

## Almarai Company Announces its Condensed Consolidated Interim Financial Results for the Period Ended 30<sup>th</sup> June 2019 (Six Months)

Almarai Company (“the Company”) is pleased to announce its Condensed Consolidated Interim Financial Results for the six months period ended 30<sup>th</sup> June 2019 as below:

### Second Quarter of 2019 Highlights

1. The Revenue for the second quarter 2019 amounted to SAR 3,767.4 million, an increase of 2.6% as compared to the corresponding quarter of the last year (SAR 3,672.3 million).
2. The Gross Profit for the second quarter 2019 amounted to SAR 1,467.2 million, an increase of 1.3% as compared to the corresponding quarter of the last year (SAR 1,448.5 million).
3. The Operating Profit for the second quarter 2019 amounted to SAR 738.5 million, a decrease of -3.3% as compared to the corresponding quarter of the last year (SAR 764.1 million).
4. The Consolidated Profit Attributable to Shareholders of the Company for the second quarter 2019 amounted to SAR 582.5 million, a decrease of -11.9% as compared to the corresponding quarter of the last year (SAR 661.4 million) and an increase of 73.4% as compared to the previous quarter (SAR 336.0 million).
5. The Comprehensive Income Attributable to Shareholders of the Company for the second quarter 2019 amounted to SAR 615.9 million, an increase of 9.3% as compared to the corresponding quarter of the last year (SAR 563.6 million) and an increase of 64.5% as compared to the previous quarter (SAR 374.5 million).

### Six Months Period of 2019 Highlights

6. The Revenue for the six months period ended 30<sup>th</sup> June 2019 amounted to SAR 7,074.1 million, an increase by 3.1% as compared to the corresponding period of the last year (SAR 6,859.3 million).
7. The Gross Profit for the six months period ended 30<sup>th</sup> June 2019 amounted to SAR 2,629.4 million, a decrease of -1.1% as compared to the corresponding period of the last year (SAR 2,657.6 million).
8. The Operating Profit for the six months period ended 30<sup>th</sup> June 2019 amounted to SAR 1,219.4 million, a decrease of -2.4% as compared to the corresponding period of the last year (SAR 1,249.4 million).
9. The Consolidated Profit Attributable to Shareholders of the Company for the six months period ended 30<sup>th</sup> June 2019 amounted to SAR 918.6 million, a decrease of -8.7% as compared to the corresponding period of the last year (SAR 1,006.3 million).

10. The Comprehensive Income Attributable to Shareholders of the Company for the six months period ended 30<sup>th</sup> June 2019 amounted to SAR 990.4 million, an increase of 7.9% as compared to the corresponding period of the last year (SAR 917.8 million).
11. Total Equity Attributable to Shareholders as of 30<sup>th</sup> June 2019 amounted to SAR 14,000.5 million as compared to the corresponding date of last year (SAR 12,815.6million), an increase of 9.2%. As of 30<sup>th</sup> June 2019, the book value per share reached SAR 14.0.
12. The Earnings per Share (EPS) based on the Consolidated Profit Attributable to Shareholders of the Company for the six months period ended 30<sup>th</sup> June 2019 and the corresponding Period of last year, reached SAR 0.93 and SAR 0.98, respectively. Diluted EPS for the six months period ended 30<sup>th</sup> June 2019 and the corresponding Period of last year were SAR 0.92 and SAR 0.97, respectively.<sup>1</sup>

<sup>1</sup> 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 (1,000 million issued Shares as of 30<sup>th</sup> June 2019. Diluted EPS takes into account the Profit attributable to Perpetual Sukuk holders.

### Reasons of increase / (decrease) for second quarter 2019 compared with corresponding quarter of the last year

13. The decrease of -11.9% in the Consolidated Profit Attributable to Shareholders of the Company as compared to the corresponding quarter of the last year is due to:

