

Juhayna Releases Third Quarter 2016 Earnings

THIRD QUARTER 2016

REVENUE EGP 1,259 mn ▲ 11% Y-o-Y	GROSS PROFIT EGP 380 mn ▼ 9% Y-o-Y	EBIT EGP 139 mn ▼ 23% Y-o-Y	NET INCOME EGP 58 mn ▼ 34% Y-o-Y		
DAIRY EGP 636 mn ▲ 10% Y-o-Y	YOGURT EGP 283 mn ▼ 5% Y-o-Y	JUICE EGP 293 mn ▲ 22% Y-o-Y	CONCENTRATES EGP 20 mn ▲ 58% Y-o-Y	AGRICULTURE EGP 4 mn ▼ 33% Y-o-Y	ARJU EGP 22 mn

NINE MONTHS 2016

REVENUE EGP 3,696 mn ▲ 19% Y-o-Y	GROSS PROFIT EGP 1,117 mn ▲ 3% Y-o-Y	EBIT EGP 387 mn ▼ 19% Y-o-Y	NET INCOME EGP 168 mn ▼ 23% Y-o-Y		
DAIRY EGP 1,744 mn ▲ 9% Y-o-Y	YOGURT EGP 923 mn ▲ 14% Y-o-Y	JUICE EGP 812 mn ▲ 38% Y-o-Y	CONCENTRATES EGP 87 mn ▲ 60% Y-o-Y	AGRICULTURE EGP 59 mn ▲ 10% Y-o-Y	ARJU EGP 71 mn

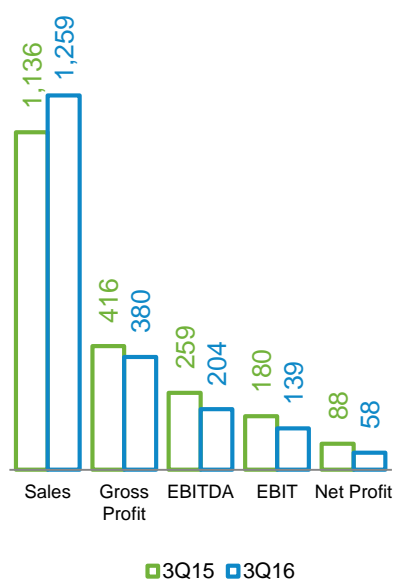
(Cairo, Egypt) — Juhayna Food Industries (JUFO.CA on the Egyptian Exchange), a leading Egyptian dairy, yogurt and juice manufacturer, announced today its consolidated results for the third quarter of 2016, reporting an 11% year-on-year rise in total consolidated revenue to EGP 1,259 million. Net income dropped 34% to EGP 58 million compared to EGP 88 million in the same period last year, translating into a net profit margin of 4.6% in 3Q16. On a nine-month basis, Juhayna reported a 19% increase in total consolidated revenues to EGP 3,696 million with net income standing at EGP 168 million, a 23% decrease year-on-year, while net profit margin also slid by 2.5 percentage points to 4.6% in 9M16.

The highest contributor to the top line remained the dairy segment with 51% of revenues, followed by juice and yogurt, representing 23% and 22% of revenues respectively in 3Q16. Year-to-date, revenue contribution is also led by dairy with 47%, followed by yogurt with 25% and juice with 22% of revenues. Revenue growth in 3Q16 was driven by an increase in the juice and dairy segments' revenues, which climbed 22% and 10% to EGP 293 million and EGP 636 million in the third quarter, together contributing 89% (or EGP 110 million) of the EGP 124 million year-on-year increase in revenues.

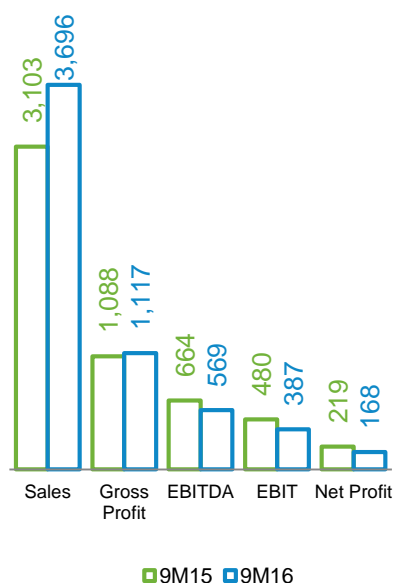
Highlights of Juhayna's financial and operational results along with management's commentary on performance in the quarter follow below. Drawn from the fact that Juhayna operates in a highly competitive environment, management believes that it is in the best interest of shareholders to suspend disclosure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

