

Almarai Company Announces its Condensed Consolidated Interim Financial Results for the Period Ended in 30th September 2019 (Nine Months)

Almarai Company ("the Company") is pleased to announce its Condensed Consolidated Interim Financial Results for the Nine months period ended 30th September 2019 as below:

Third Quarter of 2019 Highlights

1. The Revenue for the third quarter 2019 amounted to SAR 3,573.3 million, an increase of 7.7% as compared to the corresponding quarter of the last year (SAR 3,317.4 million).
2. The Gross Profit for the third quarter 2019 amounted to SAR 1,443.8 million, an increase of 3.2% as compared to the corresponding quarter of the last year (SAR 1,399.2 million).
3. The Operating Profit for the third quarter 2019 amounted to SAR 746.1 million, a decrease of -1.5% as compared to the corresponding quarter of the last year (SAR 757.4 million).
4. The Consolidated Profit Attributable to Shareholders of the Company for the third quarter 2019 amounted to SAR 581.2 million, a decrease of -8.5% as compared to the corresponding quarter of the last year (SAR 635.0 million) and a decrease of -0.2% as compared to the previous quarter (SAR 582.5 million).
5. The Comprehensive Income Attributable to Shareholders of the Company for the third quarter 2019 amounted to SAR 537.7 million, a decrease of -9.3% as compared to the corresponding quarter of the last year (SAR 593.1 million) and a decrease of -12.7% as compared to the previous quarter (SAR 615.9 million).

Nine Months Period of 2019 Highlights

6. The Revenue for the nine months period ended 30th September 2019 amounted to SAR 10,647.3 million, an increase by 4.6% as compared to the corresponding period of the last year (SAR 10,176.7 million).
7. The Gross Profit for the nine months period ended 30th September 2019 amounted to SAR 4,073.2 million, an increase of 0.2% as compared to the corresponding period of the last year (SAR 4,064.1 million).
8. The Operating Profit for the nine months period ended 30th September 2019 amounted to SAR 1,974.9 million, a decrease of -2.4% as compared to the corresponding period of the last year (SAR 2,023.4 million).
9. The Consolidated Profit Attributable to Shareholders of the Company for the nine months period ended 30th September 2019 amounted to SAR 1,499.8 million, a decrease of -8.6% as compared to the corresponding period of the last year (SAR 1,641.2 million).

10. The Comprehensive Income Attributable to Shareholders of the Company for the nine months period ended 30th September 2019 amounted to SAR 1,559.4 million, an increase of 3.2% as compared to the corresponding period of the last year (SAR 1,510.8 million).
11. Total Equity Attributable to Shareholders as of 30th September 2019 amounted to SAR 14,575.9 million as compared to the corresponding date of last year (SAR 13,337.7 million), an increase of 9.3%. As of 30th September 2019, the book value per share reached SAR 14.6.
12. The Earnings per Share (EPS) based on the Consolidated Profit Attributable to Shareholders of the Company for the nine months period ended 30th September 2019 and the corresponding Period of last year, reached SAR 1.52 and SAR 1.60, respectively. Diluted EPS for the nine months period ended 30th September 2019 and the corresponding Period of last year were SAR 1.50 and SAR 1.59, respectively.¹

¹ 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 30th September 2019. Diluted EPS takes into account the Profit attributable to Perpetual Sukuk holders.

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

13. The decrease of -8.5% 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 7.7 % was broad based across product categories and countries. The only exceptions were Juice category which general market declined continued, although at a lower rate than previous quarters and Bahrain where sales declined due to implementation of VAT earlier in the year
- **Gross Profit:** Increased by 3.2 % , at a lower rate due to higher input costs in Q3, mainly Alfalfa, feed and labor cost.
- **Selling and Distribution Expenses (S&D):** increase by SAR 54.6 million, 10.1% 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):** was nearly the same as last year due to the continuation of costs savings program, mainly in head office.
- **Other Expenses:** decreased by SAR 23.8 million, mainly due to lower losses from sale of dairy herd and PPE in prior year.
- **Impairment of Financial Assets:** Increased by SAR 24.8 million compared to last year due to a reversal of higher provision against financial assets in 2018, which was built during VAT implementation in Q1 2018 in KSA.
- **Finance Cost:** Funding costs are higher by SAR 30.3 million mainly due to higher interest rate driven by higher SIBOR, accounting treatment of perpetual sukuk profit payment against equity 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 -8.5% is as follows:**
 - **Dairy & Juice Category:** The Category Profit Decreased by 14.2% due to adverse market conditions in Juice category, higher Alfalfa cost coupled with discounting and promotions specifically in Long Life Milk, higher funding cost.
 - **Bakery Category:** The Category Profit Increased by 29.5% primarily due to higher sales

- **Poultry Category:** The Category Profit increased by 15.2% driven mainly by revenue growth of 7.8%. 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 4.9 million for the current quarter compared to a loss of SAR 0.8 million for the corresponding quarter, due to lower performance of infant nutrition business.