- **Revenues:** The revenues growth of 2.6% was led by Poultry followed by Fresh Dairy, however general weakness in Juice market continued in 2019. The growth was broad based with growth across all countries except export business.
- **Gross Profit:** Increased by 1.3% due to revenue growth, despite higher input costs in Q2, mainly Alfalfa, feed and labor cost.
- **Selling and Distribution Expenses (S&D):** Increased by SAR 28.2 million, 5.1% due to higher general marketing expenses and trade support offset by better efficiencies in route to market and trade operations.
- **Other Expenses:** Increased by SAR 11.4 million, mainly due to higher losses from sale of dairy herd.
- **Impairment of Financial Assets:** Decreased by SAR 4.0 million, mainly due to a stable credit profile compared with a more adverse outlook last year due to implementation of VAT.
- **Exchange Gain or Loss:** Exchange gain is lower at SAR 0.8 million compared to SAR 26.2 million due to stable exchange rate, mainly Euro relative to last year.
- **Finance Cost:** Funding costs are higher by SAR 41.2 million mainly due to higher interest-bearing debt after repayment of perpetual sukuk last year, higher interest rate due to higher SIBOR and lower capitalisation of funding cost for qualified capital projects.
- **Contribution of various Business Categories towards the decline in the Consolidated Profit Attributable to Shareholders of -11.9% is as follows:**
  - **Dairy & Juice Category:** The Category Profit decreased by -11.6% due to higher funding cost, adverse market conditions in Juice category, and higher Alfalfa cost coupled with discounting and promotions specifically in Long Life Milk.
  - **Bakery Category:** The Category Profit decreased by -43.7% primarily due to additional investment in marketing and branding activities.

- **Poultry Category:** The Category Profit increased by 24.2% driven mainly by revenue growth of 20.2%. The top line growth was supported by HORECA segment and significant profit growth was aided by consistent lower mortality & better cost control.
- **Other Category:** The Category reported a loss of SAR (10.2) million for the current quarter compared to a profit of SAR 0.7 million for the corresponding quarter, mainly because of the discontinuation of local arable operation since Q4 2018, the timing difference for crop rotation in Fondomonte USA and lower planted hectares due to rationalization of rental operations in Argentina.

#### Reasons of increase / (decrease) for second quarter 2019 compared with previous quarter

14. The increase of 73.4% in the Consolidated Profit Attributable to Shareholders of the Company for the second quarter 2019 (SAR 582.5 million) as compared to the previous quarter (SAR 336.0 million) was due to the seasonal effect of the Holy month of Ramadan which is accounted for in the second quarter of this year.<sup>2</sup>

#### Reasons of increase / (decrease) for the six months period ended 30<sup>th</sup> June 2019 (the period) compared with corresponding period of the last year

15. The decrease of -8.7% in the period Consolidated Profit Attributable to Shareholders of the Company as compared to the corresponding quarter of the last year is due to:
- **Revenues:** The revenues growth of 3.1% was led by Poultry and Fresh Dairy followed by Bakery and Food segment. General weakness in Fresh Dairy and Juice market continued in 2019. The growth was mainly in KSA followed by Kuwait and Egypt.
  - **Gross Profit:** The decrease by -1.1% is due to higher input costs in the first half, mainly Alfalfa, feed and labor costs.
  - **Selling and Distribution Expenses (S&D):** Increased by SAR 40.5 million, 3.7% due to higher general marketing expenses and trade support offset by better efficiencies in route to market and trade operations.
  - **General and Administration Expenses (G&A):** Decrease by SAR 0.5 million, 0.3% mainly due to the continuation of costs savings program, mainly in head office.

<sup>2</sup> 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.

- **Other Expenses:** Decreased by SAR 10.6 million, mainly due to one off gains from disposal of assets and lower losses from sale of dairy herd.
- **Impairment Reversal / (Loss) on Financial Assets:** Reported a SAR 0.4 million gain compared to a loss of SAR (27.6) million, mainly due to stable credit profile compared with a more adverse outlook last year driven by implementation of VAT.
- **Exchange Gain:** Exchange gain is higher at SAR 10.2 million compared to SAR 7.0 million due to favourable movement in currencies, particularly in Euro.
- **Finance Cost:** Funding costs are higher by SAR 69.2 million largely driven by higher interest-bearing debt after repayment of perpetual sukuk last year, higher interest rate due to higher SIBOR and lower capitalisation of funding cost for qualified capital projects.
- **Contribution of various Business Categories towards the decline in the Consolidated Profit Attributable to Shareholders of -8.7% is as follows:**
  - **Dairy & Juice Category:** The Category Profit decreased by -9.1% mainly due to the effect of higher interest rates, along with the adverse market conditions in Juice category, and higher Alfalfa cost coupled with discounting and promotions specifically in Long Life Milk.
  - **Bakery Category:** The Category Profit decreased by -13.1% because of the bottom line being impacted by additional investment in marketing and branding activities.
  - **Poultry Category:** The Category Profit increased by 36.2% driven mainly by revenue growth of 20.0%. The top line growth was supported by HORECA segment and significant profit growth was aided by consistent lower mortality & better cost control
  - **Other Category:** The Category loss increased by SAR (34.2) million compared to the corresponding quarter, mainly because of the discontinuation of local arable operation since Q4 2018, timing difference for crop rotation in Fondomonte USA and lower planted hectares due to rationalization of rental operations in Argentina.

