanessa Fisk	Member	Attended	Attended	Attended	Attended	100%
4	Mr. Jason Day*	Member	Attended	Attended	-	-	100%

*Membership ended on 6 August 2022

**Membership started on 7 August 2022

Related Party Transactions

Almarai's written policy on conflict of interest addresses potential conflict situations for Directors, Executives and shareholders. The General Assembly is notified of any potential conflict of interest requiring approval. During the

normal course of its operations in 2022, Almarai carried out the following significant transactions with related parties on an arms' length basis.

Nature of Transaction	Transaction Amount		Balance at	
	2022	2021	31 December 2022	31 December 2021
	SAR '000	SAR '000	SAR '000	SAR '000
Sales To				
Panda Retail Company	714,967	731,026	128,479	132,001
Afia International Company	-	2,249	-	531
Herfy Food Services	1,242	-	76	-
Abdullah Al Othaim Markets	532,408	491,769	105,220	98,291
Total	1,248,617	1,225,044	233,775	230,823
Purchases From				
United Sugar Company	67,722	57,633	(5,704)	(4,845)
Maria Fondomonte S.A.	-	26,962	-	(462)
	67,722	84,595	(5,704)	(5,307)
Services From				
Arabian Shield Cooperative Insurance Company	160,169	162,054	(2,163)	(275)
Saudi Telecommunication Company - STC*	27,958	25,194	-	-
Zain	10,923	7,390	-	-
	199,050	194,638	(2,163)	(275)
Total	266,772	279,233	(7,867)	(5,582)
Finance Charges				
Saudi British Bank*	6,905	5,512	-	(1,587)
Banque Saudi Fransi	416	2,042	-	(588)
Saudi National Bank	8,904	9,187	-	(2,644)
	16,225	16,741	-	(4,819)
Bank Financing				
Saudi British Bank*	9,694	26,685	(1,751,429)	(1,042,002)
Banque Saudi Fransi	6,811	2,352	(262,575)	-
Saudi National Bank	23,711	14,586	(915,625)	(590,625)
	40,216	43,623	(2,929,629)	(1,632,627)

* During December 2022 the entity became a related party for the Group. The disclosed transactions reflect the total amount of trading activity carried out during 2022 and 2021 and the related balance as at 31 December for such years

Dealings during the Year 2022

The following significant related party transactions during 2022 required approval from the General Assembly.

Member	Nature of Dealing	Amount SAR '000	Period	Conditions
Chairman / HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer				
Mobile Telecommunication Company Saudi (ZAIN)	Telecommunication services	10,923	2022	Commercial condition prevailing in the market
Arabian Shield Cooperative Insurance Company (HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer, Mr. Salman Abdelmuhsin Al Sudeary**)				
Arabian Shield Cooperative Insurance Company	Insurance	160,169	2022	Commercial condition prevailing in the market
Savola Group (Mr. Sulaiman A.K Al Muhaidib, Mr. Bader Abdullah Al Issa and Mr. Waleed bin Khalid Fatani)				
Panda Retail Company	Product Sales	714,967	2022	Commercial condition prevailing in the market
United Sugar Company	Sugar Purchasing	67,722	2022	Commercial condition prevailing in the market
Herfy Food Services Co.	Product Sales	1,242	2022	Commercial condition prevailing in the market
Mr. Ammar Al Khudairy				
Saudi National Bank	Bank Financing	23,711	2015 : 2026	Commercial condition prevailing in the market
Saudi National Bank	Payment of Sukuk Finance Charges	8,904	2015 : 2022	Commercial condition prevailing in the market
Mr. Bader bin Abdullah Al Issa				
Banque Saudi Fransi	Bank Financing	6,811	2017 : 2027	Commercial condition prevailing in the market
Banque Saudi Fransi	Payment of Sukuk Finance Charges	416	2015 : 2022	Commercial condition prevailing in the market
Mr. Mohammed Mansour Al Mousa**				
Abdullah Al Othaim Markets	Product Sales	532,408	2022	Commercial condition prevailing in the market
Mr. Saad Al Fadly*				
Saudi British Bank	Bank Financing	9,694	2019 : 2029	Commercial condition prevailing in the market
Saudi British Bank	Payment of Sukuk Finance Charges	6,905	2013 : 2022	Commercial condition prevailing in the market
Mr. Sultan Al Shaikh*				
Saudi Telecom Company	Telecommunication Services	27,958	2022	Commercial condition prevailing in the market

*Membership ended on 6 August 2022

**Membership started on 7 August 2022

Disclosure and Transparency Policy

Almarai seeks to provide accurate, regularly updated information to all its stakeholders and other interested parties. This policy reflects current activities and will be updated as and when those activities change. The Company publishes and regularly updates information about corporate structure and operations, partners, investments, other commercial activity and performance related information. As a publicly listed Company, Almarai recognizes its obligation to respond appropriately to legitimate questions from consumers, customers, government, the media and other stakeholders. Information disclosed by Almarai under this policy is available on various websites including the Company's website (www.almarai.com) and the Saudi Stock Exchange (Tadawul) website (www.tadawul.com.sa).

The following information is updated and published annually, or as required by the law and relevant rules and regulations.

This is not an exhaustive list – other useful information is also disclosed as required:

- Board Members
- Board Committee Membership
- Board Reports
- Quarterly Reports and Financial Statements
- Annual Reports and Financial Statements
- Accounting Policies
- Related Party Transactions
- Review of Principal Activities
- Auditors' Report

In the following circumstances, Almarai will not routinely publish information:

- Where disclosure would, or would be likely to, prejudice the commercial interests of Almarai, its business partners or other third parties, and where the public interest in disclosure does not outweigh the public interest in maintaining the exemption.
- When information has been given to Almarai in confidence, and where disclosure could give rise to an action for breach of confidence.
- Personal information about Almarai employees, Board Members or other individuals, where to do so may be in breach of data protection principles.
- Where disclosure would, or would be likely to, prejudice the investigation, prevention or detection of crime, or the administration of justice.

- When information is subject to legal privilege.

Hotline Compliance: Code of Conduct (COC) / Conflict of Interest (COI) / Whistleblowing Policy

Almarai is an organization with strong values of responsibility and integrity. Our Code of Conduct contains general guidelines for conducting business with the highest standards of ethics. Almarai is committed to an environment where open, honest communications are the expectation, not the exception. We strive to create an environment where any stakeholder, whether internal or external, feels comfortable in reporting an instance that he or she believes violates Almarai Code of Conduct policies or standards. In this spirit, Almarai has partnered with a leader in ethics and compliance reporting, to provide a transparent and anonymous reporting mechanism, hosted by a third-party hotline provider. All stakeholders are encouraged to submit reports relating to violations stated in Almarai's Code of Conduct, as well as ask for guidance related to policies and procedures and provide positive suggestions and stories with a guarantee that their comments will be heard. Web link: <https://www.almarai.com/en/corporate/compliance/>

Historic Information

The information that Almarai publishes on its website is mainly current information, although some historic information is available, for example previous Annual Reports.

Contact Almarai

Related or interested parties are invited to communicate with the Investor Relations department by email: investor.relations@almarai.com Interested parties may also contact the Company through the following telephone numbers: 800 124 6688 in Saudi Arabia, or +966 (11) 453 6688 from abroad. Interested parties may also contact Almarai by email: info@almarai.com

For more information, visit the Company's website: www.almarai.com

Board of Directors Certification

The Board of Directors has taken care to ensure the professional performance of the Company during 2022 and certifies the following:

- There are no equity shares or debt instruments belonging to subsidiaries.
- There were no convertible debt instruments, or any securities or contractual rights of initial public offering or similar rights issued or granted by Almarai, and there was no compensation obtained by Almarai in return.
- There were no rights of conversion or initial public offering under convertible debt instruments, or any securities or contractual rights of initial public offering or similar rights issued or granted by Almarai.
- There were no substantial operational conflicts of interest during 2022, other than those that have been disclosed.
- We did not receive a request from the external auditors to call a meeting of the General Assembly during 2022.
- We did not receive a request from shareholders owning 5% or more of the Company's share capital to call a meeting of the General Assembly during 2022.
- There was no procedure that might lead to the obstruction of shareholders' rights of voting.
- There were no significant events affecting the integrity of the financial position of the Company after the financial year 2022 requiring disclosure, other than information that is available and declared.

- The Company did not provide loans or credit facilities to any Member of the Board of Directors.
- Proper books of account have been maintained.
- The system of internal control is sound and has been effectively implemented.
- There are no significant doubts concerning Almarai's ability to continue as a going concern.

Recommendations to the General Assembly

After reviewing the most important operational and financial activities for the financial year 2022, we are pleased to attach the Consolidated Financial Statements with the Auditor's Report. We recommend that the General Assembly approve the Directors' Report, the Consolidated Financial Statements and the Auditor's Report. The place and time of the General Assembly Meeting and any other items on the agenda will be announced at a later date.

Financial Performance for 2022

Financial Performance

The Consolidated Profit attributable to shareholders of SAR 1,760 million, is an increase of 12.6% year on year mainly due to a solid revenue growth of 18.1%. This revenue growth was achieved across the board and the growth was evident in all countries, products and channels. Whilst the growth was broad based, the significant contribution to the growth came from Bakery and Poultry products and from the Food services channel which continues to grow from strength to strength.

Gross profit for Almarai however declined as the revenue growth was merely covering the global commodity cost inflation and as a result of inflation on the top line, the margin was diluted from 31.9% to 30.0%. However, strict cost control, directed marketing spend and by leveraging economies of scale, the operating profit of 12.2% remained within range of 2021's operating profit of 12.7%.

Lastly, the Net Income was impacted by the higher cost of funding (an increase of 23.7%) driven by increases in interest rates across the globe and in the KSA. As a result, the Net Income grew from SAR 1,564 million to SAR 1,760 million, an increase of 12.6%. The Net Income declined to 9.4% of revenue as compared to 9.9% of revenue in year 2021.

Due to increases in global commodity costs, Almarai's inventory, and its working capital, experienced inflationary pressures. As a result, the inventory was increased by nearly SAR 1,000 million and working capital increased to 19.3% of revenues, which we believe is a more sustainable number going forwards. This working capital adjustment resulted in 2022 free cash flow of only SAR 1,842 million, a reduction of nearly SAR 1,200 million from last year. However, the free cash flow represented 9.8% of the Net Revenue which we expect to improve in the coming years.

Segmental Results

Dairy and Juice segment recorded 12.2% revenue growth over the last year driven by a strong performance in the Long Life Dairy segment which grew by 19.9% year on year. This was followed by fresh Dairy and Juice segments which recorded positive growth. However, the profitability growth was limited to 2.6% due to further commodity cost inflation within the segment.

Bakery segment growth was driven by normalization of school hours, tourism and general opening of trade. As a result, the top line growth was 36.4% which supported the Net Income growth of 53.2%. The Net Income growth was made

possible by leveraging economies of scale and available capacity within the segment.

Poultry segment revenue grew by 30.9% driven by 10% excess capacity made available in the second half of the year. The excess capacity, along with improved performance in the Food services channel, resulted in net profit growth of 39.3%.

Geographic Sales

Saudi Arabia, holding 64.6% value share of Almarai's sales at country level, remains the major contributor of sales for the Company by adding SAR 1,877 million or 65.3% to the total revenue growth. The UAE came in as the second largest market for Almarai representing 9.0% of its total sales, followed by Egypt.

Cash Flow and Balance Sheet

The Company delivered Net Cash Generated From Operating Activities of SAR 3,829 million, a reduction of 22.1% from the 2021 Operating Cash Flows of SAR 4,915 million, mainly due to increased working capital driven by higher inventory due to global commodity cost inflation.

The Net Cash used in investing activities of SAR 1,987 million in 2022 was nearly 10% up than cash spent last year of SAR 1,814 million. The positive free Cash Flow for 2022 amounted to SAR 1,842 million, which was SAR 1,000 million lower than 2021 due to higher inventory valuations.

By the end of 2022, the overall leverage of the Company reached 2.3 Net Debt to EBIDTA, which is now lower than the strategic limit set by the Board of Directors of 2.5 times. The Net Debt to Equity Ratio reached 53% at the end of 2022, below the 100% target.

Managing Risk

In the course of the year, the maturity profile of the existing debt facilities increased from 3.5 years to 3.9 years due to acquiring new bullet term loans. The Company will continue to review and consolidate its debt profile to ensure a diversified and aligned maturity profile with its free cash flow generation expectations. The Company interest rate hedging programme ensured an optimum percentage of debt in a fixed interest rate regime to protect from unfavorable movement earlier in the year. The policy is to keep the hedge ratio between 50% to 80% of its borrowings at fixed commission. During 2022, volatile currency risk was managed via maintaining minimal foreign currency exposure in both Egyptian and Argentinean operations.

Whilst stable EGP provided a further cushion, deteriorating ARS was protected via close and constructive collaboration between local and corporate finance teams. The Company entered into future currency contracts to eliminate volatility in foreign currency. The Company further consolidated its commodities hedging programme for corn, soybeans, soymeal, plastic, and sugar, with an established risk framework in place to guard against challenges created by volatile commodity prices. In addition, the corporate finance team also engaged in a comprehensive overhaul of existing insurance policies to ensure optimized coverage aligned with Almarai's changing risk profile.

Existing Financing

Almarai continued to enjoy a strong credit standing with various government and non-government financial and lending institutions, as well as from fixed income investors from both domestic and international markets. This

favorable position results from Almarai's predictable positive Operating Cash Flows and its clear strategy for sustainable growth. Existing financing amounted to SAR 9,514 million at the end of 2022, in the form of Murabaha banking facilities compliant with Shariah (excluding the banking facilities of foreign and GCC subsidiaries), Government funding and Sukuk from fixed income investors. All contractual terms and guarantees used for these financing agreements are executed with normal commercial conditions, including the mortgage of assets and production lines amounting to SAR 1,262.3 million, to the benefit of government financial institutions. Financing facilities granted by banks and other financial institutions are guaranteed by secured promissory notes issued by the Company.

Source of Financing (SAR million)

Source of Financing	Amount of Core Funding	Financing Period	Payment Method	Start of Year 2022	Additions during the Year	Paid during the Year	31 December 2022	Maturity Date
Banks and Financial Institutions (Islamic Banking Facilities).	10,416.2	2-10 years	Quarterly, semi-annual and annual	3,892.4	15,185.4	13,338.8	5,738.9	2022-2032
Banking Facilities of Foreign Subsidiaries	579.8	1-7 years	Quarterly, semi-annual and annual	397.5	935.3	1,119.6	213.2	2022-2026
Saudi Industrial Development Fund	1,159.2	1-11 years	Semi-annual	1,417.7		258.4	1,159.2	2022-2028
Supranational	839.6	1-9 years	Semi-annual	368.7	75.0	43.0	400.7	2022-2029
Agricultural Development Fund	603.1	11 years	Annual	122.2		19.2	103.1	2022-2027
Sukuk - Fourth Tranche	-	7 years	Lump sum	1,608.9		1,608.9	-	Sep-22
International Sukuk	1,898.9	5 years	Lump sum	1,896.5		(2.4)	1,898.9	Mar-2024
Total	15,496.8			9,703.8	16,195.6	16,385.5	9,514.0	

Classification of Funding (SAR million)

Classification of Funding	2022 (SAR million)	2021 (SAR million)
Short Term Loans	91.0	135.9
Current Portion of Long Term Loans	974.1	2,495.7
Loans - Non-Current Liabilities	8,448.9	7,072.2
Total	9,514.0	9,703.8

Classification of Funding (SAR million)

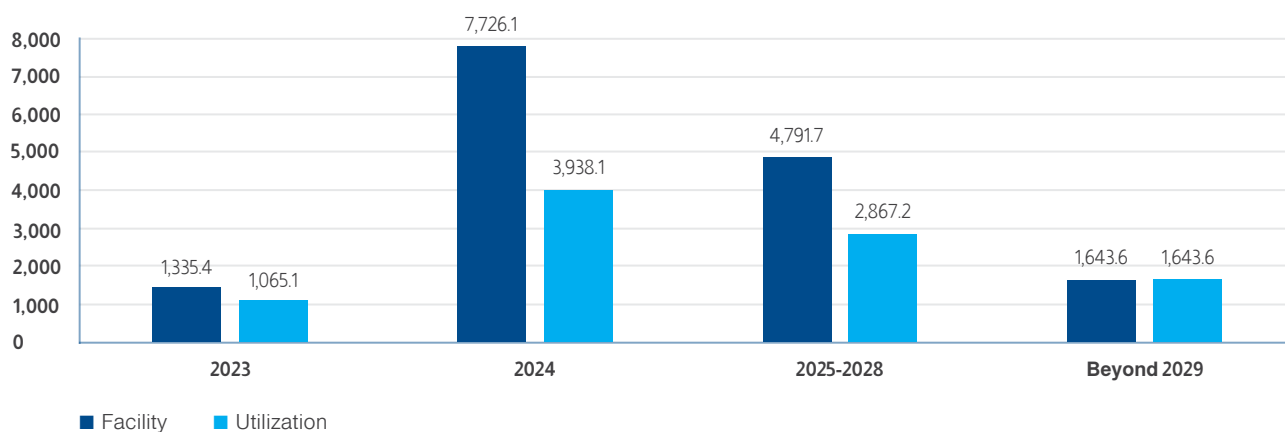
Maturity of Funding	2022 (SAR million)	2021 (SAR million)
Less than one year	1,065.1	2,631.6
One to two years	3,938.1	1,108.4
Two to five years	2,867.2	4,703.4
Greater than five years	1,643.6	1,260.4
Total	9,514.0	9,703.8

Potential Financing

Due to the continuing need to finance Almarai's current operations and potential future investments, Almarai manages any excess cash and constantly provides the necessary financing solutions for all operational needs,

as well as funding proposals for cost efficient financing facilities. The volume of unutilized banking facilities and available government financing amounted to SAR 5,982.7 million at the end of 2022.