GROUP CONSOLIDATED PERFORMANCE

3Q16 vs. 3Q15



9M16 vs. 9M15



TO OUR SHAREHOLDERS

As we continue to adapt our business strategy against the backdrop of a challenging economic environment, we at Juhayna are working diligently to sustain our revenue growth trajectory and profitability levels while upholding the leading operational standards that we have always delivered and you have come to expect.

Despite a general escalation in prices and decreasing purchasing power across the Egyptian population, Juhayna recorded an 11% increase in revenues to EGP 1,259 million in the third quarter and a 19% to EGP 3,696 year-to-date. Revenue growth over the nine-month period was owing to enhanced sales across all of the firm’s sectors, led by juice and followed by yogurt and milk respectively. The continuation of our price uptick strategy, implemented to help us restore profitability amidst an inflationary macro environment, is helping us gradually pass on the production cost hikes we incur to the consumer and ensuring consistency in top-line growth. However, the effects of the severe weakening of the EGP against the USD and the lack of foreign currency trickled down to our bottom line, which posted a 34% year-on-year decline in 3Q16 to EGP 58 million compared to EGP 88 million in the same period last year.

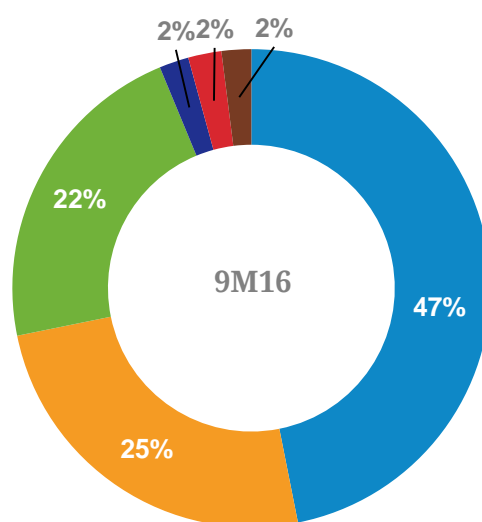
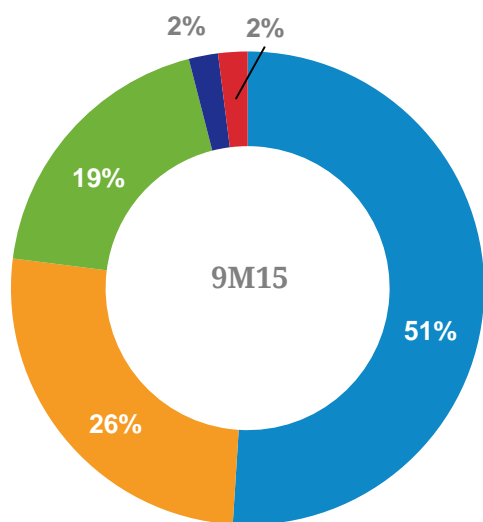
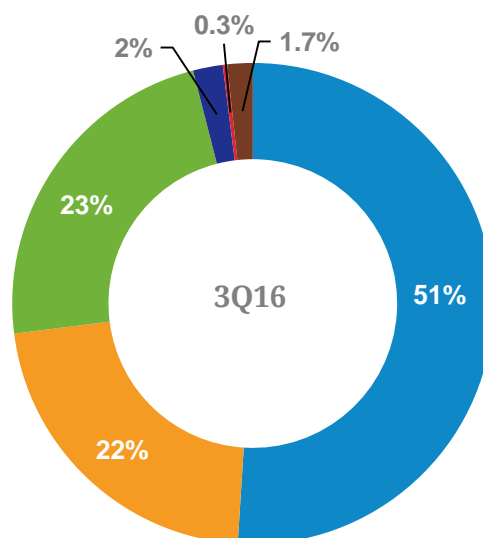
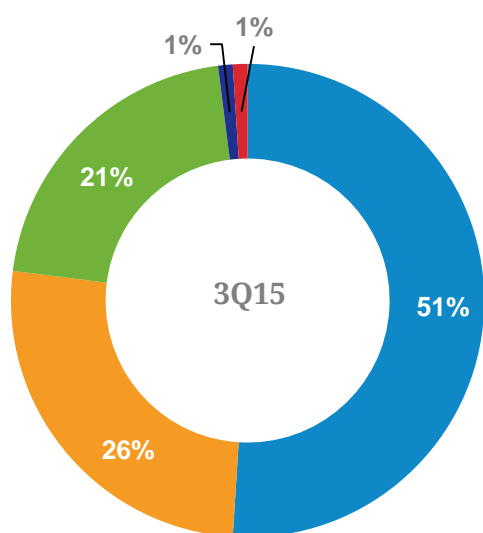
Although Juhayna applied the increase in Egypt’s value-added tax (VAT) rate in September of this year, it is important to note that the effect of the VAT increase on our company is minimal – less than 1% - as dairy and yogurt are exempt and juice products now incur 13% tax, up just 3 percentage points from the previous rate of 10%.

