SAVOLA GROUP REPORTS FULL YEAR 2016 FINANCIAL RESULTS

Jeddah, KSA – January 19th, 2017:

Savola Group (Tadawul: 2050), one of Saudi Arabia's leading retail and food holding companies, issued its fourth quarter and full year 2016 financial results, today. The highlights are as follows:

FY HIGHLIGHTS

- Group revenue at SAR 25.0 billion (FY 2015: SAR25.1 billion)
- Operating income of SAR 835 million (FY 2015: SAR 1,785 million)
- Group net loss at SAR 451 million (FY 2015: net income of SAR 1,792 million)
- Impairment charges totalled SAR 574 million. *Savola Group net share is SAR 517 million*
- Inventory reduction exercise cost of SAR 377 million. Savola Group net *share is SAR 343 million*
- Reinstatement of the classification of edible oil subsidiary of Savola Foods Company in Morocco from held for sale resulted in a positive impact of SAR 26 million
- Adjusted net profit is SAR 810 million after adding back one-off costs, currency losses, extraordinary inventory impact and other exceptional items
- Earnings per share down to a loss of SAR (0.85) / share (FY 2015: SAR 3.36 per share)
- $100 million investment in Egypt sugar business from EBRD
- Retail transformation plan well underway

Q4 2016 HIGHLIGHTS

- Revenue of SAR 6.2 billion (Q4 2015: SAR 6.3 billion)
- Operating loss of SAR 176 million (Q4 2015: net income of SAR 378 million)
- Net loss of SAR 964 million (Q4 2015: net income of SAR 515 million)
- Impairment charges totalled SAR 574 million. *Savola Group net share is SAR 517 million*
- Inventory reduction exercise cost of SAR 377 million. Savola Group *net share is SAR 343 million*
- Reinstatement of the classification of edible oil subsidiary of Savola Foods Company in Morocco from held for sale resulted in a positive impact of SAR 26 million
- Adjusted net profit is SAR 74 million after adding back one-off costs, currency losses, extraordinary inventory impact and other exceptional items

Mr Sulaiman A.K. Al-Muhaidib, Chairman of Savola Group, said: "2016 was a year of important changes across the Group. Importantly, our management team has proactively taken decisive action to address underperformance in our retail division through a carefully thought-through transformation programme. In the food segment, whilst we had to take losses due to the currency devaluation in Egypt and other charges, the underlying fundamentals remain strong. Looking ahead, our focus continues to be improving customer experience in our retail business and enhancing our productivity. As the macro-economic situation slowly improves, we are well-positioned to capitalise on growth opportunities."

GROUP FINANCIALS

The Group reported SAR 25.0 billion in full year 2016 revenue as compared to SAR 25.1 billion in full year 2015. The lack of growth in revenue was mainly due to the underperformance of the retail segment, exacerbated by the macro environment in Saudi Arabia. The overall net loss was SAR 451 million for the full year 2016 compared to net profit of SAR 1,792 million for the full year 2015. The Company reported a number of exceptional one-off items that negatively impacted the Q4 and FY profitability. Excluding these charges and the exceptionally high currency losses incurred in 2016, adjusted net profit for the full year 2016 was SAR 810 million compared to adjusted 2015 net profit of SAR 1,480 million.

Earnings per share were negative at SAR (0.85) and cash and cash equivalents stood at SAR 1.3 billion at year end. In the fourth quarter 2016, Savola reported revenues and net loss of SAR 6.2 billion and SAR 964 million respectively, compared to SAR 6.3 billion and net profit of SAR 515 million in the fourth quarter 2015.

RETAIL

Revenue was SAR 13.5 billion for the full year 2016, in line with the same period last year mainly due to new store openings coupled with a decline in Like for Like (LfL) sales. The LfL sales decreased is due to a reduction in basket size across both supermarket and hypermarket formats. Gross margin was 19.6% of sales, as compared to 24% for the full year 2015. The decline in gross margins is partly due to the costs associated with inventory reduction. Net loss was SAR 773 million compared to a profit of SAR 146 million in 2015 corresponding to a margin deterioration to -5.7% from 1.1%. The normalized loss was SAR 396 million. The average retail selling space increased during the full year, compared with the same period last year, by around 1% as 18 new stores were added across Saudi Arabia.

