

2Q2020 EARNINGS RELEASE

Cairo, Egypt | 4 August 2020



Juhayna Food Industries Reports 2Q2020 Earnings

Juhayna records a 29% y-o-y increase in net profit to 232mn in 1H20, and a 9% y-o-y increase to 118mn in 2Q20

1H20 Highlights

3,680mn 1H20 Revenue ▼ -1.9% YoY	1,197mn, 32.5% 1H20 Gross Profit, margin ▲ 3.8% YoY, ▲ 1.8pps	605mn, 16.4% 1H20 EBITDA, margin ▲ 4.8% YoY, ▲ 1.0pps
232mn, 6.3% 1H20 Net Profit, margin ▲ 29.1% YoY, ▲ 1.5pps	1,456mn 30/6/2020 Net Debt ▼ -29.4% YoY	19.1% 1H20 SG&A % of Sales ▲ 0.4pps YoY

2Q20 Highlights

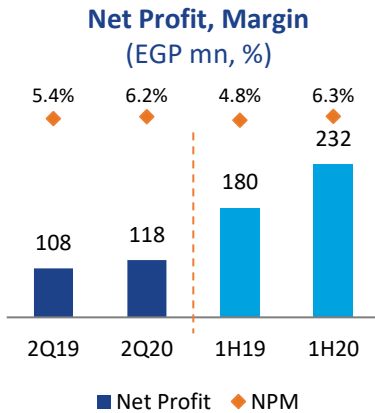
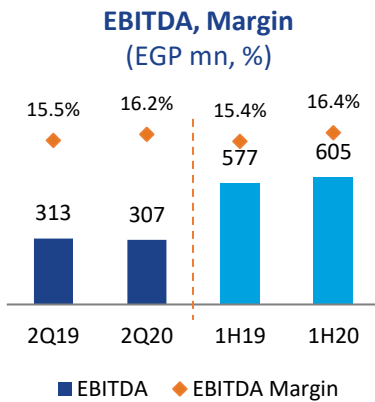
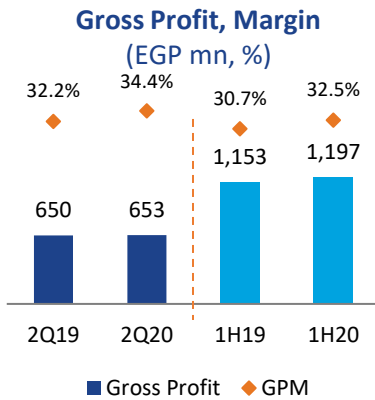
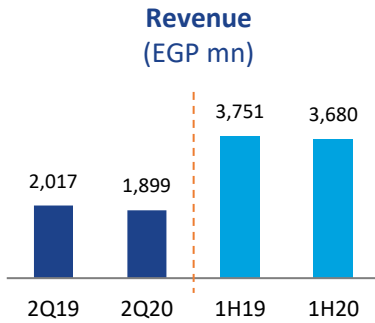
1,899mn 2Q20 Revenue ▼ -5.9% YoY	653mn, 34.4% 2Q20 Gross Profit, margin ▲ 0.5% YoY, ▲ 2.2pps	307mn, 16.2% 2Q20 EBITDA, margin ▼ -1.9% YoY, ▲ 0.7pps
118mn, 6.2% 2Q20 Net Profit, margin ▲ 9.4% YoY, ▲ 0.9pps	1,456mn 30/6/2020 Net Debt ▼ -29.4% YoY	21.5% 2Q20 SG&A % of Sales ▲ 1.5pps YoY

Revenue By Segment

EGP mn	2Q2020	2Q2019	% Change	1H2020	1H2019	% Change
Dairy	881	863	2%	1,861	1,772	5%
Fermented	613	607	1%	974	961	1%
Juice	299	387	-23%	614	708	-13%
Concentrates & Agri	69	93	-26%	140	189	-26%
3rd Party Distribution	37	67	-44%	91	121	-24%
Total	1,899	2,017	-6%	3,680	3,751	-2%

