

08/10/2015

Almarai Company announces its interim consolidated financial results for the period ended on 30 September 2015 (Nine Months)

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

1. For the third quarter Almarai consolidated net income reached SAR 595.1 million, an increase of 10.3% compared to the corresponding quarter of the previous year (SAR 539.4 million) and an increase of 12.2% compared to the previous quarter (SAR 530.4 million).
2. The total gross profit for the third quarter amounted to SAR 1,446.5 million, an increase of 10.4% compared to the corresponding quarter of the previous year (SAR 1,310.7 million).
3. The operating income for the third quarter amounted to SAR 672.7 million, an increase of 4.3% compared to the corresponding quarter of the previous year (SAR 644.7 million).
4. The consolidated net profit for the nine months ended 30 September 2015 amounted to SAR 1,432.0 million, an increase of 14.9% compared to the same period of last year (SAR 1,246.3 million).
5. The Diluted Earnings Per Share (EPS) based on the Net Income attributable to Shareholders for nine months ended 30 September 2015, reached SAR 2.33 compared to the corresponding period of the previous year of SAR 2.01. 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 September 2015 and 30 September 2014), and the Net Income attributable to shareholders is the Net Income after deduction of profit attributable to Perpetual Sukuk holders. The Diluted Earnings Per Share, based on 600.0 million shares, is 2.39 and 2.08 before the profit elimination to Perpetual Sukuk holders at the end of September 2015 and September 2014 respectively.

6. The total gross profit for the nine month ended 30 September 2015 amounted to SAR 3,944.9 million, an increase of 14.1% compared to the corresponding period of last year (SAR 3,458.8 million).
7. The operating profit for the nine month ended 30 September 2015 amounted to SAR 1,689.5 million, an increase of 14.6% compared to the corresponding period of last year (SAR 1,474.0 million).
8. The growth in net income for the third quarter of 10.3%, compared to the corresponding quarter of the previous year is due to:
 - Growth in sales of 7.8%, as a result of continuous sales growth in the main segments from Poultry of 15.1%, Bakery by 9.2% and Dairy & Juice of 5.9%.
 - In addition, cost of sales increased at a lower rate due to better costs management leading to 10.4% growth in gross profit. The result of core business segments was as follow; Dairy & Juice decreased by 3.0%, Bakery increased by 30.7% and Poultry losses declined by 44.8%. Poultry losses declined to SAR 49.1 million which represents 15.6% of segment sales compared to 2014 losses of SAR 88.9 million which represented 32.5% of segment sales.
 - The group selling and distribution expenses grew by 16.8% to support the growth in key product categories, distribution outlets and geographical spread. General and Administration expenses grew by 11.4% to support the general business growth.
 - In addition, the net evolution of Share of Results of Associates and Joint Ventures, Others expenses, Finance Cost-Net, Zakat and Foreign Income Tax, and Non-Controlling Interest was a favorable effect on net profit for the third quarter SAR 27.7 million.
9. The growth in net profit for the nine month ended on September 30, 2015 of 14.9% compared to the corresponding period of the previous year is also due to:
 - Growth in sales of 10.1%, as a result of continuous sales growth in the main business segments: Poultry by 27.6%, Dairy & Juice by 9.7%, and Bakery by 1.1%.

- In addition, cost of sales increased at a lower rate due to better costs management, leading to 14.1% growth in gross profit. The result of core business segments was as follows; Dairy & Juice increased by 2.5%, Bakery increased by 22.1% and Poultry losses declined by 49.3%. Poultry losses declined to SAR 165.1 million which represents 17.6% of segment sales compared to 2014 losses of SAR 325.3 million which represented 44.3% of segment sales.
 - The group selling and distribution expenses grew by 13.9% to support the growth in key product categories, distribution outlets and geographical spread. General and Administration expenses grew by 12.2% to support the general business growth and depreciation grew by 10.0% in view of the ongoing infrastructure expansion.
 - On the other hand, Share of Results of Associates and Joint Ventures, Others expenses, Finance Cost-Net, Zakat and Foreign Income Tax, and Non-Controlling Interest had an unfavorable effect on net profit for the period SAR 29.8 million.
 - 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 328.2 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 179.8 Million. Note that the net impact of these charges was neutral on the group results, after considering the non-controlling interest. The full amount of SAR 790 Million was received by Almarai by the end of Q3 2015.
10. The growth in net profit for the third quarter of 12.2% compared to the second quarter 2015 is due to:
- Seasonal movements as part of Ramadan sales were made in Q2 in the current year. As a result the sales declined by 3.5% but better operational management resulted in a net profit increase for the quarter.

