Obour Land continues to deliver strong double-digit top-line growth at 42% in FY17; bottom line likewise turns an exceptional 50% growth despite the challenging economic environment

Key Highlights

All figures are in EGP unless stated otherwise	FY17	FY16	y-o-y Change
Net Revenues	2,066mn	1,450mn	42%
Volume Sold	97k tons	97k tons	(0%)
Average price/kg	21.3	15.0	42%
Gross Profit	486mn	363mn	34%
Gross Profit Margin	24%	25%	-1pp
EBITDA	344mn	234mn	47%
EBITDA Margin	17%	16%	+1pp
Net Profit	243mn	162mn	50%
Net Profit Margin	12%	11%	+1pp

Cairo, Egypt | March 18, 2018 - Obour Land for Food Industries S.A.E. (OLFI) announced its FY2017 results. The Company's sales for the period recorded EGP 2.07bn, posting a growth of 42% compared to FY2016.

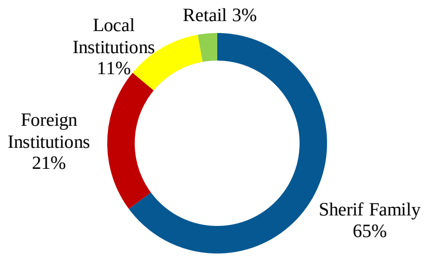
- Total volume sold in FY17 remained almost unchanged compared to FY16 recording 97 thousand tons, which is considered as an achievement considering the decreasing consumer purchasing power in 2017, while average price per kilogram increased by 42% y-o-y to reach EGP 21.3 during FY17. The witnessed growth in the Company's sales performance was mainly driven by the increase in prices, along with the successful sales strategy and marketing campaigns adopted during the period which helped to keep the volume sold unchanged in a decreasing market.

- The Company recorded gross profit of EGP 486mn during FY17, posting a y-o-y growth of 34%, translating into a gross profit margin of 24%, compared to 25% in FY16.

- Earnings before interest, taxes, depreciation and amortization (EBITDA) recorded a 47% y-o-y growth, to reach a record high EGP 344mn in FY17, yielding an EBITDA margin of 17%.

- Obour Land achieved a net profit of EGP 243mn during FY17, a 50% growth compared FY16, translating into a net profit margin of 12% for FY17, an increase of 100bps y-o-y. The surge in profitability margins is driven by the management's price migration strategy.

Net Revenues (EGP mn)



TO OUR SHAREHOLDERS

I am delighted to share with you our FY17 results, a period of reaping the benefits of our previously applied price point migration strategy; the strategy that propelled the Company ahead of competition and intensifying macro-economic challenges.

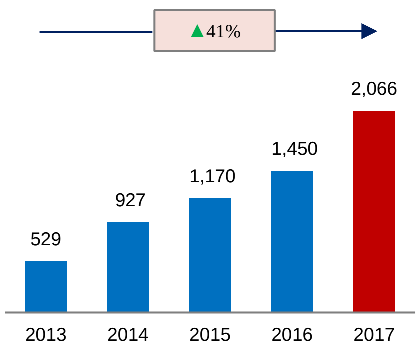
We witnessed a strong period in terms of revenue, profitability, growth, and market share gain. Total net revenues surged by 42% y-o-y in FY17 to reach EGP 2.07bn, driven by price increases as the average price per kilogram grew from EGP 15.0 in FY16 to EGP 21.3 in FY17, a 42% y-o-y increase. Amid the decrease in the food & beverage market in Egypt, our volumes were not affected by the decrease in consumer purchasing power and general inflation, remaining almost the same at 97k tons, resulting in flat volume y-o-y growth. The company was able to expand its profitability margins, recording an EBITDA margin of 17% in FY17 compared to 16% in FY16, while net profit margin increased from 11% in FY16 to 12% in FY17.