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(Cairo, Egypt) — Juhayna Food Industries (JUFO.CA on the Egyptian Exchange, “Company”)), a leader in the Egyptian packaged dairy, yogurt and juice markets, announced today its consolidated results for the second quarter of 2020, reporting revenues of EGP 1.9bn in 2Q20, realizing a decrease of 5.9% y-o-y. Revenues in 1H20 amounted to EGP 3.7bn, down a slight 1.9% y-o-y. The decline was mainly driven by the lower juice demand, especially the single-serve “on-the-go” products, on the back of the Covid-19 pandemic and related restrictions.

Gross profit margin reached 34.4% in 2Q20, recording an increase of 2.2pps y-o-y. For 1H20, gross profit margin increased by 1.8pps y-o-y to reach 32.5%. margin expansion is due to better deals / discounts negotiated with suppliers as the Company rolls on with its cost saving measures as well as EGP appreciation compared to the same period last year.

SG&A margin increased by 0.4pps to reach 19.1% in 1H20. And increased by 1.5pps in 2Q20, reaching 21.5%, due to increased consumer promotions to cater for weaker demand in some of the segments.

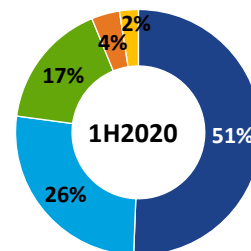
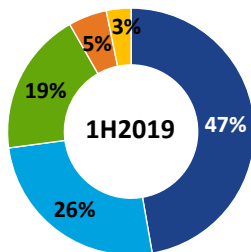
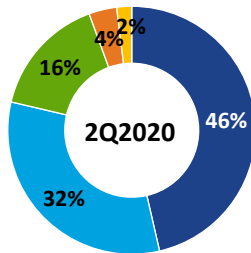
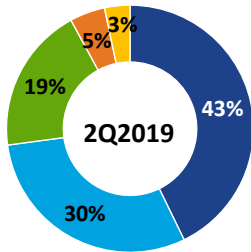
EBITDA for 2Q20 amounted to EGP 307mn, witnessing a decline of 1.9% y-o-y, while EBITDA margin has expanded by 0.7pps to reach 16.2%. 1H20 EBITDA increased to EGP 605mn, a 4.8% y-o-y increase, and EBITDA margin for the period expanded by 1pps to reach 16.4%.

Net profit in 2Q20 reached EGP 118mn, growing by 9.4% despite capital losses of EGP 20mn due to the sale of unutilized agricultural assets and reduction of agricultural land. Net profit margin increased by 0.9pps to reach 6.2%. For 1H20, net profit amounted to EGP 232mn, realizing an increase of 29%, with net profit margin increasing by 1.5pps to reach 6.3%. Driven by the lower financing costs due to decreased net debt levels (from EGP 2.1bn in 2Q19, to EGP 1.5bn in 2Q20) as well as lower cost of financing as the central bank of Egypt lowered the lending rate by 300bps.

Drawn from the fact that Juhayna operates in a highly competitive environment, management believes that it is in the best interest of shareholders to suspend disclosure of detailed segment analysis information. Juhayna’s full financials are available for download on the Company’s website: www.juhayna.com

Revenue Breakdown by Segment

- Dairy
- Fermented
- Juice
- Concentrates & Agri
- 3rd Party Distribution



Chairman's Note:

The Company achieved net sales of EGP 3.7bn in 1H20, realizing a decrease of 2% y-o-y. Net sales reached EGP 1.9bn in 2Q20, decreasing by 6% y-o-y on the back of the Covid-19 pandemic.

Net profit in 1H20 reached EGP 232mn, increasing 29% y-o-y and EGP 118mn in 2Q20, achieving an increase of 9% y-o-y despite capital losses of EGP 20mn due to the sale of unutilized agricultural assets and reduction of agricultural land.