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 third quarter result and the Interim Consolidated Statement of Income, during the period ended 30 September 2015 as follow:

- The Sales increase by 7.8 % to SAR 3,523.6 million during the third quarter, compared to SAR 3,269.4 million in the same quarter of 2014. Thus, the sales for nine months ended on the 30 September 2015 is SAR 10,210.4 million compared to SAR 9,274.8 million for the corresponding period of 2014 that shows an increase of 10.1%.
- The sales growth in the third quarter in Saudi Arabia, GCC countries, and other countries is 5.6%, 6.7%, and 25.7% respectively. For nine month, sales growth in Saudi Arabia, GCC countries and other countries is by 8.8%, 10.3%, and 18.8% respectively.
- During the third quarter, Earnings Before Interest, Taxes and Zakat, Depreciation and Amortization (EBITDA) reached SAR 950.5 million, an increase of 9.7% compared to SAR 866.2 million in the same quarter in 2014. EBITDA for Q3 of 2015 reached 27.0% of sales compared to 26.5% during the same quarter 2014. For the nine months ending in 30 September 2015 EBITDA amounts to SAR 2,495.0 million, which is an increase of 12.6% compared to SAR 2,215.4 million for the corresponding period in 2014. EBITDA for the nine month ended 30 September 2015 reached 24.4% of sales compared to 23.9% for the corresponding period of last year.
- The Gross profit, Operating income and Net income are representing 41.1%, 19.1% and 16.9% of sales for the third quarter of 2015 respectively compared to 40.1%, 19.7% and 16.5% in the same quarter of 2014 respectively. The Gross profit, Operating income and Net income are representing 38.6%, 16.5% and 14.0% of sales for the nine month

ended 30 September 2015, compared to 37.3%, 15.9% and 13.4% in the same period of last year respectively.

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

- The Cash Flow Generated from Operating Activities (“OCF”) reached SAR 3,277.1 million for the nine month ended 30 September 2015, an increase of 46.2% compared to SAR 2,241.1 million in 2014. OCF now represents 32.1% of sales compared to 24.2% in 2014.
- During the nine month ended 30 September 2015 SAR 2,801.8 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 of farms, factories, and distribution facilities. Investing activities represents 27.4% of sales compared to 24.5% in 2014.
- The Cash Flows generated from Financing Activities reached SAR 834.6 million during the nine month ended 30 September 2015, compared to SAR 653.3 million used in 2014 in the same period. The key event during the period for financing activities was the Sukuk issuance of SAR 1,600.0 million.
- Net Cash generated during the period, after foreign exchange translation effects, was SAR 1,291.0 million, bringing the balance of cash and cash equivalents at the period ended 30 September 2015 to SAR 2,087.8 million.

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

- Total assets amounted SAR 26,420.4 million compared to SAR 24,220.1 million in 2014, an increase of 9.1% compared to 30 September 2014.
- Net working capital, amounted to SAR 2,003.8 million compared to SAR 1,844.9 million in 2014, an increase of 8.6% compared to 30 September 2014.
- Total liabilities amounted to SAR 14,149.2 million compared to SAR 12,780.1 million in 2014, an increase of 10.7% compared to 30 September 2014.
- Net debt amounted to SAR 9,274.6 million compared to SAR 8,781.6 million in 2014, an increase of 5.6% compared to 30 September 2014. Net Debt now represents 75.6% of the total equity compared to 76.8% in corresponding period in 2014.
- Total shareholders' equity attributable to shareholders, amounted to SAR 9,991.0 million compared to SAR 8,993.9 million in 2014, an increase of 11.1%. The book value of a share as of 30 September 2015 reached SAR 16.65.

14. The business performance for the company during the Q3 reached a satisfactory level. Despite a slowdown in top line growth during the quarter, the group's profitability growth both at gross profit and net income levels momentum has continued, demonstrating the resilience and efficiency of the business model. The company will continue during the next quarter to focus on its strategic priorities and barring unforeseen events, the company should continue its profitable growth for the next quarter.

15. Some prior 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 September 2015 will be available through the following link on Almarai website during this day.

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