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

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

1. The Sales increased by 2.5% to SAR 3,612.5 million during the Third quarter, compared to SAR 3,523.6 million in the same quarter of 2015.
2. The Gross Profit for the Third quarter is amounted to SAR 1,557.9 million, an increase of 7.7% as compared to the corresponding quarter of the last year (SAR 1,446.5 million).
3. The Operating Income for the Third quarter is amounted to SAR 735.8 million, an increase of 9.4% as compared to the corresponding quarter of the previous year (SAR 672.7 million).
4. For the Third quarter Almarai Consolidated Net Income reached SAR 654.6 million, an increase of 10.0% as compared to the corresponding quarter of the last year (SAR 595.1 million) and an increase of 4.1% as compared to the previous quarter of the current year (SAR 628.8 million).
5. The Sales increased by 8.6% to SAR 11,088.3 million during the first Nine months ended 30 September as compared to SAR 10,210.4 million in the corresponding period of the last year.
6. The Gross Profit for the first nine months ended 30 September 2016 amounted to SAR 4,372.7 million, an increase of 10.8% as compared to the corresponding period of last year (SAR 3,944.9 million).
7. The Operating Income for the first nine months ended 30 September 2016 amounted to SAR 1,880.4 million, an increase of 11.3% as compared to the corresponding period of last year (SAR 1,689.5 million).

8. The Net Income for the first nine months ended 30 September 2016 amounted to SAR 1,591.9 million, an increase of 11.2% as compared to the corresponding period of last year (SAR 1,432.0 million).
9. The Diluted Earnings per Share (EPS) based on the Net Income attributable to Shareholders for the nine months ended 30 September 2016, reached SAR 1.93 as compared to SAR 1.74 for the nine months ended September 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 September 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 1.99 and 1.79 before the profit elimination to Perpetual Sukukholders at 30 September 2016 and 30 September 2015 respectively.
10. Total Shareholders' Equity attributable to Shareholders as at 30 September 2016 amounted to SAR 11,113.8 million as compared to SAR 9,991.0 million as at 30 September 2015, an increase of 11.2%. The book value of a share as of 30 September 2016 reached SAR 13.89.
11. The growth in Net Income for the third quarter of 10.0% as compared to the corresponding quarter of the previous year is due to:
 - Growth in Sales of 2.5%, as a result of continuous growth in the main segments from Dairy & Juice by 1.4%, Bakery by 17.4% and a decrease in Poultry by 9.4%.
 - Cost of Sales decreased by 1.1% due to continues decrease of in-puts costs, better cost management and enhanced production efficiencies despite of increases in fuel and electricity costs, which lead to an increase in Gross Profit of 7.7% reflected into 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 grew by 8.1%, due to the increased demand of most of its products categories. Bakery segment's Net Income increased by 77.7% principally as a result of the availability of production capacity and successful new product launches. Poultry losses increased by 46.6% to SAR (71.9) million which represents 25.2% of Sales as compared to last year corresponding quarter losses of SAR (49.1) million which represented 15.6% 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.

- On the other hand, Operating Expenses increased during the quarter. The group Selling and Distribution expenses grew by 6.8% to support the growth in key product categories, distribution outlets and geographical spread. General and Administration expenses grew by 1.9%. Finally, Depreciation of Property, Plant and Equipment grew by 3.6% because of the ongoing Capital Investments expansion.
 - Finally, the net variance of Share of Results of Associates and Joint Ventures, Other Income/ (Expenses), Foreign Exchange, Finance Cost, Zakat and Foreign Income Tax, and Non-Controlling Interests resulted into an unfavorable effect on the third quarter's Net Income by SAR (3.5) million mainly due higher funding costs from both increased borrowing and higher interest rates and the increase in Non-Controlling Interests. But, the share of Results of Associates and Joint Ventures, Foreign Exchange, insurance receipt of SAR 25.1 million has limited the impact of increase in funding costs.
12. The increase in Net Income for the third quarter 2016 of 4.1% as compared to the second quarter 2016 is due to:
- Cost of Sales decreased by 15.6% due to continues decrease of in-puts costs; this decrease was higher than the decrease in sales by 10.3% which explained the gross profit ratio improvement. Also the third quarter saw the General and Administration expenses decreased by 30.7%, the receipt of an insurance claim for SAR 25.1 million as well as a decrease in Finance Cost as a result of capitalizing part of the new Bakery Plant in Hail.
 - Please note that, the comparison of the third quarter to the second quarter 2016 in Operating Income is affected by the timing of the holy month of Ramadan, which this year took place in majority during the second 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 growth in Net Income for the nine months ended 30 September 2016 reached 11.2% as compared to the corresponding period of the last year due to:

