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Almarai Company announces its Interim Consolidated Financial Results for the period ended on 30 June 2016 (Six Months)

Almarai Company is pleased to announce its Interim Consolidated Financial Results for the period ended 30 June 2016 as below:

1. For the Second quarter Almarai Consolidated Net Income reached SAR 628.8 million, an increase of 18.5% compared to the corresponding quarter of the previous year (SAR 530.4 million) and an increase of 103.8% compared to the previous quarter (SAR 308.5 million).
2. The total Gross Profit for the Second quarter amounted to SAR 1,590.9 million, an increase of 14.6% compared to the corresponding quarter of the previous year (SAR 1,388.0 million).
3. The Operating Income for the Second quarter amounted to SAR 741.4 million, an increase of 16.1% compared to the corresponding quarter of the previous year (SAR 638.7 million).
4. The consolidated net profit for the first six months ended 30 June 2016 amounted to SAR 937.3 million, an increase of 12.0% compared to the same period of last year (SAR 836.9 million).
5. The Diluted Earnings Per Share (EPS) based on the Net Income attributable to Shareholders for the six months ended 30 June 2016, reached SAR 1.13 compared to SAR 1.02 for the six months ended June 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 of issued Shares as of 30 June 2016). The Net Income attributable to shareholders is the Net Income after deduction of Profit attributable to Perpetual Sukukholders. The Diluted EPS, based on 800 million shares, is 1.17 and 1.05 before the profit elimination to Perpetual Sukukholders at 30 June 2016 and 30 June 2015 respectively.
6. The total gross profit for the first six month ended 30 June 2016 amounted to SAR 2,814.8 million, an increase of 12.7 % compared to the corresponding period of last year (SAR 2,498.4 million).

7. The operating profit for the first six month ended 30 June 2016 amounted to SAR 1,144.7 million, an increase of 12.6% compared to the corresponding period of last year (SAR 1,016.8 million).
8. The growth in Net Income for the second quarter of 18.5%, compared to the corresponding quarter of the previous year is due to:
 - Growth in Sales of 10.3%, as a result of continuous growth in the main segments from Dairy & Juice by 9.5%, Bakery by 16.2% and Poultry by 20.1%.
 - Cost of Sales increased at a lower rate than Sales due to improving in-puts costs due persistent low commodities prices, better cost management and raising production efficiencies despite increases in fuel and electricity costs, which lead to an increase in Gross Profit of 14.6% reflected into the net income improvement for the quarter.
 - The quarter-to-quarter performance of the core businesses was as follows: Dairy & Juice Net Income grew by 16.1%, due to a strong seasonal demand of most of its products categories. Bakery segment Net Income increased by 85.9% principally as a result of the availability of production capacity and successful new product launches. Poultry losses increased by 40.4% to SAR (76.2) million which represent -20.2% of Sales compared to prior year quarter losses of SAR (54.3) million which represented -17.3% of Sales. The Poultry segment was affected by the increased competition from imported frozen products and the resulting over supply of birds in the market as well as higher energy costs and lower subsidy.
 - The group Selling and Distribution expenses grew by 15.5% to support the growth in key product categories, distribution outlets and geographical spread. General and Administration expenses grew by 2.2%. Finally, Depreciation of Property, Plant and Equipment grew by 9.2% because of the ongoing Capital Investments expansion.
 - Finally, the net variance of Share of Results of Associates and Joint Ventures, Others expenses, Foreign Exchange, Finance Cost-Net, Zakat and Foreign Income Tax, and Non-Controlling Interests resulted into an unfavorable effect on the second quarter's Net Income by SAR (4.3) million mainly due higher funding costs from both increasing borrowing and interest rates, offset by a favorable foreign exchange gain.

9. The growth in Net Income for the six months ended 30 June 2016 reached 12.0% compared to the corresponding period of the previous year due to:
- Growth in Sales of 11.8%, as a result of continuous growth in the main segments from Dairy & Juice by 10.7%, Bakery by 21.8%, and Poultry by 13.5%.
 - Cost of Sales increased at a lower rate than Sales due to improving in-puts costs due persistent low commodities prices, better cost management and raising production efficiencies despite increases in fuel and electricity costs, which lead to an increase in Gross Profit of 12.7% reflected into the net income improvement for the period.
 - The year-on-year performance of the core businesses was as follows: Dairy & Juice Net Income grew by 9.4%, due to volume growth and favorable costs trend. Bakery Net Income increased by 113.1% principally as a result of availability of production capacity, favorable cost/price management and successful new product launches. Poultry losses increased by 55.5% to SAR(180.5) million which represent -25.5% of Sales compared to the six months June 2015 losses of SAR 116.0 million or -18.6% of Sales. The Poultry segment was affected by the increased competition from imported frozen products and the resulting over supply of birds in the market as well as higher energy costs and lower subsidy.
 - The group Selling and Distribution expenses grew by 13.7% to support the growth in key product categories, distribution outlets and geographical spread. General and Administration expenses grew by 7.4% as the investment in infrastructure continues to support the general business growth. Finally, Depreciation of Property, Plant and Equipment grew by 10.2% because of the ongoing Capital Investments expansion.
 - Finally, the net variance of Share of Results of Associates and Joint Ventures, Others expenses, Foreign Exchange, Finance Cost-Net, Zakat and Foreign Income Tax, and Non-Controlling Interests resulted into an unfavorable effect on the period Net Income by SAR (27.4) million mainly due higher funding costs from both increasing borrowing and interest rates.
10. The significant increase in Net Income for the second quarter 2016 of 103.8% compared to the first quarter 2016 is due to the full seasonal effect of the Holy Ramadan that affected fully the second quarter, with a favorable product mix

during that period and continuous favorable in-put costs benefits despite increasing energy costs and funding costs. Thus, the seasonal results are 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.

