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Almarai Company announces its Consolidated Financial Results for the first quarter ended 31 March 2018 (Three Months)

Almarai Company is pleased to announce its Interim Consolidated Financial Results for the period ended 31 March 2018 as below:

1. The Revenue decreased by -4.5% to SAR 3,232 million during the first quarter 2018, compared to SAR 3,384 million in the same quarter of 2017.
2. The Gross Profit for the first quarter 2018 amounted to SAR 1,253 million, an increase of 6.4% as compared to the corresponding quarter of the last year (SAR 1,177 million).
3. The Operating Profit for the first quarter 2018 amounted to SAR 481 million, an increase of 14.1% as compared to the corresponding quarter of the previous year (SAR 421 million).
4. For the first quarter 2018, Almarai Consolidated Profit for the period attributable to Shareholders of the Company reached SAR 344 million, an increase of 4.8% as compared to the corresponding quarter of the last year (SAR 328 million) and a decrease of 32.9% as compared to the previous quarter (SAR 513 million).
5. For the first quarter 2018, Almarai Comprehensive Income for the period attributable to Shareholders of the Company reached SAR 353 million, a decrease of 17.0% as compared to the corresponding quarter of the last year (SAR 426 million) and a decrease of -30.0% as compared to the previous quarter (SAR 505 million).
6. The Earnings per Share (EPS) based on the Profit attributable to Shareholders of the Company for the first quarter ended 31 March 2018 and the comparable period last year, reached SAR 0.33 and SAR 0.31 respectively. Diluted EPS for the first quarter ended 31 March 2018 and 2017 is 0.33 and 0.31 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 (1,000 million issued Shares as of 31 March 2018). Diluted EPS takes into account the Profit attributable to Perpetual Sukukholders.
7. Total Equity Attributable to Shareholders as at 31 March 2018 amounted to SAR 13,114 million as compared to SAR 11,006 million as at 31 March 2017, an increase of 19.2%. The book value of a share as of 31 March 2018 reached SAR 13.1.

8. The reasons of increase / (decrease) of Profit Attributable to Shareholders of the Company for the quarter compared with same quarter last year

The reasons for increase in profit attributable to shareholders is due to continual improvement in poultry segment, turnaround of infant nutrition segment, improved performance of arable operations in Fondomote North and South America and the cost rationalization efforts put in place by the management to offset a challenging market environment within the GCC. A few of these key challenges during the quarter were the introduction of VAT, other structural economic changes including expatriate levy and a reduction in the market size within the GCC.

Revenues have decreased from the comparable period last year from SAR 3,384 million to SAR 3,232 million, a reduction of -4.5%, which is mainly due to lower exports. Despite operating in a higher cost environment, Almarai has protected its business against margin erosion through managing cost and innovation-led product offerings for the quarter across many categories, resulting in an improvement of gross margin from 34.8% to 38.8% for the first quarter 2018. The improvement in margin was further supported by stable commodity prices and higher receipts of subsidy payments.

Operating margin has increased to 14.9% from 12.4% in the comparable quarter last year, reflecting strong operational savings. Despite a challenging market environment and higher costs, Profit attributed to shareholders of the company reached SAR 344 million, a 4.8% increase relative to first quarter 2017.

We continue to see strong turnaround in the Poultry and Infant Nutrition segments. An important highlight for the quarter is Infant Nutrition EBIT breakeven for the first time. Furthermore, the Poultry segment has continued its strong performance from Q4, 2017 to post an EBIT positive number in excess of SAR 30 million. Lastly, we continue to see improvement in our Egypt operations led by top line growth of 24.5%.

9. The reasons of increase / (decrease) for quarter compared with previous quarter

We would like to highlight that the seasonality of consumption pattern of our product portfolio skews quarterly comparison. For example, consumption of fresh dairy products tend to decrease during the winter months and increase in summer months. Profit Attributable to shareholders went from SAR 513 million in Q4 2017 to SAR 344 million in first quarter 2018 a reduction of 32.9% compared to the previous quarter, due to seasonality factors.

Other notes

10. Revenues have decreased from the comparable period last year from SAR 3,384 million to SAR 3,232 million; a reduction of 4.5%, which is mainly due to lower exports.
11. Cost of sales has decreased from SAR 2,206 million to SAR 1,979 million in first quarter 2018 due to: increased operational efficiencies - particularly in Poultry, better performance of Fondomonte North and South America arable operations and higher subsidy receipts during the quarter.
12. Selling and distribution expenses have decreased by 0.6% to SAR 598 million in first quarter 2018 from SAR 601 million in the comparable quarter last year due to better cost control.
13. Impairment loss on trade receivable has increased from SAR 5 million to SAR 33 million due to a revised methodology for trade receivable balance recognition under IFRS 9 and current market conditions.
14. Interest expense is relatively the same as last year due to better management of debt profile
15. There was an exchange loss for the quarter of SAR 19 million relative to an exchange gain of SAR 13 million in the comparable quarter in 2017 due to adverse movement of Euro currency.
16. Key milestone for the quarter is positive Free Cash Flow mainly driven by reduction in capital investment. Free Cash Flow is positive SAR 60 million relative to negative SAR 290 million in the comparable period last year.
17. The summary of Condensed Consolidated Statement of Profit or Loss, during the period ended 31 March 2018 (Three Months) is as follows:
 - For Q1 2018, the Revenue have decreased in Saudi Arabia and GCC by 0.7%, and 18.0% respectively, whilst there has been an increase in other countries by 13.3% which is mainly due to better performance of Egypt operations.
 - During the first quarter 2018, Earnings before Interest, Taxes and Zakat, Depreciation and Amortization (EBITDA) reached SAR 828 million, an increase of 12.8% as compared to SAR 734 million in the corresponding quarter of last year. EBITDA for the first quarter of 2018

reached 25.6% of Revenue as compared to 21.7% during the corresponding quarter of last year.

- The Gross Profit, Operating Profit and Profit for the period attributable to Shareholders of the Company are representing 38.8%, 14.9% and 10.6% of Revenue for the first quarter of 2018 as compared to 34.8%, 12.4% and 9.7% in the corresponding quarter of last year respectively.

18. IFRS statement - Items, elements and notes of the comparatives Interim Consolidated Financial Statements have been redisplayed, regrouped and reclassified to meet with the applied accounting policies in redisplaying, regrouping and reclassifying the Items, elements and notes of the Interim Consolidated Financial Statements for the current period which has been prepared according to the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia.

19. In a challenging Q1 trading environment, Almarai's core segments have demonstrated resilience at the top line and gross profit level, while at the same time the poultry and infant nutrition segments showed a positive sales trajectory. All segments benefited from the improvement in efficiencies which have helped compensate for further increase in operating costs. Almarai expects a similar pattern for the remaining of 2018 and it will remain focused on delivering quality you can trust to its customers while continuing to improve costs, operational efficiencies and free cash flow generation.

We would like to draw the attention to the Shareholders that the condensed consolidated interim financial statements for the first quarter ended 31 March 2018 will be available through the following link on Almarai Website and Almarai IR App.

<https://www.almarai.com/en/investors/financial-information>