



Domty Reports 10.3% Y-o-Y Growth in Revenues to EGP 786.6 mn during 1H16; Reveals Unaudited July Price Increases in line with Inflationary Environment

Highlights of 2Q16

Revenues EGP 416.0 mn, up 3.0% y-o-y	Gross Profit EGP 89.0 mn, down 13.3% y-o-y	Gross Profit Margin 21.4%
Operating Profit EGP 33.9 mn, down 47.0% y-o-y	Net Income EGP 20.7 mn, down 47.6% y-o-y	Net Profit Margin 5.0%

Highlights of 1H16

Revenues EGP 786.6 mn, up 10.3% y-o-y	Gross Profit EGP 186.0 mn, up 4.2% y-o-y	Gross Profit Margin 23.7%
Operating Profit EGP 79.2 mn, down 26.2% y-o-y	Net Income EGP 44.9 mn, down 27.7% y-o-y	Net Profit Margin 5.7%

Cairo, 14 August 2016

Arabian Food Industries Company Domty S.A.E. (DOMT.CA on the Egyptian Exchange), Egypt's largest cheese manufacturer by market share, announced today its consolidated results for the six month period ending 30 June 2016, reporting a 10.3% year-on-year growth in revenues to EGP 786.6 million. Net profit after tax (NPAT) came in at EGP 44.9 million, down 27.7% year-on-year compared to 1H15 and with a net profit margin of 5.7%. On a quarterly basis, net profit stood at EGP 20.7 million in 2Q16 on revenues of EGP 416.0 million, up 3.3% y-o-y. Subdued performance during the quarter primarily owes to one-off sales returns of EGP 18.6 million resulting from the cancellation of third-party selling agents' contracts. Setting aside this non-recurring event, top-line growth would stand at 7.6% during 2Q16 and 12.9% during 1H16.



Commenting on the quarter's performance, Domty Vice Chairman and Deputy Managing Director Mr. Mohamed Omar El Damaty said: "Management sees it a prudent step to reduce our dependence on third-party selling agents given the current macro backdrop, which includes inflation running at seven-year highs for the past two months. The devaluation of the Egyptian Pound coupled with limited foreign currency supply through official channels has had a direct effect on our cost base, but we have been cautious in passing on price increases to consumers during the second quarter. By increasingly resorting to a more direct sales approach, Domty will maintain pricing control going forward, putting us in a better position to protect margins and profitability. Over the coming months, we will capitalize on the seasonality of our business, which typically sees the market better able to absorb more pronounced price increases. We have already raised prices in July and August and we anticipate further increases in light of the continued depreciation of the Egyptian Pound."

Shown below is a table with average price increases during 1H16 and July 2016 (excluding exports):

Product	1Q16	2Q16	% change	July 2016 (unaudited)	% change
<i>Pricing: EGP per kilo</i>					
Cheese: Carton Pack	10.84	11.05	1.9%	12.23	10.7%
Cheese: Plastic Tub	16.00	16.89	5.5%	18.03	6.8%
Mozzarella	38.13	39.07	2.4%	39.43	0.9%
Juice	5.38	5.01	(6.9%)	5.61	12.1%

Revenues were also weighed down during the second quarter of the year as it coincided with the holy month of Ramadan, during which demand for cheese products tends to ease, as well as capacity constraints at the juice segment which are set to be unlocked with the new manufacturing facility coming online in the coming months.

"The rapid decline of the Egyptian Pound has not had an effect on our expansion plans nonetheless. We have already added additional capacity at our Tetrapak cheese plant and we remain committed to delivering new capacity to our juice operation during the third quarter," **said El Damaty**. "Said expansions will allow us to lock-in a larger share of the market while also improving profitability in the final quarters of 2016. We remain confident in our ability to meet our previously stated guidance of achieving 20% y-o-y growth in FY2016."

Shown below is a table with average increase in sales volumes during 1H16 and July 2016 (excluding exports):

Product	1Q16	2Q16	% change	July 2016 (unaudited)	July 2015	% change
<i>Volume: tons</i>						
Cheese: Carton Pack	21,982	24,517	11.5%	7,838	5,512	42.2%
Cheese: Plastic Tub	2,094	2,464	17.7%	757	693	9.2%
Mozzarella	599	597	(0.4%)	223	186	20.1%
Juice	8,923	12,275	37.6%	3,871	3,314	16.8%

Gross profit for the six month period came in at EGP 186.0 million, up 4.2% y-o-y compared to 1H15 with a gross profit margin of 23.7% versus 25.0% in the same period last year. It is worth noting that the EGP 18.6



million sales reversal in 2Q16 filters into an EGP 5 million decline in gross profitability for the period. Setting aside this non-recurring charge, gross profit growth during 1H16 would stand at 6.9% y-o-y.

