

Almarai Company Announces Its Condensed Consolidated Interim Financial Results for The Period Ended 31st March 2021 (Three Months)

Almarai Company (“the Company”) is pleased to announce its Condensed Consolidated Interim Financial Results for The Period Ended 31st March 2021 as below:

First Quarter of 2021 Highlights

1. The Revenue for the First quarter 2021 amounted to SAR 3,645.0 million, an increase of 1.5% as compared to the corresponding quarter of the last year (SAR 3,592.4 million).
2. The Gross Profit for the First quarter 2021 amounted to SAR 1,235.1 million, a decrease of 1.4% as compared to the corresponding quarter of the last year (SAR 1,253.2 million).
3. The Operating Profit for the First quarter 2021 amounted to SAR 502.4 million, a decrease of 2.0% as compared to the corresponding quarter of the last year (SAR 512.8 million).
4. The Consolidated Profit Attributable to Shareholders of the Company for the First quarter 2021 amounted to SAR 385.9 million, an increase of 0.8% as compared to the corresponding quarter of the last year (SAR 383.0 million) and an increase of 14.9% as compared to the previous quarter (SAR 335.9 million).
5. The Comprehensive Income Attributable to Shareholders of the Company for the First quarter 2021 amounted to SAR 379.7 million, an increase of 31.0% as compared to the corresponding quarter of the last year (SAR 289.8 million) and an increase of 20.5% as compared to the previous quarter (SAR 315.1 million).
6. Total Equity Attributable to Shareholders as of 31st March 2021 amounted to SAR 16,071.3 million as compared to the corresponding date of last year (SAR 15,686.9 million), an increase of 2.5%. The book value of one share, as of 31st March 2021, reached SAR 16.1.
7. The Earnings per Share (EPS) based on the Consolidated Profit Attributable to Shareholders of the Company for the Period ended on 31st March 2021 (Three Months) and the corresponding Period of last year, reached SAR 0.39 and SAR 0.39, respectively. Diluted EPS for the Period ended on 31st March 2021 (Three Months) and the corresponding Period of last year are SAR 0.39 and SAR 0.38, respectively.¹

Reasons of increase / (decrease) for First quarter 2021 compared with corresponding quarter of the last year

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 31st of March 2021). Diluted EPS takes into account the Profit attributable to Perpetual Sukuk holders.

8. The increase of 0.8% 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 1.5% was driven mainly by dairy category and other sales. Food, Poultry and Juice category were slightly lower than last year due to base effect from COVID-19 pandemic buying in Q1 2020. In terms of geographical growth, it was primarily led by Egypt and Jordan but GCC countries witnessed general market weakness due to COVID-19 restrictions and VAT impact in KSA.
 - **Gross Profit:** Decreased by 1.4%, mainly due to lower subsidy compared to last year and higher input cost, mainly Alfalfa. However, the impact of lower subsidy was reduced by improved cost management in general.
 - **Selling and Distribution Expenses (S&D):** Decreased by SAR 7.5 million, 1.2% due to improved cost management in general and lower volume growth witnessed during the quarter.
 - **General and Administration Expenses (G&A):** Decreased by SAR 2.5 million, 2.5% mainly in line with ongoing cost rationalization plans
 - **Other Expenses:** Increased by SAR 30.7 million, mainly due to the base effect from last year when a one-off gain of SAR 30 million was recognized from sales of arable assets.
 - **Impairment of Financial Assets:** Decreased by SAR 28.4 million as current credit situation has remained stable and did not require additional provision similar to last year when additional credit provision was booked in view of credit quality of retailers, mainly in the food services channel.
 - **Finance Cost:** Funding costs are lower by SAR 36.1 million mainly due to lower interest rates driven by lower SIBOR and lower debt levels due to ongoing deleveraging program
 - **Contribution of various Business Categories towards the increase in the Consolidated Profit Attributable to Shareholders of 0.8% is as follows:**
 - **Dairy & Juice Category:** The category Profit increased by 6.5% due to contribution by Egypt, Jordan and export markets driven by higher sales. Higher feed cost and lower subsidy for dairy segment continued to adversely impact the profitability, although it was partially negated by strong cost control on payroll and operating overheads.
 - **Bakery Category:** The Category Profit decreased by 35.7% primarily due to volume driven lower sales as school closure and adverse mix against single serve products impacted the net profitability of the bakery segment currently experiencing high fixed cost.