Facilities and Utilization (SAR million)



04 Financial Statements

Independent auditor's report to the shareholders of Almarai Company	126
Consolidated Statement of Financial Position	131
Consolidated Statement of Profit or Loss	132
Consolidated Statement of Comprehensive Income	133
Consolidated Statement of Changes in Equity	134
Consolidated Statement of Cash Flows	135
Notes to the Consolidated Financial Statements	136





Independent auditor's report to the shareholders of Almarai Company

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Almarai Company (the "Company") and its subsidiaries (together the "Group") as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Key Audit Matters

- Carrying value of goodwill
- Carrying value of biological assets

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p>Carrying value of goodwill</p> <p>At 31 December 2022, the Group had goodwill, which arose on past business combinations, amounting to Saudi Riyals 948.7 million.</p> <p>In accordance with the International Accounting Standard (IAS) 36 "Impairment of assets" ("IAS 36"), an entity is required to test goodwill acquired in a business combination for impairment at least annually irrespective of whether there is any indication of impairment.</p> <p>Goodwill is monitored by management at the level of cash-generating units ("CGUs"). Management carried out an impairment exercise as at 31 December 2022 in respect of goodwill allocated to each CGU by determining a recoverable amount based on value-in-use derived from a discounted cash flow model, which was based on the most recent formal business plan prepared by the Group's management. This exercise did not identify any impairment loss to be recognized.</p> <p>We considered impairment testing of goodwill performed by the management to be a key audit matter since the assessment of the recoverable amount of goodwill under the value-in-use basis is complex and requires considerable judgment on the part of management. The critical judgmental elements of management's assessment are:</p> <ol style="list-style-type: none"> assumptions concerning the expected economic conditions, especially growth in the markets in which the Group primarily operates; assumptions of the impact of the future actions of the Group's main competitors on expected revenue and gross margin assumptions; and sales growth rates and pre-tax discount rates used in the value-in-use model. 	<p>We performed the following procedures in relation to the management's assessment of impairment of goodwill:</p> <ul style="list-style-type: none"> Assessed the methodology used by management to determine a recoverable value based on the value-in-use of the assets in each CGU and compared it to that required by IAS 36. We inquired and discussed with management any changes made to the impairment model in the current year and tested the arithmetical accuracy of the model; Tested the accuracy and relevance of the input data used in the model by reference to supporting evidence, such as approved budgets, and considered the reasonableness of these budgets by comparison to the Group's historical results and performance against budgets; Reviewed the methodology applied that underpins the value-in-use calculations and use of key assumptions including in particular, sales growth rates and pre-tax discount rates; and Performed sensitivity analyses over the key assumptions, principally sales growth rates and pre-tax discount rates, in order to assess the potential impact of a range of possible outcomes. <p>We also reviewed the adequacy of the Group's disclosures included in the accompanying consolidated financial statements.</p>
<p>Refer to Note 5.10 for the accounting policy and Note 10 for the related disclosures in the accompanying consolidated financial statements.</p>	

Independent auditor's report to the shareholders of Almarai Company

Report on the audit of the consolidated financial statements

Key audit matter

Carrying value of biological assets

As indicated in Note 11 to the consolidated financial statements, the carrying value of biological assets as at 31 December 2022 amounted to Saudi Riyals 1,688 million. This includes Saudi Riyals 1,451 million relating to the Group's dairy herd.

IAS 41 "Agriculture" requires biological assets to be measured at fair value less costs to sell, unless the fair value cannot be reliably measured. Management has determined that fair value cannot be reliably measured for the Group's dairy herd and have therefore accounted for the dairy herd at cost less accumulated depreciation and impairment losses.

We considered this to be a key audit matter as the determination that fair values cannot be reliably measured is largely based on management's judgement supported by detailed analysis and the carrying value of such assets is material to the consolidated financial statements. An alternative approach could have a material effect on the Group's reported profit for the year and its financial position at 31 December 2022.

Refer to Note 5.9 for the accounting policy and Notes 6.1 and 29.1 for the related disclosures in the accompanying consolidated financial statements.

How our audit addressed the Key audit matter

We performed the following procedures in relation to the carrying value of the dairy herd.

- Obtained a detailed understanding of management's basis for rebutting the presumption of IAS 41 for measuring biological assets at fair value less costs to sell. We considered accounting practices used elsewhere for similar entities both within the Kingdom of Saudi Arabia and overseas;
- Assessed management's assertion that market value based (Level I and II) valuation approaches are not possible by consideration of relevant markets available to the Group and consideration of the differences between the Group's dairy herd operations compared to other similar entities;
- Considered management's assertion that a discounted cash flow or replacement cost (Level III) approach would result in a fair value that is clearly unreliable by reviewing the management analysis and support for such an assertion and comparing it to our understanding of the business; and
- Compared the basis on which management capitalises and depreciates the dairy herd to the approach followed by relevant accounting standards.

We also reviewed the adequacy of the Group's disclosures included in the accompanying consolidated financial statements in relation to biological assets.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

Independent auditor's report to the shareholders of Almarai Company

Report on the audit of the consolidated financial statements

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers

Omar M. Al Sagga
License Number 369

22 January 2023

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	31 December 2022 SAR '000	31 December 2021 SAR '000
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	7	20,114,537	20,873,448
Long-Term Prepayments	8	552,415	579,677
Right-of-Use Assets	9	498,783	464,704
Intangible Assets and Goodwill	10	1,145,601	1,129,105
Biological Assets	11	1,564,899	1,469,084
Investments in Associate and Joint Venture	12	6,312	88,749
Derivative Financial Instruments	37	35,441	2,011
Deferred Tax Assets	23	29,674	45,339
		23,947,662	24,652,117
Current Assets			
Inventories	14	5,237,136	4,353,596
Biological Assets	11	122,812	117,980
Trade Receivables, Prepayments and Other Receivables	15	2,155,938	1,991,205
Derivative Financial Instruments	37	47,899	11,597
Equity Investment	12	15,607	46,894
Cash and Cash Equivalents	16	546,916	580,913
		8,126,308	7,102,185
TOTAL ASSETS		32,073,970	31,754,302
EQUITY AND LIABILITIES			
Share Capital	17	10,000,000	10,000,000
Statutory Reserve		2,761,251	2,585,270
Treasury Shares	18	(866,602)	(875,157)
Other Reserves	19	(809,399)	(622,389)
Retained Earnings		5,586,110	5,031,770
Equity Attributable to Equity Holders of the Company		16,671,360	16,119,494
Non-Controlling Interests	20	311,505	498,919
TOTAL EQUITY		16,982,865	16,618,413
Non-Current Liabilities			
Loans and Borrowings	21	8,448,944	7,072,240
Lease Liabilities	9	391,738	360,434
Employee Retirement Benefits	22	1,056,581	951,827
Derivative Financial Instruments	37	19,901	10,041
Deferred Tax Liabilities	23	90,489	117,302
		10,007,653	8,511,844
Current Liabilities			
Bank Overdrafts	33	87,130	78,395
Loans and Borrowings	21	1,065,089	2,631,598
Lease Liabilities	9	75,092	80,710
Zakat	24	168,596	429,988
Income Tax Payable	24	17,503	17,264
Trade and Other Payables	25	3,655,553	3,339,496
Derivative Financial Instruments	37	14,489	46,594
		5,083,452	6,624,045
TOTAL LIABILITIES		15,091,105	15,135,889
TOTAL EQUITY AND LIABILITIES		32,073,970	31,754,302

The accompanying notes 1 to 42 form an integral part of these Consolidated Financial Statements, which have been authorised for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

Danko Maras
Chief Financial Officer

Abdullah Al Bader
Chief Executive Officer

**HH Prince Naif Bin Sultan Bin Mohammed
Bin Saud Al Kabeer**
Chairman

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	Notes	31 December 2022 SAR '000	31 December 2021 SAR '000
Revenue	32	18,722,258	15,849,720
Cost of Sales	26	(13,098,035)	(10,790,450)
Gross Profit		5,624,223	5,059,270
Selling and Distribution Expenses	27	(2,709,538)	(2,518,851)
General and Administration Expenses	28	(458,694)	(428,157)
Other Expenses, net	29	(153,356)	(85,563)
Impairment Loss on Financial Assets	15	(26,303)	(11,845)
Operating Profit		2,276,332	2,014,854
Finance Cost, net	30	(428,119)	(346,063)
Share of Results of Associate	12	716	(941)
Profit before Zakat and Income Tax		1,848,929	1,667,850
Zakat	24	(62,600)	(77,080)
Income Tax	23,24	(8,191)	(11,334)
Profit for the Year		1,778,138	1,579,436
Profit for the year Attributable to:			
Shareholders of the Company		1,759,812	1,563,543
Non-Controlling Interests		18,326	15,893
		1,778,138	1,579,436
Earnings per Share (SAR), based on Profit for the Year Attributable to Shareholders of the Company			
- Basic	31	1.79	1.59
- Diluted	31	1.76	1.56

The accompanying notes 1 to 42 form an integral part of these Consolidated Financial Statements, which have been authorised for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

Danko Maras
Chief Financial Officer

Abdullah Al Bader
Chief Executive Officer

**HH Prince Naif Bin Sultan Bin Mohammed
Bin Saud Al Kabeer**
Chairman

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Notes	31 December 2022 SAR '000	31 December 2021 SAR '000
Profit for the Year		1,778,138	1,579,436
Items that will not be reclassified to profit or loss:			
Actuarial Loss on Employee Retirement Benefits	22	(42,057)	(4,929)
Change in the Fair Value of Equity Investment through FVOCI	12	1,596	(1,902)
Items that are or may be reclassified subsequently to profit or loss:			
Settlement of Cash Flow Hedges Transferred to Inventory / PPE		(16,986)	(82,425)
Foreign Currency Translation Differences	19.1	(245,700)	4,540
Movement in Fair Value on Cash Flow Hedges		154,083	34,364
Settlement of Cash Flow Hedges Transferred to Profit or Loss		(45,120)	(41,127)
Other Comprehensive Loss for the Year, net of Income Tax		(194,184)	(91,479)
Total Comprehensive Income for the Year		1,583,954	1,487,957
Total Comprehensive Income / (Loss) for the Year Attributable to:			
Shareholders of the Company		1,685,361	1,471,041
Non-Controlling Interests		(101,407)	16,916
		1,583,954	1,487,957

The accompanying notes 1 to 42 form an integral part of these Consolidated Financial Statements, which have been authorised for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

Danko Maras
Chief Financial Officer

Abdullah Al Bader
Chief Executive Officer

**HH Prince Naif Bin Sultan Bin Mohammed
Bin Saud Al Kabeer**
Chairman

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Share Capital SAR '000	Statutory Reserve SAR '000	Treasury Shares SAR '000	Other Reserves SAR '000	Retained Earnings SAR '000	Equity Attributable to Equity Holders SAR '000	Non-Controlling Interests SAR '000	Total Equity SAR '000
Balance at 1 January 2021	10,000,000	2,428,915	(906,594)	(443,871)	4,608,458	15,686,908	546,771	16,233,679
Profit for the year	-	-	-	-	1,563,543	1,563,543	15,893	1,579,436
Other Comprehensive (Loss) / Income for the Year	-	-	-	(87,598)	(4,904)	(92,502)	1,023	(91,479)
Total Comprehensive (Loss) / Income	-	-	-	(87,598)	1,558,639	1,471,041	16,916	1,487,957
Transfer during the Year	-	156,355	-	-	(156,355)	-	-	-
Directors' Remuneration	-	-	-	-	(5,087)	(5,087)	-	(5,087)
"Transactions with Owners in their Capacity as Owners"								
Dividend Declared SAR 1 per Share	-	-	-	-	(981,254)	(981,254)	-	(981,254)
Share Based Payment Transactions	-	-	-	20,370	-	20,370	-	20,370
Settlement of Treasury Shares	-	-	31,437	(8,626)	6,336	29,147	-	29,147
Purchase of Additional Stake in Modern Food Industries (MFI)	-	-	-	(102,664)	-	(102,664)	(47,336)	(150,000)
Transactions with Non-Controlling Interests	-	-	-	-	1,033	1,033	(17,432)	(16,399)
Balance at 31 December 2021	10,000,000	2,585,270	(875,157)	(622,389)	5,031,770	16,119,494	498,919	16,618,413
Balance at 1 January 2022	10,000,000	2,585,270	(875,157)	(622,389)	5,031,770	16,119,494	498,919	16,618,413
Profit for the Year	-	-	-	-	1,759,812	1,759,812	18,326	1,778,138
Other Comprehensive Loss for the Year	-	-	-	(32,394)	(42,057)	(74,451)	(119,733)	(194,184)
Total Comprehensive (Loss) / Income	-	-	-	(32,394)	1,717,755	1,685,361	(101,407)	1,583,954
Transfer during the Year	-	175,981	-	-	(175,981)	-	-	-
Directors' Remuneration	-	-	-	-	(4,865)	(4,865)	-	(4,865)
"Transactions with Owners in their Capacity as Owners"								
Dividend Declared SAR 1 per Share	-	-	-	-	(981,841)	(981,841)	-	(981,841)
Share Based Payment Transactions	-	-	-	12,274	-	12,274	-	12,274
Settlement of Treasury Shares	-	-	8,555	(2,281)	(728)	5,546	-	5,546
Purchase of Additional Stake in MFI (Refer note 1)	-	-	-	(164,609)	-	(164,609)	(85,391)	(250,000)
Transactions with Non-Controlling Interests	-	-	-	-	-	-	(616)	(616)
Balance at 31 December 2022	10,000,000	2,761,251	(866,602)	(809,399)	5,586,110	16,671,360	311,505	16,982,865

The accompanying notes 1 to 42 form an integral part of these Consolidated Financial Statements, which have been authorised for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

Danko Maras
Chief Financial Officer

Abdullah Al Bader
Chief Executive Officer

HH Prince Naif Bin Sultan Bin Mohammed Bin Saud Al Kabeer
Chairman

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	31 December 2022 SAR '000	31 December 2021 SAR '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the Year		1,778,138	1,579,436
Adjustments for non-cash items:			
Depreciation of Property, Plant and Equipment	7	1,752,245	1,608,569
Amortisation of Long-term Prepayments	8	27,262	27,262
Depreciation of Right-of-Use Assets	9	105,557	102,737
Amortisation of Intangible Assets	10	47,385	66,476
Depreciation of Biological Assets	11	480,494	360,241
Gain arising from Changes in Fair Value less Cost to Sell of Crops		(26,540)	(2,477)
Provision for Employee Retirement Benefits	22	120,014	117,115
Provision for Inventories and Trade Receivables	14,15	192,519	16,370
Share Based Payment Expense		12,274	20,370
Finance Cost, net	30	428,119	346,063
Other Expenses, net		153,656	85,863
Share of Results of Associate	12	(716)	941
Zakat	24	62,600	77,080
Income Tax	23,24	8,191	11,334
		5,141,198	4,417,380
Changes in Working Capital:			
Inventories		(1,103,277)	349,458
Biological Assets		(9,009)	(28,305)
Trade Receivables, Prepayments and Other Receivables		(218,589)	(67,376)
Trade and Other Payables		412,038	358,167
Employee Retirement Benefits Paid	22	(62,090)	(79,570)
Zakat and Income Tax Paid	24	(330,922)	(34,749)
Net Cash Generated from Operating Activities		3,829,349	4,915,005
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Subsidiary	13	(68,595)	-
Proceeds from Sale of Equity Investment	12	32,883	80,938
Purchase of Manufacturing Facility		-	(219,369)
Dividend from Equity Investment	29	300	300
Additions to Property, Plant and Equipment		(1,300,535)	(1,087,816)
Proceeds from the Disposal of Property, Plant and Equipment		43,894	40,304
Additions to Intangible Assets	10	(33,339)	(57,175)
Additions to Biological Assets		(889,409)	(822,094)
Proceeds from the Disposal of Biological Assets		227,521	250,665
Net Cash Used in Investing Activities		(1,987,280)	(1,814,247)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Loans and Borrowings		16,232,882	10,659,617
Repayment of Loans and Borrowings		(16,311,883)	(12,129,264)
Purchase of Additional Stake in a Subsidiary	1	(250,000)	(150,000)
Finance Cost Paid		(431,810)	(342,446)
Dividend Paid	39	(979,566)	(978,187)
Settlement of Treasury Shares		5,546	29,147
Transactions with Non-Controlling Interests		(616)	(6,407)
Principal Element of Lease Payments		(107,318)	(86,765)
Interest Element of Lease Payments		(13,506)	(14,369)
Directors' Remuneration		(4,865)	(5,087)
Net Cash Used in Financing Activities		(1,861,136)	(3,023,761)
Net Change in Cash and Cash Equivalents		(19,067)	76,997
Cash and Cash Equivalents at 1 January		580,913	503,510
Effect of Movements in Exchange Rates on Cash and Cash Equivalents		(14,930)	406
Cash and Cash Equivalents at 31 December	16	546,916	580,913

The accompanying notes 1 to 42 form an integral part of these Consolidated Financial Statements, which have been authorised for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

Danko Maras
Chief Financial Officer

Abdullah Al Bader
Chief Executive Officer

**HH Prince Naif Bin Sultan Bin Mohammed
Bin Saud Al Kabeer**
Chairman

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1. THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS DESCRIPTION

Almarai Company (the “Company”) is a Saudi Joint Stock Company, which was converted from a limited liability company to a joint stock company on 2 Rajab 1426 A.H. (8 August 2005). The Company initially commenced trading on 19 Dul Hijjah 1411 A.H. (1 July 1991) and operates under Commercial Registration No. 1010084223. Prior to the consolidation of activities in 1991, the core business was trading between 1977 and 1991 under the Almarai brand name.

