

Juhayna Releases Second Quarter 2016 Earnings

SECOND QUARTER 2016

REVENUE EGP 1,333 mn ▲ 21% Y-o-Y	GROSS PROFIT EGP 377 mn ▼ 2% Y-o-Y	EBIT EGP 96 mn ▼ 40% Y-o-Y	NET INCOME EGP 30 mn ▼ 54% Y-o-Y		
DAIRY EGP 558 mn ▲ 6% Y-o-Y	YOGURT EGP 403 mn ▲ 28% Y-o-Y	JUICE EGP 284 mn ▲ 42% Y-o-Y	CONCENTRATES EGP 40 mn ▲ 54% Y-o-Y	AGRICULTURE EGP 25 mn ▼ 21% Y-o-Y	ARJU EGP 24 mn

FIRST HALF 2016

REVENUE EGP 2,437 mn ▲ 24% Y-o-Y	GROSS PROFIT EGP 737 mn ▲ 10% Y-o-Y	EBIT EGP 247 mn ▼ 15% Y-o-Y	NET INCOME EGP 110 mn ▼ 15% Y-o-Y		
DAIRY EGP 1,108 mn ▲ 9% Y-o-Y	YOGURT EGP 640 mn ▲ 24% Y-o-Y	JUICE EGP 519 mn ▲ 50% Y-o-Y	CONCENTRATES EGP 67 mn ▲ 61% Y-o-Y	AGRICULTURE EGP 55 mn ▲ 16% Y-o-Y	ARJU EGP 49 mn

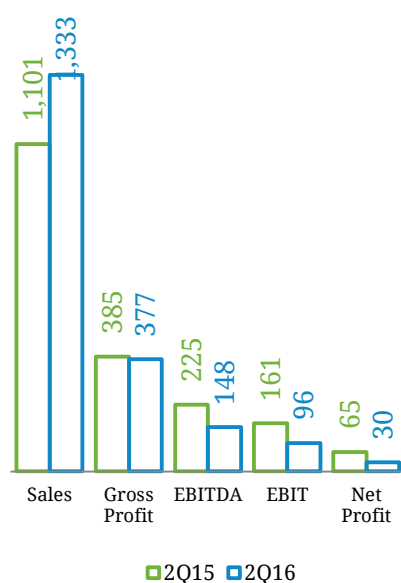
(Cairo, Egypt) — Juhayna Food Industries (JUFO.CA on the Egyptian Exchange), a leading Egyptian dairy, yogurt and juice manufacturer, announced today its consolidated results for the second quarter of 2016, reporting a 21% year-on-year rise in total consolidated revenue to EGP 1,333 million. Net income dropped 54% to EGP 30 million compared to EGP 65 million in the same period last year, translating into a net profit margin of 2.2% in 2Q16. On a first half basis, Juhayna reported a 24% increase in total consolidated revenue to EGP 2,437 million in 1H16 with net income standing at EGP 110 million, a 15% decrease compared to 1H15, while net profit margin also slid by two percentage points to 4.5% in 1H16.

The highest contributors to the top line remained the dairy and yogurt segments, representing 42% and 30% of revenues respectively in 2Q16 and 46% and 26%, respectively, in 1H16. Revenue growth during the first half was mainly driven by an increase in the yogurt and juice segments' revenues, which climbed 24% and 50% y-o-y to EGP 640 million and EGP 519 million respectively in 1H16, together contributing over 63% of the group's y-o-y increase in total consolidated revenues during the period.

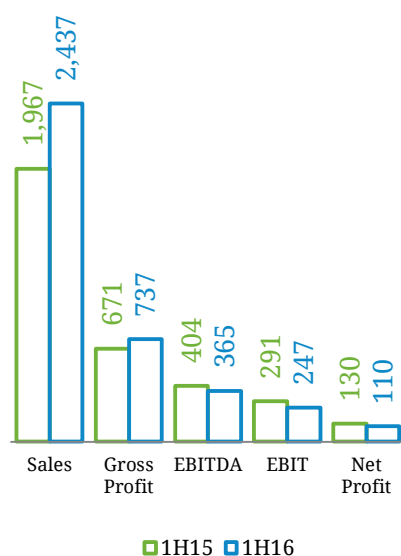
Highlights of Juhayna's financial and operational results along with management's commentary on performance in the quarter follow below. Drawn from the fact that Juhayna operates in a highly competitive environment, management believes that it is in the best interest of shareholders to suspend disclosure of detailed segment analysis information. Juhayna's full financials are available for download on the company's website: www.juhayna.com.