The strategy for Panda Retail Company over the last several years was to expand aggressively across Saudi Arabia and the business has built up an extraordinary infrastructure manifested by leading store count, #1 in market share and unique distribution capability in Saudi Arabia. The company also started operating its second distribution center in King Abdullah Economic City at the end of 2015. Due to the rapid deceleration in grocery retail, the performance of these assets fell below forecasts and the inventory purchased in anticipation of these forecasts was high. The resulting duress resulted in a profitability drop and inventory accumulation. A portion of the operating losses in 2016, around SAR 106 million excluding closure costs, was associated with the convenience format, Pandati. The format is being reconfigured through store closures and layout changes as well as through reviewing and changing the assortment within the stores to improve traffic and sales.

The Group has acted to mitigate any further negative sales by effecting a transformation programme. With that, the Group is managing capital resources more efficiently, streamlining production and logistics and closing underperforming stores within the convenience store format. The inventory reduction campaign was conducted to return inventory to normal levels and achieving negative working capital, and improve the cash position and long-term health of Panda. As noted Panda recorded a one-off non-recurring cost of SAR 377 million in Q4 2016 as a result.

FOODS

Revenue was flat at SAR 11.8 billion despite adverse conditions in many of the operating markets as the group benefits from operating largely in the defensive basic foods segment within growth markets.

Savola Foods' sales volumes across geographies demonstrated stability with 4.0 million MT sold in total in 2016. The strength of the Group's brand was demonstrated in improved pricing and sales within premium segments, offsetting some of the foreign exchange losses. Full year operating margin came under pressure from the currency devaluation.

Other material impact on our results for the full year 2016 include non-recurring charges relating to impairment of goodwill, property and equipment related to Egypt.

Net profit for the full year 2016 was SAR 14 million. Adjusted net profit, excluding impairment charges and before accounting for FX losses, was SAR 568 million as compared to a net profit of SAR 678 million in 2015.

Fourth quarter net loss was SAR 262 million on revenue of SAR 3,142 million.

SFC secured a significant investment in our Egyptian sugar business last year. United Sugar Company of Egypt (USCE) received a $100 million equity investment from the European Bank for Reconstruction and Development (EBRD). Part of the investment will enable USCE to improve its operational efficiency and competitiveness, as well as help the company enhance its health and environmental practices to meet international standards. The transaction is expected to be completed in Q1 2017.

STRATEGIC INVESTMENTS

Full year and Q4 income from Almarai and Herfy stood at SAR 868 million. Almarai contributed SAR 763 million of this income and Herfy contributed SAR 107 million.

NON CORE

The Group also evaluated the performance, outlook, and value of the Company's non-core private equity investments, namely Joussour Holding Company, Intaj Capital Limited, and Swicorp Company. This has resulted in an impairment charge of SAR 272 million.

OUTLOOK

Eng. Rayan Mohammed Fayez, Chief Executive Officer of The Savola Group said "Savola Group's underlying business fundamentals continue to be very strong and we are well positioned to benefit from the long term trends in our markets. We operate largely in defensive sectors with leading market shares across growth markets which benefit from a young and growing population, growing middle class and increasing household consumption." Savola Foods maintains leading market shares in edible oils, sugar, and pasta in all its operating geographies whilst Panda is the largest grocery retail player in the Kingdom. He added, "The dip seen in 2016 is a reflection of the need to reconfigure our operating model in retail, a task we have embarked on to ensure that we reap the benefits of both the defensive nature of the segment we operate in and our scale. Pressures seen in our food segment were driven by external factors and the profitability levels after stripping out currency impacts are a testament to the stability of that segment. We are also confident that our shareholdings in Almarai and Herfy represent exposure to attractive consumer categories in KSA as well as the broader region".