Management's strategy to optimize the Company's operations and lower expenses is still ongoing, mainly through lowering inventory levels, thus reducing debt and financing expenses, as well as the restructuring of the current workforce to enhance productivity across all departments. Additionally, we introduced consumer-directed promotions to revitalize some segments of the market.

The second quarter witnessed the finalization of the distribution deal with "Rabea Tea", which is part of Juhayna's strategy to leverage its expansive distribution network and fully optimize its capacity.

Thanks to our dynamic workforce, the Company was able to persist in this turbulent period and continue with its production and sales operations to maintain its market leadership in the milk, yogurt and juice segments.

We will keep monitoring consumer buying behavior, while innovation and product development remain to be the pillars of Juhayna's strategy to maintain its leadership across all our segments.

Safwan Thabet

Executive Chairman of the Board & CEO

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Consolidated Income Statement

(EGP '000)	H1 2020	H1 2019
Net sales	3,680,091	3,750,810
Cost of sales	(2,483,101)	(2,597,969)
Gross profit	1,196,990	1,152,841
Other operating income	14,603	34,414
Selling and Marketing expenses	(568,197)	(572,991)
General and administrative expenses	(126,211)	(117,331)
Other expenses	(68,153)	(43,170)
Board of directors remuneration	(10,245)	(9,660)
Results from operating activities	438,787	444,104
Share in the gain of company under joint control	819	2,965
Cost of the end of service	(15,395)	(10,327)
Net finance (expense)	(90,939)	(184,429)
Net profit before income tax	333,272	252,313
Income tax - current	(99,432)	(65,377)
Deferred tax	(2,134)	(7,296)
Net profit for the period	231,707	179,640

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Consolidated Balance Sheet

(EGP '000)	H1 2020	FY 2019
Assets		
Non-current assets		
Property, plant and equipment	3,205,169	3,292,284
Projects under construction	144,084	97,358
Plant wealth - productive	16,252	12,516
Plant wealth – not productive	15,413	15,865
Biological wealth	208,188	195,122
Investments under joint control (equity)	15,684	14,864
Goodwill	97,093	97,093
Right to use assets	51,787	-
Other - long term asset	736	740
Non-current assets	3,754,406	3,725,842
Current assets		
Investments held for sale	-	-
Biological assets - Feeding Sector	4,081	13,948
Biological assets - Existing Agriculture	7,418	17,214
PPE held for sale	4,866	6,243
Inventories	1,141,603	1,043,418
Trade and other receivables	416,995	414,144
Due from related parties	4,895	-
Cash at banks and on hand	219,283	96,718
Current assets	1,799,141	1,591,684
Total assets	5,553,548	5,317,526
Equity		
Issued and paid up capital	941,405	941,405
Legal reserve	616,672	594,086
General reserve - issuance premium	330,920	330,920
Retained earnings	816,890	859,988
Total equity attributable to the shareholders of the parent company	2,705,887	2,726,399
Non-controlling interest	658	640
Total equity	2,706,545	2,727,039
Non-current liabilities		
Long - term loans	671,162	692,547
Other non-current liabilities	11,896	22,964
Lease contract liabilities - non current portion	120,263	87,202
Operating lease contract liabilities – non-current portion	-	-
Deferred tax liabilities	278,043	275,909
Non-current liabilities	1,081,364	1,078,622
Current liabilities		
Provision for claims	10,684	16,474
Bank Credit facilities	628,891	398,940
Creditors and other credit balances	724,826	695,896
Income tax payable	94,033	103,663
Due to related parties	-	422
Lease contract liabilities- current portion	24,209	11,597
Operating lease contract liabilities- current portion	-	-
Loans-current portion	282,996	284,872
Current liabilities	1,765,639	1,511,865
Total liabilities	2,847,003	2,590,487
Total equity and total liabilities	5,553,548	5,317,526

