

17/01/2016

Almarai Company announces its annual consolidated financial results for the period ended on 31 December 2015 (Twelve Months)

Almarai Company is pleased to announce its annual consolidated financial results for the year ended 31 December 2015 as below:

1. For the fourth quarter Almarai consolidated net income reached SAR 483.7 million, an increase of 13.0% compared to the corresponding quarter of the previous year (SAR 428.0 million) and an decrease of 18.7% compared to the previous quarter (SAR 595.1 million).
2. The total gross profit for the fourth quarter amounted to SAR 1,338.4 million, an increase of 10.3% compared to the corresponding quarter of the previous year (SAR 1,213.8 million).
3. The operating income for the fourth quarter amounted to SAR 572.5 million, an increase of 9.3% compared to the corresponding quarter of the previous year (SAR 523.6 million).
4. The consolidated Net Income for the year ended 31 December 2015 amounted to SAR 1,915.7 million, an increase of 14.4% compared to last year (SAR 1,674.3 million).
5. The Diluted Earnings Per Share (EPS) based on the Net Income attributable to Shareholders for the year ended 31 December 2015, reached SAR 3.11 compared to compared to SAR 2.70 in 2014. Please note that the Diluted EPS is calculated by dividing the net income for the year by the number of issued shares (600.0 million shares which represent the weighted average number of issued shares 31 December 2015 and 31 December 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 3.19 and 2.79 before the profit elimination to Perpetual Sukuk holders at the end of end of December to 2015 and 2014 respectively.
6. The total gross profit for the year ended 31 December 2015 amounted to SAR 5,283.3 million, an increase of 15.0% compared to last year (SAR 4,592.6 million).
7. The operating profit for the year ended 31 December 2015 amounted to SAR 2,262.1 million, an increase of 13.2% compared to last year (SAR 1,997.6 million).
8. The growth in net income for the fourth quarter of 13.0%, compared to the corresponding quarter of the previous year is due to:

- Growth in sales of 7.6%, as a result of continuous sales growth in the main segments from Bakery by 20.3%, Poultry of 12.8% and Dairy & Juice of 5.2%.
 - Cost of sales increased at a lower rate due to improving in-put costs and better cost management leading a 10.3% growth in gross profit and thus the overall rise in net income.
 - The result of core business segments was as follow; Dairy & Juice decreased by 8.5%, Bakery increased by 65.6% and Poultry losses declined by 32.1%. Poultry losses declined to SAR 48.9 million which represents 15.1% of segment sales compared to 2014 losses of SAR 72.0 million which represented 25.0% of segment sales.
 - The group selling and distribution expenses grew by 8.8% to support the growth in key product categories, distribution outlets and geographical spread. General and Administration expenses grew by 28.7% as the investment in infrastructure continues to support the general business growth, finally depreciation grew by 11.2% because of the ongoing capital investments expansion.
 - 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 favorable on the fourth quarter net income by SAR 6.7 million despite the recognition of the impairment loss value of investments available for sale (investment in Mobile Telecommunications Company - Saudi Arabia (Zain)) of SAR 19.8 million during the fourth quarter 2015.
9. The growth in net income for the year ended 31 December 2015 of 14.4% compared the previous year is also due to:
- Growth in sales of 9.4%, as a result of continuous sales growth in the main business segments: Poultry by 23.4%, Dairy & Juice by 8.5%, and Bakery by 6.1%.
 - Cost of sales increased at a lower rate due to improving in-put costs and better cost management, leading to 15.0 % growth in gross profit and thus the overall rise in net income.
 - The result of core business segments was as follows; Dairy & Juice increased by 3.9%, Bakery increased by 36.2% and Poultry losses declined by 46.1%. Poultry losses declined to SAR 214.0 million which represents 17.0% of segment sales compared to 2014 losses of SAR 397.3 million which represented 33.8% of segment sales.
 - The group selling and distribution expenses grew by 16.3% to support the growth in key product categories, distribution outlets and geographical spread. General and Administration

expenses grew by 17.3% to support the general business growth and depreciation grew by 10.3% 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 23.1 million.
- The final settlement of the bakery fire insurance claim was finalized during the year ended 31 December 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 at the time of the claim settlement. Additional impairment has been booked subsequently during the fourth quarter to reflect the declining share price of Zain below par value. Note that the net impact of these charges was neutral on the group results, after considering the non-controlling interest. A full amount of SAR 790 Million was received by Almarai during 2015.

10. The decrease in net income for the fourth quarter of 18.7% compared to the third quarter 2015 is due to:

- The seasonality of products mix consumption, due to part of Ramadan sales, which were realized during the third quarter of 2015 accounts for the majority of the decline in net income during the fourth quarter of 2015 compared to the previous quarter despite higher sales by 1.7%.

