

22/10/2017

## **Almarai Company announces its Condensed Consolidated Interim Financial Results for the period ended on 30 September 2017 (Nine Months)**

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

1. The Revenue decreased by 4.5% to SAR 3,372.9 million during the third quarter, compared to SAR 3,530.3 million in the same quarter of 2016.
2. The Gross Profit for the third quarter amounted to SAR 1,516.0 million, an increase of 2.1% as compared to the corresponding quarter of the last year (SAR 1,485.4 million).
3. The Operating Profit for the third quarter amounted to SAR 775.5 million, an increase of 3.1% as compared to the corresponding quarter of the previous year (SAR 752.1 million).
4. For the third quarter Almarai Consolidated Profit for the period attributable to Shareholders of the Company reached SAR 667.0 million, an increase of 0.4% as compared to the corresponding quarter of the last year (SAR 664.3 million) and a decrease of 1.1% as compared to the previous quarter (SAR 674.1 million).
5. For the third quarter Almarai Comprehensive Income for the period attributable to Shareholders of the Company reached SAR 681.1 million, an increase of 5.1% as compared to the corresponding quarter of the last year (SAR 648.2 million) and an increase of 5.6% as compared to the previous quarter (SAR 645.0 million).
6. The Revenue decreased by 2.9% to SAR 10,516.8 million during the nine months ended 30 September 2017 as compared to SAR 10,830.0 million in the corresponding period.
7. The Gross Profit for the nine months ended 30 September 2017 amounted to SAR 4,248.4 million, an increase of 2.8% as compared to the corresponding period (SAR 4,133.8 million).
8. The Operating Profit for the nine months ended 30 September 2017 amounted to SAR 1,984.8 million, an increase of 5.4% as compared to the corresponding period (SAR 1,882.8 million).

9. Almarai Consolidated Profit attributable to Shareholders of the Company for the nine months ended 30 September 2017 amounted to SAR 1,669.4 million, an increase of 3.6% as compared to the corresponding period (SAR 1,611.3 million).
10. Almarai Comprehensive Income attributable to Shareholders of the Company for the nine months ended 30 September 2017 amounted to SAR 1,752.2 million, an increase of 17.0% as compared to the corresponding period (SAR 1,497.2 million).
11. The Diluted Earnings per Share (EPS) based on the Profit attributable to Shareholders of the Company for the nine months ended 30 September 2017, reached SAR 2.09 as compared to SAR 2.01 for the nine months ended 30 September 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 September 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 2.02 and SAR 1.96 before the profit elimination to Perpetual Sukukholders at 30 September 2017 and 30 September 2016 respectively.
12. Total Equity Attributable to Shareholders as at 30 September 2017 amounted to SAR 12,263.9 million as compared to SAR 11,084.6 million as at 30 September 2016, an increase of 10.6%. The book value of a share as of 30 September 2017 reached SAR 15.33.
13. The increase in Profit for the period attributable to Shareholders of the Company for the third quarter of 0.4% 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 2.1%.
  - Selling and Distribution Expenses & General and Administration Expenses were lower than last year by SAR 40.0 million driven by cost control and operational efficiencies.
  - Other expenses were SAR 47.2 million higher than last year due to lower selling price of bull calves and greater number of cows and heifers sold compared to last year. Also, other expenses for last year included a one-off insurance claim proceed of SAR 25.0M.
  - The decrease in exchange gain of SAR 23.4 million is resulting from last year exchange realized gain mainly on Euro which is not repeated this year.

- Finance cost increase of SAR 11.0 million are due to increase in overseas funding and higher SIBOR rate.
  - In summary, the Profit for the period attributable to Shareholders of the Company for the quarter grew by 0.4% despite a decline on the top line for the quarter.
  - Contribution of various product segment towards net income performance of 0.4% for the quarter is:
    - o Dairy & Juice segment's Profit for the period attributable to Shareholders of the Company decreased by 9.4% due to adverse market conditions, accelerated decline within discretionary categories (Juice, Jar Cheese, Ghista and Cheese Slides), higher Alfalfa cost and GCC and Egypt economic situation.
    - o Bakery segment's Profit for the period attributable to Shareholders of the Company decreased by 27.5% principally as a result of volume growth being stalled.
    - o Poultry reported breakeven results at EBIT level and its net losses for the period attributable to Shareholders of the Company decreased by 90.8% to SAR (6.6) million which represents 2.0% of revenue as compared to last year corresponding quarter losses of SAR (71.9) million which represented 25.9% of revenue due to better operational efficiencies, higher sales and continuous lower mortality rates.
14. The decrease in Profit for the period attributable to Shareholders of the Company for the third quarter 2017 of 1.1% as compared to the second quarter 2017 (Previous Quarter) is due to:
- A decrease in the Revenue of the quarter by 10.3% because of the full seasonal effect of the Holy month of Ramadan.
  - 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 nine months ended 30 September 2017 of 3.6% 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 2.8%.