We plan to carry on the gradual planned price increases, transferring cost hikes to the consumer while simultaneously optimizing operational efficiency across our factories and administration, with a particular emphasis on our marketing efforts and a focus on decreasing expenses. We have decided to complete all projects currently underway but put a hold on any new investments for the time being, as well as to reduce risk associated with foreign currency by increasing reliance on domestically produced raw materials.

I am confident that our long-term vision for this company, with the support of our talented and dedicated team, will see us not only overcome the extenuating circumstances of Egypt’s current economic situation but reach new heights in our ongoing success story. I look forward to another quarter of progress and value-creation for all our stakeholders.

Safwan Thabet, Chairman & CEO

REVENUE BREAKDOWN



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

I. CONSOLIDATED INCOME STATEMENT

(EGP '000)	3Q16	3Q15	9M16	9M15
Net Sales	1,259,266	1,135,592	3,696,483	3,103,041
Cost of Sales	(879,111)	(719,502)	(2,579,292)	(2,015,519)
Gross Profit	380,156	416,090	1,117,191	1,087,522
<i>Gross Profit Margin</i>	30%	37%	30%	35%
Other Income	12,520	5,753	48,340	15,458
Sales & Distribution Expenses	(196,932)	(174,036)	(600,997)	(466,763)
General & Administrative Expenses	(42,734)	(36,951)	(146,247)	(106,602)
Other (Expenses)	(14,295)	(30,701)	(30,106)	(48,759)
Board of Directors Remuneration	(110)	(95)	(700)	(645)
Results from Operating Activities	138,605	180,060	387,482	480,211
EBITDA	203,882	259,252	568,630	664,456
<i>EBITDA Margin</i>	16%	23%	15%	21%
The Holding Company's Share in Profit of Companies Under Joint Control	-	-	(609)	-
Revenue of Investments Available for Sale	-	-	5,571	-
End of Service Remuneration	(1,029)	(152)	(3,088)	(9,654)
Financing Income & Financing Expenses	(65,896)	(45,373)	(162,765)	(126,477)
Net Profit Before Tax	71,679	134,536	226,590	344,080
Tax Differences from Previous Periods	-	1	3,956	231
Income Tax	(9,045)	(16,711)	(26,053)	(53,914)
Investment Tax	-	-	(4,998)	(4,099)
Deferred Tax	(4,445)	(29,591)	(31,060)	(67,687)
Net Profit	58,190	88,235	168,435	218,611
	5%	8%	5%	7%