The Company’s Head Office is located at Exit 7, North Ring Road, Al Izdihar District, P.O. Box 8524, Riyadh 11492, Kingdom of Saudi Arabia (“Saudi Arabia”).

The Company and its subsidiaries (together, the “Group”) are a major integrated consumer food and beverage Group in the Middle East with leading market share in Saudi Arabia. It also operates in Egypt, Jordan and other Gulf Cooperation Council (“GCC”) countries.

Dairy, Fruit Juices and related food business is operated under the “Almarai”, “Joosy Life”, “Beyti” and “Teeba” brand names. All raw milk production, Dairy and Fruit Juice product processing and related food product manufacturing activities are undertaken in Saudi Arabia, United Arab Emirates (“UAE”), Egypt and Jordan.

Dairy, Fruit Juices and related food business in Egypt and Jordan operates through International Dairy and Juice Limited (“IDJ”), a joint venture with PepsiCo, in which the Company holds a controlling interest. The Group manages IDJ operations through the following key subsidiaries:

Jordan

Teeba Investment for Developed Food Processing

Egypt

International Company for Agricultural Industries Projects (Beyti) (SAE)

Bakery products are manufactured and traded by Western Bakeries Company Limited and Modern Food Industries Company Limited, under the brand names “L’usine” and “7 Days”, respectively.

Poultry products are manufactured and traded by Hail Agricultural Development Company under the “Alyoum” and “AlBashayer” brand names.

Infant Nutrition products are manufactured by Almarai Baby Food Company Limited and traded by International Pediatric Nutrition Company under “Nuralac” and “Evolac” brand names.

In territories where the Group has operations, final consumer packed products are distributed from manufacturing facilities to local distribution centres by the Group’s long haul distribution fleet. The distribution centres in GCC countries are managed through subsidiaries in UAE, Sultanate of Oman (“Oman”) and Kingdom of Bahrain (“Bahrain”) and an agency agreement in Kuwait as follows:

UAE

Almarai Emirates Company LLC

Oman

Arabian Planets for Trading and Marketing LLC

Bahrain

Almarai Company Bahrain W.L.L.

Kuwait

Al Kharafi Brothers Dairy Products Company Limited

In other territories, where permissible by law, export sales are made through other subsidiaries.

The Group owns and operates arable farms in Argentina, and in United States of America ("USA"), collectively referred to as "Fondomonte", through the following key subsidiaries:

USA

Fondomonte Holdings North America LLC

Argentina

Fondomonte South America S.A

The Group's non-GCC business operations under IDJ and Fondomonte are managed through Almarai Investment Holding Company W.L.L., a Company incorporated in Bahrain.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

The Group owns 93.5% shareholding in Pure Breed Poultry Company Limited whose main operations are focused on poultry grandparent farming.

The Group owns 100% shareholding in Premier Foods Industries Company LLC ("Premier Foods") in Saudi Arabia. Premier Foods is primarily engaged in providing value added products (meat and poultry) to the food services industry in the Middle East.

Acquisitions:

- a) On 6 Rajab 1443 A.H. (7 February 2022), the Group acquired further 25% shares in Modern Foods Industries Company Limited ("MFI") owned by Chipita Saudi Arabia (Cyprus) Limited (hereinafter referred to as "Chipita") for a total consideration of Saudi Riyals ("SAR") 250 million paid in cash, resulting in an increase in its shareholding from 75% to 100%. Immediately prior to the purchase, the carrying amount of the existing 25% non-controlling interest ('NCI') owned by Chipita was SAR 85.4 million. The purchase was accounted for as an equity transaction with owners with no impact on the consolidated statement of profit or loss account for the year ended 31 December 2022. The difference of SAR 164.6 million between the carrying value of NCI owned by Chipita and consideration paid was recorded under equity as part of other reserves.

There were no significant transactions with non-controlling interests except for those disclosed above.

- b) On 20 Shabaan 1442 (15 March 2021), the Group entered into a Share Purchase Agreement ('SPA') to acquire 100% shares of Bakemart FZ L.L.C and Bakemart L.L.C, based in UAE and Bakemart W.L.L based in Bahrain (collectively "Bakemart").

The closures of the acquisition and determination of the date of control was subject to completion of certain conditions/ requisites identified in the SPA. It also included certain approvals from regulatory authorities, appointment of Board of Directors and key management personnel and settlement of consideration payable with the counterparty. On 12 January 2022, the Group obtained the required substantive regulatory approvals and settled the consideration.

Bakemart main operation is producing and selling of baked goods in UAE and Bahrain. This acquisition opens a new avenue to the bakery segment of the Group i.e., entry to the frozen bakery products category. Also refer note 13.

Climate change:

The Group is subject to short-term and long-term climate change related risks (due to increasing customer, investor, and government expectations). These risks are inherent part of operating a food industry. Almarai continually works to reduce the environmental footprint of the business, in part, due to the inherent risks.

Rising fuel costs and the greenhouse gas emissions associated with fuel and electricity consumption have an impact not only on the environment but also on Almarai's financial bottom line. Climate change also creates risks for agricultural production through droughts, pests, diseases, etc. that pose challenges for sustaining and increasing production levels.

The Group has developed a sustainability strategy, outlining how it will improve its energy performance through efficient energy consumption and generation from sustainable sources. The strategy focuses on solar power generation, water and energy efficiency, sustainable arable farming practices, landfill waste reduction, commitment to 100% Chlorofluorocarbon-free cold storage at its sales depot, and fuel efficiency measures including trailing alternative fuel vehicles.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

Details of subsidiary companies are as follows:

Name of Subsidiary	Country of Incorporation	Business Activity
Almarai Investment Company Limited	Saudi Arabia	Holding Company
Almarai Baby Food Company Limited	Saudi Arabia	Manufacturing Company
Almarai Agricultural and Livestock Production Company Limited	Saudi Arabia	Liquidated
Almarai Construction Company Limited	Saudi Arabia	Dormant
Almarai for Maintenance and Operation Company Limited	Saudi Arabia	Liquidated
Agricultural Input Company Limited (Mudkhalat)	Saudi Arabia	Dormant
Hail Agricultural Development Company	Saudi Arabia	Poultry / Agricultural Company
Hail Agricultural and Livestock Production Company Limited	Saudi Arabia	Liquidated
International Baking Services Company Limited	Saudi Arabia	Dormant
International Pediatric Nutrition Company Limited	Saudi Arabia	Dormant
Modern Food Industries Company Limited (Refer note 1)	Saudi Arabia	Bakery Company
Nourlac Company Limited	Saudi Arabia	Liquidated
Western Bakeries Company Limited	Saudi Arabia	Bakery Company
Pure Breed Poultry Company Limited	Saudi Arabia	Poultry Company
Premier Food Industries Company L.L.C	Saudi Arabia	Manufacturing and Trading Company
Artas United Limited Company	Saudi Arabia	Transportation and Storage Company
Almarai for Meat LLC	Saudi Arabia	Meat Company
Agro Terra S.A.	Argentina	Dormant
Fondomonte South America S.A.	Argentina	Agricultural Company
Almarai Company Bahrain W.L.L.	Bahrain	Trading Company
Almarai Investment Holding Company W.L.L.	Bahrain	Holding Company
Bakemart W.L.L. (Refer note 13)	Bahrain	Manufacturing and Trading Company
IDJ Bahrain Holding Company W.L.L.	Bahrain	Holding Company
International Dairy and Juice Limited	Bermuda	Holding Company
International Dairy and Juice (Egypt) Limited	Egypt	Holding Company
International Company for Agricultural Industries Projects (Beyti) (SAE)	Egypt	Manufacturing and Trading Company
Beyti For Importation and Exportation Company L.L.C.	Egypt	Trading Company
BDC Info Private Limited	India	Operations Management
Markley Holdings Limited	Jersey	Dormant
Al Muthedoon for Dairy Production	Jordan	Dormant
Al Atheer Agricultural Company	Jordan	Dormant
Al Namouthiya for Plastic Production	Jordan	Dormant
Al Rawabi for juice and UHT milk Manufacturing	Jordan	Manufacturing Company
Teeba Investment for Developed Food Processing	Jordan	Manufacturing Company
Arabian Planets for Trading and Marketing L.L.C.	Oman	Trading Company
Alyoum for Food Products Company L.L.C.	Oman	Dormant
Fondomonte Inversiones S.L.	Spain	Holding Company
Hail Development Company Limited	Sudan	Dormant
Almarai Emirates Company L.L.C.	UAE	Trading Company
BDC international L.L.C.	UAE	Operations Management
Almarai Company Drinks Manufacturing LLC	UAE	Manufacturing Company
Bakemart L.L.C (Refer note 13)	UAE	Manufacturing and Trading Company
Bakemart FZ L.L.C (Refer note 13)	UAE	Manufacturing and Trading Company
Fondomonte Holding North America L.L.C.	USA	Holding Company
Fondomonte Arizona L.L.C.	USA	Agricultural Company
Fondomonte California L.L.C.	USA	Agricultural Company
Hayday Farm Operation L.L.C.	USA	Agricultural Company

Effective Ownership Interest				
	2022	2021	Share Capital	Number of Shares Issued
	100%	100%	SAR 1,000,000	1,000
	100%	100%	SAR 200,000,000	20,000,000
	-	100%	SAR 1,000,000	1,000
	100%	100%	SAR 1,000,000	1,000
	-	100%	SAR 1,000,000	1,000
	52%	52%	SAR 25,000,000	250
	100%	100%	SAR 300,000,000	30,000,000
	-	100%	SAR 1,000,000	1,000
	100%	100%	SAR 500,000	500
	100%	100%	SAR 41,000,000	410,000
	100%	75%	SAR 70,000,000	70,000
	-	100%	SAR 3,000,000	3,000
	100%	100%	SAR 200,000,000	200,000
	94%	94%	SAR 46,500,000	465,000
	100%	100%	SAR 500,000	50,000
	100%	100%	SAR 10,000	100
	100%	-	SAR 1,000,000	100,000
	100%	100%	ARS 5,097,984	5,097,984
	100%	100%	ARS 2,211,988,598	2,211,988,598
	100%	100%	BHD 100,000	1,000
	100%	100%	BHD 34,450,000	344,500
	100%	-	BHD 30,000	600
	52%	52%	BHD 250,000	2,500
	52%	52%	USD 7,583,334	7,583,334
	52%	52%	EGP 3,233,750,000	323,375,000
	52%	52%	EGP 3,802,366,670	380,236,667
	52%	52%	EGP 2,000,000	2,000
	100%	100%	INR 2,750,680	275,068
	100%	100%	GBP 5,769,822	5,769,822
	52%	52%	JOD 500,000	500,000
	52%	52%	JOD 750,000	750,000
	52%	52%	JOD 250,000	250,000
	52%	52%	JOD 500,000	500,000
	52%	52%	JOD 21,935,363	21,935,363
	70%	70%	OMR 150,000	150,000
	100%	100%	OMR 20,000	20,000
	100%	100%	EUR 138,505,946	138,505,946
	100%	100%	SDG 100,000	100
	100%	100%	AED 300,000	300
	100%	100%	AED 200,000	200
	100%	100%	AED 250,000 (Unpaid)	100
	100%	-	AED 300,000	300
	100%	-	AED 300,000	300
	100%	100%	USD 500,000	50,000
	100%	100%	USD 500,000	50,000
	100%	100%	-	-
	100%	100%	-	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (here and after refer to as “IFRS as endorsed in Saudi Arabia”).

2.2 Preparation of The Consolidated Financial Statements

These Consolidated Financial Statements have been prepared on the historical cost basis except for the following material items in the Consolidated Statement of Financial Position:

- Derivative financial instruments are measured at fair value.
- Equity Investment at Fair Value through Other Comprehensive Income (“FVOCI”) is measured at fair value.
- The employee retirement benefit is recognised at the present value of future obligations using the Projected Unit Credit Method.
- Biological Assets, where fair value is reliably measurable, have been measured at fair value. (Refer note 6.1)

3. BASIS OF CONSOLIDATION

These Consolidated Financial Statements comprising the Consolidated Statement of Financial Position, Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to the Consolidated Financial Statements of the Group include assets, liabilities and the results of the operations of the Company and its subsidiaries, as set out in note (1). The Company and its subsidiaries are collectively referred to as the “Group”. Subsidiaries are entities controlled by the Group. Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. The Group accounts for the business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identified net assets acquired and fair value of pre-existing equity interest in the subsidiary. The excess of the cost of acquisition and amount of Non – Controlling Interest (“NCI”) over the fair value of the identifiable net assets acquired is recorded as goodwill in the Consolidated Statement of Financial Position. NCI is measured at their proportionate share of the acquiree’s identifiable net assets at the date of acquisition. If the business combination is achieved in stages, the acquisition date carrying value of the Group’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the Consolidated Statement of Profit or Loss. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Company and its subsidiaries have the same reporting periods.

4. FUNCTIONAL AND PRESENTATION CURRENCY

These Consolidated Financial Statements are presented in SAR, which is the Company’s functional and the Group’s presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1. New Standards, Amendment to Standards and Interpretations:

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022.

5.1.1. Amendments to IFRS 3, IAS 16, IAS 37

- IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

The adoption of above amendments does not have any material impact on the Consolidated Financial Statements during the year.

5.2. Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted; however, the Group has not early adopted them in preparing these Consolidated Financial Statements.

5.2.1. Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

5.2.2. Amendments to IAS 1, Practice statement 2 and IAS 8

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

5.2.3. Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction

These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

5.3. Cash and Cash Equivalents

Cash and cash equivalents include bank balances, cheques in hand and deposits with original maturities of three months or less, if any.

5.4. Property, Plant and Equipment

Property, Plant and Equipment, including bearer plants, are measured at cost, less accumulated depreciation and accumulated impairment loss, if any. Cost comprises of expenditure that is directly attributable to the acquisition of the asset. Cost includes the reclassifications from equity of any gains or losses on qualifying cash flow hedges relating to purchases of Property, Plant and Equipment. Cost also includes expenditures that are directly attributable to the acquisition / growing of the plant till its maturity. Any gain or loss on disposal of an item of Property, Plant and Equipment is recognised in the Consolidated Statement of Profit or Loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and amount can be measured reliably.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. SIGNIFICANT ACCOUNTING POLICIES continued

The cost less estimated residual value is depreciated on a straight-line basis over the following estimated useful lives of the assets where depreciation is charged based on the expected use:

Buildings	5 – 40 years
Plant, Machinery and Equipment	2 – 20 years
Motor Vehicles	6 – 10 years
Bearer Plants	2 – 40 years

Land, Capital Work in Progress and Immature plants are not depreciated.

Capital work in progress at year end includes certain assets that have been acquired but are not ready for their intended use. These assets are transferred to relevant assets categories and are depreciated once they are available for their intended use.

The assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary.

If significant parts of an item of property, plant and equipment have different useful lives then they are accounted for as separate items of property, plant and equipment.

5.5. Inventories

Inventories are measured at the lower of cost or net realisable value ("NRV"). Cost is determined using the weighted average method. Cost comprises all direct manufacturing expenditure based on the normal level of activity and transportation and handling costs. Cost includes the reclassifications from equity of any gains or losses on qualifying cash flow hedges relating to purchases of inventories. NRV comprises estimated selling price less further production costs to completion and appropriate selling and distribution costs. Allowance is made, where necessary for slow moving inventories. Cost of inventories is recognised as an expense and included in cost of sales.

Agriculture produce harvested from biological assets are measured at fair value less cost to sell at the point of harvest.

Spares are valued at lower of cost or NRV. Cost is determined on the weighted average cost basis. An allowance for obsolete and slow-moving items, if any, is estimated at each reporting date.

5.6. Investments in Associates and Joint Venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these Consolidated Financial Statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture.

When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that an associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of associate's or joint venture's identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in the Consolidated Statement of Profit or Loss in the period in which the investment is acquired.

When a Group entity transacts with an associate or a joint venture of the Group, profits or losses resulting from the transactions with the associate or joint venture are recognised in the Group's Consolidated Financial Statements only to the extent of interests in the associate or joint venture that are not related to the Group.

5.7. Long-term Prepayments

Long-term prepayments comprise of amounts paid to or paid on behalf of the Saudi Electric Company in prior periods for the commissioning and installation of exclusive power grids at the manufacturing sites and are amortised over the period of the respective agreements.

5.8. Right-of-Use Assets and Lease Liabilities

The Group recognises new assets and liabilities for its operating leases of various types of contracts including warehouse and depot facilities, accommodation/office rental premises, commercial vehicles etc. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Consolidated Statement of Profit or Loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

- i. Right-of-use assets are measured at cost comprising the following:
 - the amount of the initial measurement of lease liability;
 - any lease payments made at or before the commencement date less any lease incentives received;
 - any initial direct costs; and
 - restoration costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation

- ii. Lease liabilities include the net present value of the following lease payments:
 - fixed payments (including in-substance fixed payments), less any lease incentives receivable;
 - variable lease payments that are based on an index or a rate;
 - amounts expected to be payable by the lessee under residual value guarantees;
 - the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
 - payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the Consolidated Statement of Profit or Loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items relating to office equipment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. SIGNIFICANT ACCOUNTING POLICIES continued

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, the management generally considers certain factors including historical lease durations, significant leasehold improvements over the term of the lease that have significant economic benefit to the Group's operation, the importance of the leased asset to the Group's operation and whether alternatives are available for the Group and business disruption required to replace the leased asset.

