

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)

