

05/07/2015

**Almarai Company announces its interim consolidated financial results for the period ended on 30 June 2015 (Six Months)**

Almarai Company (Almarai) is pleased to announce its interim consolidated financial results for the period ended 30 June 2015 as below:

1. For the second quarter Almarai consolidated net income reached SAR 530.4 million, an increase of 22.4% compared to the corresponding quarter of the previous year (SAR 433.3 million) and an increase of 73.1% compared to the previous quarter (SAR 306.5 million).
2. The total gross profit for the second quarter amounted to SAR 1,388.0 million, an increase of 20.8% compared to the corresponding quarter of the previous year (SAR 1,149.2 million).
3. The operating income for the second quarter amounted to SAR 638.7 million, an increase of 23.8% compared to the corresponding quarter of the previous year (SAR 516.0 million).
4. The consolidated net profit for the first six months ended 30 June 2015 amounted to SAR 836.9 million, an increase of 18.4% compared to the same period of last year (SAR 706.9 million).
5. The Diluted Earnings Per Share (EPS) based on the Net Income attributable to Shareholders for six months ended 30 June 2015, reached SAR 1.35 compared to the corresponding period of the previous year of SAR 1.14. Please note that the Diluted EPS is calculated by dividing the net income for the period by the number of issued shares (600.0 million shares which represent the weighted average number of issued shares at 30 June 2015 and 30 June 2014), and the Net Income attributable to shareholders is the Net Income after deduction of profit attributable to Perpetual Sukukholders. The Diluted Earnings Per Share, based on 600.0 million shares, is 1.39 and 1.18 before the profit elimination to Perpetual Sukukholders at the end of June 2015 and 2014 respectively.

6. The total gross profit for the first six month ended 30 June 2015 amounted to SAR 2,498.4 million, an increase of 20.8% compared to the corresponding period of last year (SAR 2,068.1 million).
7. The operating profit for the first six month ended 30 June 2015 amounted to SAR 1,016.8 million, an increase of 22.6% compared to the corresponding period of last year (SAR 829.3 million).
8. The growth in net income for the second quarter of 22.4%, compared to the corresponding quarter of the previous year is due to:
  - Growth in sales of 11.0%, as a result of continuous sales growth in the Poultry segment of 25.4% and Dairy & Juice segments of 12.6%, in spite of a decrease in the sales for Bakery segment by 0.7%.
  - In addition, cost of sales increased at a lower rate due to better costs management than sales growth rate which lead to 20.8% growth in gross profit. The result of core business segments was as follow; Dairy & Juice increased by 7.2%, Bakery increased by 22.5% and Poultry losses declined by 47.5%. Poultry losses declined to SAR 54.3 million which represents 17.3% of segment sales compared to 2014 losses of SAR 103.4 million which represented 41.3% of segment sales.
  - The group selling and distribution expenses grew by 19.2% to support the growth in key product categories, distribution outlets and geographical spread. General and Administration expenses grew by 13.9% to support the general business growth and depreciation grew by 5.3% in view of the ongoing infrastructure expansion.
  - The final settlement of the bakery fire insurance claim was finalized during the second quarter 2015, which resulted in a net gain of SAR 442.9 Million. Correspondingly, the company also booked various charges including goodwill impairment charges amounting to SAR 328.1 Million, and write-off charges related to "available for sale investment" of SAR 194.0 Million including the alignment of Almarai's investment in Mobile Telecommunications Company - Saudi Arabia ("Zain") to its par value for a total value of SAR 162.4 Million. Note that the net impact

of these charges was neutral on the quarterly results, after considering the non-controlling interest.

9. The growth in net profit for the six month ended 30 June 2015 of 18.4% compared to the corresponding period of the previous year is also due to:
  - Growth in sales of 11.3%, as a result of continuous sales growth in the Poultry segment of 35.0% and Dairy & Juice segments of 11.8%, in spite of a decrease in the sales for Bakery segment by 2.7%.
  - In addition, cost of sales increased at a lower rate due to better costs management, than sales growth rate which lead to 20.8% growth in gross profit. The result of core business segments was as follows; Dairy & Juice increased by 6.4%, Bakery increased by 16.3% and Poultry losses declined by 50.9%. Poultry losses declined to SAR 116.0 million which represents 18.6% of segment sales compared to 2014 losses of SAR 236.4 million which represented 51.2% of segment sales.
  - The group selling and distribution expenses grew by 20.2% to support the growth in key product categories, distribution outlets and geographical spread. General and Administration expenses grew by 15.3% to support the general business growth and depreciation grew by 4.4% in view of the ongoing infrastructure expansion.
  - The final settlement of the bakery fire insurance claim was finalized during the second quarter 2015, which resulted in a net gain of SAR 442.9 Million. Correspondingly, the company also booked various charges including goodwill impairment charges amounting to SAR 328.1 Million, and write-off charges related to "available for sale investment" of SAR 194.0 Million including the alignment of Almarai's investment in Mobile Telecommunications Company - Saudi Arabia ("Zain") to its par value for a total value of SAR 162.4 Million. Note that the net impact of these charges was neutral on the quarterly results, after considering the non-controlling interest.
10. The growth in net profit for the second quarter of 73.1% compared to the first quarter 2015 is due to:

- The increase in sales of 20.2% is a natural result of seasonal demand on our core products in summer and the part of holy month of Ramadan. Due to the change in weather, the company generally records higher sales in Q2 relative to Q1.

