

23/07/2017

Almarai Company announces its Condensed Consolidated Interim Financial Results for the period ended on 30 June 2017 (Six Months).

Almarai Company is pleased to announce its Condensed Consolidated Interim Financial Results for the period ended 30 June 2017 as below:

1. The Revenue decreased by 4.2% to SAR 3,760.4 million during the second quarter, compared to SAR 3,925.9 million in the same quarter of 2016.
2. The Gross Profit for the second quarter amounted to SAR 1,554.9 million, an increase of 2.2% as compared to the corresponding quarter of the last year (SAR 1,520.9 million).
3. The Operating Profit for the second quarter amounted to SAR 788.2 million, an increase of 3.9% as compared to the corresponding quarter of the previous year (SAR 758.8 million).
4. For the second quarter Almarai Consolidated Profit for the period attributable to Shareholders of the Company reached SAR 674.1 million, an increase of 2.4% as compared to the corresponding quarter of the last year (SAR 658.4 million) and an increase of 105.4% as compared to the previous quarter (SAR 328.3 million).
5. For the second quarter Almarai Comprehensive Income for the period attributable to Shareholders of the Company reached SAR 645.0 million, an increase of 8.0% as compared to the corresponding quarter of the last year (SAR 597.4 million) and an increase of 51.4% as compared to the previous quarter (SAR 426.0 million).
6. The Revenue decreased by 2.1% to SAR 7,143.9 million during the six months ended 30 June 2017 as compared to SAR 7,299.7 million in the corresponding period.
7. The Gross Profit for the six months ended 30 June 2017 amounted to SAR 2,732.4 million, an increase of 3.2% as compared to the corresponding period (SAR 2,648.4 million).
8. The Operating Profit for the six months ended 30 June 2017 amounted to SAR 1,209.3 million, an increase of 7.0% as compared to the corresponding period (SAR 1,130.7 million).

9. Almarai Consolidated Profit for the period attributable to Shareholders of the Company for the six months ended 30 June 2017 amounted to SAR 1,002.4 million, an increase of 5.8% as compared to the corresponding period (SAR 947.0 million).
10. Almarai Comprehensive Income for the period attributable to Shareholders of the Company for the six months ended 30 June 2017 amounted to SAR 1,071.1 million, an increase of 26.2% as compared to the corresponding period (SAR 848.9 million).
11. The Diluted Earnings per Share (EPS) based on the Profit for the period attributable to Shareholders of the Company for the six months ended 30 June 2017, reached SAR 1.21 as compared to SAR 1.15 for the six months ended 30 June 2016. Please note that the Diluted EPS is calculated by dividing the Profit for the period attributable to Shareholders of the Company for the period by the number of issued Shares (800 million issued Shares as of 30 June 2017). The Profit for the period attributable to Shareholders of the Company is Profit for the period attributable to Shareholders of the Company after deducting Profit attributable to Perpetual Sukukholders. The Diluted EPS, based on 800 million shares, is SAR 1.25 and SAR 1.18 before the profit elimination to Perpetual Sukukholders at 30 June 2017 and 30 June 2016 respectively.
12. Total Equity Attributable to Shareholders as at 30 June 2017 amounted to SAR 11,660.2 million as compared to SAR 10,423.9 million as at 30 June 2016, an increase of 11.9%. The book value of a share as of 30 June 2017 reached SAR 14.58.
13. The increase in Profit for the period attributable to Shareholders of the Company for the second quarter of 2.4% as compared to the corresponding quarter of the previous year is due to:
 - Lower cost of sales, despite higher alfalfa costs, due to better cost management, lower commodity costs and enhanced production efficiencies, resulting in Gross Profit increase of 2.2%.
 - Selling and Distribution Expenses & General and Administration Expenses were lower than last year by SAR 25.0 million driven by cost control and operational efficiencies.
 - Other expenses were SAR 29.6 million higher than last year due to lower selling price of bull calves compared to last year.
 - The exchange loss of SAR 15.0 million and higher funding cost of SAR 3.8 million resulted into an unfavorable effect on the second quarter's Profit for the period attributable to Shareholders of the Company of SAR 18.8 million mainly due to Egypt devaluation and higher SIBOR rate.

- In summary, the Profit for the period attributable to Shareholders of the Company for the quarter grew by 2.4% despite a decline on the top line for the quarter.
 - Contribution of various product segment towards net income performance of 2.4% for the quarter is:
 - o Dairy & Juice segment's Profit for the period attributable to Shareholders of the Company decreased by 9.9% due to adverse market conditions, higher Alfalfa cost and Egyptian Pound devaluation.
 - o Bakery segment's Profit for the period attributable to Shareholders of the Company decreased by 10.2% principally as a result of key categories growth being stalled.
 - o Poultry losses for the period attributable to Shareholders of the Company decreased by 91.1% to SAR (6.8) million which represents 1.7% of revenue as compared to last year corresponding quarter losses of SAR (76.2) million which represented 20.8% of revenue due to better operational efficiencies, higher sales and continuous lower mortality rates.
14. The increase in Profit for the period attributable to Shareholders of the Company for the second quarter 2017 of 105.4% as compared to the first quarter 2017 (Previous Quarter) is due to:
- An increase in the Revenue of the quarter by 11.1% because of the full seasonal effect of the Holy Ramadan that affected fully 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.
15. The increase in Profit for the period attributable to Shareholders of the Company for the six months ended 30 June 2017 of 5.8% as compared to the corresponding period of the previous year is due to:
- Lower cost of sales, despite higher alfalfa costs, due to better cost management, lower commodity costs and enhanced production efficiencies, resulting in Gross Profit increase of 3.2%.
 - Selling and Distribution Expenses & General and Administration Expenses were lower than last year by SAR 53.5 million driven by cost control and operational efficiencies.
 - Other expenses were SAR 58.8 million higher than last year due to lower selling price of bull calves compared to last year.

