

## Almarai Company Announces Its Condensed Consolidated Interim Financial Results for the Period Ended on 31<sup>st</sup> March 2019 (Three Months)

Almarai Company (“the Company”) is pleased to announce its Condensed Consolidated Interim Financial Results for the period ended on 31<sup>st</sup> March 2019 as below:

### First Quarter 2019 Highlights

1. The Revenue for the first quarter 2019 amounted to SAR 3,354.1 million, an increase by 3.8% as compared to the corresponding quarter of the last year (SAR 3,232.2 million).
2. The Gross Profit for the first quarter 2019 amounted to SAR 1,209.6 million, a decrease of -3.6% as compared to the corresponding quarter of the last year (SAR 1,254.4 million).
3. The Operating Profit for the first quarter 2019 amounted to SAR 480.8 million, a decrease of -0.9% as compared to the corresponding quarter of the last year (SAR 485.2 million).
4. The Consolidated Profit Attributable to Shareholders of the Company for the first quarter 2019 amounted to SAR 336.0 million, a decrease of -2.6% as compared to the corresponding quarter of the last year (SAR 344.9 million) and a decrease of -9.1% as compared to the previous quarter (SAR 369.6 million).
5. The Comprehensive Income Attributable to Shareholders of the Company for the first quarter 2019 amounted to SAR 374.5 million, an increase of 5.7% as compared to the corresponding quarter of the last year (SAR 354.1 million) and a decrease of -35.5% as compared to the previous quarter (SAR 581.0 million).
6. Total Equity Attributable to Shareholders as of 31<sup>st</sup> March 2019 amounted to SAR 14,239.4 million as compared to the corresponding date of last year (SAR 13,062.2 million), an increase of 9.0%. The book value of one share, as of 31<sup>st</sup> March 2019, reached SAR 14.2.
7. The Earnings per Share (EPS) based on the Consolidated Profit Attributable to Shareholders of the Company for the Period ended on 31<sup>st</sup> March 2019 (Three Months) and the corresponding Period of last year, reached SAR 0.34 and SAR 0.33, respectively. Diluted EPS for the Period ended on 31<sup>st</sup> March 2019 (Three Months) and the corresponding Period of last year are SAR 0.34 and SAR 0.33, 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 31<sup>st</sup> of March 2019. Diluted EPS takes into account the Profit attributable to Perpetual Sukuk holders.

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

8. The decrease of -2.6% 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 3.8% was led by Poultry segment followed by bakery and food segment. General weakness in fresh dairy and juice market continued in 2019. The growth was mainly KSA led followed by Egypt and export whereas the revenue in GCC countries was flat.
  - **Gross Profit:** The decrease by -3.6% is due to higher input costs, mainly alfalfa and feed costs.
  - **Selling and Distribution Expenses (S&D):** increased by SAR 14.5 million, 2.4% which is running behind the revenue run rate due to efficiencies in sales operations.
  - **General and Administration Expenses (G&A):** decreased by SAR 1.4 million, -1.4% mainly due to the continuation of costs savings program, mainly in head office.
  - **Other Expenses:** decreased by SAR 22.0 million, mainly due to one off gains from disposal for assets and lower losses from sale of dairy herd.
  - **Impairment of Financial Assets:** decreased by SAR 31.6 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 and Finance Cost:** Funding costs are higher by SAR 28.0 million mainly due to higher interest-bearing debt after repayment of perpetual sukuk last year, higher SIBOR rate and lower capitalisation of funding cost for qualified capital projects. Exchange gain is at 9.4 million compared to a loss of (19.1) million due to favourable movement in currencies, particularly in Euro.
  - **Contribution of various Business Categories towards the decline in the Consolidated Profit Attributable to Shareholders of -2.6% is as follows:**
    - **Dairy & Juice Category:** The Category Profit decreased by -4.2% due to adverse market conditions in juice category, and higher Alfalfa cost coupled with discounting and promotions specifically in long life milk. The bottom line was further impacted by additional investment in marketing and branding activities in the current quarter.
    - **Bakery Category:** The Category Profit increased by 23.1% as a result of volume led revenue growth of 6.1%
    - **Poultry Category:** The Category Profit increased by 67.5% driven mainly by revenue growth of 19.4%. 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 (25.1) million for the current quarter compared to a loss of (1.8) million for the corresponding quarter, mainly due to 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 first quarter 2019 compared with previous quarter

9. The decrease of -9.1% in the Consolidated Profit Attributable to Shareholders of the Company for the first quarter 2019 (SAR 336.0 million) as compared to the previous quarter (SAR 369.6 million) reflects the persistent weakness of consumers' demand particularly in the Dairy and Juice categories and seasonal effect.<sup>2</sup>
10. **Auditors' Opinion:** (Unmodified Opinion).
11. 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 and 5.2 in the condensed consolidated interim financial statements for the three months period ended in 31 March 2019.

<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.

## 12. Other Notes:

- **Revenue by Region:** For first quarter of 2019 as compared to the corresponding quarter of last year, the Revenue increased in Saudi Arabia and other countries by 4.3%, and 10.7% respectively, and decreased in other GCC countries by -0.1%.
- **EBITDA:** for first quarter 2019 Earnings Before Interest, Taxes and Zakat, Depreciation and Amortization (EBITDA) reached SAR 852.4 million, an increase of 2.0% as compared to the corresponding quarter of last year (SAR 835.5 million).
- **Profit Margins:** for first quarter 2019, The Gross Profit, Operating Profit and Consolidated Profit Attributable to Shareholders of the Company are representing 36.1%, 14.3%, and 10.0% of Revenue as compared to the corresponding quarter of last year of 38.8%, 15.0%, and 10.7%, respectively.
- A summary of the Statement of Cash Flows for the three months Period ended in 31 March 2019 is as follows:
  - The Cash Generated from Operating Activities (OCF) reached SAR 782.1 million an increase of 22.8%, as compared to the same period of last year (SAR 636.7 million). This was driven mainly by better working capital management, mainly for debtors relative to the same period last year. The OCF represents 23.3% of Revenue as compared to 19.7% for the same period of last year.
  - The Cash used in Investing Activities reached SAR 605.8 million as compared to the same period of last year (SAR 551.2 million), an increase of 9.9%. Investing Activities represent 18.1% of revenue as compared to 17.1% for the same period of last year. The current capex spend is a continuation of previous investment cycle and we remain on track to deliver lower capex spend for the year relative to 2018.
  - The free cash flow (FCF) reached SAR 176.3 million as compared to the same period of last year (SAR 85.5 million), an increase of 106.2%. The FCF represent 5.3%. of revenue as compared to 2.6%. for the same period of last year. Driven by expansion in our OCF and commitment to reduced capital expenditure, we remain confident that the FCF trend will continue for the rest of the year.

13. **General Comments:**

In a resurging Q1 trading environment, nearly all of Almarai's core segments have demonstrated top line growth. Highest contributor to the sales growth was HORECA sales within Poultry segment followed by growth in Dairy Foods and Bakery. However, weakness in GCC markets coupled with a general decline in Juice category resulted in lower revenues for Dairy and Juice segment.

Higher input costs driven by higher feeds costs and one-off crop rotation costs in overseas arable operations resulted in lower gross profit growth. However continued focus on cost control ensured that operating profit remained in line with last year. Lastly, higher funding costs due to the change in capital structure post repayment of perpetual sukuk resulted in slightly lower net profit than last year.

14. The Condensed Consolidated Interim Financial statements for the three months period ended 31 March 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/>

15. Conference call for analysts and investors will be on **9<sup>th</sup> April 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/>