- **Poultry Category:** The category Profit decreased by 24.3% mainly due to lower subsidy compared to last year due to overlap of poultry subsidy transition in first half of 2020. Food Service segment continue to perform well for poultry segment although it resulted in adverse channel mix
- **Other Category:** The Category reported a profit of SAR 2.6 million for the current quarter as Premier Food, our subsidiary focused on food service operations, returned to profitability compared to challenges faced in Q1 2020 due to COVID-19 related restrictions. Further, Arable operations continued to perform well and remained on track for a self-sustainable operational state.

Reasons of increase / (decrease) for First quarter 2021 compared with previous quarter

9. The increase in the Consolidated Profit Attributable to Shareholders of the Company for the First quarter 2021 (SAR 385.9 million) as compared to the previous quarter (SAR 335.9 million) is due to product mix driven by seasonality.
10. **Auditors' Opinion:** (Unmodified Opinion).
11. **Other Notes:**
 - **Revenue by Region:** For First quarter of 2021 as compared to the corresponding quarter of last year, the Revenue Decreased in Saudi Arabia and in other GCC countries by 1.6% and 8.9% respectively. 47.0% increase is recorded in other countries.
 - **EBITDA:** For First quarter 2021 Earnings before Interest, Taxes and Zakat, Depreciation and Amortization (EBITDA) reached SAR 897.8 million, an increase of 1.1% as compared to the corresponding quarter of last year (SAR 888.8 million).
 - **Profit Margins:** For First quarter of 2021, The Gross Profit, Operating Profit and Consolidated Profit Attributable to Shareholders of the Company are representing 33.9%, 13.8%, and 10.6% of Revenue as compared to the corresponding quarter of last year of 34.9%, 14.3%, and 10.7%, respectively.
 - A summary of the Statement of Cash Flows for the Three Months ended 31st March 2021 is as follows:
 - The Cash Generated from Operating Activities (OCF) reached SAR 866.0 million an increase of 125.5%, as compared to last year (SAR 384.1 million). This was driven by better working capital management relative to last year with improved inventory and accounts payable management. The OCF represents 23.8% of Revenue as compared to 10.7% for the last year.
 - The Cash used in Investing Activities amounted to SAR 299.1 million. However, during the same period last year, SAR 240.1 million was generated from investing activities due to

redemption SAR 585 million for time deposit. Adjusted for that, cash used in investing activities dropped by SAR 45.8 million, due to lower capital expenditure. Cash used in Investing Activities represent 8.2% of revenue as compared to 9.6% cash used in for the last year, after adjusting for the redemption of time deposit.

- The free cash flow (FCF) reached SAR 566.9 million as compared to the last year free cash flow of SAR 39.2 million, an increase of nearly 13 times. The FCF represent 15.5% of revenue as compared to 1.1% for the last Corresponding period. This was mainly driven by expansion in our operating cashflow.

12. General Comments:

In a benign Q1 trading environment in GCC countries, Almarai's operations have continued to demonstrate resilient profitability management. Structural cost pressures driven by subsidy reduction and higher feed cost were managed with strong cost controls. The key contributor to the top line growth for the quarter were Egypt, Jordan and Export and this sales growth contributed significantly to the net profit line improvement in these countries as well.

Operational results in totality were slightly lower than last year due to external environment in GCC, however lower funding cost driven by lower funding rate and lower debt resulted in net income growth for Almarai.

Almarai expect current trading conditions to persist in the short term. Almarai will continue to navigate the existing market conditions with various scenario planning options and remain agile to continue to deliver "quality you can trust" for its customers

13. The Condensed Consolidated Financial statements for the Three Months ended 31st March 2021 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/>

14. Conference call for analysts and investors will be on **13th April 2021 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/>