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Consolidated Cash Flow

(EGP '000)	H1 2020	H1 2019
Cash flows from operating activities		
Net profit for the period before income tax and minority interest in profits	14,603	34,414
Adjustments for:		
PPE depreciation	144,139	133,816
Amortization of right to -use land	4	4
Capital losses	16,641	2,450
Amortization of asset right of use	7,452	-
Finance cost of asset right of use	2,733	-
Amortization of animal wealth	12,702	8,712
Amortization of plant wealth (productive)	219	200
Impairment of Fixed assets (Reverse)	(12,497)	-
Biological write down (Reverse)	(1,476)	-
Change in Investments under joint control	(819)	(2,965)
Impairment of trade and other receivables	6,672	2,304
Provision for claims formed	1,266	361
Herd births	(6,068)	(7,289)
Herd capitalized	(38,971)	(44,350)
Losses from selling cows	10,825	4,582
Losses from calves death	335	4,076
Losses from calves sales	9,041	-
Foreign exchange (losses) / gain	(93)	6,998
Credit interests	(9,356)	(6,217)
Finance interests & expenses	97,656	183,648
Collected credit interests	255,007	320,743
Finance interest & expenses paid	9,356	6,217
	(97,656)	(183,648)
Changes in:		
Inventories	(89,489)	(397,283)
Biological assets- Exiting Agriculture	9,796	4,294
Trade and other receivables	(2,491)	(52,999)
Creditors & other credit balances	21,625	143,296
Due to related parties	(4,895)	11,696
Due from related parties	(422)	-
Dividends paid to employees	(63,921)	(50,928)
Income tax paid	(109,062)	(58,049)
Sales tax on capital goods -paid	(3,763)	(4,263)
Impairment of trade and other receivables used	(7,032)	-
Impairment in inventories used	(8,697)	-
Provision for claims used	(7,056)	(3,868)
Net cash flows result from/ (used in) operating activities	(98,700)	(264,792)
Cash flows from investing activities		
Acquisition of PPE & projects under construction	(154,907)	(115,652)
Proceeds from sale of PPE	48,389	21,139
Compensation of calves death	1,704	-
Acquisition of plant and animal wealth	(18,594)	(21,059)
Proceeds from the sale of plant and animal wealth	23,800	21,899
Net cash flows (used in) investing activities	(99,607)	(93,673)
Cash flows from financing activities		
Collection proceeds from overdraft & credit facility	229,951	549,874
Payment for Bank long term loans	(23,260)	(115,630)
Payment of financial lease contract liabilities	(16,299)	(9,295)
Dividends paid to shareholders	(188,281)	(188,281)
Decrease in non-controlling interest	-	(89)
Net cash flows from financing activities	2,110	236,579
Change in cash & cash equivalents during the period	(196,197)	(121,885)
The effect of foreign exchange difference	93	(6,998)
Cash & cash equivalents at 1 January	3,725,842	14,832
Cash & cash equivalents at 30 June	3,529,738	(114,051)

About Juhayna Food Industries

Juhayna Food Industries is a leading producer and distributor of milk, juice and yogurt products. The company was established in 1983 by Safwan Thabet along with a number of other founders with paid-in capital of EGP 1.3 million. Production began in 1987 with a total production capacity of 35 tons per day and total sales of EGP 2.4 million. The company has since grown to become the most popular household name in the sector across Egypt.

Forward Looking Statements

Statements contained in this Business Review that are not historical facts are based on current expectations, estimates, projections, opinions and beliefs of Juhayna Food Industries. Such statements involve known and unknown risks, uncertainties and other factors, and undue reliance should not be placed thereon. Certain information contained herein constitutes “targets” or “forward-looking statements,” which can be identified by the use of forward-looking terminology such as “may,” “will,” “seek,” “should,” “expect,” “anticipate,” “project,” “estimate,” “intend,” “continue” or “believe” or the negatives thereof or other variations thereon or comparable terminology. Actual events or results or the actual performance of Juhayna Food Industries may differ materially from those reflected or contemplated in such targets or forward-looking statements. The performance of Juhayna Food Industries is subject to risks and uncertainties

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