

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.

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**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.



المراعي
Almarai

حليب
Almarai
كريمة الطبخ

لوسين
لوسين
خبز التوست
أبيض
SLICED BREAD
WHITE

المراعي
Fresh Milk
FULL FAT

FETA CHEESE
لبنان
LIFE

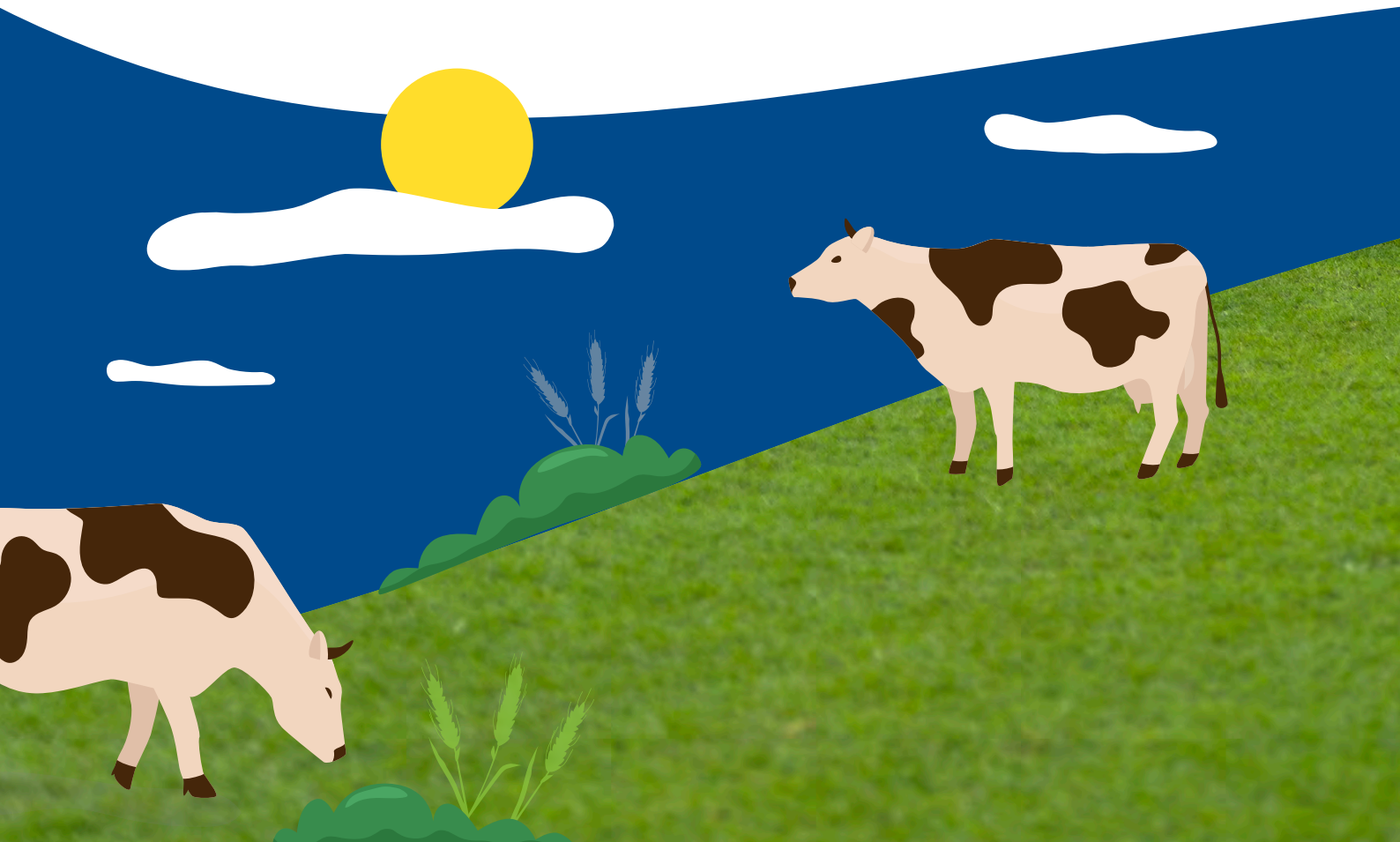
Growing With Confidence

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.

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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.

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.

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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.

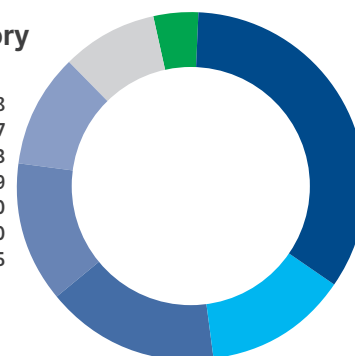
The Poultry category delivered outstanding revenue growth of 31%, supported by higher volumes in the Food Service segment and capacity expansion during the year that delivered 10% to volume growth. The better bottom line was aided by improved operational efficiencies and higher receipts of subsidies.

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.

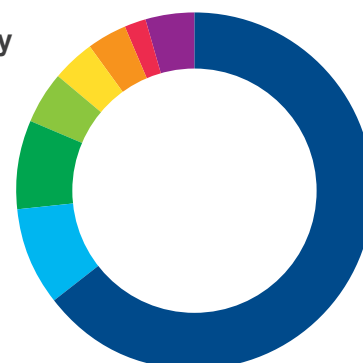
The UAE remains our second-largest market, representing 9% of total sales. UAE revenues of SAR 1,669 million were higher than the SAR 1,381 million achieved in 2021. The result was positively impacted by a resurgence in tourism boosting demand for food service.

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