- Growth in Sales of 8.6%, as a result of continuous growth in the main segments from Dairy & Juice by 7.5%, Bakery by 20.3%, and Poultry by 5.8%.
- Cost of Sales increased at a lower rate than Sales due to continues decrease of in-puts costs, better cost management and enhanced production efficiencies despite of increases in fuel and electricity costs, which lead to an increase in Gross Profit of 10.8% reflected into the Net Income improvement for the period.
- The year-on-year performance of the core businesses was as follows: Dairy & Juice segment's Net Income grew by 8.9%, due to volume growth and favorable costs trend. Bakery segment's Net Income increased by 97.9% principally as a result of availability of production capacity, favorable cost/price management and successful new product launches. Poultry losses increased by 52.9% to SAR(252.4) million which represent 25.5% of Sales as compared to the nine months September 2015 losses of SAR (165.1) million which represented 17.6% of Sales. The Poultry segment was affected by the increased competition from imported frozen products particularly in the first part of the year and the resulting massive over supply of birds in the market as well as higher operating and energy costs, despite of significant improvement in mortality rates.
- On the other hand, Operating Expenses increased during the period. The group Selling and Distribution expenses grew by 11.3% to support the growth in key product categories, distribution outlets and geographical spread. General and Administration expenses grew by 5.9% as the investment in infrastructure continues to support the general business growth. Finally, Depreciation of Property, Plant and Equipment grew by 8.0% because of the ongoing Capital Investments expansion.
- Finally, the net variance of Share of Results of Associates and Joint Ventures, Other Income/ (Expenses), Foreign Exchange, Finance Cost, Zakat and Foreign Income Tax, and Non-Controlling Interests resulted into an unfavorable effect on the period Net Income by SAR (30.9) million mainly due to higher funding costs from both increased borrowing and higher interest rates and the increase in Non-Controlling Interests. But, the favorable impact

of share of Results of Associates and Joint Ventures, Foreign Exchange, and an insurance receipt of SAR 25.1 million has resulted in a decrease in other income/ (expenses) which limited the impact of increase in funding costs.

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 Interim Consolidated Statement of Income, during the period ended 30 September 2016 (Nine Months) as follows:
 - The Sales growth in the third quarter in Saudi Arabia, GCC countries, and other countries is 0.3%, 2.0%, and 16.7% respectively. Thus, the Sales growth in the nine months ended 30 September 2016 in Saudi Arabia, GCC countries, and other countries is 7.6%, 8.0%, and 16.4% respectively.
 - During the third quarter 2016, Earnings before Interest, Taxes and Zakat, Depreciation and Amortization (EBITDA) reached SAR 1,017.2 million, an increase of 7.0% as compared to SAR 950.5 million in the corresponding quarter of last year. EBITDA for the third quarter of 2016 reached 28.2% of Sales as compared to 27.0% during the corresponding quarter of last year. And for the nine months ended in 30 September 2016 is SAR 2,744.9 million, which is an increase of 10.0% as compared to SAR 2,495.0 million for the corresponding period of last year. EBITDA for the nine month ended 30 September 2016 reached 24.8% of sales as compared to 24.4% for the corresponding period of last year.
 - The Gross Profit, Operating Income and Net Income are representing 43.1%, 20.4% and 18.1% of Sales for the third quarter of 2016 as compared to 41.1%, 19.1% and 16.9% in the corresponding quarter of last year respectively. The Gross profit, Operating Income and Net income are representing 39.4%, 17.0% and 14.4% of sales for the nine months ended 30 September 2016 as compared to 38.6%, 16.5% and 14.0% in the corresponding period of last year respectively.

17. A summary of Interim Consolidated Cash Flows Statement, during the period ended 30 September 2016 (Nine Months) is as follows:

- The Cash Flow generated from Operating Activities (OCF) reached SAR 2,976.8 million for the period ended 30 September 2016; a decrease of 9.2% as compared to SAR 3,277.1 million in the corresponding period of last year generated by a deteriorating working capital position mostly from Inventories. OCF now represents 26.8% of Sales as compared to 32.1% in the corresponding period of last year.
- During the period ended 30 September 2016 SAR 3,632.7 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 32.8% of Sales as compared to 27.4% in the same period of 2015.
- The Cash Flow used in Financing Activities reached SAR 575.1 million during the period as compared to SAR 834.6 million generated in the corresponding period of last year, this variance is mainly due to the Sukuk issued in same period of the previous year.
- Net Cash used during the period, after Foreign Currency Translation effects, was SAR 1,253.4 million, bringing the balance of Cash and Cash Equivalents at period ended 30 September 2016 to SAR 785.4 million.

18. A summary of the Interim Consolidated Balance Sheet as at 30 September 2016 (Nine Months) is as follows:

- Total Assets, amounted SAR 29,052.9 million as compared to SAR 26,420.4 million as at 30 September 2015, or an increase of 10.0%.
- Net Working Capital, amounted to SAR 1,613.9 as compared to SAR 2,003.8 million as at 30 September 2015, a decrease of 19.5% due to increase in

Account Receivable and Payables and Accruals, also an increase in inventories.

- Total Liabilities, amounted to SAR 15,629.1 million as compared to SAR 14,149.2 million as at 30 September 2015, an increase of 10.5% mainly due to increase in Loans and Payables and Accruals.
 - Net Debt amounted to SAR 10,905.9 million as compared to SAR 9,274.6 million on 30 September 2015, an increase of 17.6%. Net Debt now represents 81.2% of the total Equity as compared to 75.6% in September 2015.
19. Despite a general slowdown in growth for most of its product categories during the third quarter, the performance of the company has continued to be supported by the continuous favorable commodities prices the company has been able to obtain from the market and also by the measures taken, earlier this year, to improve efficiencies and control 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 Interim Consolidated Financial Statements for the period ended 30 September 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>