5.9. Biological Assets

Biological assets are measured at fair value less cost to sell except when fair value cannot be measured reliably.

Where fair value cannot be measured reliably biological assets are stated at cost of purchase or cost of rearing or growing to the point of commercial production (termed as biological assets appreciation), less accumulated depreciation and accumulated impairment loss, if any. The costs of immature biological assets are determined by the cost of rearing or growing to their respective age. Immature biological assets are not depreciated. Biological assets are depreciated on a straight-line basis to their estimated residual values over periods as summarised below:

Dairy Herd	4 Lactation cycles
Poultry Flock – After Maturity	36 weeks

5.10. Intangible Assets and Goodwill

Intangible Assets

Intangible assets other than goodwill are measured at cost, less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised on a straight-line basis over the estimated useful lives of 3- 15 years.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and amount can be measured reliably.

Intangible assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's CGU (or groups of CGU) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit (Also see note 5.15.2). Any impairment loss for goodwill is recognised directly in the Consolidated Statement of Profit or Loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

5.11. Provisions

A provision is recognised if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

5.12. Zakat and Income Tax

Zakat is provided for in accordance with the Zakat, Tax and Customs Authority (“ZATCA”) regulations. Income tax for foreign entities is provided for in accordance with the relevant income tax regulations of the countries of incorporation. Adjustments arising from final zakat and income tax assessments are recorded in the period in which such assessments are made.

The income tax expense or credit for the period is the tax payable on the current period’s taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

5.13. Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Consolidated Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and unused tax losses can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference and unused tax losses arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint venture. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. SIGNIFICANT ACCOUNTING POLICIES continued

5.14. Financial Instruments

5.14.1. Non-Derivative Financial Instruments

a) Non-Derivative Financial Assets

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income (“OCI”) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). For Investments designated as FVOCI and for which management has an intention to sell such investments within a period of 12 months from the financial year end, are classified under current assets.

The Group initially recognises financial assets on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets;

Financial Assets at Amortised Cost

Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (“SPPI”) are measured at amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost and not part of a hedging relationship is recognised in the Consolidated Statement of Profit or Loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Financial Assets at FVOCI

The Group has elected to recognise changes in the fair value of investments in equity shares in OCI. These changes are accumulated within the ‘other reserve’ classified under equity. The Group may transfer this amount from other reserve to retained earnings when the relevant shares are derecognised.

Dividends from such investments continue to be recognised in the Consolidated Statement of Profit or Loss as other income when the Group’s right to receive payments is established. Accumulated gains and losses on these financial assets are never recycled to the Consolidated Statement of Profit or Loss.

b) Non-Derivative Financial Liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. Financial assets and liabilities are offset and the net amount is presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Non-derivative financial liabilities of the Group comprise of bank borrowings and trade and other payables.

5.14.2. Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments including forward foreign exchange contracts, commission rate swaps and commodity derivatives are measured at fair value. All derivatives are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Any related transaction costs are recognised in the Consolidated Statement of Profit or Loss as incurred. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models, as appropriate.

Subsequent to initial recognition, any change in fair value is recognized on the basis of hedge accounting.

The Group designates its derivatives as hedging instruments in qualifying hedging relationships to manage exposures to interest rate, foreign currency, and commodity price risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risk, the Group applies hedge accounting for transactions that meet specific criteria.

In order to qualify for hedge accounting, the hedge should be expected to be highly effective i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and should be reliably measurable. At inception of the hedge, the risk management objective and strategy is documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. Prospective testing is performed mainly through matching the critical terms of both hedge item and instrument.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in the Consolidated Statement of Other Comprehensive Income and accumulated in the hedging reserve shown within other reserves under equity. The ineffective portion, if material, is recognized in the Consolidated Statement of Profit or Loss, within other gains/(losses). In hedges of foreign currency contracts, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty. In hedges of interest rate swaps, ineffectiveness may arise if the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan. In hedges of commodity purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, and changes in the credit risk of the Group or the derivative counterparty.

The amount accumulated in equity is reclassified to the Consolidated Statement of Profit or Loss in the period during which the hedged forecast cash flows affect profit or loss or the hedged item affects profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. SIGNIFICANT ACCOUNTING POLICIES continued

If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to the Consolidated Statement of Profit or Loss.

The fair values of derivative financial instruments designated in hedge relationships, in shareholders' equity are disclosed in note 37. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

5.15. Impairment

5.15.1. Non-Derivative Financial Assets

The Group assesses on a forward-looking basis the Expected Credit Losses ("ECL") associated with its debt instruments as part of its financial assets, carried at amortised cost and FVOCI.

For accounts receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate.

Other financial assets such as employees' receivables, bank balances have low credit risk and the impact of applying ECL is immaterial.

5.15.2. Impairment of Non-Financial Assets

Non-financial assets (other than biological assets measured at fair value, inventories and deferred tax assets) are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss or reversal of impairment loss (if any).

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Consolidated Statement of Profit or Loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Consolidated Statement of Profit or Loss.

5.16. Employee Retirement Benefits

Employee Retirement benefits are payable to all employees employed under the terms and conditions of the Labor Laws applicable on the Company and its subsidiaries, on termination of their employment contracts.

The Group's obligation in respect of employee retirement benefits is calculated by estimating the amount of future benefits that employees have earned in current and prior periods and discounting that amount to arrive at present value.

The Group sets the assumptions used in determining the key elements of the costs of meeting such future obligations. These assumptions are set after consultation with the Group's actuaries and include those used to determine regular service costs and the financing elements related to the liabilities. The calculation of employee retirement benefit liability is performed by a qualified actuary using the projected unit credit method.

Re-measurement of employee retirement benefit liability, which comprise of actuarial gains and losses are recognised immediately in the Consolidated Statement of Comprehensive Income. The Group determines interest expense on the employee retirement benefit liability for the period by applying the discount rate used to measure the employee retirement benefit liability at the beginning of the annual period, taking into account any change in the net employee retirement benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to employee retirement benefits are recognised in the Consolidated Statement of Profit or Loss.

5.17. Statutory Reserve

In accordance with Company's by-laws and the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to recognise a reserve comprising of 10% of its profit for the year until such reserve equals 30% of its share capital. This reserve is currently not distributable to the Shareholders.

5.18. Sukuk

The Group classifies Sukuk issued as a financial liability or equity, in accordance with the substance of the contractual terms of the Sukuk. Sukuk having fixed maturity date and fixed date for payment of profit distribution is classified as a liability.

5.19. Treasury Shares

Own equity instruments that are reacquired (treasury shares), for discharging obligations under Employee Equity Participation Programmes ("EEPP"), are recognised at cost and presented as a deduction from equity and are adjusted for any transaction costs, dividends and gains or losses on sale of such shares. No gain or loss is recognised in the Consolidated Statement of Profit or Loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in retained earnings.

5.20. Share Based Payment Transactions

Certain employees of the Group receive remuneration in the form of equity settled share-based payments under the EEPP, whereby employees render services as consideration for the equity instruments (options or shares) granted under EEPP as disclosed in note 18.

The fair value of the employee services received in exchange for the grant of options or shares is recognised as an expense in the Consolidated Statement of Profit or Loss, together with a corresponding increase in other reserves, in equity, over the period during which the vesting conditions are fulfilled.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. SIGNIFICANT ACCOUNTING POLICIES continued

The Group has set up an economic hedge by purchasing Treasury Shares at inception of the EEPP. Accordingly, the Other Reserves (representing the cumulative expense arising from ESOP) is transferred into Retained Earnings upon expiry of the EEPP, whether or not the equity instruments vest to the employees.

The cumulative expense recognised for EEPP at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

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

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

5.21. Conversion of Foreign Currency Transactions

Foreign currency transactions are converted and recorded in SAR at standard exchange rates which are periodically set to reflect average market rates or forward rates if the transactions were so covered. At the reporting date, monetary assets and liabilities denominated in foreign currencies are converted into SAR at the exchange rates ruling on such date or at the forward purchase rates if so covered. Any resulting exchange differences are charged or credited to the Consolidated Statement of Profit or Loss as appropriate.

As at the reporting date, the assets and liabilities of the foreign subsidiaries are translated into SAR, at the rate of exchange ruling at the Consolidated Statement of Financial Position date and their Consolidated Statement of Profit or Loss are translated at the weighted average exchange rates for the year. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments in respect of these components of equity are recorded through Consolidated Statement of Other Comprehensive Income as a separate component of equity.

5.22. Revenue Recognition

The Group generates revenue from a number of product lines, these include:

- Dairy and Juice
- Bakery
- Poultry
- Other activities (Arable, horticulture and infant nutrition)

Revenue is recognised when there is a contract with a customer for the transfer of dairy and other related products across various product categories and geographical regions.

Revenue is recognised in the Consolidated Statement of Profit or Loss when a performance obligation is satisfied, at the price allocated to that performance obligation. This is defined as the point in time when control of the products has been transferred to the customer, the amount of revenue can be measured reliably, and collection is probable. The transfer of control to customers takes place according to trade agreement terms.

Revenue represents the fair value of the consideration received or receivable for goods sold, net of returns, trade discounts and volume rebates.

Products are sold principally on a sale or return basis. Allowances for expected sales returns are calculated based on the forecasted return of expired products based on historical experience. Expected sales returns are netted off against revenue with the corresponding impact in 'trade and other payables' for cash sales and 'trade receivables' for credit sales.

The goods are often sold with retrospective volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The related liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made during the year.

No element of financing component is deemed present as the sales are made either on cash or on credit term consistent with market practice.

5.23. Government Grants

The Group receives government grants on import of feeds for its biological assets. Government grants are initially recognized within other liabilities at fair value when there is reasonable assurance that it will be received, and the Group will comply with the conditions associated with the grant.

Government grants are recognized in the Consolidated Statement of Profit or Loss on a systematic basis over the periods in which the Group recognizes as expenses the related inventories against which the grants are intended to compensate.

5.24. Selling, Distribution, General and Administration Expenses

Selling, Distribution, General and Administration Expenses include direct and indirect costs not specifically part of Cost of Sales. Allocations between Cost of Sales and Selling, Distribution, General and Administration Expenses, when required, are made on a consistent basis.

5.25. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in Consolidated Statement of Profit or Loss over the period of the borrowings using the effective interest method. Borrowings are removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The borrowings are classified as a current liability when the remaining maturity is less than 12 months.

5.26. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time, that is more than one year, to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. No borrowing costs are capitalised during idle periods.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in the Consolidated Statement of Other Comprehensive Income and released to the Consolidated Statement of Profit or Loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the Consolidated Statement of Profit or Loss in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. SIGNIFICANT ACCOUNTING POLICIES continued

5.27. Segmental Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's relevant Business Heads' (Chief Operating Decision Makers) which in the Group's case is to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's relevant Business Heads include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group's operating segments are analysed and aggregated based on the nature of products and uniformity in the production processes.

6. USE OF JUDGEMENTS AND ESTIMATES

The preparation of these Consolidated Financial Statements, in conformity with IFRS as endorsed in the Saudi Arabia, requires the use of judgements, estimates and assumptions. Such estimates and assumptions may affect the balances reported for certain assets and liabilities as well as the disclosure of certain contingent assets and liabilities as at the Consolidated Statement of Financial Position date. Any estimates or assumptions affecting assets and liabilities may also affect the reported revenues and expenses for the same reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

6.1. Judgement

Information about the judgement made in applying the Group's accounting policy on biological assets with respect to dairy herd and poultry flock is given below;

The Group's dairy herd comprises both immature and mature livestock.

Immature livestock comprises dairy cows that are intended to be reared to maturity. These cows are held to produce milk or offspring but have not yet produced their first calf and begun milk production. Costs incurred in rearing immature livestock are capitalised to the Consolidated Statement of Financial Position. The directly attributable costs in bringing the asset to the location and condition necessary to be capable of operation include various components including but not limited to birth related charges, feed cost and labour charges.

Mature livestock includes dairy cows that have produced their first calf and begun milk production. Costs incurred in relation to mature livestock are recognised in the Consolidated Statement of Profit or Loss immediately as an expense.

IAS 41 "Agriculture" requires measurement at fair value less costs to sell from initial recognition of such biological assets up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. Management has concluded as follows on the fair value measurement hierarchies in the context of livestock valuation:

Level 1 - there is no active market for dairy cows in the Saudi Arabia and therefore a level 1 valuation is not possible.

Level 2 - there is no observable market data available and due to the significant differences in location, environment, associated costs, average yield per dairy animal, majority of distribution within the Saudi Arabia and distance to active markets means that a level 2 valuation is not possible.

Level 3 –

i) Discounted cash flow (“DCF”) techniques (income or market approach) - the lack of a relevant market for unpasteurized milk or any other intermediate product requires that any DCF valuation technique would use overall revenue as a basis for any valuation and then eliminate costs and associated profit margin relating to pasteurization, manufacturing, packaging and sales and distribution so as to determine the net indirect cash inflows arising from the production of unpasteurized milk. Management considers that any fair value so derived would be clearly unreliable as the costs of the dairy herd operation are a relatively small part of the Group’s overall activities and any imputed cash flows derived from such a valuation approach would be overly dependent on a large number of assumptions, many of which could not be derived from, or compared to, market assumptions or observed data.

ii) Cost or current replacement cost – management considers that any replacement cost approach would need to incorporate the cost of replacing new-born calves. As discussed above, level 1 and 2 valuations for dairy herd are not possible.

As the dairy herd is currently accounted for at cost less accumulated depreciation and impairment losses, which excludes any costs for the purchase of new-born calves (as they are a necessary part of the lactation cycle), management believes that any depreciated replacement cost of existing nature and size (could it be so determined) would not be less than the current carrying value of the dairy herd.

Poultry flock: At cost less accumulated depreciation and impairment losses. IAS 41 “Agriculture” requires measurement at fair value less costs to sell from initial recognition of such biological assets up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. Given the relatively short life of the poultry flock (approximately a year), such flocks are not subject to fair valuation exercise as the management believes that any differences between depreciated cost and fair value are not material.

Determination of Control: Management has considered the accounting treatment and the principles in IFRS 10 “Consolidated Financial Statements” and have determined that certain entities are controlled by Almarai. In determining the appropriate accounting treatment for these entities, management applied significant judgment.

If management’s judgments were to change, this would result in the deconsolidation of these entities and instead would be treated as a joint arrangement or associate. These entities currently have consolidated assets and liabilities impacting the Consolidated Statement of Financial Position and Consolidated Statement of Comprehensive Income (refer note 20).

The following are the key considerations and judgements applied by management in concluding that Almarai has control over these entities:

- The relevant activities associated with those entities include the ability to prepare and approve the annual budget. As the Group can appoint the majority of the Board of directors on these entities, this gives the Group the ability to unilaterally approve annual business plans and as such has power over the relevant activities. The approval of the 5 year business plan is considered protective and not substantive.
- The Group can appoint the key management personnel of these entities such as the Chief Executive Officer and Chief Financial Officer, etc.

As such the Group has the power and the ability to affect the variable returns and control such entities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. USE OF JUDGEMENTS AND ESTIMATES continued

6.2 Assumptions and estimation uncertainties

Assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments to the carrying amount of assets and liabilities are included below;

- Goodwill - Annual impairment testing of goodwill:** Goodwill impairment tests are performed for the group of cash-generating units ("CGU") to which goodwill is allocated. The group of CGU is defined based on certain acquisitions and CGU's arising from those acquisitions. The structure and groups of CGU are assessed on an annual basis. The impairment test of goodwill is performed at least annually for each group of CGUs to which goodwill is allocated. To determine the value in use, the discounted cash flow models are used. The most important parameters in the impairment test include assumptions related to sales growth rate and pre-tax discount rates. Also refer to note 10 for sensitivity related to these assumptions for the respective CGU.
- Expected future free cash flows:** The projected free cash flows are based on current forecasts and targets set for five year period. These are determined at CGU level in the forecast and target planning process as well as based on external sources of information and industry-relevant observations such as macroeconomic indicators and market conditions. All applied assumptions are challenged through the forecast and target planning process based on management's best estimates and expectations, which are judgmental by nature. They include expectations regarding revenue growth, Earnings Before Interest and Tax ("EBIT") margins and capital expenditure.
- Measurement of employee retirement benefits liability - key actuarial assumptions:** Estimates are applied when setting actuarial assumptions such as the discount rate, expected future salary increases, inflation and mortality. The actuarial assumptions vary from country to country, based on national economic and social conditions. They are set using available market data and compared with benchmarks to ensure consistency on an annual basis (Refer note 22 for sensitivity related to employee retirement benefits liability).
- Dairy herd:** Average lactation cycle – Refer note 29.1

7. PROPERTY, PLANT AND EQUIPMENT

	Bearer Plant						Total SAR '000
	Land and Buildings SAR '000	Plant, Machinery and Equipment SAR '000	Motor Vehicles SAR '000	Capital Work-in- Progress* SAR '000	Mature Plantations SAR '000	Immature Plantations SAR '000	
Cost							
At 1 January 2022	14,777,217	16,224,196	2,909,986	1,103,669	222,548	28,783	35,266,399
On Acquisition of Subsidiary (Refer note 13)	16,417	31,748	4,770	-	-	-	52,935
Additions during the Year	-	-	-	1,285,882	-	34,352	1,320,234
Transfers during the Year	427,913	486,411	203,406	(1,117,730)	39,348	(39,348)	-
Disposals during the Year	(7,730)	(159,321)	(183,316)	-	(3,168)	-	(353,535)
Currency Translation Difference	(94,781)	(306,714)	(17,219)	(5,366)	69	13	(423,998)
At 31 December 2022	15,119,036	16,276,320	2,917,627	1,266,455	258,797	23,800	35,862,035
Accumulated Depreciation							
At 1 January 2022	3,394,971	9,066,680	1,746,558	-	184,742	-	14,392,951
On Acquisition of Subsidiary (Refer note 13)	15,626	25,437	4,116	-	-	-	45,179
Depreciation for the Year	410,857	1,117,670	191,261	-	32,457	-	1,752,245
Disposals during the Year	(5,356)	(147,441)	(151,094)	-	(3,168)	-	(307,059)
Currency Translation Difference	(19,341)	(103,894)	(12,616)	-	33	-	(135,818)
At 31 December 2022	3,796,757	9,958,452	1,778,225	-	214,064	-	15,747,498
Net Book Value							
At 31 December 2022	11,322,279	6,317,868	1,139,402	1,266,455	44,733	23,800	20,114,537

*Capital work-in-progress as at 31 December 2022 primarily represents cost incurred on updates of existing production facilities including poultry business expansion and depot development. Also refer to note 35.3.