11. The summary of Interim Consolidated Statement of Income, during the period ended 30 June 2016 as follows:

- The Sales increased by 10.3% to SAR 4,025.4 million during the second quarter, compared to SAR 3,649.5 million in the same quarter of 2015. Thus, the sales of the first half of 2016 is SAR 7,475.7 compared to SAR 6,686.8 for the corresponding period of 2015 that shows an increase of 11.8%.
- The Sales growth in the second quarter in Saudi Arabia, GCC countries, and other countries is 10.0%, 8.2%, and 18.5% respectively. Thus, the Sales growth in the six months ended 30 June 2016 in Saudi Arabia, GCC countries, and other countries is 11.5%, 11.0%, and 16.2% respectively.
- During the second quarter 2016, Earnings Before Interest, Taxes and Zakat, Depreciation and Amortization (EBITDA) reached SAR 1,037.9 million, an increase of 14.6% compared to SAR 905.9 million in the same quarter in 2015. EBITDA for the second quarter of 2016 reached 25.8% of Sales compared to 24.8% during the same quarter 2015. And for the six month ended in 30 June 2016 is SAR 1,727.7 million, which is an increase of 11.9% compared to SAR 1,544.5 million for the corresponding period in 2015. EBITDA for the six month ended 30 June 2016 reached 23.1% of sales compared to 23.1% for the corresponding period of last year.
- The Gross Profit, Operating Income and Net Income are representing 39.5%, 18.4% and 15.6% of Sales for the second quarter of 2016 compared to 38.0%, 17.5% and 14.5% in the same quarter of 2015 respectively. The Gross profit, Operating income and Net income are representing 37.7%, 15.3% and 12.5% of sales for the six month ended 30 June 2016, compared to 37.4%, 15.2% and 12.5% in the same period of last year respectively.

12. A summary of Interim Consolidated Cash Flows Statement, during the period ended 30 June 2016 (Six Months) is as follows:

- The Cash Flow generated from Operating Activities (OCF) reached SAR 1,493.9 million for the period ended 30 June 2016; a decrease of 18.7% compared to SAR 1,837.7 million in the same period of 2015 generated by a deteriorating working capital position mostly from Inventories. OCF now represents 20.0% of Sales compared to 27.5% in the same period of 2015.
- During the period ended 30 June 2016 SAR 2,518.8 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 33.7% of Sales compared to 30.2% in the same period of 2015.
- The Cash Flow used in Financing Activities reached SAR 438.9 million during the period, compared to SAR 75.0 million used in the same period of 2015, this variance is mainly due to the increase in financing costs and a reduction of loans during the period.
- Net Cash used during the period, after Foreign Currency Translation effects, was SAR 1,475.2 million, bringing the balance of Cash and Cash Equivalents at period ended 30 June 2016 to SAR 563.5 million.

13. A summary of the Interim Consolidated Balance Sheet as at 30 June 2016 is as follows:

- Total Assets, amounted SAR 28,153.4 million compared to SAR 25,268.7 million in June 2015, or an increase of 11.4%.
- Net Working Capital, amounted to SAR 1,903.1 compared to SAR 2,349.2 million on 30 June 2015, a decrease of 19.0% due to decrease in Account Receivable balances and an increase in Payables and Accruals balances.

- Total Liabilities amounted to SAR 15,473.8 million compared to SAR 13,361.9 million on 30 June 2015, an increase of 15.8% mainly due to the Sukuk issuance of SAR 1,600.0 million last September 2015.
 - Net Debt amounted to SAR 11,270.0 million compared to SAR 9,658.8 million on 30 June 2015, an increase of 16.7%. Net Debt now represents 88.9% of the total Equity compared to 81.1% in June 2015.
 - Total Shareholders' Equity attributable to Shareholders, amounted to SAR 10,462.7 million compared to SAR 9,623.9 million in June 2015, an increase of 8.7%. The book value of a share as of 30 June 2016 reached SAR 13.08.
14. The performance of the company has been supported in the second quarter by the favorable seasonal effect of the Holy month of Ramadan, the continuous favorable commodities environment and the measures taken to improve efficiencies and control operating costs. Given the very competitive market conditions driven by the economic slowdown going forward, the company will continue to exercise caution on its cash-flow generation while focusing on its strategic targets and enhance overall efficiency.
15. Some prior comparatives have been regrouped to conform to the current period classification. These classifications did neither affect the Net Profit nor 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 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>