Almarai believes that the comparison for the quarter against the same quarter of the past year is more relevant since it is more aligned to similar market conditions and demand patterns.

11. A summary of the second quarter result and the Interim Consolidated Statement of Income, during the period ended 30 June 2015 as follow:

- The Sales increase by 11.0 % to SAR 3,649.5 million during the second quarter, compared to SAR 3,286.5 million in the same quarter of 2014. Thus, the sales of the first half of 2015 is SAR 6,686.8 compared to SAR 6,005.4 for the corresponding period of 2014 that shows an increase of 11.3%.
- The Earnings Before Interest, Taxes and Zakat, Depreciation and Amortization (EBITDA) during the second quarter is SAR 905.9 million increased by 15.8% compared to SAR 782.1 million in the same quarter in 2014. EBITDA for Q2 of 2015 reached 24.8% of sales compared to 23.8% during the same quarter 2014. And for the six month ended in 30 June 2015 is SAR 1,544.5 million, which is an increase of 14.5% compared to SAR 1,349.2 million for the corresponding period in 2014. EBITDA for the six month ended 30 June 2015 reached 23.1% of sales compared to 22.5% for the corresponding period of last year.
- The Gross profit, Operating income and Net income are representing 38.0%, 17.5% and 14.5% of sales for the second quarter of 2015 respectively compared to 35.0%, 15.7% and 13.2% in the same quarter of 2014 respectively. The Gross profit, Operating income and Net income are representing 37.4%, 15.2% and 12.5% of sales for the six month ended 30 June 2015, compared to 34.3%, 13.8% and 11.8% in the same period of last year respectively.

12. A summary of Interim Consolidated Cash Flows Statement, during the six month ended 30 June 2015 is as follows:

- The Cash Flow Generated From Operating Activities ("OCF") reached SAR 1,837.7 million for the six month ended 30 June 2015, an increase of 40.1% compared to SAR 1,311.3 million in 2014. OCF now represents 27.5% of sales compared to 21.8% in 2014.
- During the six month ended 30 June 2015 SAR 2,020.7 million were 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 and distribution facilities.
- The Cash Flows Used in Financing Activities reached SAR 75.0 million during the six month ended 30 June 2015, compared to SAR 427.3 million used in 2014 in the same period.
- Net Cash used during the period, after foreign exchange translation effects, was SAR 249.5 million, bringing the balance of cash and cash equivalents at the period ended 30 June 2015 to SAR 527.3 million.

13. A summary of the Interim Consolidated Balance Sheet as at 30 June 2015 is as follows:

- Total assets, amounted SAR 25,268.7 million compared to SAR 23,895.3 million in 2014, an increase of 5.7% compared to 30 June 2014.
- Net working capital, amounted to SAR 2,349.2 million compared to SAR 1,795.8 in 2014, an increase of 30.8% compared to 30 June 2014, the outstanding receivable from the insurance company accounts for the majority of this increase.
- Total liabilities, amounted to SAR 13,361.9 million compared to SAR 12,920.7 million in 2014, an increase of 3.4% compared to 30 June 2014.

- Net debt, amounted SAR 9,658.8 million compared to SAR 8,993.6 million in 2014, an increase of 7.4% compared to 30 June 2014. Net Debt now represents 81.1% of the total equity compared to 81.9% in corresponding period in 2014.
  - Total shareholders' equity attributable to shareholders, amounted to SAR 9,623.9 million compared to SAR 8,530.6 million in 2014, an increase of 12.8%. The book value of a share as of 30 June 2015 reached SAR 16.04.
14. Overall, the company is pleased with its business performance for Q2 and first half of 2015. The company is also pleased about the full and final settlement of its claim related to the fire incident at its bakery facilities in Jeddah. The continued top line growth this quarter generated improved profitability both at gross margin and operating income levels. The strategic execution on investment in capital expenditure also continued during the quarter as planned. Barring unforeseen events, the company should continue its profitable growth for the next quarter.
15. Some prior period comparatives have been regrouped to conform to current period classification. This classification did not affect either the net profit or shareholders' equity of the period of comparison.
16. We would like to draw the attention to the shareholders that the interim consolidated financial statements for the period ended 30 June 2015 will be available through the following link on Almarai website during this day.

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