GROUP CONSOLIDATED PERFORMANCE

2Q16 vs. 2Q15



1H16 vs. 1H15



TO OUR SHAREHOLDERS

Due to Ramadan’s positive effect on our sales, Juhayna saw second quarter sales rise by 21% year-on-year to reach EGP 1.3 billion. Our dairy segment alone contributed EGP 558 million and constituted the lion’s share of our top-line. Additionally, the juice segment rose by 42% during the second quarter to EGP 248 million in sales revenue.

Despite having a positive surge in our top-line, a series of difficult conditions prevented the company from growing its net profit, which declined by 54% year-on-year to EGP 30 million, with net profit margin reaching 2.2% compared to 5.9% for the same period last year. The drop in net profit comes on the back of instability in the domestic market during the last period, particularly with the surge in foreign currency rates by up to 40%. Additionally, the severe shortage of the USD and the consequent foreign currency deposit caps imposed by the banks caused the company to incur EGP 11 million in demurrage expenses during the second quarter due to our inability to clear imported materials.

Against this backdrop, Juhayna has decided to raise the prices of our products, transferring the increase in costs to the consumer in order to achieve previous margins. Given the sensitive nature of the food sector, which touches the lives of every Egyptian household, Juhayna has opted to make an effort at restoring profitability by gradually increasing prices over the coming period, while temporarily absorbing the effects of these adverse conditions.

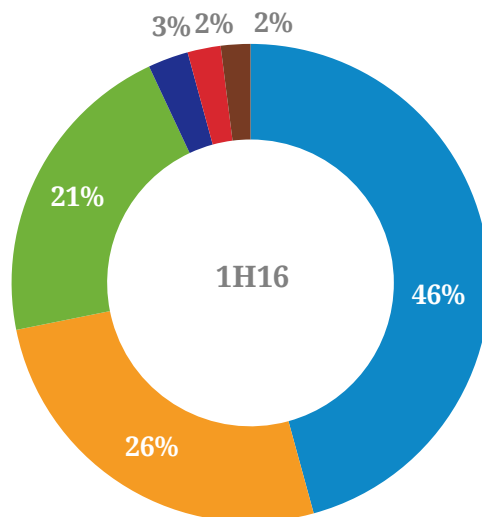
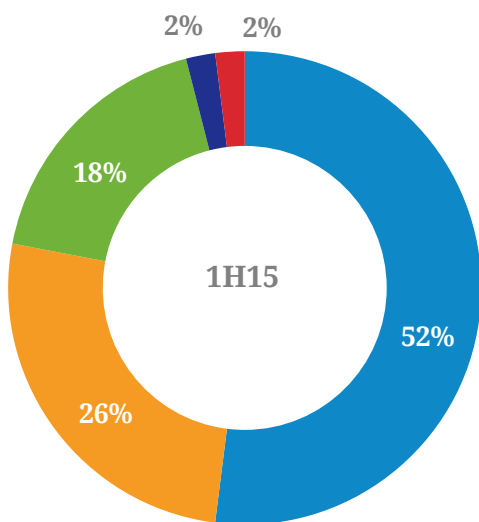
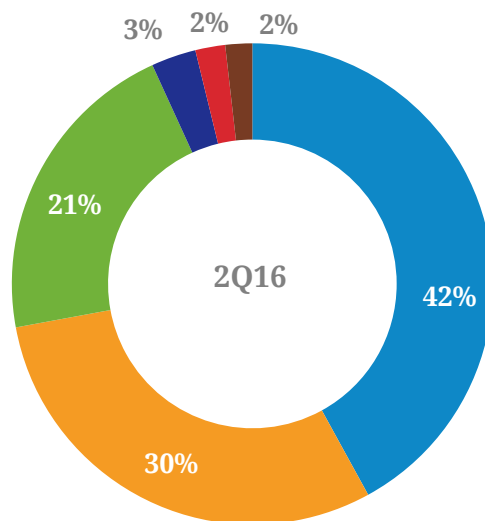
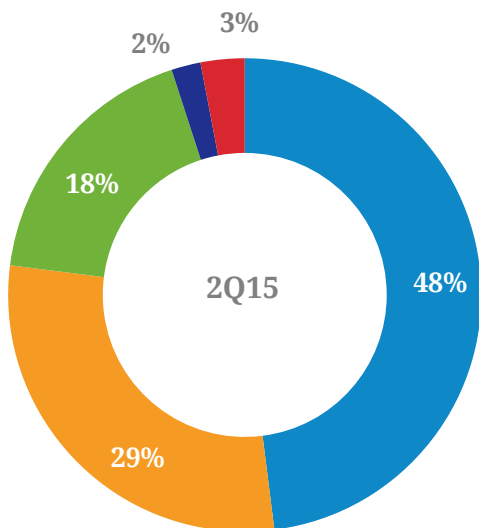
On the operational front, we are pushing forward with our development initiatives with the commissioning of seven new filling lines for juice, dairy, and yogurt products. Additionally, our distribution network continues to expand with the opening of a new distribution center in the North Coast. To finance the production lines, Juhayna has obtained medium-term financing through Qatar National Bank (QNB) and HSBC totaling EGP 76 million.

