

21/01/2018

Almarai Company announces its annual Consolidated Financial Results for the year ended 31 December 2017 (Twelve Months)

Almarai Company is pleased to announce its annual Consolidated Financial Results for the year ended 31 December 2017 as below:

1. The Revenue decreased by 2.6% to SAR 3,419 million during the fourth quarter, compared to SAR 3,509 million in the same quarter of 2016.
2. The Gross Profit for the fourth quarter amounted to SAR 1,335 million, a decrease of 3.8% as compared to the corresponding quarter of the last year (SAR 1,389 million).
3. The Operating Profit for the fourth quarter amounted to SAR 599 million, a decrease of 5.7% as compared to the corresponding quarter of the previous year (SAR 635 million).
4. For the fourth quarter Almarai Consolidated Profit for the period attributable to the Shareholders of the Company reached SAR 513 million, a decrease of 4.4% as compared to the corresponding quarter of the last year (SAR 536 million) and a decrease of 23.0% as compared to the previous quarter (SAR 667 million).
5. For the fourth quarter Almarai Comprehensive Income for the period attributable to the Shareholders of the Company reached SAR 505 million, an increase of 66.9% as compared to the corresponding quarter of the last year (SAR 297 million) and a decrease of 32.0% as compared to the previous quarter (SAR 681 million).
6. The Revenue decreased by 2.8% to SAR 13,936 million during the twelve months ended 31 December 2017 as compared to SAR 14,339 million in the corresponding period.
7. The Gross Profit for the twelve months ended 31 December 2017 amounted to SAR 5,584 million, an increase of 1.1% as compared to the corresponding period (SAR 5,522 million).
8. The Operating Profit for the twelve months ended 31 December 2017 amounted to SAR 2,583 million, an increase of 2.6% as compared to the corresponding period (SAR 2,518 million).

9. Almarai Consolidated Profit attributable to the Shareholders of the Company for the twelve months ended 31 December 2017 amounted to SAR 2,182 million, an increase of 1.6% as compared to the corresponding period (SAR 2,148 million).
10. Almarai Comprehensive Income attributable to the Shareholders of the Company for the twelve month ended 31 December 2017 amounted to SAR 2,257 million, an increase of 25.8% as compared to the corresponding period (SAR 1,794 million).
11. The Earnings per Share (EPS) based on the Profit attributable to Shareholders of the Company for the twelve months ended 31 December 2017 and the comparable period last year, reached SAR 2.13 and SAR 2.10 respectively. Diluted EPS for 2017 and 2016 is 2.11 and 2.08 respectively. 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 (1000 million issued Shares as of 31 December 2017). Diluted EPS takes into account the Profit attributable to Perpetual Sukukholders.
12. Total Equity Attributable to Shareholders as at 31 December 2017 amounted to SAR 12,784 million as compared to SAR 11,357 million as at 31 December 2016, an increase of 12.6%. The book value of one share as of 31 December 2017 reached SAR 12.78.
13. The decrease in Profit for the period attributable to Shareholders of the Company of 4.4% in the fourth quarter as compared to the corresponding quarter of the previous year is due to:
 - A decline of 2.6% in Revenue mainly due to the loss of sales in the GCC and export countries partly compensated by strong performance of Poultry, Long Life Dairy and Cheese products
 - A decline of 3.8% in Gross Profit due to the Revenue decline and a higher level of trade support costs
 - Selling and Distribution expenses decreased quarter-to-quarter by 4.0% and General and Administration expenses by 7.4% because of general cost control, route to market efficiencies, cost reduction in administrative activities mainly in the head office
 - Despite these favorable effects, Operating Income declined further by 5.7%, because of assets impairment charges in Jordan
 - Finance expenses increased by 8.2% mainly because of overseas funding costs
 - The Zakat and Foreign Income tax charge was favorably impacted by deferred tax assets credits in Argentina and Egypt.

Contribution of various product segment towards Profit for the period attributable to the Shareholders of the Company of 4.4% decrease for the quarter is:

- Dairy & Juice segments' Profit for the period attributable to the Shareholders of the Company decreased by 11.9 % due to adverse market conditions, accelerated decline within discretionary categories, higher Alfalfa cost and GCC and Egypt economic situation.
 - Bakery segment Profit for the period attributable to Shareholders of the Company decreased by 17.1% principally as a result of volume growth being stalled.
 - Poultry reported SAR 13 million positive contribution to the Profit for the period attributable to the Shareholders, compared to a loss of SAR 42 million in the same quarter last year. The turnaround was achieved mainly due to better operational efficiencies, higher sales and lower mortality rates.
- The increase in Almarai Comprehensive Income attributable to the Shareholders of SAR 208 million quarter-to-quarter is due to a favorable effect of Foreign Currency Translation variance due to Egypt, the favorable Movement in Fair Value on Cash Flow Hedges mostly from interest hedges, despite an unfavorable variance in Fair value of Available for sale Investment due to Zain.
 - The decrease in Profit for the period attributable to the Shareholders of the Company for the fourth quarter 2017 of 23.0% as compared to the third quarter 2017 (Previous Quarter) mainly due to seasonality factors in sales. 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 the quarter's results to the previous quarter's results.
14. The increase in Profit for the period attributable to Shareholders of the Company of 1.6% as compared to the previous year is due to:
- A decline of 2.8% in Revenue mainly due to the loss of sales in the GCC and exports countries, the lower sales performance of the fresh dairy and bakery products partly compensated by strong performance of Poultry and Infant Nutrition products
 - Because of enhanced production costs and improvement in commodities prices the Gross Profit increased by 1.1%

- Selling and Distribution expenses decrease year-on-year by 3.6% and General and Administration expenses by 8.2% because of general cost control, route to market efficiencies, cost reduction in administrative activities mainly in the head office
- Operating Income increased by 2.6%, despite the unfavorable effects of assets impairment charges in Jordan and the value of biological assets disposals
- Finance expenses increase by 14.2% mainly because of overseas funding costs of Egypt, Argentina and the USA
- The Zakat and Foreign Income tax charge was favorably impacted by deferred tax assets credits in Argentina and Egypt.