	Bearer Plant						
	Land and Buildings SAR '000	Plant, Machinery and Equipment SAR '000	Motor Vehicles SAR '000	Capital Work-in-Progress SAR '000	Mature Plantations SAR '000	Immature Plantations SAR '000	Total SAR '000
Cost							
At 1 January 2021	14,541,352	15,995,588	2,884,542	472,216	232,080	24,290	34,150,068
Additions during the Year	-	-	-	1,070,351	-	29,813	1,100,164
Purchase of Manufacturing Facility	159,977	59,207	185	-	-	-	219,369
Transfers during the Year	76,675	297,268	144,489	(439,095)	25,335	(25,335)	79,337
Disposals during the Year	(2,899)	(130,963)	(119,775)	-	(34,910)	-	(288,547)
Currency Translation Difference	2,112	3,096	545	197	43	15	6,008
At 31 December 2021	14,777,217	16,224,196	2,909,986	1,103,669	222,548	28,783	35,266,399
Accumulated Depreciation							
At 1 January 2021	3,005,479	8,180,796	1,664,133	-	186,756	-	13,037,164
Depreciation for the Year	391,244	1,005,047	179,402	-	32,876	-	1,608,569
Disposals during the Year	(2,033)	(120,200)	(97,321)	-	(34,910)	-	(254,464)
Currency Translation Difference	281	1,037	344	-	20	-	1,682
At 31 December 2021	3,394,971	9,066,680	1,746,558	-	184,742	-	14,392,951
Net Book Value							
At 31 December 2021	11,382,246	7,157,516	1,163,428	1,103,669	37,806	28,783	20,873,448

7.1. Capital Work-in-Progress includes SAR 19.7 million of borrowing costs capitalised during the year (2021: SAR 12.3 million). Average interest rate on borrowings as of 31 December 2022 is 3.64% per annum (2021: 2.9%). (Refer note 30)

7.2. Refer note 21 for information on property, plant and equipment pledged as security by the Group.

8. LONG-TERM PREPAYMENTS

Long-term Prepayments and amortisation balance are as follows:

	2022 SAR '000	2021 SAR '000
Opening Balance	579,677	606,939
Amortisation	(27,262)	(27,262)
Closing Balance	552,415	579,677

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

9. RIGHTS-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets - class wise depreciation charge and balances are as follows:

	31 December 2022		31 December 2021	
	Depreciation SAR '000	Balance SAR '000	Depreciation SAR '000	Balance SAR '000
Land	33,729	354,066	27,921	282,459
Buildings	68,982	129,947	71,167	165,271
Vehicles	571	286	2,210	846
Equipments	49	135	50	185
Plant and Machinery	2,226	14,349	1,389	15,943
Total Right-of-Use Assets	105,557	498,783	102,737	464,704

Additions to Right-of-Use assets during the year ended 31 December 2022 are SAR 94.0 million (2021: SAR 93.5 million).

Lease liabilities as at year end are as follows:

	31 December 2022 SAR '000	31 December 2021 SAR '000
Non-Current portion of Lease Liabilities	391,738	360,434
Current portion of Lease Liabilities	75,092	80,710
Total Lease Liabilities	466,830	441,144

The total interest expense on lease liabilities recognized during the year ended 31 December 2022 is SAR 16.0 million (2021: SAR 16.0 million).

Expenses relating to short-term and low-value asset leases are SAR 11.6 million and SAR 3.4 million, respectively (2021: SAR 31.3 million and SAR 2.8 million, respectively).

The total cash outflow for leases in 2022 was SAR 120.8 million (2021: SAR 101.1 million).

10. INTANGIBLE ASSETS AND GOODWILL

	31 December 2022 SAR '000	31 December 2021 SAR '000
Software Licenses (Refer note 10.1)	177,043	186,520
Goodwill (Refer note 10.2)	948,716	942,585
Customer Relationships and Brands (Refer note 10.3)	19,842	-
	1,145,601	1,129,105

10.1. Software Licenses

	Software Licenses SAR '000	Software Licenses in Progress* SAR '000	Total SAR '000
Cost			
At 1 January 2022	498,380	22,318	520,698
On Acquisition of Subsidiary (Refer note 13)	14	-	14
Additions during the Year	-	33,339	33,339
Transfers during the Year	37,724	(37,724)	-
Disposals during the Year	(1,393)	-	(1,393)
Currency Translation Difference	(3,189)	(7)	(3,196)
At 31 December 2022	531,536	17,926	549,462
Accumulated Amortisation			
At 1 January 2022	334,178	-	334,178
On Acquisition of Subsidiary (Refer note 13)	5	-	5
Amortisation for the Year	42,425	-	42,425
Disposals during the Year	(1,393)	-	(1,393)
Currency Translation Difference	(2,796)	-	(2,796)
At 31 December 2022	372,419	-	372,419
Net Book Value			
At 31 December 2022	159,117	17,926	177,043
Cost			
At 1 January 2021	417,845	125,230	543,075
Additions during the Year	-	57,175	57,175
Transfers during the Year	80,750	(160,087)	(79,337)
Disposals during the Year	(239)	-	(239)
Currency Translation Difference	24	-	24
At 31 December 2021	498,380	22,318	520,698
Accumulated Amortisation			
At 1 January 2021	267,762	-	267,762
Amortisation for the Year	66,476	-	66,476
Disposals during the Year	(73)	-	(73)
Currency Translation Difference	13	-	13
At 31 December 2021	334,178	-	334,178
Net Book Value			
At 31 December 2021	164,202	22,318	186,520

*Software licenses in progress include certain software under installation. This majorly includes externally acquired software and licenses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

10. INTANGIBLE ASSETS AND GOODWILL continued

10.2. Goodwill

The goodwill relates to the acquisition of Western Bakeries Company Limited (WB) in 2007, Hail Agricultural Development Company (HADCO) in 2009, International Dairy and Juice Limited (IDJ) in 2012 and Bakemart in 2022.

	WB SAR '000	HADCO SAR '000	IDJ SAR '000	Bakemart SAR '000	Total SAR '000
Cost					
At 1 January 2022	548,636	244,832	477,299	-	1,270,767
On Acquisition of Subsidiary (Refer note 13)	-	-	-	30,177	30,177
Currency Translation Difference	-	-	(24,032)	-	(24,032)
At 31 December 2022	548,636	244,832	453,267	30,177	1,276,912
Accumulated Impairment					
At 1 January 2022	-	-	328,196	-	328,196
At 31 December 2022	-	-	328,196	-	328,196
Net Carrying Value					
At 31 December 2022	548,636	244,832	125,071	30,177	948,716
Cost					
At 1 January 2021	548,636	244,832	477,043	-	1,270,511
Currency Translation Difference	-	-	256	-	256
At 31 December 2021	548,636	244,832	477,299	-	1,270,767
Accumulated Impairment					
At 1 January 2021	-	-	328,182	-	328,182
At 31 December 2021	-	-	328,182	-	328,182
Net Carrying Value					
At 31 December 2021	548,636	244,832	149,117	-	942,585

WB and Bakemart forms part of the Bakery Products reporting segment, HADCO represents Poultry reporting segment while IDJ falls under the Dairy and Juice reporting segment having its CGU in Jordan and Egypt by the name of Teeba and Beyti, respectively.

Goodwill is subject to annual impairment testing. Assets are tested for impairment by comparing the carrying amount of each CGU to the recoverable amount which has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by management covering a five-year period. The pre-tax discount rate is applied to cash flow projections for respective CGUs that varies in the range of 10.5% to 22.5%. Terminal value is calculated using Gordon Growth Model for the final year of the forecast period.

The calculation of value in use is most sensitive to the assumptions on sales growth rates and pre-tax discount rates.

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determine values
Sales growth rate	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.
Pre-tax discount rate	A discount rate, namely weighted average cost of capital (WACC), is applied for specific business areas based on assumptions regarding interest rates, tax rates and risk premiums and is recalculated to a before-tax rate ('Pre-tax discount rate').

Assumptions used for value-in-use calculations to which the recoverable amount is most sensitive were:

Sensitivity to Changes in Assumptions – WB

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

(a) Sales Growth Assumption

The sales growth in the forecast period has been estimated to be a compound annual growth rate of 5.2%. If all other assumptions kept the same, a reduction of this growth rate by 47.8% would give a value in use equal to the current carrying amount.

(b) Pre-tax discount rate

The Pre-tax discount rate in the forecast period has been estimated to be 10.5%. If all other assumptions kept the same, an increase of this discount rate to 76.9% would give a value in use equal to the current carrying amount.

Sensitivity to Changes in Assumptions – HADCO

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

(a) Sales Growth Assumption

The sales growth in the forecast period has been estimated to be a compound annual growth rate of 8.4%. Keeping all other assumptions same, a reduction in growth rate by 18.8% would give a value in use equal to the current carrying amount.

(b) Pre-tax discount rate

The Pre-tax discount rate in the forecast period has been estimated to be 10.5%. If all other assumptions kept the same, an increase of this discount rate by 43.6% would give a value in use equal to the current carrying amount.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

10. INTANGIBLE ASSETS AND GOODWILL continued

Sensitivity to Changes in Assumptions – IDJ

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

(a) Sales Growth Assumption

The sales growth in the forecast period has been estimated to be a compound annual growth rate of 15.4%. If all other assumptions kept the same, a reduction of this growth rate by 10% would give a value in use equal to the current carrying amount.

(b) Pre-tax discount rate

Changes in the value in use calculations for IDJ are not sensitive to material changes in pre-tax discount rate.

Sensitivity to Changes in Assumptions – Bakemart

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

(a) Sales Growth Assumption

The sales growth in the forecast period has been estimated to be a compound annual growth rate of 12.3%. If all other assumptions kept the same, a reduction of this growth rate by 15.5% would give a value in use equal to the current carrying amount.

(b) Pre-tax discount rate

Changes in the value in use calculations for Bakemart are not sensitive to material changes in pre-tax discount rate.

10.3. Customer Relationships and Brands

The customer relationships and brands were acquired as part of a business combination (Refer note 13). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line method based on the timing of projected cash flows of the contracts/ business over their estimated useful lives.

	2022 SAR '000	2021 SAR '000
On Acquisition of Subsidiary (Refer note 13)	24,802	-
Amortization	(4,960)	-
At 31 December	19,842	-

11. BIOLOGICAL ASSETS

The Group's biological assets consist of dairy herd, poultry flock and plantations.

Biological assets owned by the Group are measured as follows:

- **Dairy Herd and Poultry Flock:** At cost less accumulated depreciation and impairment losses, if any (Refer note 6.1).
- **Crops:** The crops that have reached a considerable degree of biological development have been stated at the present value of the net cash flows that will be provided by such crops in progress, estimated on the basis of the degree of biological development and the risks related to the completion of the development process of crops sown.

	Dairy Herd SAR '000	Parent Poultry Birds SAR '000	Other Poultry SAR '000	Crops SAR '000	Total SAR '000
Cost					
At 1 January 2022	1,958,317	203,136	93,143	-	2,254,596
Additions during the Year*	717,559	171,850	1,648,888	-	2,538,297
Transfers to Inventories	-	-	(1,637,705)	-	(1,637,705)
Disposals during the Year	(480,342)	(150,094)	-	-	(630,436)
Currency Translation Difference	34	-	-	-	34
At 31 December 2022	2,195,568	224,892	104,326	-	2,524,786
Accumulated Depreciation					
At 1 January 2022	585,271	107,098	-	-	692,369
Depreciation for the Year	361,119	119,375	-	-	480,494
Disposals during the Year	(201,364)	(115,951)	-	-	(317,315)
Currency Translation Difference	13	-	-	-	13
At 31 December 2022	745,039	110,522	-	-	855,561
Net Book Value					
At 31 December 2022	1,450,529	114,370	104,326	-	1,669,225
Measured at Fair Value					
At 1 January 2022	-	-	-	24,837	24,837
Additions during the Year	-	-	-	357,388	357,388
Transfers to Inventories	-	-	-	(359,562)	(359,562)
Gain Arising from Changes in Fair Value less Cost to Sell	-	-	-	(4,191)	(4,191)
Currency Translation Difference	-	-	-	14	14
At 31 December 2022	-	-	-	18,486	18,486
Carrying Amount					
At 31 December 2022	-	-	-	18,486	18,486
Biological Assets Classification:					
At 31 December 2022					
Biological Assets Classified as Non-Current Assets	1,450,529	114,370	-	-	1,564,899
Biological Assets Classified as Current Assets	-	-	104,326	18,486	122,812
	1,450,529	114,370	104,326	18,486	1,687,711

*Additions include Biological Assets appreciation amounting to SAR 717.5 million.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

11. BIOLOGICAL ASSETS continued

	Dairy Herd SAR '000	Parent Poultry Birds SAR '000	Other Poultry SAR '000	Crops SAR '000	Total SAR '000
Cost					
At 1 January 2021	1,884,914	159,281	67,871	-	2,112,066
Additions during the Year*	687,699	134,396	1,352,788	-	2,174,883
Transfers to Inventories	-	-	(1,325,836)	-	(1,325,836)
Disposals during the Year	(614,314)	(90,541)	(1,680)	-	(706,535)
Currency Translation Difference	18	-	-	-	18
At 31 December 2021	1,958,317	203,136	93,143	-	2,254,596
Accumulated Depreciation					
At 1 January 2021	555,732	96,384	-	-	652,116
Depreciation for the Year	270,780	89,461	-	-	360,241
Disposals during the Year	(241,248)	(78,747)	-	-	(319,995)
Currency Translation Difference	7	-	-	-	7
At 31 December 2021	585,271	107,098	-	-	692,369
Net Book Value					
At 31 December 2021	1,373,046	96,038	93,143	-	1,562,227
Measured at Fair Value					
At 1 January 2021	-	-	-	22,324	22,324
Additions during the Year	-	-	-	626,197	626,197
Transfers to Inventories	-	-	-	(624,844)	(624,844)
Loss Arising from Changes in Fair Value less Cost to Sell	-	-	-	1,142	1,142
Currency Translation Difference	-	-	-	18	18
At 31 December 2021	-	-	-	24,837	24,837
Carrying Amount					
At 31 December 2021	-	-	-	24,837	24,837
Biological Assets Classification:					
At 31 December 2021					
Biological Assets Classified as Non-Current Assets	1,373,046	96,038	-	-	1,469,084
Biological Assets Classified as Current Assets	-	-	93,143	24,837	117,980
	1,373,046	96,038	93,143	24,837	1,587,064

*Additions include Biological Assets appreciation amounting to SAR 687.6 million.

Dairy Herd represents cows held for milk production.

Parent Poultry Birds are held for the purpose of laying eggs which are hatched into Broiler Birds (Other Poultry).

Crops are mainly held for the purpose of serving as animal feed which are consumed internally.

Agricultural Risk Management:

The Group is subject to following risks relating to its agricultural activities:

(a) Failure to secure long-term production of fodder

Fodder production has been strategically shifted overseas/outside Saudi Arabia as per domestic law and regulations.

Almarai has developed an extensive supply chain network in Romania, North and South America, covering both own and sourced fodder production, to ensure continuous supply of fodder for its dairy herd. Saudi Arabia's farms also carry a large Inventory of forage to ensure no disruption of supply.

(b) Large scale loss of biological assets due to disease/pandemic

Strong bio-security procedures, livestock located on multiple sites to reduce risk, disease control and vaccination program in place along with screening and quarantine of incoming animals. Professional vet group within the farming division ensure large scale losses do not occur.

(c) Severe operational disruption (Fire, Flood, etc.)

Almarai is prepared to respond to operational disruptions to minimize losses and remain viable. An effective Business Continuity Plan is continually reviewed and adapted for the changing nature of operational disruptions. Risk assessments are continually performed to identify possible events that could cause significant disruptions. Risk of business disruption from flood has been removed through farm design. Farm buildings are constructed in areas that do not have flash floods and also elevated above ground level.