The company has also entered into an agreement with Fawry for e-collection to facilitate the collection process and accelerate the flow of funds to the company’s bank accounts, thus supporting liquidity.

Juhyana will take all necessary measures to overcome the challenges posed by rising exchange rates, improve profit margins, and maximize value and return for its shareholders.

Safwan Thabet, Chairman & CEO

REVENUE BREAKDOWN



■ Dairy
 ■ Yogurt
 ■ Juices
 ■ Concentrates
 ■ Agriculture
 ■ ARJU

I. CONSOLIDATED INCOME STATEMENT

('000 EGP)	1H16	1H15	% Change
Net Sales	2,437,217	1,967,450	24%
Cost of Sales	(1,700,181)	(1,296,017)	31%
Gross Profit	737,036	671,432	10%
<i>Gross Profit Margin</i>	30%	34%	
Other Income	35,820	9,705	269%
Sales & Distribution Expenses	(404,065)	(292,727)	38%
General & Administrative Expenses	(103,513)	(69,650)	49%
Other (Expenses)	(15,811)	(18,058)	-12%
Board of Directors Remuneration	(590)	(550)	7%
Results from Operating Activities	248,877	300,151	-17%
EBITDA	364,706	404,067	-10%
<i>EBITDA Margin</i>	15%	21%	
The Holding Company's Share in Profit of Companies Under Joint Control	(609)	-	N/A
Revenue of Investments Available for Sale	5,571	-	N/A
End of Service Remuneration	(2,058)	(9,503)	-78%
Financing Income & Financing Expenses	(96,869)	(81,104)	19%
Net Profit Before Tax	154,911	209,545	-26%
Tax Differences from Previous Periods	3,956	229	1625%
Income Tax	(17,007)	(37,203)	-54%
Investment Tax	(4,998)	(4,099)	22%
Deferred Tax	(26,616)	(38,097)	-30%
Net Profit	110,246	130,377	-15%