- Selling and Distribution Expenses & General and Administration Expenses were lower than last year by SAR 93.5 million driven by cost control and operational efficiencies.
  - Other expenses were SAR 106.0 million higher than last year due to lower selling price of bull calves and greater number of cows and heifers sold compared to last year. Also, other expenses for last year included a one-off insurance claim proceed of SAR 25.0M.
  - The decrease in exchange gain of SAR 24.6 million is resulting from last year exchange realize gain mainly on Euro which is not repeated this year.
  - Finance cost increase of SAR 42.0 million are due to increase in overseas funding and higher SIBOR rate.
  - In summary, the Profit for the period attributable to Shareholders of the Company for the period grew by 3.6% despite have a decline on the top line for the period.
  - Contribution of various product segment towards net income performance of 3.6% for the period is:
    - o Dairy & Juice segment's Profit for the period attributable to Shareholders of the Company decreased by 10.0% due to adverse market conditions, higher Alfalfa cost and GCC and Egypt economic situation.
    - o Bakery segment's Profit for the period attributable to Shareholders of the Company decreased by 10.1% principally as a result of volume growth being stalled.
    - o Poultry losses for the period attributable to Shareholders of the Company decreased by 83.2% to SAR (42.5) million which represents 4.0% of Sales as compared to the nine months September 2016 losses of SAR (252.4) million which represented 26.2% 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 September 2017.
17. The summary of Condensed Consolidated Statement of Profit or Loss, during the period ended 30 September 2017 (nine Months) as follows:

- For Q3 2017, the Revenue increased in Saudi Arabia by 6.0%, whilst it decreased in GCC and other countries by 18.1% and 26.3% respectively. And for the nine months of 2017, the Revenue increased in Saudi Arabia by 1.9%, whilst it decreased in GCC and other countries by 4.1% and 28.1% respectively.
  - During the third quarter 2017, Earnings before Interest, Taxes and Zakat, Depreciation and Amortization (EBITDA) reached SAR 1,133.2 million, an increase of 8.9% as compared to SAR 1,040.8 million in the corresponding quarter of last year. EBITDA for the third quarter of 2017 reached 33.6% of Revenue as compared to 29.5% during the corresponding quarter of last year. And for the nine months ended in 30 September 2017 is SAR 2,975.3 million, which is an increase of 7.7%, compared to SAR 2,762.0 million for the corresponding period in 2016. EBITDA for the nine months ended 30 September 2017 reached 28.3% of Revenue compared to 25.5% 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 44.9%, 23.0% and 19.8% of Revenue for the third quarter of 2017 as compared to 42.1%, 21.3% and 18.8% in the corresponding quarter of last year respectively. The Gross profit, Operating Profit and Net income are representing 40.4%, 18.9% and 15.9% of Revenue for the nine months ended 30 September 2017, compared to 38.2%, 17.4% and 14.9% in the same period of last year respectively.
18. A summary of Condensed Consolidated Statement of Cash Flows, during the period ended 30 September 2017 (nine Months) is as follows:
- The Cash Generated from Operating Activities (OCF) reached SAR 3,109.3 million for the period ended 30 September 2017; an increase of 3.4% as compared to SAR 3,008.2 million in the corresponding period of last year. OCF now represents 29.6% of Revenue as compared to 27.8% in the corresponding period of last year.
  - During the period ended 30 September 2017 SAR 2,504.9 million was used in Investing Activities; a decrease of 31.6% as compared to the corresponding period of last year principally due to reduction of the Capital Investments Projects resulting from the expected decline in market growth rate. Investing Activities represent 23.8% of Revenue as compared to 33.8% in the corresponding period of 2016.
  - Net Cash generated during the period, after Foreign Currency Translation effects, was SAR 95.9 million, bringing the balance of Cash and Cash Equivalents at ended 30 September 2017 to SAR 660.0 million.

19. A summary of the Condensed Consolidated Statement of Financial Position as at 30 September 2017 is as follows:
- Total Assets, amounted SAR 30,741.3 million as compared to SAR 29,071.9 million as at 30 September 2016, and an increase of 5.7%.
  - Net Working Capital, amounted to SAR 1,820.2 million as compared to SAR 1,673.8 million as at 30 September 2016, a decrease of 8.7%.
  - Total Liabilities, amounted to SAR 16,365.2 million as compared to SAR 15,677.3 million as at 30 September 2016, an increase of 4.4%.
  - Net Debt amounted to SAR 11,450.6 million as compared to SAR 10,899.1 million on 30 September 2016, an increase of 5.1%. Net Debt now represents 79.7% of the Total Equity as compared to 81.4% in September 2016.
20. The tough market conditions since last year have continued in Q3 2017. Higher operating costs (Expatriate levy fees, Alfalfa and Energy), devaluation of Egyptian pound, lower exports, lower consumer sentiment have impacted results for the quarter, particularly in Dairy, Juice and Bakery segment. Almarai launched at the end of 2016 a productivity improvement and cost cutting program with the objective of improving the Company cost base by SAR 500 million over the next two years. The benefits of this program have already been felt during the first nine months of 2017. This initiative should help us to partially neutralize the expected negative impacts during the year of continuous adverse market conditions and higher operating costs. 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 1.3 billion for the period January to September compared to last year. For the remaining part of 2017, the company remains cautious given the overall market environment.
21. As per the decision of the Extraordinary General Assembly (EGM) on October 8<sup>th</sup>, 2017 the share capital of the Company has increased from SAR 8,000 million to SAR 10,000 million.
22. We would like to draw the attention to the Shareholders that the condensed consolidated interim financial statements for the period ended 30 September 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>