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

14. The decrease of -0.2% in the Consolidated Profit Attributable to Shareholders of the Company for the third quarter 2019 (SAR 581.2 million) as compared to the previous quarter (SAR 582.5 million) was minimal due to operational efficiencies in the current quarter, despite recording lower revenue than previous quarter due to higher sales in the holy month of Ramadan in the second quarter.

Reasons of increase / (decrease) for the nine months period ended 30th September 2019 (the period) compared with corresponding period of the last year

15. The decrease of -8.6 % 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 4.6 % was led by Poultry and Fresh Dairy followed by Bakery and Food segment. The growth was mainly in KSA followed by Kuwait and Egypt.
 - **Gross Profit:** increased at a lower rate of 0.2 % relative to revenue growth due to higher input costs, mainly Alfalfa, labor costs and adverse product mix driven by change in channel mix
 - **Selling and Distribution Expenses (S&D):** increased by SAR 95.1 million, -5.8 % due to higher general marketing expenses, mainly bakery and trade support offset by better efficiencies in route to market and trade operations.
 - **General and Administration Expenses (G&A):** decreased by SAR 0.2 million, 0.1% mainly due to the continuation of costs savings program, mainly in head office.
 - **Other Expenses:** decreased by SAR 34.6 million, mainly due to one off gains from disposal of assets outside GCC and lower losses from sale of dairy herd.
 - **Finance Cost:** Funding costs are higher by SAR 89.2 million due to higher interest rate driven by higher SIBOR, accounting treatment of perpetual sukuk profit payment against equity 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 -8.6% is as follows:
- **Dairy & Juice Category:** The Category Profit decreased by -11.1% % mainly due to 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 increased by 4.1% driven by volume growth
 - **Poultry Category:** The Category Profit increased by 28.6% driven mainly by revenue growth of 15.8%. 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 loss was higher by SAR (38.3) million due to timing difference for crop rotation in overseas arable business and lower performance of infant nutrition business.

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 4.1/4.2 in the condensed consolidated interim financial statements for the Nine Months period ended 30th September 2019.

18. Other Notes:

- **Revenue by Region:** For third quarter of 2019 as compared to the corresponding quarter of last year, the Revenue increased in Saudi Arabia, in other GCC and Other Countries by 7.8%, 2.7% and 18.4% respectively. For the nine months period ended 30th September 2019 as compared to the corresponding period of last year, the Revenue increased in Saudi Arabia, in other GCC and Other Countries by 5.0%, 2.0% and 7.8% respectively.
- **EBITDA:** For third quarter 2019 Earnings Before Interest, Taxes and Zakat, Depreciation and Amortization (EBITDA) reached SAR 1,137.1 million, a decrease of -0.5% as compared to the corresponding quarter of last year (SAR 1,142.6 million). For the nine months period ended 30th September 2019 Earnings Before Interest, Taxes and Zakat, Depreciation and Amortization (EBITDA) reached SAR 3,096.1 million, a decrease of -2.2% as compared to the corresponding period of last year (SAR 3,166.2 million).
- **Profit Margins:** For third quarter of 2019, The Gross Profit, Operating Profit and Consolidated Profit Attributable to Shareholders of the Company are representing 40.4%, 20.9%, and 16.3% of Revenue as compared to the corresponding quarter of last year of 42.2%, 22.8%, and 19.1%, respectively. For the nine months period ended 30th September 2019, it represents 38.3%, 18.5%, and 14.1% of Revenue as compared to the corresponding period of last year of 39.9%, 19.9%, and 16.1% respectively.
- A summary of the Statement of Cash Flows for the nine Months Period in 30th September 2019 is as follows:
 - The Cash Generated from Operating Activities (OCF) reached SAR 3,083.9 million an increase of 36.9%, as compared to the same period of last year (SAR 2,252.9 million). This was driven by better working capital management relative to last year. The OCF represents 29.0% of Revenue as compared to 22.1% for the same period of last year.
 - The Cash used in Investing Activities reached SAR 1,723.5 million as compared to the same period of last year (SAR 1,756.8 million), a decrease of -1.9%. Investing Activities represent 16.2% of revenue as compared to 17.3% for the same period of last year. The current capex spend is a continuation of previous years and we remain on track to deliver lower capex spend for the year relative to 2018.
 - The free cash flow (FCF) reached SAR 1,360.4 million as compared to the same period of last year (SAR 496.1 million), an increase of 174.2%. The FCF represent 12.8% of revenue as compared to 4.9% 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 nine Months period ended 30th September 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 **8th October 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/>