Press Release (24/09/2014)

Further announcement from Almarai Company regarding working progressively towards the importation of 100% of its agricultural feed requirements

Further to Almarai Tadawul announcement dated April 7th 2014, concerning its strategic commitment to the preservation of natural reserves, the Board has mandated the company management to develop an operational plan that will gradually ensure that Almarai total requirements of animal feed stock be imported from abroad.

At its meeting held on September 22nd 2014, the Board has reviewed the preliminary study proposed by management. The main conclusion of this study is the confirmation that the key product subject to this initiative is the alfalfa hay used by the company dairy herds. Because of Almarai's rigorous quality standards, sourcing of this product will be either from the company controlled facilities in the United States of America (USA), Europe or South-America, complemented by purchases abroad from third parties who can meet the Company's quality requirements.

The conclusion of this review is that, the Board re-affirms on 24/09/2014 the mandate given to management to continue, as per the company's strategy, to develop a detailed operational plan to secure its requirements.

As previously announced Almarai already imports sufficient alfalfa, currently 110,000 MT, to cover 100% of exports outside of the Kingdom of Saudi Arabia (KSA) and is pleased to announce to its shareholders the progress made to-date on the achievement of the overall plan.

In Argentina, through its fully owned subsidiary Fondomonte, the company has increased the land under management from 12,300 hectares originally to more than 32,000 hectares, primarily for the production of corn and soya bean. During 2014, in excess of 50,000 MT of high quality product will be shipped from our farms in Argentina. In addition, since April 2014, the company has been evaluating land capable of delivering up to 100,000 MT per annum of alfalfa hay going forward.

In the USA, on its own land, which was acquired earlier this year, as per the company's Tadawul announcement dated March 9th 2014, a state-of-the-art processing plant has been installed and the first alfalfa from the farm will be shipped to the Kingdom of Saudi Arabia before the year-end. It is expected to build to production of more than 80,000 MT per annum of alfalfa for export to the KSA over the coming three years.

These steps, which cover approximately 50% of its current KSA requirements, will allow the company to reduce its farmed land in the Kingdom, as per its commitment to protect the natural resources in the Kingdom.

The total investments required to complete these initiatives, covering land, farming infrastructure and logistics will amount to US$ 250 million, equivalent to SAR 938 million. These investments will be fully financed through the company's cash flow and some of its debt and will be reflected as an increase into the PPE (Property, Plant and Equipment) accounts in the Consolidated Balance Sheet, continually until the projects reach completion. And they will affect the Consolidated Statement of Income through the purchasing costs of the feed, as per its consumption, and will impact its gross margin ratio

These are initial projects towards of achieving progressively the objective of importing 100% of its agricultural feed requirements from abroad. The company will report on its further progresses in due time.