Contribution of various product segment towards the Profit for the period attributable to the Shareholders of the Company performance of an increase of 1.6% for the period is:

- o Dairy & Juice segments' Profit for the period attributable to the Shareholders of the Company decreased by 10.4 % due to adverse market conditions, higher Alfalfa cost and GCC and Egypt economic situation.
 - o Bakery segment Profit for the period attributable to the Shareholders of the Company decreased by 11.9% principally as a result of volume growth being stalled.
 - o Poultry recorded a positive EBIT result on a full year basis for the first time in Almarai's history. Poultry segment losses for the period attributable to the Shareholders of the Company decreased by 90.1 % to SAR (29) million which represents 2.0% of Sales as compared to the twelve months ended 2016 losses of SAR (294) million which represented 22.1% of Sales due to better operational efficiency, higher sales and lower mortality rates.
- The increase in Almarai Comprehensive Income attributable to the Shareholders of SAR 463 million year-on-year is due to the favorable effect of Foreign Currency Translation variance due to Egypt, the favorable Movement in Fair Value on Cash Flow Hedges mostly from interest hedges, despite an unfavorable variance in Fair value of Available for sale Investment due to Zain.

15. Items, elements and notes of the comparatives Consolidated 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 36 (Effect of change in financial reporting framework) in the Consolidated Financial Statements for the period ended in 31 December 2017.

16. The summary of Consolidated Statement of Profit or Loss, during the period ended 31 December 2017 (twelve Months) as follows:

- For 2017, the Revenue increased in Saudi Arabia by 2.7%, whilst it decreased in GCC and other countries by 7.1% and 24.8% respectively.
- The Gross Profit, Operating Profit and Profit for the period attributable to the Shareholders of the Company are representing 39.1%, 17.5% and 14.9% of Revenue for the fourth quarter of 2017 as compared to 39.6%, 18.1% and 15.3% in the corresponding quarter of last year respectively. The Gross profit, Operating Profit and Profit for the year attributable to Shareholders are representing 40.1%, 18.5% and 15.5 % of Revenue for twelve months ended 31 December 2017, compared to 38.5%, 17.6 % and 15.0 % in the same period of last year respectively.
- During the fourth quarter 2017, Earnings before Interest, Taxes and Zakat, Depreciation and Amortization (EBITDA) reached SAR 944 million, a decrease of 1.0 % as compared to SAR 954 million in the corresponding quarter of last year. EBITDA for the fourth quarter of 2017 reached 27.6% of Revenue as compared to 27.2 % during the corresponding quarter of last year. And for the twelve months ended in 31 December 2017 is SAR 3,920 million, which is an increase of 5.5 %, compared to SAR 3,716 million for the corresponding period in 2016. EBITDA for the twelve months ended 31 December 2017 reached 28.1% of Revenue compared to 25.9% for the corresponding period of last year.

17. A summary of Consolidated Statement of Cash Flows, during the period ended 31 December 2017 (twelve Months) is as follows:

- The Cash Generated from Operating Activities (OCF) reached SAR 4,614 million for the year ended 31 December 2017; an increase of 3.2% as compared to SAR 4,472 million in the corresponding period of last year. OCF now represents 33.1% of Revenue as compared to 31.2% in the corresponding period of last year.
- During the period ended 31 December 2017 SAR 3,310 million was used in Investing Activities; a decrease of 33.5% as compared to the corresponding period of last year principally due to reduction of the Capital Investments Projects as a result of the end of the

company investment cycle. Investing Activities represent 23.8% of Revenue as compared to 34.7% in the corresponding period of 2016.

- Net Cash generated during the period, reached SAR 1,062 million, bringing the balance of Cash and Cash Equivalents, net of exchange rate effects, at 31 December 2017 to SAR 1,636 million.

18. A summary of the Consolidated Statement of Financial Position as at 31 December 2017 is as follows:

- Total Assets, amounted SAR 31,895 million as compared to SAR 29,194 million as at 31 December 2016, and an increase of 9.3%.
- Net Working Capital, amounted to SAR 1,598 million as compared to SAR 1,436 million as at 31 December 2016, an increase of 11.2%.
- Total Liabilities, amounted to SAR 17,014 million as compared to SAR 15,715 million as at 31 December 2016, an increase of 8.3%.
- Net Debt amounted to SAR 10,910 million as compared to SAR 10,883 million on 31 December 2016, an increase of 0.2%. Net Debt now represents 73.3% of the Total Equity as compared to 80.7% in December 2016.

19. The tough market conditions, which started in late 2016, prevailed throughout the entire year 2017, affecting the performance of most of Almarai product categories. Market competition has intensified leading to pressures on prices and trading market conditions. Thanks to its strict cost control, the efficiency program launched at the end of 2016 and a reduced investment level Almarai has successfully protected its operating profit and its balance sheet. The improvement in Free Cash Flow year-on-year has reached roughly SAR 1,813 million. Almarai is prepared to thrive in 2018 despite a continuously challenging environment.

20. On December 11th, 2017 The Board has decided to recommend at our General Shareholder Assembly the distribution of dividends of SAR 750 million.

21. We would like to draw the attention to the Shareholders that the Consolidated Annual Financial statements for the year ended 31 December 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>