16. **Auditors' Opinion:** (Unmodified Opinion).

17. Items, elements and notes of the comparatives 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 notes 2.1, 2.2 and 5.2 in the condensed consolidated interim financial statements for the Six Months period ended 30<sup>th</sup> June 2019.

## 18. Other Notes:

- **Revenue by Region:** For second quarter of 2019 as compared to the corresponding quarter of last year, the Revenue increased in Saudi Arabia and other GCC by 3.3% and 3.3% respectively and decreased in other countries by -3.6%. For the six months period ended 30<sup>th</sup> June 2019 as compared to the corresponding period of last year, the Revenue increased in Saudi Arabia, other GCC and other countries by 3.7%, 1.7% and 2.3% respectively.
- **EBITDA:** For second quarter 2019 Earnings Before Interest, Taxes and Zakat, Depreciation and Amortization (EBITDA) reached SAR 1,097.1 million, a decrease of -6.3% as compared to the corresponding quarter of last year (SAR 1,171.4 million). For the six months period ended 30<sup>th</sup> June 2019 Earnings Before Interest, Taxes and Zakat, Depreciation and Amortization (EBITDA) reached SAR 1,949.5 million, a decrease of -2.9% as compared to the corresponding period of last year (SAR 2,006.9 million).
- **Profit Margins:** For second quarter of 2019, The Gross Profit, Operating Profit and Consolidated Profit Attributable to Shareholders of the Company are representing 38.9%, 19.6%, and 15.5% of Revenue as compared to the corresponding quarter of last year of 39.4%, 20.8%, and 18.0%, respectively. For the six months period ended 30<sup>th</sup> June 2019, it represent 37.2%, 17.2%, and 13.0% of Revenue as compared to the corresponding period of last year of 38.7%, 18.2%, and 14.7%, respectively.
- A summary of the Statement of Cash Flows for the Six Months Period in 30<sup>th</sup> June 2019 is as follows:
  - The Cash Generated from Operating Activities (OCF) reached SAR 1,956.9 million an increase of 21.7%, as compared to the same period of last year (SAR 1,607.4 million). This was driven by better working capital management, mainly for debtors relative to the same period last year. The OCF represents 27.7% of Revenue as compared to 23.4% for the same period of last year.
  - The Cash used in Investing Activities reached SAR 1,181.8 million as compared to the same period of last year (SAR 1,129.8 million), an increase of 4.6%. Investing Activities represent 16.7% of revenue as compared to 16.5% for the same period of last year. The current capex spend is a continuation of previous quarter and we remain on track to deliver lower capex spend for the year relative to 2018.
  - The free cash flow (FCF) reached SAR 775.1 million as compared to the same period of last year (SAR 477.6 million), an increase of 62.3%. The FCF represent 11.0% of revenue as compared to 7.0% for the same period of last year. This was Driven by expansion in our OCF

and commitment to reduced capital expenditure, we remain confident that the FCF trend will continue ever accelerate for the rest of the year.

19. The Condensed Consolidated Interim Financial statements for the Six Months period ended 30<sup>th</sup> June 2019 will be available through the following link on Almarai Website, and Almarai IR App.

<https://www.almarai.com/en/corporate/investors/annual-report-financial-statement/>

20. Conference call for analysts and investors will be on **9<sup>th</sup> July 2019** at **4:00 p.m.** KSA time.

The presentation accompanying the conference call will be available on Almarai website within the Investors section under Earning presentations at:

<https://www.almarai.com/en/corporate/investors/earning-presentations/>