12. INVESTMENTS

The investments comprise the following:

Nature	Principal activity	Country of Incorporation	31 December 2022 %	31 December 2021 %	31 December 2022 SAR '000	31 December 2021 SAR '000	
Investments in Associate and Joint Venture							
Almarai Company W.L.L.	Joint Venture	Dormant	Qatar	50.0%	50.0%	204	204
Maria Fondomonte S.A. (Refer note 12.1 and 12.2)	Associate	Source, Process and Sale of Forage Supplies	Romania	49.0%	49.0%	6,108	88,545
						6,312	88,749
Equity Investment (Refer note 12.3)							
Mobile Telecommunications Company							
Saudi Arabia - ("Zain")				0.2%	0.4%	15,607	46,894

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

12. INVESTMENTS continued

12.1. Movement in the investment in associate is as follows:

	2022 SAR '000	2021 SAR '000
Opening balance	88,545	89,419
Share of Results for the Year	716	(941)
Impairment during the Year (Refer note 12.2)	(82,921)	-
Currency Translation Difference	(232)	67
Closing balance	6,108	88,545

12.2. On 22 Safar 1441 A.H. (21 October 2019) the Group acquired 49% equity interest in Maria Fondomonte S.A. (the "Associate") to strengthen its dairy herd feed supply. The Group reviewed this investment for impairment on account of breach of certain clauses set forth in the shareholders' agreement (the "Agreement") dated 21 October 2019. Based on fair valuation of Group's equity stake in the Associate, an impairment loss of SAR 82.9 million was recognised in 'Other expenses' in the Consolidated Statement of Profit or Loss.

The Group has also initiated legal action under the Agreement to recover its investment in the Associate. The Group will reassess the carrying value of this investment at each reporting period and adjust or reverse the impairment in subsequent periods accordingly.

12.3. During the year 2022, the Group sold 2.3 million of its shares in Zain for a cash consideration of SAR 32.9 million. The remaining equity investment of 1.6 million shares in Zain is measured at fair value based on quoted market price available on the Saudi Exchange ("Tadawul").

13. BUSINESS COMBINATION

As explained in note 1, the Group effectively obtained control of Bakemart on 9 Jumada Al-Thani 1443 A.H (12 January 2022). The acquired business contributed revenues of SAR 88.4 million and net income of SAR 12.8 million to the Group for the period from 12 January 2022 to 31 December 2022. If the acquisition had taken place at the beginning of the year, the consolidated revenue and profit for the year 2022 would have been impacted by SAR 0.3 million and SAR 0.1 million, respectively.

The assets and liabilities recognized as a result of the acquisition are as follows:

	Fair Value on Acquisition SAR'000
Assets Acquired:	
Non-Current Assets	
Property, Plant and Equipment	7,756
Software and Licenses	9
Customer Relationships and Brands (Refer note 10.3)	24,802
Right-of-Use Assets	30,141
	62,708
Current Assets	
Cash and Cash Equivalents	2,764
Trade Receivables, Prepayments and Other Receivables	27,444
Inventories	2,792
	33,000
Total Assets	95,708
Liabilities Assumed:	
Non-Current Liabilities	
Lease Liabilities	30,141
Loans and Borrowings	849
Employee Retirement Benefits	4,773
	35,763
Current Liabilities	
Bank Overdraft	1,010
Trade and Other Payables	17,753
	18,763
Total Liabilities	54,526
Total Purchase Consideration Paid	71,359
Total Identifiable Net Assets	(41,182)
Goodwill Arising on Acquisition (Refer note 10.2)	30,177
Cash Outflow on Acquisition:	
Net Cash Acquired with the Subsidiary	2,764
Cash Paid	(71,359)
Net Cash Outflow	(68,595)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

14. INVENTORIES

	31 December 2022 SAR '000	31 December 2021 SAR '000
Raw Materials	4,111,541	3,450,070
Finished Goods	720,304	540,291
Spares	676,761	575,809
Work in Progress	269,877	205,865
Total Inventories	5,778,483	4,772,035
Allowance for Slow Moving Inventories (Refer note 14.1)	(541,347)	(418,439)
Total	5,237,136	4,353,596

14.1. Movement in the allowance for slow moving inventories:

	2022 SAR '000	2021 SAR '000
Opening balance	418,439	424,744
Allowance made during the year	166,216	4,525
Written off during the year	(38,108)	(10830)
Currency Translation Difference	(5,200)	0
Closing balance	541,347	418,439

14.2. Allowance for slow moving inventories is based on nature of inventories, ageing profile, their expiry and sales expectation based on historic trends and other qualitative factors.

15. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2022 SAR '000	31 December 2021 SAR '000
Trade Receivables - Third Parties	1,456,802	1,311,683
- Related Parties (Refer note 36)	233,775	230,823
	1,690,577	1,542,506
Less: Allowance for impairment of trade receivables (Refer note 38.2)	(139,707)	(123,504)
Net Trade Receivables	1,550,870	1,419,002
Prepayments	417,409	411,193
Government Grants	71,616	97,658
Other Receivables	116,043	63,352
	2,155,938	1,991,205
Ageing of Trade Receivables		
Upto 2 months	1,293,145	1,220,049
2 - 3 months	148,581	96,443
More than 3 months	248,851	226,014
	1,690,577	1,542,506

15.1. Movement in allowance for impairment of trade receivables is as follows:

	2022 SAR '000	2021 SAR '000
At the beginning of the Year	123,504	115,387
Allowance made during the Year (Refer note 15.3)	26,303	11,845
Written off during the year	(9,933)	(3,728)
Currency Translation Difference	(167)	-
At the end of the Year	139,707	123,504

15.2. Trade receivables disclosed above are classified as financial assets at amortised cost.

15.3. It includes SAR 9.9 million trade receivables written off during the year (2021: SAR 3.7 million). Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

15.4. The credit terms of the trade receivables vary across the business segments of the Group and therefore any significant change in product-mix also affects the ageing profile of trade receivables accordingly.

16. CASH AND CASH EQUIVALENTS

	31 December 2022 SAR '000	31 December 2021 SAR '000
Cash at Bank - Current accounts (Refer note 16.1)	480,204	536,189
Cash at Bank - Deposits (Refer note 16.2)	193	919
Cash in Hand	66,519	43,805
	546,916	580,913

16.1. Cash available in banks are non-interest bearing.

16.2. The average rate on bank deposits during 2022 is 2.26% (2021: 0.49%) per annum with an average maturity of less than a month. Bank deposits are placed in Islamic Murabha accounts.

16.3. The cash and cash equivalents include SAR 29.8 million earmarked in dividend accounts. Such accounts are subject to regulatory restrictions and are therefore not available for general use by the Company.

17. SHARE CAPITAL

The Company's share capital at 31 December 2022 amounted to SAR 10,000 million (2021: SAR 10,000 million), consisting of 1,000 million (2021: 1,000 million) fully paid and issued shares of SAR 10 each.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

18. EMPLOYEE EQUITY PARTICIPATION PROGRAMS

18.1. Employee Stock Option Program (“ESOP”):

The Company has offered certain employees (the “Eligible Employees”) the option (the “Option”) for equity ownership (treasury shares) opportunities and performance-based incentives which will result in more alignment between the interest of both shareholders and these employees. The vesting of the Option is dependent on meeting performance targets (such as earnings per share) set by the Company along with the required period of stay in service by the Eligible Employees. The exercise of the Option is contingent upon the shares of the Company continuing to be listed on the Tadawul.

Treasury shares that have not been granted to Eligible Employees in the reporting period for which those were earmarked shall carry over to the next reporting period.

In the event of a capital increase, share split or dividend distribution (in the form of shares), the number of shares and the exercise price subject to the Option will be adjusted accordingly.

The number of share options and the exercise price has been retrospectively adjusted for the prior period to reflect the effect of the bonus share issue.

The ESOP 2017 was granted in Muharram 1439 A.H. (February 2017). The number of shares shall not exceed 4,125,000 shares.

The ESOP 2018 was granted in Muharram 1440 A.H. (September 2018). The number of shares shall not exceed 4,000,000 shares.

The ESOP 2019 was granted in Dhul-Hijjah 1440 A.H. (August 2019). The number of shares shall not exceed 4,500,000 shares.

The ESOP 2020 was granted in Rajab 1441 A.H. (March 2020). The number of shares shall not exceed 4,100,000 shares.

The fair value per Option is estimated at the grant date using the Black Scholes Merton pricing model, taking into account the terms and conditions upon which the share options were granted.

	ESOP 2017	ESOP 2018	ESOP 2019	ESOP 2020
Input to the Model:				
Dividend Yield	1.8%	1.4%	1.5%	1.7%
Expected Volatility	15.0%	19.1%	22.9%	23.1%
Risk Free Interest Rate	5.0%	3.0%	3.0%	2.1%
Contractual Life of Share Options (Years)	3.0	2.4	2.5	2.9
Share Price (SAR) at Grant Date	55.6	49.2	51.9	37.0
Exercise Price (SAR) at Grant Date	46.0	55.0	55.0	50.0
Fair Value per Option	13.9	4.1	6.7	2.1
Remaining Contractual Life (Years)	-	-	-	0.3
Weighted Average Share Price during the year	58.8	53.2	52.6	51.3

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the Options is indicative of future trends, which may also not necessarily be the actual outcome.

The following table sets out the number of the, and movements in, ESOP share options during the year:

	2022	2021
At the beginning of the year	10,000,000	11,263,069
Settled during the year	(154,000)	(517,992)
Forfeited during the year	(232,000)	(745,077)
At the end of the year	9,614,000	10,000,000

18.2. Employee Share Plan (“ESP”):

Under the ESP, the equity instruments (the shares) are granted to the eligible employees for equity ownership (treasury shares) under the same terms and conditions as mentioned above for ESOP. The fair value per award is determined using the market price of the Company’s share at the grant date.

The ESP 2021 was granted in Rabi Al-Akhar 1443 A.H. (November 2021). The number of shares awarded under the plan were 472,500 shares.

The ESP 2022 was granted in Jumada Al Thani 1444 A.H. (March 2022). The number of shares awarded under the plan were 513,500 shares.

18.3. The following table shows movement of treasury shares during the year:

	2022 SAR '000	2021 SAR '000
TREASURY SHARES		
At the beginning of the Year	875,157	906,594
Settled during the Year	(8,555)	(31,437)
At the end of the Year	866,602	875,157

19. OTHER RESERVES

	Notes	31 December 2022 SAR '000	31 December 2021 SAR '000
Hedging Reserve		(48,950)	43,027
Currency Translation Reserve	19.1	686,672	560,705
Others	19.2	171,677	18,657
Net Debit Balance		809,399	622,389

19.1. During 2022, the Egyptian pound (EGP) recorded an average 36.5% devaluation in rate against the SAR. As a result, currency translation adjustment has been recorded in relation to the translation of foreign operations in Egypt.

19.2. Others include movement for balances related to purchase of additional stake in MFI SAR 164.6 million (2021: SAR 102.7 million), share based payment expenses SAR 12.2 million and settlement of treasury shares SAR 2.3 million.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

20. NON-CONTROLLING INTERESTS

The summarized financial information below substantially relates to a subsidiary of the Group (International Dairy and Juice Limited) and represents amounts before intragroup eliminations.

	31 December 2022 SAR '000	31 December 2021 SAR '000
Non-current assets	1,077,570	1,726,087
Current assets	777,825	874,168
Non-current liabilities	425,888	563,362
Current liabilities	642,609	801,049
Equity attributable to owners of the Company	786,898	1,235,844
Non-Controlling Interests	311,505	498,919
Revenue	2,718,227	3,009,037
Expenses	(2,636,685)	(2,920,297)
Profit for the year	81,542	88,740
Net Profit attributable to:		
Owners of the Company	63,216	72,847
Non-Controlling Interests	18,326	15,893
Total Comprehensive (Loss) / Income attributable to:		
Owners of the Company	(90,730)	73,602
Non-Controlling Interests	(101,407)	16,916
Total Comprehensive (Loss) / Income for the year	(192,137)	90,518
Cash Flows:		
Cash Flows from Operating Activities	223,876	74,283
Cash Flows from Investing Activities	(63,479)	(94,709)
Cash Flows from Financing Activities	(139,817)	53,963

21. LOANS AND BORROWINGS

	Notes	31 December 2022 SAR '000	31 December 2021 SAR '000
Non-Current Liabilities			
Islamic Banking Facilities (Murabaha)	21.1	5,232,256	3,467,597
Saudi Industrial Development Fund ("SIDF")	21.2	875,524	1,153,796
Banking Facilities of Non-GCC Subsidiaries	21.3	89,007	164,357
Supranational (Murabaha)	21.4	304,017	321,979
Agricultural Development Fund ("ADF")	21.5	75,337	94,095
		6,576,141	5,201,824
International Sukuk	21.6	1,872,803	1,870,416
		8,448,944	7,072,240

	Notes	31 December 2022 SAR '000	31 December 2021 SAR '000
Current Liabilities			
Islamic Banking Facilities (Murabaha)	21.1	506,674	424,761
Saudi Industrial Development Fund ("SIDF")	21.2	283,713	263,877
Banking Facilities of Non-GCC Subsidiaries	21.3	124,245	233,177
Supranational (Murabaha)	21.4	96,636	46,704
Agricultural Development Fund ("ADF")	21.5	27,758	28,155
		1,039,026	996,674
Sukuk	21.6	-	1,608,861
International Sukuk	21.6	26,063	26,063
		1,065,089	2,631,598
Total Loan and Borrowings		9,514,033	9,703,838

21.1. The borrowings under Islamic banking facilities (Murabaha) are secured by promissory notes given by the Group and are denominated in SAR. The Islamic banking facilities (Murabaha) with a maturity period of less than two years are predominantly of a revolving nature. During the year ended 31 December 2022, the Group entered into new Islamic Banking facilities for SAR 1,700.0 million (2021: Nil). As at 31 December 2022, SAR 4,677.2 million Islamic banking facilities (Murabaha) were unutilised and available for drawdown with maturities predominantly greater than five years (2021: SAR 5,631.4 million).

21.2. The borrowings of the Group from the SIDF, denominated in SAR, are secured by a mortgage on land, building, plant and machineries equivalent to the outstanding borrowings. As at 31 December 2022, the Group had no unutilised SIDF facilities available for drawdown (2021: Nil). Assets held as collateral are subject to restriction of disposal until the loan is settled or the disposal is approved by SIDF.

21.3. These banking facilities of Non-GCC subsidiaries represent foreign currency denominated borrowings, including USD, EGP and JOD from foreign banking and developing institutions, secured by guarantees provided by the shareholders of the Parent Company in proportion to their respective shareholdings. As at 31 December 2022, SAR equivalent 366.7 million (2021: SAR 320.5 million) facilities were unutilised and available for drawdown.

21.4. The borrowings granted by Supranational ("IFC" - Member of World Bank Group and "EBRD" - European Bank for Reconstruction and Development) are Murabaha facilities and in USD, secured by promissory notes given by the Group. As at 31 December 2022, the Group had SAR 438.9 million of unutilised facility available for drawdown (2021: SAR 513.9 million).

21.5. The borrowing from ADF, denominated in SAR, is secured by a mortgage on land, building, plant and machineries equivalent to the outstanding borrowings. During the year ended 31 December 2022, the Group entered into new short term (Murabaha) facilities for SAR 500 million. As at 31 December 2022, the Group had SAR 500 million unutilised ADF facilities available (2021: Nil). Assets mortgaged are subject to the restriction of disposal until the loan is settled or the disposal is approved by ADF.

21.6. The fifth Sukuk – Series V amounting to SAR 1,600 million at a par value of 1.0 million each issued by the Company on 3 Dhul Hijja 1436 A.H. (16 September 2015) was redeemed at par on its date of maturity i.e. 20 Safar 1444 A.H. (16 September 2022). On 28 Jumada Al-Akhirah 1440 A.H. (5 March 2019), the Group issued its first International Sukuk – Series I amounting to USD 500.0 million out of USD 2000.0 million Euro Medium Term Note Programme at a par value of USD 0.2 million each. The International Sukuk Issuance bears a return of 4.3% per annum payable semi-annually in arrears. The International Sukuk will be redeemed at par on its date of maturity i.e. 24 Shaban 1445 A.H. (5 March 2024).

The loans contain certain covenants. A future breach of covenants may lead to renegotiation. The covenants are monitored on a monthly basis by management, in case of potential breach, actions are taken by management to ensure compliance. During 2022, there has not been any non-compliance observed for any of the covenants.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

22. EMPLOYEE RETIREMENT BENEFITS

	2022 SAR '000	2021 SAR '000
Opening Balance	951,827	909,353
On Acquisition of Subsidiary (Refer note 13)	4,773	-
Consolidated Statement of Profit or Loss		
Current Service Cost	98,649	101,197
Interest Cost	21,365	15,918
Consolidated Statement of Comprehensive Income		
Actuarial Loss	42,057	4,929
Cash Movements:		
Benefits paid	(62,090)	(79,570)
Closing Balance	1,056,581	951,827

		2022 SAR '000	2021 SAR '000
Sensitivity in Employee Retirement Benefits Liability			
Salary Inflation	1% Decrease	983,208	902,909
	Base	1,056,581	951,827
	1% Increase	1,138,029	1,006,789
Discount Rate	1% Decrease	1,138,718	1,019,859
	Base	1,056,581	951,827
	1% Increase	983,992	892,560

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the employee retirement benefits to significant actuarial assumptions, the same method (present value of the employee retirement benefits calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the employee retirement benefits recognised in the Consolidated Statement of Financial Position.

Demographic Assumptions

	31 December 2022	31 December 2021
GCC employees		
Number of Employees	38,370	34,670
Weighted average age of employees (years)	37	38
Weighted average years of past service	6	7

Weighted average duration of the employee retirement benefit liability is 6.7 years.