- The decrease in exchange gain of SAR 1.2 million and higher funding cost of SAR 31.0 million resulted into an unfavorable effect on the Profit for the period attributable to Shareholders of the Company by SAR 32.2 million mainly due to Egypt devaluation and higher SIBOR rate.
 - In summary, the Profit for the period attributable to Shareholders of the Company for the period grew by 5.8% despite have a decline on the top line for the period.
 - Contribution of various product segment towards net income performance of 5.8% for the period is:
 - o Dairy & Juice segment's Profit for the period attributable to Shareholders of the Company decreased by 10.3% due to adverse market conditions, higher Alfalfa cost and Egyptian Pound devaluation.
 - o Bakery segment's Profit for the period attributable to Shareholders of the Company increased by 0.8% principally as a result manufacturing efficiencies (mainly Hail plant), cost savings and innovation.
 - o Poultry losses for the period attributable to Shareholders of the Company decreased by 80.1% to SAR (35.9) million which represents 4.8% of Sales as compared to the six months June 2016 losses of SAR (180.5) million which represented 26.3% of Sales due to better operational efficiency, higher sales and lower mortality rates.
16. Items, elements and notes of the comparatives Condensed Consolidated Interim Financial Statements have been redisplayed, regrouped and reclassified to meet with the applied accounting policies for the current period which have been prepared according to the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia. For more information, please see the note 21 (Effect of IFRS standards adoption) in the Interim Consolidated Financial Statements for the period ended in 30 June 2017.
17. The summary of Condensed Consolidated Statement of Profit or Loss, during the period ended 30 June 2017 (Six Months) as follows:
- For Q2 2017, the Revenue decreased in Saudi Arabia and other countries by 3.8%, and 25.5% respectively, whilst it increased in GCC by 3.7%. And for the first half of 2017, the Revenue increased in Saudi Arabia and GCC by 0.1%, and 2.9% respectively, whilst it decreased in other countries by 29.2%.
 - During the second quarter 2017, Earnings before Interest, Taxes and Zakat, Depreciation and Amortization (EBITDA) reached SAR 1,108.5 million, an increase of 4.3% as compared

to SAR 1,062.4 million in the corresponding quarter of last year. EBITDA for the second quarter of 2017 reached 29.5% of Revenue as compared to 27.1% during the corresponding quarter of last year. And for the six month ended in 30 June 2017 is SAR 1,842.1 million, which is an increase of 7.0% compared to SAR 1,721.2 million for the corresponding period in 2016. EBITDA for the six month ended 30 June 2017 reached 25.8% of Revenue compared to 23.6% for the corresponding period of last year.

- The Gross Profit, Operating Profit and Profit for the period attributable to Shareholders of the Company are representing 41.4%, 21.0% and 17.9% of Revenue for the second quarter of 2017 as compared to 38.7%, 19.3% and 16.8% in the corresponding quarter of last year respectively. The Gross profit, Operating Profit and Net income are representing 38.2%, 16.9% and 14.0% of Revenue for the six month ended 30 June 2017, compared to 36.3%, 15.5% and 13.0% in the same period of last year respectively.

18. A summary of Condensed Consolidated Statement of Cash Flows, during the period ended 30 June 2017 (Six Months) is as follows:

- The Cash Generated from Operating Activities (OCF) reached SAR 2,020.1 million for the first period ended 30 June 2017; an increase of 33.1% as compared to SAR 1,517.3 million in the corresponding period of last year. OCF now represents 28.3% of Revenue as compared to 20.8% in the corresponding period of last year.
- During the period ended 30 June 2017 SAR 1,833.0 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 25.7% of Revenue as compared to 34.8% in the corresponding period of 2016.
- Net Cash used during the period, after Foreign Currency Translation effects, was SAR 101.3 million, bringing the balance of Cash and Cash Equivalents at ended 30 June 2017 to SAR 462.8 million.

19. A summary of the Condensed Consolidated Statement of Financial Position as at 30 June 2017 is as follows:

- Total Assets, amounted SAR 30,277.5 million as compared to SAR 28,162.2 million as at 30 June 2016, and an increase of 7.5%.
- Net Working Capital, amounted to SAR 1,593.0 million as compared to SAR 1,893.2 million as at 30 June 2016, a decrease of 15.9%.

- Total Liabilities, amounted to SAR 16,507.9 million as compared to SAR 15,521.4 million as at 30 June 2016, an increase of 6.4%.
- Net Debt amounted to SAR 11,668.3 million as compared to SAR 11,262.6 million on 30 June 2016, an increase of 3.6%. Net Debt now represents 84.7% of the Total Equity as compared to 89.1% in June 2016.

20. The tough market conditions since last year have continued in Q2 2017. Devaluation of the Egyptian pound, lower exports and lower consumer sentiment have impacted results for the quarter, particularly in Dairy and Juice segment. Almarai launched at the end of 2016 a productivity improvement / cost cutting program with the objective of improving our cost base by SAR 500 million over the next two years. The first benefits of this program have already been felt during 1st half 2017. This initiative should help us to partially neutralize the expected negative impacts during the 2nd half 2017 of continuous competitive adverse market conditions, higher Alfalfa costs and the impact of the Egyptian Pound devaluation.

The reduction in capital projects initiated last year as well as a strict focus on inventory reduction have led to an improving Free Cash Flow by nearly SAR 1.2 billion for the period January to June compared to last year. For the remaining part of 2017, the company remains cautious given the expected unfavorable seasonality in Q3 and the overall market environment.

21. We would like to draw the attention to the Shareholders that the condensed consolidated interim financial statements for the period ended 30 June 2017 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>