

15/01/2017

Almarai Company announces its Annual Consolidated Financial Results for the year ended on 31 December 2016 (Twelve Months)

Almarai Company is pleased to announce its Consolidated Financial Results for the year ended 31 December 2016 as below:

1. The Sales increased by 0.7% to SAR 3,610.4 million during the fourth quarter, compared to SAR 3,584.2 million in the same quarter of 2015.
2. The Gross Profit for the fourth quarter amounted to SAR 1,460.9 million, an increase of 9.2% as compared to the corresponding quarter of the last year (SAR 1,338.4 million).
3. The Operating Income for the fourth quarter amounted to SAR 661.5 million, an increase of 15.5% as compared to the corresponding quarter of the previous year (SAR 572.5 million).
4. For the fourth quarter Almarai Consolidated Net Income reached SAR 488.5 million, an increase of 1.0% as compared to the corresponding quarter of the last year (SAR 483.7 million) and a decrease of 25.4% as compared to the previous quarter of the current year (SAR 654.6 million).
5. The Sales increased by 6.6% to SAR 14,698.7 million during the year ended 31 December 2016 as compared to SAR 13,794.6 million in the corresponding year.
6. The Gross Profit for the year ended 31 December 2016 amounted to SAR 5,833.6 million, an increase of 10.4% as compared to the corresponding year (SAR 5,283.3 million).

7. The Operating Income for the year ended 31 December 2016 amounted to SAR 2,541.9 million, an increase of 12.4% as compared to the corresponding year (SAR 2,262.1 million).
8. The Net Income for the year ended 31 December 2016 amounted to SAR 2,080.5 million, an increase of 8.6% as compared to the corresponding year (SAR 1,915.7 million).
9. The Diluted Earnings per Share (EPS) based on the Net Income attributable to Shareholders for the year ended 31 December 2016, reached SAR 2.52 as compared to SAR 2.33 for the year ended 31 December 2015. Please note that the Diluted EPS is calculated by dividing the Net Income for the period by the number of issued Shares (800 million issued Shares as of 31 December 2016). The Net Income attributable to shareholders is the Net Income after deducting Profit attributable to Perpetual Sukukholders. The Diluted EPS, based on 800 million shares, is SAR 2.60 and SAR 2.39 before the profit elimination to Perpetual Sukukholders at 31 December 2016 and 31 December 2015 respectively.
10. Total Shareholders' Equity attributable to Shareholders as at 31 December 2016 amounted to SAR 11,335.6 million as compared to SAR 10,358.4 million as at 31 December 2015, an increase of 9.4%. The book value of a share as of 31 December 2016 reached SAR 14.17.
11. The increase in Net Income for the fourth quarter of 1.0% as compared to the corresponding quarter of the previous year is due to:
 - Increase in Sales of 0.7%, as a result of continuous growth in the Bakery by 6.6%, Poultry by 16.0% and a decrease in Dairy & Juice by 2.4% due to the adverse market conditions.
 - Cost of Sales decreased by 4.3% due to lower in-puts costs, better cost management and enhanced production efficiencies despite increases in fuel and electricity costs, which lead to an Increase in Gross Profit of 9.2% reflected in the Net Income improvement for the quarter.

- The quarter-to-quarter performance of the core businesses was as follows: Dairy & Juice segment's Net Income increased by 0.5% due continuing strong marketing and sales performance in these categories and higher operational efficiency. Bakery segment's Net Income increased by 7.0% principally as a result of the availability of production capacity and successful new product launches. Poultry losses decreased by 13.9% to SAR (42.1) million which represents 11.2% of Sales as compared to last year corresponding quarter losses of SAR (48.9) million which represented 15.1% of Sales due to better operational efficiency and improved market environment for poultry products.
 - The group Selling and Distribution expenses increased by 3.7% to support the growth in key product categories, distribution outlets and geographical spread. General and Administration expenses increased by 9.0% to support the overall growth of the company.
 - In addition, the following changes adversely impacted the net income; impairment of Assets by SAR 12.4 million, decline in Foreign Exchange gain by SAR 14.7 million and higher funding costs by SAR 17.1 million from both increased borrowing and higher interest rates.
12. The decrease in Net Income for the fourth quarter 2016 of 25.4% as compared to the third quarter 2016 (Previous Quarter) is due to:
- Seasonal demand, which increases during the second and third quarters of each year compared to the first and fourth quarter.
- We would like to draw the attention that the seasonality of product mix consumption makes seasonal results not an accurate indicator for the results of the whole year, especially the comparison of a quarter's results to the previous quarter's results.
13. The increase in Net Income for the year ended 31 December 2016 reached 8.6% as compared to the corresponding year due to:

- Increase in Sales of 6.6%, as a result of continuous growth in the main segments from Dairy & Juice by 5.0%, Bakery by 16.3%, and Poultry by 8.4%.
- Cost of Sales increased at a lower rate than Sales due to lower in-puts costs, better cost management and enhanced production efficiencies despite increases in fuel and electricity costs which lead to an increase in Gross Profit of 10.4% reflected into the Net Income improvement for the year.
- The year-on-year performance of the core businesses was as follows: Dairy & Juice segment's Net Income increased by 6.8%, due to volume growth, favorable costs trend, new product launches including milk powder and higher operational efficiency. Bakery segment's Net Income increased by 62.0% principally as a result of availability of production capacity, favorable cost/price management and successful new product launches. Poultry losses increased by 37.6% to SAR (294.5) million which represent 21.5% of Sales as compared to December 2015 losses of SAR (214.0) million which represented 17.0% of Sales. The Poultry segment was affected by the increased competition from imported frozen products particularly in the first part of the year as well as higher operating and energy costs, despite significant improvement in operational metrics.
- On the other hand, the group Selling and Distribution expenses increased by 9.3% to support the growth in key product categories, distribution outlets and geographical spread. General and Administration expenses increased by 6.6% as the investment in infrastructure continues to support the general business growth.
- In addition, higher funding costs from both increased borrowing and higher interest rates resulted in additional expense of SAR 75.5 million. Zakat and Foreign Income Tax increased by SAR 8.6 million.