Country	Gross Discount Rate		Salary Growth Rate	
	2022	2021	2022	2021
Saudi Arabia	4.4%	2.2%	4.4%	2.2%
UAE	4.1%	2.2%	4.1%	2.2%
Oman	5.9%	4.9%	5.9%	4.9%
Kuwait	5.1%	2.8%	5.1%	2.8%
Bahrain	6.7%	4.6%	6.7%	4.6%
Qatar	4.2%	2.2%	4.2%	2.2%

Risk Exposure:

The Group is exposed to a number of risks, the most significant of which are detailed below:

Inflation risk

The majority of the plan's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities.

Changes in bond yields

Decrease in corporate bond yields will increase plan liabilities.

Maturity Analysis of Undiscounted Cash Flows

	Less than a year SAR '000	Between 1 - 2 years SAR '000	Between 2 - 5 years SAR '000	Over 5 years SAR '000	Total SAR '000
31 December 2022					
Employee Retirement Benefits	142,076	124,413	350,995	1,309,735	1,927,219
31 December 2021					
Employee Retirement Benefits	129,238	139,571	349,725	1,292,503	1,911,037

23. DEFERRED TAX

Following are the major deferred tax assets and liabilities recognised by the Group:

23.1. Deferred Tax Assets

	2022 SAR '000	2021 SAR '000
Opening Balance	45,339	35,517
(Decrease) / Increase during the Year	(370)	9,982
Currency Translation Difference	(15,295)	(160)
Closing Balance	29,674	45,339

Deferred tax assets relate to unused tax losses for its subsidiaries in Argentina and Egypt. Management believes that future taxable profits will be available against which deferred tax assets can be realised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

23. DEFERRED TAX continued

23.2. Deferred Tax Liabilities

	2022 SAR '000	2021 SAR '000
Opening Balance	117,302	102,139
Increase during the Year	652	14,699
Currency Translation Difference	(27,465)	464
Closing Balance	90,489	117,302

Deferred tax liability relates to taxable temporary differences arising majorly on Property, Plant and Equipment. This includes SAR 23.8 million on the fair valuation adjustment of land amounting to SAR 68.1 million carried out at the time of business combination of its subsidiaries in Argentina, being the temporary difference between the carrying amount of land for financial reporting purposes and the amount used for taxation purposes.

24. ZAKAT AND INCOME TAX

	31 December 2022 SAR '000	31 December 2021 SAR '000
Zakat Provision (Refer note 24.1)	168,596	429,988
Income Tax Provision (Refer note 24.2)	17,503	17,264
	186,099	447,252

24.1. Zakat Provision

Zakat is charged at the higher of net adjusted income or Zakat base as required by the ZATCA. The key elements of zakat base primarily include equity components, net income and liabilities adjusted for zakat purpose.

	31 December 2022 SAR '000	31 December 2021 SAR '000
Opening Balance	429,988	371,993
Charge for the Year, net	62,600	77,080
Payments	(323,992)	(19,085)
Closing Balance	168,596	429,988

The Company filed its Consolidated Zakat returns for all the years up to 2021. The Zakat assessments for all the years up to 2020 for Almarai Company have been closed and settled with the ZATCA. For MFI, zakat and income tax assessments for the years up to 2015 and 2018 have been closed with ZATCA and the assessments specifically relating to the years 2016 and 2017 are still open. Management believes that the available provision is sufficient for any liability, if any, that may arise on finalization of open years.

HADCO filed its Zakat returns for all years up to 2008 and settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the ZATCA for all years up to 2007 while the 2008 Zakat return is under review by the ZATCA. From 2009 onwards, HADCO is not required to file a separate return as its results are included in the Company's consolidated zakat return.

24.2. Income Tax Provision

	2022 SAR '000	2021 SAR '000
Opening Balance	17,264	26,311
Charge for the Year	7,169	6,617
Payments	(6,930)	(15,664)
Closing Balance	17,503	17,264

Foreign subsidiaries filed their tax returns for all years up to 2021 and settled their tax liabilities accordingly. While all the returns have been filed, final assessments are pending for certain years. The earliest year open for assessment is 2014, and the latest year assessed is 2020.

The difference between effective tax rate and accounting rate is not considered significant.

25. TRADE AND OTHER PAYABLES

Management considers that the carrying amount of trade payables approximates to their fair value.

	31 December 2022 SAR '000	31 December 2021 SAR '000
Trade Payable - Third parties	1,258,361	1,318,677
- Related Parties (Refer note 36)	7,867	5,582
Accrued Expenses (Refer note 25.1)	1,937,573	1,518,690
Other Payables	451,752	496,547
	3,655,553	3,339,496

25.1. Accrued expenses include accrual against volume discounts amounting to SAR 435.4 million (2021: SAR 320.8 million), payroll related accrual amounting to SAR 359.1 million (2021: SAR 304.7 million) and accrual against expected sales returns amounting to SAR 86.3 million (2021: SAR 63.0 million). Other payables include unrecognised portion of Government grants related to inventories, dividend payables and advance from customers at the reporting date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

26. COST OF SALES

	2022 SAR '000	2021 SAR '000
Material Consumed	8,641,351	6,837,845
Government Grants	(335,071)	(272,103)
Employee Costs	1,796,481	1,680,742
Depreciation of Property, Plant and Equipment	1,506,742	1,362,511
Repairs and Maintenance	748,136	597,530
Depreciation of Biological Assets	480,494	360,241
Telephone and Electricity	370,655	335,188
Vaccines and Drugs	145,574	143,534
Consumables	84,431	80,259
Outside Processing Charges	49,521	49,687
Amortisation of Intangible Assets	21,842	41,014
Depreciation of Right-of-Use Assets	38,390	30,287
Amortisation of Long-term Prepayments (Refer note 8)	27,262	27,262
Other Expenses	239,747	204,099
Less:		
Appreciation of Biological Assets (Refer note 11)	(717,520)	(687,646)
	13,098,035	10,790,450

27. SELLING AND DISTRIBUTION EXPENSES

	2022 SAR '000	2021 SAR '000
Employee Costs	1,600,448	1,531,939
Marketing Expenses	458,611	352,803
Depreciation of Property, Plant and Equipment	225,522	228,223
Repairs and Maintenance	199,954	179,447
Depreciation of Right-of-Use Assets	57,619	62,740
Telephone and Electricity	26,556	23,046
Consumables	13,414	12,762
Amortisation of Intangible Assets	1,442	4,970
Outside Processing Charges	-	16
Other Expenses	125,972	122,905
	2,709,538	2,518,851

28. GENERAL AND ADMINISTRATION EXPENSES

	2022 SAR '000	2021 SAR '000
Employee Costs	263,923	244,356
Insurance	84,880	85,957
Repairs and Maintenance	44,909	38,763
Amortisation of Intangible Assets	24,101	20,492
Depreciation of Property, Plant and Equipment	19,981	17,835
Depreciation of Right-of-Use Assets	9,548	9,710
Telephone and Electricity	4,986	3,910
Consumables	3,433	834
Other Expenses	2,933	6,300
	458,694	428,157

29. OTHER EXPENSES, NET

	2022 SAR '000	2021 SAR '000
Loss on Disposal of Biological Assets (Refer note 29.1)	85,600	135,875
Impairment on Investment in Associate (Refer note 12.2)	82,921	-
Loss / (Gain) on Disposal of Property, Plant and Equipment	2,582	(6,221)
Net Gain on Disposal of Right-of-Use Assets	(27)	(1,177)
Dividend on Equity Investment	(300)	(300)
Other Income	(4,966)	(1,012)
Exchange Gain	(12,454)	(41,602)
	153,356	85,563

29.1. Each cow within the dairy herd is depreciated over the average useful life of approximately 4 lactations (Refer note 5.9). In order to maintain the size and health of the dairy herd, a significant proportion of the herd is culled or sold each year based on an assessment by management of the productivity, breeding and efficiency of each herd member and only those meeting predefined levels are retained. It is not possible to predict in advance which herd members will be culled early or late and accordingly the average useful life of approximately 4 lactations is applied across the whole of the dairy herd.

Underperforming herd members are often sold in a secondary market where the value received for each herd member is generally not linked to the age of the herd member. Herd members culled or sold before 4 lactations will typically have a depreciated cost higher than the expected residual value and thus a loss on disposal will generally arise. Management believe that such loss on disposal broadly offsets the absence of depreciation on those herd members that survive beyond the average 4 lactation period and accordingly neither the profit for the year nor the net carrying cost of the dairy herd as reported in the Consolidated Statement of Financial Position is materially distorted.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

30. FINANCE COST, NET

	2022 SAR '000	2021 SAR '000
Interest and Finance Charges	433,707	359,190
Interest on Lease Liabilities	16,008	15,966
Interest Income on other Deposits	(1,658)	(3,796)
Exchange Loss / (Gain)	2,043	(18,133)
Interest Capitalisation	(19,699)	(12,348)
Net (Gain) / Loss on Settlement of Interest Rate Swap Instrument	(2,282)	5,184
	428,119	346,063

31. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2022	2021
Profit for the year attributable to the shareholders of the Company SAR '000'	1,759,812	1,563,543
Number of shares '000'		
Weighted average number of ordinary shares for the purposes of basic earnings	981,897	981,559
Weighted average number of ordinary shares repurchased	18,103	18,441
Weighted average number of ordinary shares for the purposes of diluted earning	1,000,000	1,000,000
Earnings per Share (SAR), based on Profit for the year attributable to Shareholders of the Company		
- Basic	1.79	1.59
- Diluted	1.76	1.56

Weighted average number of shares are adjusted to take account of Treasury Shares held under the Almarai Employee Stock Options Programme.

32. SEGMENT REPORTING

The Group's principal business activities involve manufacturing and trading of dairy and juice products under Almarai, Joosy Life Beyti and Teeba brands, bakery products under L'usine and 7 Days brands and poultry products under Alyoum and AlBashayer brands. Other activities include Arable, Horticulture, Infant Nutrition and Food Services. Selected financial information as at 31 December 2022 and 31 December 2021, and for the years then ended, categorised by these business segments, is as follows:

Dairy and Juice	Milk production, dairy and fruits juice product processing and distribution
Bakery	Bakery products manufacturing and distribution
Poultry	Poultry products manufacturing and distribution
Other Activities	Arable, Horticulture, Infant Nutrition and Food Services

	Dairy and Juice SAR '000	Bakery SAR '000	Poultry SAR '000	Other Activities SAR '000	Total SAR '000
31 December 2022					
Revenue	12,593,458	2,439,300	3,013,435	1,572,602	19,618,795
Third Party Revenue	12,504,123	2,439,300	3,013,435	765,400	18,722,258
Depreciation and Amortisation	(1,473,443)	(284,534)	(455,019)	(199,947)	(2,412,943)
Share of Results of Associate and Joint Venture	-	-	-	716	716
Impairment during the Year	-	-	-	(82,921)	(82,921)
Profit / (Loss) attributable to Shareholders of the Company	1,246,226	334,070	299,422	(119,906)	1,759,812
Profit / (Loss) for the Year	1,261,552	334,070	302,422	(119,906)	1,778,138
Total Assets	21,099,251	1,977,247	6,093,457	2,904,015	32,073,970
Total Liabilities	13,319,855	530,389	551,319	689,542	15,091,105

	Dairy and Juice SAR '000	Bakery SAR '000	Poultry SAR '000	Other Activities SAR '000	Total SAR '000
31 December 2021					
Revenue	11,202,470	1,788,862	2,301,459	1,075,536	16,368,327
Third Party Revenue	11,141,325	1,788,862	2,301,459	618,074	15,849,720
Depreciation and Amortisation	(1,427,956)	(207,580)	(337,184)	(192,565)	(2,165,285)
Share of Results of Associate and Joint Venture	-	-	-	(941)	(941)
Profit / (Loss) attributable to Shareholders of the Company	1,214,992	218,002	214,985	(84,436)	1,563,543
Profit / (Loss) for the Year	1,220,186	226,199	217,487	(84,436)	1,579,436
Total Assets	21,287,251	1,998,297	5,548,292	2,920,462	31,754,302
Total Liabilities	13,404,191	443,640	616,534	671,524	15,135,889

The Group's revenue is derived from contracts with customers for sale of consumer products. Control of products is transferred at a point in time and directly sold to customers.

Finance cost and tax expenses are not analysed at segment level, as it is driven by the central treasury and tax functions respectively, which manages these expenses at the Group level.

Segment assets are measured in the same way as in the Consolidated Financial Statements. These assets are allocated and analysed based on the operations of the segment. The Group's management does not analyse total assets based on its geographical location and therefore country-wise total assets are not disclosed in these Consolidated Financial Statements.

The revenue from business segments categorised by geographical region is as follows:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

32. SEGMENT REPORTING continued

	Dairy and Juice SAR '000	Bakery SAR '000	Poultry SAR '000	Other Activities SAR '000	Total SAR '000
31 December 2022					
Saudi Arabia	7,507,961	1,880,922	2,515,815	195,054	12,099,752
Other GCC Countries	2,698,944	526,712	387,376	29,558	3,642,590
Other Countries	2,297,218	31,666	110,244	540,788	2,979,916
Total	12,504,123	2,439,300	3,013,435	765,400	18,722,258
31 December 2021					
Saudi Arabia	6,735,224	1,428,420	1,903,967	155,151	10,222,762
Other GCC Countries	2,474,912	341,294	280,205	24,937	3,121,348
Other Countries	1,931,189	19,148	117,287	437,986	2,505,610
Total	11,141,325	1,788,862	2,301,459	618,074	15,849,720

33. BANK OVERDRAFT

It represents the overdraft facility arrangement in IDJ (Egypt and Jordan) amounting to SAR 185 million (2021: SAR 235.5 million), secured by corporate guarantee given by the Shareholders. The average rate on overdraft facility during 2022 was 9.5% and 6.0% per annum for Egypt and Jordan respectively (2021: 9.5% and 6.0%).

34. CASH FLOW INFORMATION

34.1. Non-cash Investing and Finance Activities

- Borrowing Cost Capitalised as part of Capital Work-in-Progress (Refer note 7).
- Acquisition of Right-of-Use-Assets (Refer note 9).

34.2. Net Debt Reconciliation

	Liabilities from financing activities				Asset	
	Loans and Borrowings SAR '000	Bank Overdrafts SAR '000	Lease Liabilities SAR '000	Sub-total SAR '000	Cash and Cash Equivalents SAR '000	Total SAR '000
Opening balance as at 1 January 2022	9,703,838	78,395	441,144	10,223,377	580,913	9,642,464
Financing cash flows	(94,676)	15,675	(107,318)	(186,319)	(19,067)	(167,252)
Changes in Leases	-	-	154,128	154,128	-	154,128
Finance Cost	408,536	3,575	16,008	428,119	-	428,119
Finance Cost Paid	(428,208)	(3,602)	(13,506)	(445,316)	-	(445,316)
Foreign exchange adjustments	(75,457)	(6,913)	(23,626)	(105,996)	(14,930)	(91,066)
Closing balance as at 31 December 2022	9,514,033	87,130	466,830	10,067,993	546,916	9,521,077
Opening balance as at 1 January 2021	11,114,968	137,512	425,489	11,677,969	503,510	11,174,459
Financing cash flows	(1,410,390)	(59,257)	(86,765)	(1,556,412)	76,997	(1,633,409)
Changes in Leases	-	-	100,369	100,369	-	100,369
Finance Cost	326,042	4,055	15,966	346,063	-	346,063
Finance Cost Paid	(338,494)	(3,952)	(14,369)	(356,815)	-	(356,815)
Foreign exchange adjustments	11,712	37	454	12,203	406	11,797
Closing balance as at 31 December 2021	9,703,838	78,395	441,144	10,223,377	580,913	9,642,464

35. COMMITMENT AND CONTINGENCIES

35.1. The commitment against letters of credit are SAR 437.3 million at 31 December 2022 (2021: SAR 173.6 million).

35.2. The contingent liabilities against letters of guarantee are SAR 1.5 billion at 31 December 2022 (2021: SAR 1.4 billion).
Contingent liabilities against letters of guarantee expire as follows.

	31 December 2022 SAR '000	31 December 2021 SAR '000
Within One Year	1,189,560	461,843
Two to Five Years	82,221	759,263
After Five Years	205,633	201,540
Total	1,477,414	1,422,646

35.3. The Group had capital commitments amounting to SAR 1.2 billion at 31 December 2022 in respect of ongoing projects (2021: SAR 830.1 million). The majority of the capital commitments are for updating the existing production facilities, sales depot development, distribution fleet, fridges and IT equipment.