SG&A expenses reached EGP 115.7 million in 1H16 or 14.7% as a percent of sales versus 10.9% in the same period last year. The y-o-y increase is owing to several factors namely heightened marketing activities during the quarter, an EGP 2 million in employee bonuses that was typically booked during the third quarter, as well as increased distribution costs owing to the company's strategy of reducing its dependence on third-party selling agents. Additionally, as previously stated in our 1Q16 earnings release Domty had booked a one-time provision reversal of EGP 4.8 million during the first quarter of 2015. Factoring out this one-off proceed, SG&A as a percentage of sales would have stood at 11.6% in 1H15.

EBITDA for 1H16 was EGP 97.8 million, equivalent to an EBITDA margin of 12.4%, compared to EGP 122.3 million in the same period last year with a 17.1% margin. Factoring out the one-time provision reversal booked in 1Q15, EBITDA margin is reduced to 16.3% in 1H15.

Interest expenses paid during 1H16 stood at EGP 25.1 million versus EGP 20.1 million in the same period last year, an increase of c.25% y-o-y owing to the Central Bank of Egypt's raising of its benchmark interest rate in December 2015, March 2016 and June 2016. Meanwhile, taxes paid during the period recorded EGP 15.0 million in 1H16, down 40% compared to 1H15 figure of EGP 25.3 million primarily owing to a lower net profit before tax as well as a reduced effective income tax rate.

Domty posted a bottom-line of EGP 44.9 million in 1H16, down 27.7% y-o-y and with a net profit margin of 5.7% versus 8.7% in 1H15.

In conclusion, El Damaty said: "We are heading into the second half of the year having laid the foundation for our future growth, both through increased production volumes and pricing control. Meanwhile, demand in our market continues to be fundamentally solid; we are confident it will support an expanded product offering. We have already set in motion a plan to begin producing Roumy cheese and are exploring opportunities in other yellow cheese segments. Aside from the Roumy cheese market, the yellow cheese segment is valued at EGP 1.0 billion per year and is satisfied primarily through imports, where we believe the devaluation of the Egyptian pound will favour an import substitute. On the export front, we continue to build a strong platform by extending facilities to our agents abroad while also exploring opportunities in new markets. Our end goal is simple: to maintain our position as the nation's leading cheese manufacturer and to continue satisfying our consumer demand for high-quality products, all while safeguarding shareholder value."

Segment breakdowns along with summary financial statements follow. Complete financial statements can be downloaded at ir.domty.org



I. Segment Analysis

Revenues by Segment	2Q15	2Q16	% change	1H15	1H16	%change
Carton Pack						
Total Volumes Sold (k tons)	25.2	25.4	0.8%	43.2	49.1	13.7%
Revenues (EGP mn)	274.1	280.1	2%	472.9	536.3	13%
% of Total Revenues	68%	67%		66%	68%	
Gross Profit (EGP mn)	68.7	58.2	(15.3%)	116.8	125.2	7.2%
Gross Profit Margin	25.1%	20.7%		24.7%	23.4%	
Plastic Tub						
Total Volumes Sold (k tons)	2.4	2.6	8.3%	4.5	4.9	8.9%
Revenues (EGP mn)	40.0	43.1	8%	74.0	80.2	9%
% of Total Revenues	10%	10%		10%	10%	
Gross Profit (EGP mn)	12.8	11.7	(8.6%)	21.7	23.0	6.0%
Gross Profit Margin	32.0%	27.2%		29.3%	28.7%	
Mozzarella						
Total Volumes Sold (k tons)	0.57	0.62	8.8%	1.0	1.2	20.0%
Revenues (EGP mn)	22.0	24.0	9%	40.2	47.5	18%
% of Total Revenues	5%	6%		6%	6%	
Gross Profit (EGP mn)	8.1	10.6	30.9%	13.6	20.2	48.5%
Gross Profit Margin	36.8%	44.2%		33.8%	45.5%	
Spreadable						
Total Volumes Sold (k tons)	0.01	0.06	500%	0.25	0.18	(28.0%)
Revenues (EGP mn)	3.5	1.9	(46%)	7.0	5.0	(29%)
% of Total Revenues	0.9%	0.5%		1%	0.6%	
Gross Profit (EGP mn)	0.93	0.35	(62.4%)	1.9	1.2	(36.8%)
Gross Profit Margin	26.6%	18.4%		27.1%	24.0%	
By-Product						
Total Volumes Sold (k tons)	0.30	0.21	(30.0%)	0.59	0.43	(27.1%)
Revenues (EGP mn)	2.1	0.7	(67%)	4.4	1.9	(57%)
% of Total Revenues	0.5%	0.2%		0.6%	0.2%	
Gross Profit (EGP mn)	0.23	0.05	(78.3%)	0.67	0.13	(80.6%)
Gross Profit Margin	11.0%	7.0%		15.2%	7.0%	
Total Cheese Segment						
Total Volumes Sold (k tons)	28.7	28.9	0.7%	49.6	55.9	12.7%
Revenues (EGP mn)	341.7	349.9	2%	598.4	671.0	12%
% of Total Revenues	85%	84%		84%	85%	
Gross Profit (EGP mn)	90.8	80.8	(11.0%)	154.6	169.8	9.8%
Gross Profit Margin	26.6%	23.1%		25.8%	25.3%	
Juice Segment						
Total Volumes Sold (k tons)	12.2	13.3	85.2%	22.1	22.6	(39.8%)
Revenues (EGP mn)	62.1	66.1	6%	114.9	115.6	0.6%
% of Total Revenues	15%	16%		16%	15%	
Gross Profit (EGP mn)	11.8	8.1	(31.4%)	24.0	16.3	(32.1%)
Gross Profit Margin	19.0%	12.3%		20.9%	14.1%	