11. A summary of Annual Consolidated Statement of Income, during the fourth quarter and year ended 31 December 2015:

- The Sales increase by 7.6 % to SAR 3,584.2 million during the fourth quarter, compared to SAR 3,330.8 million in the same quarter of 2014. Thus, the sales for the year ended 31 December 2015 is SAR 13,794.6 million compared to SAR 12,606.5 million in 2014 that shows an increase of 9.4%.
- The sales growth in the fourth quarter in Saudi Arabia and GCC countries is 11.2% and 2.2% respectively while other countries sales decrease by 0.4%. For the year ended 31 December 2015, sales growth in Saudi Arabia, GCC countries and other countries was 9.4%, 8.1%, and 13.5% respectively.
- During the fourth quarter 2015 Earnings Before Interest, Taxes and Zakat, Depreciation and Amortization (EBITDA) reached SAR 840.0 million, an increase of 5.5% compared to SAR

796.4 million in the same quarter in 2014. EBITDA for Q4 of 2015 reached 23.4% of sales compared to 23.9% during the same quarter 2014. For the year ended 31 December 2015 EBITDA amounts to SAR 3,334.9 million, which is an increase of 10.7% compared to SAR 3,011.8 million in 2014. EBITDA for the year ended 31 December 2015 reached 24.2% of sales compared to 23.9% in 2014.

- The Gross profit, Operating income and Net income are representing 37.3%, 16.0% and 13.5% of sales for the fourth quarter of 2015 respectively compared to 36.4%, 15.7% and 12.9% in the same quarter of 2014 respectively. The Gross profit, Operating income and Net income are representing 38.3%, 16.4% and 13.9% of sales for the year ended 31 December 2015, compared to 36.4%, 15.8% and 13.3% in last year respectively.

12. A summary of Interim Consolidated Cash Flows Statement, during the year ended 31 December 2015 is as follows:

- The Cash Flow Generated from Operating Activities (OCF) reached SAR 4,931.9 million for the year ended 31 December 2015; an increase of 54.2% compared to SAR 3,198.8 million in 2014. OCF now represents 35.8% of sales compared to 25.4% in 2014.
- During the year ended 31 December 2015 SAR 4,409.0 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 32.0% of sales compared to 24.7% in 2014.
- The Cash Flows generated from Financing Activities reached SAR 731.7 million during the year ended 31 December 2015, compared to SAR 1,082.2 million used in 2014. The key event during the year for financing activities was the Sukuk issuance of SAR 1,600.0 million.
- Net Cash generated during the, after foreign exchange translation effects, was SAR 1,242.0 million, bringing the balance of cash and cash equivalents at year ended 31 December 2015 to SAR 2,038.8 million.

13. A summary of the Interim Consolidated Balance Sheet as 31 December 2015 is as follows:

- Total assets, amounted SAR 27,371.0 million compared to SAR 23,948.9 million in 31 December 2014, an increase of 14.3%.
- Net working capital, amounted to SAR 1,382.6 million compared to SAR 2,006.2 million in 31 December 2014, a decrease of 31.1% due to rise in Payables and Accruals payable balance.

- Total liabilities amounted to SAR 14,752.8 million compared to SAR 12,318.0 million in 31 December 2014, an increase of 19.8% due to the Sukuk issuance of SAR 1,600.0 million during the year.
 - Net debt amounted to SAR 9,343.7 million compared to SAR 8,761.6 million in 31 December 2014, an increase of 6.6%. Net Debt now represents 74.0% of the total equity compared to 75.3% in 31 December 2014.
 - Total shareholders' equity attributable to shareholders, amounted to SAR 10,358.4 million compared to SAR 9,186.9 million in 31 December 2014, an increase of 12.8%. The book value of a share as of 31 December 2015 reached SAR 17.26.
14. Overall the company is satisfied with its business performance which is in line with its strategic plan: sales, profitability and cash flow metrics grew while the company has been able to increase its production capacity to meet consumer demand. Performance indicators showed increased sales of 9.4%, increased gross profit of 15.0% and increased net income of 14.4% over the year 2015 compared to 2014. The Free Cash Flow reached SAR 523.0 million for the year, an increase of SAR 438.9 million compared to 2014. The group's profitability growth both at gross profit and net income levels momentum has continued, mainly driven by improvement of the poultry result, demonstrating the resilience and efficiency of the business model. The company will continue to focus on its strategic priorities and to live its commitment of serving the consumers with the highest quality experience every day.
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 annual consolidated financial statements for the year ended 31 December 2015 be available through the following link on Almarai website and Almarai IR app during this day.

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