

Almarai Company announces its interim consolidated financial results for the period ended 30 June 2014 (Six Months)

Almarai Company (Almarai) is pleased to announce its interim consolidated financial results for the period ended 30 June 2014:

1. For the second quarter ended 30 June 2014 Almarai generated a consolidated net profit amounting to SAR 433.3 million, an increase of 8.8% compared to the same period last year (SAR 398.2 million) and an increase of 58.4% compared to the first quarter 2014 (SAR 273.6 million).
2. The total gross profit for the second quarter ended 30 June 2014 amounted to SAR 1,138.4 million, an increase of 10.0% compared to the same period last year (SAR 1,034.5 million).
3. The operating profit for the second quarter ended 30 June 2014 amounted to SAR 507.5 million, an increase of 4.9% compared to the same period last year (SAR 484.0 million).
4. The consolidated net profit for the first six months ended 30 June 2014 amounted to SAR 706.9 million, an increase of 8.2% compared to the same period last year (SAR 653.3 million).

5. The Earnings Per Share (EPS) based on Net Income for the six months ended 30 June, 2014 was SAR 1.14 compared to SAR 1.09 for the prior period. Note that the basic EPS is calculated by dividing the net income, attributable to shareholders for the period by the weighted average number of issued shares of 595.9 million and 596.7 million at 30 June 2014 and 30 June 2013 respectively. The weighted average number of shares has been retrospectively adjusted for the prior period to reflect the effect of the bonus share issue dated 9 September 2013.
6. The total gross profit for the first six months ended 30 June 2014 amounted to SAR 2,049.8 million, an increase of 10.1% compared to the same period last year (SAR 1,862.3 million).
7. The operating profit for the first six months ended 30 June 2013 amounted to SAR 817.9 million, an increase of 4.2% compared to the same period last year (SAR 784.8 million).
8. The growth in net profit for the second quarter of 8.8% compared to the corresponding period of the previous year is due to the growth in quarter sales by 14.4% in core business segments, resulting in a growth overall in net profit except poultry. On the other hand the growth in Selling and Distribution expenses as well as in General and Administrative

expenses, is due the continuous infrastructure expansion across product categories and geographies, and increasing depreciation costs from past investments.

9. The growth in net profit for the six months ended 30 June 2014 of 8.2% compared to the corresponding period of the previous year is also due to the growth in sales YTD of 13.6%, from core business segments, resulting in a growth overall in net profit except poultry. On the other hand the growth in Selling and Distribution expenses as well as in General and Administrative expenses, is due the continuous infrastructure expansion across product categories and geographies, and increasing depreciation costs from past investments.
10. The growth in net profit for the second quarter of 58.4% compared to the first quarter 2014 is due to rise in sales by 20.9%, as a result of the seasonal demand, which increases during the second and third quarters of each year compared to the first and fourth quarter, this sales pattern has a direct impact on net profit. Almarai believes that a comparison with the same period last year is more relevant because a quarter-to-quarter comparison is more aligned to similar market conditions and demand patterns.

11. A summary of Consolidated Income Statement, during the second quarter and Six Months ended on 30 June 2014:

- The Sales increase 14.4% to SAR 3,286.5 million during the second quarter, compared with SAR 2,873.9 million in the same quarter 2013. And thus the sales of the first half of 2014 to SAR 6,005.4 compared to SAR 5,284.9 for the same corresponding period of 2013, an increase of 13.6%.
- The Earnings Before Interest, Taxes and Zakat, Depreciation and Amortization (EBITDA) increase 6.5% to SAR 773.6 million during the second quarter, compared to SAR 726.6 million in the same quarter 2013, it is down to 23.5% of sales compared with 25.3% in the same quarter 2013 and it increased 8.2% to SAR 1,337.8 million during the six months ended on 30 June 2014, compared to SAR 1,236.3 million in the same period last year, it is down to 22.3% of sales compared with 23.4% in the same period of 2013.
- The Gross profit, Operating profit and Net profit are representing 34.6%, 15.4% and 13.2% of the sales for the second quarter 2014 compared to 36.0%, 16.8% and 13.9% in the same quarter in 2013, respectively. They are representing 34.1%, 13.6% and 11.8% of the sales for the six months

ended on 30 June 2014 compared to 35.2%, 14.9% and 12.4% in the same period of 2013, respectively.

12. A summary of Consolidated Cash Flows Statement, during the six months ended on 30 June 2014:

- The Cash Flow Generated From Operating Activities reached SAR 1,311.3 million for the period ended 30 June 2014, an increase of 28.7% compared to SAR 1,018.7 million in the same period last year. Improved working capital management, higher depreciation and the growth in net income explain this very strong increase.
- During the period ended 30 June 2014 SAR 1,628.9 million were used in Investing Activities principally due the continuation of the capital investments projects as per the 5 year strategic plan, the acquisition of the IPNC shares and the purchase of farm land in Arizona USA, as well as the expansion of the distribution facilities throughout the GCC.
- The Cash Flows Used in Financing Activities reached SAR 427.3 million during the period ended 30 June 2014, an increase of SAR 1,119.0 million compared to SAR 691.8 million generated in the

same period of 2013, mainly because of the Sukuk cash inflow from early 2013.

- Net Cash Used during the period was SAR 747.7 million, bringing the balance of cash and cash equivalents at the end of June 2014 to SAR 1,062.8 million.

13. A summary of the consolidated balance sheet as at the end of June 2014:

- Total assets, amounted SAR 23,895.3 million compared to SAR 21,046.3 million as at end of June 2013, an increase by 13.5%.
- Net working capital, amounted SAR 1,795.8 million compared to SAR 1,331.3 as at end of June 2013, an increase of 34.9%.
- Total liabilities, amounted SAR 12,920.7 million compared to SAR 12,771.3 million as at end of June 2013, an increase of 1.2%.
- Net debt, amounted SAR 8,993.6 million compared to SAR 9,570.0 million as at end of June 2013, an decrease of 6.0%. And it stands at 81.9% of the total equity compared to 115.6% as at end of June 2013.

- Total shareholders' equity amounted SAR 8,530.6 million compared to SAR 7,658.3 million as at end of June 2013, an increase of 11.4%. And the book value of the share at the end of June 2014 is SAR 14.22.

14. Expectations of the third quarter 2014:

- Without any external influences, Almarai expects increasing growth in products demand in its core businesses during the third quarter of 2014, which includes the high seasons of the holy month of Ramadan, this growth is expected to be fulfilled with the existing production and distribution facilities, as a result the growth in sales is expected to continue for the third quarter. Our ability to meet the growing demand will be fulfilled thanks to the prior investments realized in the productivity and efficiency of our farms, manufacturing and distribution facilities, as well the new products introduction flow during the first six months of the year.
- In contrast, Almarai's net profit growth over the same period has been affected by the increase in labor costs, mainly because of the localization programs, the persistent increase and volatility in some raw material costs, in particular dairy commodities, and the fact that the overall cost basis is put in place in advance of future sales growth.

15. Overall the company is satisfied with its business performance which is in line with its strategic development plan that contributed in increasing production capacity to serve our valuable customers and leads to strong growth indicators of increased sales of 13.6%, increased gross profit of 10.1% and increased net profit of 8.2% over the first six months of 2014 compared to the same period of 2013.
16. Some prior period comparatives have been regrouped to conform to current period classification.
17. We would like to draw the attention of the shareholders to the interim consolidated financial statements for the second quarter 2014, will be available through the following link on Almarai website during this day.

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