II. CONSOLIDATED BALANCE SHEET

('000 EGP)	1H16	FY15
Property, Plant and Equipment	2,860,376	2,761,272
Projects Under Construction	465,164	430,870
Plant Wealth	15,921	14,304
Animal Wealth	55,963	40,066
Payment Under Investment Accounts	-	10,150
Investment in Companies Under Joint Control (Equity)	9,541	-
Other Long Term Debit Balances	769	774
Goodwill	97,093	97,093
Non-current Assets	3,504,827	3,354,529
Investments Held for Sale	-	50,929
Biological Assets	16,542	33,021
Inventories	982,908	573,856
Trade and Other Receivables	370,519	188,010
Cash and Cash Equivalents	302,941	794,918
Current Assets	1,672,910	1,640,734
Total Assets	5,177,737	4,995,263
Issued and Paid up Capital	941,405	941,405
Legal Reserve	486,119	467,347
General Reserve – Insurance Premium	330,920	330,920
Retained Earnings	479,493	418,147
Total Comprehensive Income for the Period / Year After Periodic Dividends	110,190	264,307
Total Equity Attributed to the Shareholders of the Parent Company	2,348,128	2,422,127
Non Controlling Interest	676	819
Total Equity	2,348,804	2,422,945
Long Term Loans	874,565	1,013,338
Other Long Term Liabilities	57,540	69,841
Deferred Revenues	115,585	15,560
Deferred Tax Liabilities	181,215	154,599
Non-Current Liabilities	1,228,905	1,253,338
Provisions	6,677	11,960
Banks – Overdraft	20,729	32,443
Banks – Credit Facilities	814,661	637,074
Creditors and Other Credit Balances	491,396	317,813
Income Tax	-	72,340
Due to Related Parties	1,618	-
Long-Term Loans – Current Portion	264,947	247,349
Current Liabilities	1,600,028	1,318,980
Total Liabilities	2,828,933	2,572,317
Total Equity & Total Liabilities	5,177,737	4,995,263

III. CONSOLIDATED CASH FLOW

('000 EGP)	1H16	1H15
Cash Flows from Operating Activities		
Net Profit for the Period Before Income Tax & Minority Interest in Profits	154,911	209,545
Adjustments for:		
Fixed Assets' Depreciation	113,512	98,419
Capital Gains (Losses)	(2,603)	(1,926)
Gain on Sale of Investment	(5,571)	-
Change in Equity Accounted Investments	(9,541)	-
Impairment in Trade & Other Receivables	-	1,149
Impairment in Inventories	-	2,792
Reversal of Impairments in Inventories	(42)	-
Provisions for Claims Formed	-	4,618
Financial Lease Installments	9,133	6,051
Amortization of Animal Wealth	2,305	-
Herd Births	(4,286)	-
Herd Capitalized Expenses	(6,572)	-
Losses from Sales of Livestock	819	-
Losses from Deaths of Livestock	554	-
Foreign Exchange	(11,003)	(7,076)
Credit Interests	(12,319)	(5,398)
Finance Interests & Expenses	119,803	93,308
	349,100	401,481
Collected Deposits Interests	11,905	5,390
Paid Finance Interests & Expenses	(113,306)	(90,776)
Change in:		
Inventories	(409,010)	(200,609)
Biological Assets	16,479	-
Trade & Other Receivables	(180,835)	(19,065)
Due from Related Parties	-	526
Change in Creditors & Other Credit Balances	55,803	(38,512)
Due to Related Parties	1,618	-
Dividend Paid to Employees	(21,931)	(19,427)
Provisions for Claims Used	(5,283)	(1,545)
Net Cash Flows used in Operating Activities	(295,460)	37,465
Cash Flow from Investing Activities		
Acquisition of Fixed Assets & Projects Under Construction	(256,722)	(157,950)
Proceeds from Sale of Fixed Assets	12,414	4,370
Proceeds from Acquisition of Animal Wealth	(13,061)	(16,963)
Proceeds from Animal Wealth	2,729	-
Proceeds from Sale Investment held for Sale	56,500	-
Net Cash Flows (Used In) Investing Activities	(198,139)	(170,543)
Cash Flow (used in) Financing Activities		
(Payments) Proceeds from Bank Credit Facilities	177,586	358,365
Proceeds from Bank Loans	(121,175)	(106,097)
Payments for Lease Installments - Sales & Lease Back	(9,133)	(6,051)
Proceeds from Finance Lease -Sales & Lease Back	105,964	-
Dividend Paid to Shareholders	(141,211)	(109,536)
(Decrease) in Minority Interest	(198)	(67)
Net Cash Flows from Financing Activities	11,834	136,614
(Decrease) in Cash & Cash Equivalents during the Period	(481,766)	3,536
Foreign Exchange	1,504	6,644
Cash & Cash Equivalents as at 1 January	762,475	402,916
Cash & Cash Equivalents as at 30 June	282,213	413,096



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. Today, Juhayna owns seven plants in addition to 31 sales and distribution centers and a fleet size of over 1,000 vans and trucks. The company presently has paid-in capital of EGP 941 million and a workforce of more than 5,000 employees.

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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.