35.4. Refer to note 24.1 for zakat related matters.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

36. RELATED PARTY TRANSACTIONS

36.1. During the normal course of its operations, the Group had the following significant transactions with related parties during the year ended 31 December 2022 and 2021 along with their balances:

Nature of Transaction	Transaction Amount			Balance at
	2022 SAR '000	2021 SAR '000	31 December 2022 SAR '000	31 December 2021 SAR '000
Sales To				
Panda Retail Company	714,967	731,026	128,479	132,001
Afia International Company	-	2,249	-	531
Herfy Food Services	1,242	-	76	-
Abdullah Al Othaim Markets	532,408	491,769	105,220	98,291
Total	1,248,617	1,225,044	233,775	230,823
Purchases From				
United Sugar Company	67,722	57,633	(5,704)	(4,845)
Maria Fondomonte S.A.	-	26,962	-	(462)
	67,722	84,595	(5,704)	(5,307)
Services From				
Arabian Shield Cooperative Insurance Company	160,169	162,054	(2,163)	(275)
Saudi Telecommunication Company - STC*	27,958	25,194	-	-
Zain	10,923	7,390	-	-
	199,050	194,638	(2,163)	(275)
Total	266,772	279,233	(7,867)	(5,582)
Finance Charges				
Saudi British Bank*	6,905	5,512	-	(1,587)
Banque Saudi Fransi	416	2,042	-	(588)
Saudi National Bank	8,904	9,187	-	(2,644)
	16,225	16,741	-	(4,819)
Bank Financing				
Saudi British Bank*	9,694	26,685	(1,751,429)	(1,042,002)
Banque Saudi Fransi	6,811	2,352	(262,575)	-
Saudi National Bank	23,711	14,586	(915,625)	(590,625)
	40,216	43,623	(2,929,629)	(1,632,627)

* STC and Saudi British Bank were related parties until 7 August 2022. The disclosed transactions reflect the total amount of trading activity carried out during 2022 and 2021 and the related balance as at 31 December for such years.

36.2. Sales and purchases (including services) carried out to/from related parties during the year based on the price lists in force and terms that would be available to third parties in the normal course of business. Terms and conditions related to loan financing arrangements have been disclosed in note 21 and they carry interest charges at market rates. All other transactions were made on normal commercial terms and conditions based on prevailing market rates.

36.3. Bank financing movement is as follows:

	2022 SAR '000	2021 SAR '000
Opening Balance	1,632,627	2,074,062
Drawdown during the Year	11,055,125	7,723,813
Repayment during the Year	(9,758,123)	(8,165,248)
Closing Balance	2,929,629	1,632,627

36.4. The related parties, other than subsidiaries, include the following:

Entity	Relationship
Panda Retail Company	Common Ownership and Directors of Almarai Group
Afia International Company	Common Ownership and Directors of Almarai Group
Herfy Food Services	Common Ownership and Directors of Almarai Group
United Sugar Company	Common Ownership and Directors of Almarai Group
Abdullah Al Othaim Markets	Key Management Personnel
Arabian Shield Cooperative Insurance Company	Common Directorship
Saudi Telecom Company	Common Directorship
Zain	Common Directorship
Saudi British Bank	Common Directorship
Banque Saudi Fransi	Common Directorship
Saudi National Bank	Common Directorship
Maria Fondomonte S.A.	Associate Company

36.5. Members of the Board of Directors do not receive any remuneration for their role in managing the Company unless approved by the General Assembly. Members of the Board of Directors receive an attendance allowance for Board and Board Committee meetings. Executive Directors receive fixed remuneration as a result of their direct duties and responsibilities. The top five Senior Executives, including the Chief Executive Officer and the Chief Financial Officer, receive remuneration according to the employment contracts signed with them. The following table illustrates details of remuneration and compensation paid to Directors and Key Management Personnel:

	31 December 2022 SAR '000			31 December 2021 SAR '000		
	Non Executive / Independent Board Members	Key Management Personnel	Total	Non Executive / Independent Board Members	Key Management Personnel	Total
Salaries and Compensation	500	8,640	9,140	500	7,707	8,207
Allowances	1,896	2,510	4,406	1,679	2,441	4,120
Annual and Periodic Bonuses	-	8,355	8,355	-	6,582	6,582
Shared Based Payment Transactions	-	3,332	3,332	-	1,087	1,087
In-kind Benefits	-	390	390	-	690	690
Other Benefits	1,800	1,359	3,159	1,600	5,952	7,552
Total	4,196	24,586	28,782	3,779	24,459	28,238

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

37. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2022, the Group had various financial derivatives that were designated as cash flow hedge instruments to cover cash flow fluctuations arising from commission rates, foreign exchange prices and commodity prices that are subject to market price fluctuations. As per Group policy, derivative instruments are not used for trading or speculative purposes.

At 31 December 2022, the Group had 17 commission rate swap agreements in place with a total notional amount of SAR 1,900 million. At 31 December 2021, the Group had 10 commission rate swap agreements in place with a total notional amount of SAR 1 billion.

The swaps result in the Group receiving floating Saudi Arabian Interbank Offered Rate (SAIBOR) rates while paying fixed rates of commission rate under certain conditions. The swaps are being used to hedge the exposure to commission rate changes of the Group's Islamic borrowings.

The Group enters into hedging strategies by using various financial derivatives to cover foreign exchange firm commitments and forecasted transactions that are highly probable.

The Group enters into various commodity derivatives to hedge the price of certain commodity purchases. These derivatives match the maturity of the expected commodity purchases and use the same underlying index as for the hedged item, therefore does not result in basis risk.

All financial derivatives are carried in the Consolidated Statement of Financial Position at fair value. All cash flow hedges are considered highly effective. The application of hedge accounting effectively results in recognising interest expense at a fixed interest rate for the hedged floating rate loans and inventory and PPE at the fixed foreign currency rate for the hedged purchases.

The following table detail the notional principal amounts and remaining terms outstanding as at the reporting date.

	Notional amount of the hedging instruments		Carrying amount of the hedging instruments	
	Current SAR '000	Non-Current SAR '000	Assets SAR '000	Liabilities SAR '000
31 December 2022				
Forward currency contracts	697,233	4,011,142	6,966	28,767
Interest rate swaps	-	1,900,000	28,699	1,250
Commodity Derivatives	455,024	-	47,675	4,373
	1,152,257	5,911,142	83,340	34,390
31 December 2021				
Forward currency contracts	1,885,704	1,917,077	683	56,391
Interest rate swaps	-	1,000,000	2,011	244
Commodity Derivatives	184,889	-	10,914	-
	2,070,593	2,917,077	13,608	56,635

38. FINANCIAL INSTRUMENTS

38.1. Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount			Fair Value			
	Hedging Instruments	FVOCI	Total	Level 1	Level 2	Level 3	Total
	SAR '000						
31 December 2022							
Financial Assets							
Derivative Financial Instruments	83,340	-	83,340	-	83,340	-	83,340
Equity Investment	-	15,607	15,607	15,607	-	-	15,607
Financial Liabilities							
Derivative Financial Instruments	34,390	-	34,390	-	34,390	-	34,390
31 December 2021							
Financial Assets							
Derivative Financial Instruments	13,608	-	13,608	-	13,608	-	13,608
Equity Investment	-	46,894	46,894	46,894	-	-	46,894
Financial Liabilities							
Derivative Financial Instruments	56,635	-	56,635	-	56,635	-	56,635

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

38. FINANCIAL INSTRUMENTS continued

Level 2 derivative financial instruments include forwards, commission rate swaps and commodity derivatives. These derivatives are valued using widely recognized valuation models. The Group relies on the counterparty for the valuation of these derivatives. The valuation techniques applied by the counterparties include the use of forward pricing standard models using present value calculations and mid-market valuations. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, foreign exchange rates, and forward and spot prices

38.2. Risk Management of Financial Instruments

The Group's activities expose it to a variety of financial risks, credit risk, liquidity risk, market price risk and capital management risk.

The Group's risk management is predominantly centralized under policies approved by the Board of Directors. The Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board approves the overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Credit Risk:

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its bank balances, trade receivables and receivables from related parties and derivative financial instruments as follows.

	31 December 2022 SAR '000	31 December 2021 SAR '000
Cash at Bank (Refer note 16)	480,397	537,108
Trade Receivables - Third Parties	1,317,095	1,188,179
Trade Receivables - Related Parties (Refer note 36)	233,775	230,823
Derivative Financial Instruments (Refer note 37)	83,340	13,608
Other Receivables (Refer note 15)	116,043	63,352
	2,230,650	2,033,070

The carrying amount of financial assets represents the maximum credit exposure.

Credit risk on receivable and bank balances is limited as:

- Cash balances, term deposits and derivative financial instruments are held with banks with sound credit ratings ranging from BBB- and above.
- The receivables are shown net of allowance for impairment of trade receivables and sales returns. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP, unemployment rate, inflation rate and interest rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusted the historical loss rates based on expected changes in these factors.

Financial position of related parties is stable.

Trade receivables outstanding balance comprises of 59% (2021: 59.6%) in KSA, 29% (2021: 27.6%) in GCC (other than KSA) and 12% (2021: 12.8%) in other Countries. The five largest customers account approximately for 33% of outstanding trade receivables at 31 December 2022 (2021: 32%).

The Group manages credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis.

Liquidity Risk:

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities at the end of the reporting period of financial liabilities. The amounts are grossed and undiscounted and include estimated interest payments.

	31 December 2022			
	Carrying Amount	On Demand or	1 year to 5 years	More than 5 years
		Less than 1 year		
SAR '000				
Non Derivative Financial Liabilities				
Bank Overdrafts	87,130	96,276	-	-
Loans and Borrowings	9,514,033	1,163,784	7,023,261	1,690,892
Trade and other payables	3,647,686	3,647,686	-	-
Trade Payables to Related Parties	7,867	7,867	-	-
Lease Liabilities	466,830	87,986	205,908	290,566
	13,723,546	5,003,599	7,229,169	1,981,458
Derivative Financial Liabilities				
Forward currency contracts	28,767	10,589	22,938	-
Interest rate swaps	1,250	-	1,512	-
Commodity Derivatives	4,373	4,578	-	-
	34,390	15,167	24,450	-

	31 December 2021			
	Carrying Amount	On Demand or	1 year to 5 years	More than 5 years
		Less than 1 year		
SAR '000				
Non Derivative Financial Liabilities				
Bank Overdrafts	78,395	87,541	-	-
Loans and Borrowings	9,703,838	2,730,293	6,029,732	1,307,717
Trade and other payables	3,333,914	3,333,914	-	-
Trade Payables to Related Parties	5,582	5,582	-	-
Lease Liabilities	441,144	91,067	195,168	304,338
	13,562,873	6,248,397	6,224,900	1,612,055
Derivative Financial Liabilities				
Forward currency contracts	56,391	48,524	12,348	-
Interest rate swaps	244	255	-	-
	56,635	48,779	12,348	-

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Group's future commitments. The Group's terms of sales require amounts to be paid either on a cash on delivery or on a terms basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

38. FINANCIAL INSTRUMENTS continued

Market Risk:

Market price risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices, such as, commission rates, commodity prices and foreign currency exchange rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group uses derivatives to manage market risks. The Group seeks to apply hedge accounting to manage volatility in profit or loss.

Commission Rate Risk:

Commission Rate Risk is the exposure associated with the effect of fluctuations in the prevailing commission rates on the Group's financial position and cash flows. Islamic banking facilities (Murabaha), International Finance Corporation facility (Murabaha) and other banking facilities of non-GCC subsidiaries and Sukuk amounting to SAR 4,312.8 million at 31 December 2022 (2021: SAR 5,069.5 million) bear variable financing commission charges at the prevailing market rates.

The Group's policy is to manage its financing charges using a mix of fixed and variable commission rate debts. The policy is to keep 50% to 60% of its borrowings at fixed commission rate. Currently, 55% of the total outstanding borrowings at 31 December 2022 are at fixed commission rate. Further variable borrowing carry commission rate at prevailing market rates indexed to SAIBOR.

The swap contracts require settlement of net interest receivable or payable every 90 or 180 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

The following table demonstrates the sensitivity of the income to reasonably possible changes in commission rates, related to variable rate borrowings (net of hedge) with all other variables held constant. There is no direct impact on the Group's equity

		Increase / decrease in basis points of commission rates	Effect on income for the year SAR'000
31 December 2022	SAR	+100	43,128
	SAR	-100	(43,128)
31 December 2021	SAR	+100	50,695
	SAR	-100	(50,695)

Commodity Price Risk:

Commodity Price Risk is the risk associated with changes in prices to certain commodities including corn, sugar and soya etc. that the Group is exposed to and its unfavourable effect on the Group's costs and cash flow. This commodity price risk arises from forecasted purchases of certain commodities that the Group uses as raw material, which is managed and mitigated by entering into commodity derivatives.

The Group enters into various commodity derivatives to hedge the price of certain commodity purchases. These derivatives match the maturity of the expected commodity purchases and use the same underlying index as for the hedged item.

The sensitivity of the commodity prices to reasonably possible changes in rates by 5% would have increased / (decreased) profit by SAR 30.0 million. There is no direct impact on the Group's equity.

Currency Risk:

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in currency that's not the Group's currency. The Group exposure to foreign currency risk is primarily limited to transactions in Kuwaiti Dinar ("KWD"), Egyptian Pounds ("EGP"), Euro ("EUR"), Great British Pounds ("GBP"), United State Dollars ("USD"), Bahraini Dinar ("BHD"), Arab Emirates Dirham ("AED"), Omani Riyal ("OMR") and Jordanian Dinars ("JOD"). The Group is not exposed to foreign currency fluctuation risk arising from the BHD, AED, OMR and JOD as these are pegged to USD. The fluctuation in exchange rates against KWD, EGP, EUR and GBP are monitored on a continuous basis. Quantitative data regarding the Group's exposure to currency risk arising from currencies that are not pegged to USD is as follows:

	KWD SAR '000	EGP SAR '000	EUR SAR '000	GBP SAR '000	Total SAR '000
31 December 2022					
Cash at Bank	18,707	19,658	2,168	10,620	51,153
Cash in Hand	6,732	247	14	-	6,993
Trade Receivables	119,890	19,011	-	-	138,901
Bank Overdrafts	-	(26,954)	-	-	(26,954)
Short term Borrowings	-	(23,674)	-	-	(23,674)
Long Term Borrowings	-	(122,277)	-	-	(122,277)
Trade Payables	(1,632)	(58,769)	(309,683)	(4,501)	(374,585)
Net Statement of Financial Position exposure	143,697	(192,758)	(307,501)	6,119	(350,443)

*Also refer to the note 19.1 relating to the devaluation of EGP against SAR

	KWD SAR '000	EGP SAR '000	EUR SAR '000	GBP SAR '000	Total SAR '000
31 December 2021					
Cash at Bank	26,092	60,927	10,227	2,286	99,532
Cash in Hand	560	54	70	38	722
Trade Receivables	103,805	19,659	-	-	123,464
Bank Overdrafts	-	(14,256)	-	-	(14,256)
Short term Borrowings	-	(69,029)	-	-	(69,029)
Long Term Borrowings	-	(215,680)	(159,020)	-	(374,700)
Trade Payables	(3,267)	(110,975)	(146,589)	(6,333)	(267,164)
Net Statement of Financial Position exposure	127,190	(329,300)	(295,312)	(4,009)	(501,431)

The Group uses forward currency contracts to eliminate volatility in currency exposures. Management believes that the currency risk for forecast payments and capital expenditure is adequately managed primarily through entering into foreign currency forward purchase agreements. The Group treasury's risk management policy is to hedge between 65% to 90% of forecast non-pegged USD cash flows for accounts payable and capital expenditure purchases up to one year in advance, subject to a review of the cost of implementing each hedge. For the year ended 31 December 2022, approximately 90% of forecast payments and capital expenditures were hedged in respect of foreign currency risk. The hedge of forecast payments and capital expenditures qualified as 'highly probable' qualified forecast transactions for hedge accounting purposes. The forward purchase agreements are secured by promissory notes given by the Group. The sensitivity of the currency to reasonably possible changes in rates by 5% would have increased / (decreased) profit by SAR 23 million

A strengthening / (weakening) of the KWD, EGP, EUR, and GBP by 10% against all other currencies would have affected the measurement of financial instruments (includes financial assets and liabilities) denominated in foreign currency and would have increased / (decreased) equity by the amounts shown below:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

38. FINANCIAL INSTRUMENTS continued

	31 December 2022 SAR '000	31 December 2021 SAR '000
KWD	14,370	12,719
EGP	(19,276)	(32,930)
EUR	(30,750)	(29,531)
GBP	612	(401)
	(35,044)	(50,143)

Capital Management:

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitor the return on capital employed and the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by adjusted equity. The Group's gearing ratios at the year end of the reporting year were as follows;

	2022 SAR '000	2021 SAR '000
Total Loans and Borrowings*	9,601,163	9,782,233
Cash and Cash Equivalents	(546,916)	(580,913)
Net debt	9,054,247	9,201,320
Adjusted Equity	15,837,264	15,489,308
Gearing Ratio	57.2%	59.4%

*This includes bank overdrafts.

39. DIVIDEND APPROVED AND PAID

On 11 Ramadan 1443 A.H. (12 April 2022) the shareholders in their Extraordinary General Assembly Meeting approved dividends of SAR 1 billion (SAR 1 per share) for the year ended 31 December 2021 out of which SAR 979.6 million was paid on 19 Ramadan 1443 A.H. (20 April 2022). No dividend was paid relating to treasury shares amounted to SAR 18.2 million.

40. DIVIDEND PROPOSED

The Board of Directors have proposed, for shareholders' approval at the General Assembly Meeting, a dividend of SAR 1.0 billion (SAR 1 per share) for the year ended 31 December 2022.

41. SUBSEQUENT EVENTS

In the opinion of the management, there have been no significant subsequent events since the year-end that require disclosure or adjustment in these Consolidated Financial Statements.

42. BOARD OF DIRECTORS APPROVAL

These Consolidated Financial Statements were approved by the Board of Directors on 29 Jumada Al-Thani 1444 A.H. (22 January 2023).



Almarai Company

Exit 7, North Ring Road

Al Izdihar District

PO Box 8524

Riyadh, 11492

Saudi Arabia

investor.relations@almarai.com

www.almarai.com

Download our Investor
Relations app



Almarai® Annual Report 2022