II. CONSOLIDATED BALANCE SHEET

(EGP '000)	9M16	9M15
Property, Plant and Equipment	2,826,159	2,761,272
Projects Under Construction	559,165	430,870
Plant Wealth	16,873	14,304
Animal Wealth	84,295	40,066
Payment Under Investment Accounts	-	10,150
Investment in Companies Under Joint Control (Equity)	9,541	-
Long-Term Assets	767	774
Other Long Term Debit Balances	10,113	-
Goodwill	97,093	97,093
Non-current Assets	3,604,007	3,354,529
Investments Held for Sale	-	50,929
Biological Assets	29,762	33,021
Inventories	1,120,810	573,856
Trade and Other Receivables	346,933	188,010
Cash and Cash Equivalents	228,268	794,918
Current Assets	1,725,772	1,640,734
Total Assets	5,329,780	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	479,492	418,147
Total Comprehensive Income for the Period / Year After Periodic Dividends	168,349	264,307
Total Equity Attributed to the Shareholders of the Parent Company	2,406,286	2,422,127
Non Controlling Interest	707	819
Total Equity	2,406,993	2,422,945
Long Term Loans	876,021	1,013,338
Other Long Term Liabilities	53,525	69,841
Deferred Revenues	112,014	15,560
Deferred Tax Liabilities	185,659	154,599
Non-Current Liabilities	1,227,219	1,253,338
Provisions	6,391	11,960
Banks – Overdraft	24,746	32,443
Banks – Credit Facilities	950,781	637,074
Creditors and Other Credit Balances	427,367	317,813
Income Tax	-	72,340
Due to Related Parties	16,335	-
Long-Term Loans – Current Portion	269,947	247,349
Current Liabilities	1,695,567	1,318,980
Total Liabilities	2,922,787	2,572,317
Total Equity & Total Liabilities	5,329,780	4,995,263

III. CONSOLIDATED CASH FLOW

(EGP '000)	9M16	9M15
Cash Flows From Operating Activities		
Net Profit For The Period Before Income Tax & Minority Interest In Profits	226,590	344,080
Adjustments For:		
Fixed Assets' Depreciation	173,738	150,870
Capital Gain	(1,986)	(2,639)
Profit Form Sale Of Investments Held For Sale	(5,571)	-
Impairment In Fixed Assets	-	13,215
Change In Investments In Equity Accounted Investees	(9,541)	-
Impairment In Trade And Other Receivables	1,086	2,018
Impairment In Inventories	-	-
Reversal Of Impairment In Inventories	(42)	-
Provision For Claims	-	7,968
Financial Lease Installments	15,447	9,096
Amortization Of Animal Wealth	3,981	-
Herd Births	(9,415)	-
Herd Capitalized Expenses	(11,823)	-
Losses From Selling Cows	1,527	-
Losses From Calves Death	1,328	-
Foreign Exchange Currency	(14,199)	(10,148)
Credit Interests	(14,475)	(8,455)
Finance Interests & Expenses	191,052	144,810
	547,697	650,814
Collected Time Deposits Interests	12,996	8,384
Interest Finance Expenses Paid	(184,958)	(137,291)
Changes In:		
Inventories	(546,912)	(34,797)
Biological Assets	3,260	-
Trade & Other Receivables	(168,636)	1,984
Due From Related Parties	-	816
Change In Creditors & Other Credit Balances	(29,348)	(78,977)
Due To Related Parties	16,335	-
Dividend Paid To Employees	(25,068)	(22,336)
Provisions For Claims Used	(5,569)	(4,868)
Net Cash Flows Used In Operating Activities	(380,203)	383,730
Cash Flow From Investing Activities		
Acquisition Of Fixed Assets & Projects Under Construction	(383,022)	(203,323)
Proceeds From Sale Of Fixed Assets	18,087	67,420
Acquisition Of Animal Wealth	(37,695)	(18,173)
Proceeds From Animal Wealth	5,298	-
Proceeds From Sale Of Investments Held For Sale	56,500	-
Net Cash Flows (Used In) Investing Activities	(340,832)	(154,076)
Cash Flow (Used In) Financing Activities		
(Payments) Proceeds From Bank Credit Facilities	313,707	(26,405)
Proceeds From Bank Loans	(114,719)	79,678
Payments For Lease Installments - Sales And Lease Back	(15,447)	(9,076)
Proceeds From Finance Lease - Sale And Lease Back	105,964	-
Dividend Paid To Shareholders	(141,211)	(109,536)
(Decrease) In Minority Interest	(198)	(68)
Net Cash Flows From Financing Activities	148,097	(65,406)
(Decrease) In Cash & Cash Equivalents During The Period	(572,938)	177,113
Foreign Exchange Currency	13,985	10,136
Cash & Cash Equivalents As At 1 January	762,475	402,916
Cash & Cash Equivalents As At 30 September	203,522	590,165

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.