

04 November 2018

Almarai Company Announces Its Full Compliance in Importing 100% of its Alfalfa and Green Forage Requirements

In accordance with the terms of the Ministerial Council Resolution (66) dated 25 Safer 1440H corresponding to 7th December 2015 to stop completely the local production of green forage for areas above 50 Hectares, and pursuant to the company's announcement dated 10th April 2018, Almarai Company ("the Company") is pleased to announce that on 25 Safer 1440H corresponding to 3rd November 2018, it has stopped the production of alfalfa and green forage in the Kingdom of Saudi Arabia.

Almarai has reached full compliance with the Resolution by securing 100% of the supply of all forage outside KSA, to support its dairy and poultry businesses.

These imports originate from different locations, including USA, Argentina, Spain and Eastern Europe, from selected third party suppliers or from the Company run farms. The total investments realized in these countries for this purpose amounts to approximately USD 500 million over the period 2014 to 2018.

Since the Resolution announcement, the Company has gradually increased the imported percentage of its alfalfa and green forage requirement from 52% in 2016, to more than 75% in 2017 to reach 100% in 2018 and be fully compliant on 3rd November 2018.

The full annual cost impact of this new sourcing model consisting of the importation of forage versus local production is estimated at SAR 350 million. This adverse effect is anticipated to take place over a period of 2 years due to the large forage stock. Finally, while the Company is analyzing options of relocating its arable assets to its farming entities outside KSA, a one-time write-off net effect from this discontinuation of approximately SAR 50 million is expected to be recognized in the year-end financial statements.