14. There are no notes or reservations in the External Auditors' report.

15. Some prior period comparatives have been regrouped to conform to the current period classification. These classifications did neither affect the Net Income nor Shareholders' Equity of the period of comparison.

16. The summary of Consolidated Statement of Income, during the year ended 31 December 2016 (Twelve Months) as follows:

- For Q4 2106, the Sales revenue declined in Saudi Arabia by 0.2%, whilst it increased in GCC and other countries by 0.3%, and 8.0% respectively. Also, the Sales increase growth for the year ended 31 December 2016 in Saudi Arabia, GCC countries, and other countries is 5.6%, 5.9%, and 14.4% respectively.
- During the fourth quarter 2016, Earnings before Interest, Taxes and Zakat, Depreciation and Amortization (EBITDA) reached SAR 973.2 million, an increase of 15.9% as compared to SAR 840.0 million in the corresponding quarter of last year. EBITDA for the fourth quarter of 2016 reached 27.0% of Sales as compared to 23.4% during the corresponding quarter of last year. And for the year ended in 31 December 2016 is SAR 3,718.1 million, which is an increase of 11.5% as compared to SAR 3,334.9 million for the corresponding year. EBITDA for the year ended 31 December 2016 reached 25.3% of sales as compared to 24.2% for the corresponding year.
- The Gross Profit, Operating Income and Net Income are representing 40.5%, 18.3% and 13.5% of Sales for the fourth quarter of 2016 as compared to 37.3%, 16.0% and 13.5% in the corresponding quarter of last year respectively. The Gross profit, Operating Income and Net income are representing 39.7%, 17.3% and 14.2% of sales for the year ended 31 December 2016 as compared to 38.3%, 16.4% and 13.9% in the corresponding year respectively.

17. A summary of Consolidated Cash Flows Statement, during the year ended 31 December 2016 (Twelve Months) is as follows:

- The Cash Flow generated from Operating Activities (OCF) reached SAR 4,393.6 million for the year ended 31 December 2016; a decrease of 10.9% as

compared to SAR 4,931.9 million in the corresponding year. Please note that the operational cash flow for 2015 included an insurance claim receipt of SAR 790.0 million for the Jeddah fire incident. After normalizing for this insurance receipt, OCF improved by 6.1% over last year driven by higher profitability. OCF now represents 29.9% of Sales as compared to 35.8% in the corresponding year.

- During the year ended 31 December 2016 SAR 4,900.1 million was used in Investing Activities principally due to the continuation of the Capital Investments Projects as per the strategic plan. The funds are mainly used in expansion of production capabilities of Farms, Factories, and Distribution Facilities. Investing Activities represent 33.3% of Sales as compared to 32.0% in the same year of 2015.
- Net Cash used during the year, after Foreign Currency Translation effects, was SAR 1,309.1 million, bringing the balance of Cash and Cash Equivalents at year ended 31 December 2016 to SAR 729.7 million.

18. A summary of the Consolidated Balance Sheet as at 31 December 2016 is as follows:

- Total Assets, amounted SAR 29,022.7 million as compared to SAR 27,371.0 million as at 31 December 2015, and an increase of 6.0%.
- Net Working Capital, amounted to SAR 1,363.7 million as compared to SAR 1,382.6 million as at 31 December 2015, a decrease of 1.4%.
- Total Liabilities, amounted to SAR 15,565.9 million as compared to SAR 14,752.8 million as at 31 December 2015, an increase of 5.5% mainly due to increase in Loans.
- Net Debt amounted to SAR 10,889.4 million as compared to SAR 9,343.7 million on 31 December 2015, an increase of 16.5%. Whilst gross debt has largely remained unchanged, the reduction in net debt is driven by the efficient use of cash which was abnormally high at 2015 year-end due to sukuk

proceeds obtained late 2015. Net Debt now represents 80.9% of the total Equity as compared to 74.0% in December 2015.

19. Although the year 2016 was full of challenges resulting from macroeconomic pressures and the impact of higher energy cost, the performance of the company was supported by continuously favorable commodities prices. The company has delivered higher market share in most of its product categories based on a solid performance and have delivered net income growth due to improved efficiencies and controlled operating costs. Given the changing economic environment and the increasing competitive conditions, the company will continue to focus on costs control, efficiency gains and cash-flow preservation while maintaining its strategic direction of profitable growth.
20. We would like to draw the attention to the Shareholders that the Consolidated Financial Statements for the year ended 31 December 2016 will be available through the following link on Almarai Website and Almarai IR App during this day.

<https://www.almarai.com/en/investors/financial-information>