II. Consolidated Income Statement

(EGP mn)	1H15	1H16	% Change	2Q15	2Q16	%Change
Net Sales	713.4	786.6	10.3%	403.8	416.0	3.0%
Cost of Sales	(534.8)	(600.5)	12.3%	(301.2)	(327.0)	8.6%
Gross Profit	178.6	186.0	4.1%	102.6	89.0	(13.3%)
<i>Gross Profit Margin</i>	25.0%	23.6%	(1.4 pts)	25.4%	21.4%	(4.0 pts)
Sales & Marketing Expenses	(68.2)	(100.6)	47.5%	(37.4)	(52.3)	39.8%
General & Administrative Expenses	(9.4)	(15.1)	60.6%	(5.1)	(7.9)	54.9%
Total SG&A	(77.6)	(115.7)	49.1%	(42.5)	(60.2)	41.6%
Other Income (Expenses)	6.5	9.0	38.5%	3.9	5.0	28.2%
Provisions (including reversals)	(0.20)	(0.16)	(20.0%)	(0.09)	(0.004)	(95.6%)
Operating Profits	107.3	79.2	(26.2%)	63.9	33.9	(46.9%)
<i>Operating Profit Margin</i>	15.0%	10.1%	(4.9 pts)	15.8%	8.1%	(7.7 pts)
Interest Income	0.16	5.8	High	0.08	5.8	High
Interest Expense	(20.1)	(25.1)	24.9%	(7.9)	(12.1)	53.2%
Net Profit Before Tax	87.4	59.9	(31.5%)	56.1	27.6	(50.8%)
Income Tax	(25.3)	(15.0)	(40.7%)	(16.6)	(6.9)	(58.4%)
Net Profit	62.1	44.9	(27.7%)	39.5	20.7	(49.1%)
<i>Net Profit Margin</i>	8.7%	5.7%	(3.0 pts)	9.8%	5.0%	(5.0 pts)



III. Consolidated Balance Sheet

(EGP mn)	30 June 2016	31 December 2015
Cash & Equivalents	319.0	28.1
Inventory	160.0	164.9
Receivables	303.4	243.4
Prepayments & Other Receivables	132.4	90.0
Total Current Assets	914.8	526.3
PP&E (Net)	222.6	188.5
Projects Under Construction	97.2	20.2
Total Non-Current Assets	319.8	208.7
Total Assets	1,234.6	735.0
Short-Term Debt	429.8	316.1
CPLTD	11.5	11.5
Machine Installments - CP	33.5	22.6
Payables	101.9	78.8
Dividends Payable	4.2	-
Provisions	12.6	12.0
Accruals & Other Payables	37.3	29.3
Income Tax Payable	14.3	38.0
Total Current Liabilities	645.1	508.4
LT Debt	21.1	26.8
Machine Installments - LT	50.5	17.6
Sales Tax on Machines & Equipment	4.8	5.5
LT Notes Payable	0.25	0.38
Deferred tax liabilities	18.7	18.0
Total Non-Current Liabilities	95.3	68.3
Total Equity	494.1	158.4
Total Equity & Liabilities	1,234.6	735.0



About Arabian Food Industries Company Domty S.A.E.

Domty, founded in 1988 and headquartered in Egypt, is a leader in the growing Egyptian cheese and juice market. The Company manufactures, markets and distributes a range of branded white and processed cheeses and juice products, with a family of nearly 200 SKUs under a brand portfolio including Domty, Damo, Gebnety and Bravo. Domty is a household name and the number-one cheese producer in the nation by market share. The Company sells to tens of thousands of retail and business customers as well as to more than 35 export destinations. Learn more about Domty by visiting Domty.org.

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