We are pleased to announce the addition of 3 new production lines in FY17 with a combined capacity of c.60 thousand tons per annum, as well as 8 new distribution centers penetrating 3 new governorates and 144 new distribution vehicles in the same period to reach a total of 345 vehicles. Moreover, the company started operating three new juice lines (total capacity of 99mn liters) and one new milk line with a capacity of 27mn liters with the production commenced in December 2017. The company is committed to its announced expansion plans, with an aim to introduce two production lines of mozzarella cheese and processed cheese in 1Q18, with a combined estimated capacity of 7.2 ktpa.

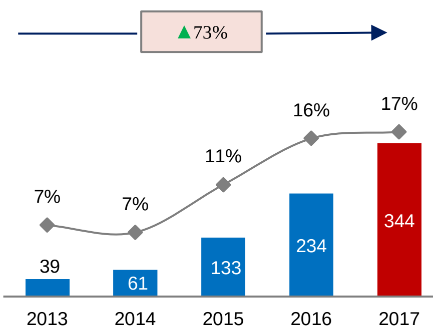
We are glad to announce the acquisition of a land plot that extends over 34 fedans, which will house our new dairy farm consisting of 1,500-2,000 Holstein heifers, with an expected milk production of 50 tons/day. The project will offer Obour Land multiple synergies from vertical integration that will compensate for the shortage and high cost of milk that represents a major feed component in the production of packaged milk. The project is expected to be operational in 2019 and is projected to cost around EGP 150mn to be financed through the company's internally generated cash.

Our commitment to excellence and aspirations to offer products of superb quality and affordability, while maximizing shareholder value, remains our key primary focus and the relentless driver to our expansionary attitude.

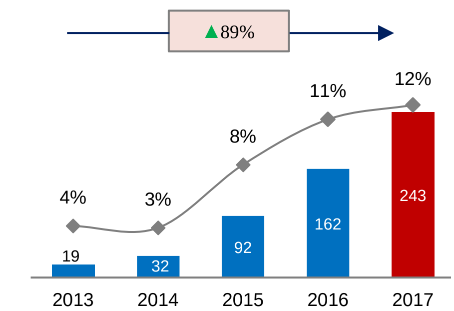
Net Revenue (EGP mn)



EBITDA, Margin (EGP mn, %)



Net Income, Margin (EGP mn, %)



2013-2017 CAGR

Key Financial Indicators

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Net Profit	243mn	162mn	50%
Net Profit Margin	12%	11%	+1pp
Net Debt	119mn	199mn	-40%
Net Debt / EBITDA	0.3x	0.9x	-0.6x
Cash Conversion Cycle	53 days	88 days	-35 days
Return on Equity (ROE)	46%	43%	+3pp
Return on Assets (ROA)	25%	19%	+6pp

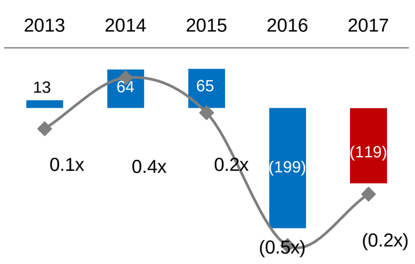
Financial Review

Obour Land for Food Industries (OLFI) reported strong double-digit revenue growth of 42% y-o-y to record EGP 2.07bn during FY17. The increase in revenue is driven mainly by pricing as the company successfully rolled out its price migration strategy.

The adoption of the price migration strategy also helped enhance the company's profitability margins, increasing the EBITDA and net profit margins by 100bps y-o-y in FY17.

The Company maintains a strong balance sheet, especially in terms of leverage as the company's net debt / EBITDA margin stands at 0.3x in FY17.

Net Cash (Net Debt), Net Cash/Equity (EGP mn, x)



The Company's cash sales strategy helps it boast an impressive cash conversion cycle with 53 days in FY17 compared to 88 days in FY16. Receivable days on hand is still favorably low at 12 days in FY17 as the majority of the company's sales are done in cash.

SG&A expenses amounted to 7% (as a percentage of sales) in FY17 compared to 9% in FY16, a 200bps decrease y-o-y.

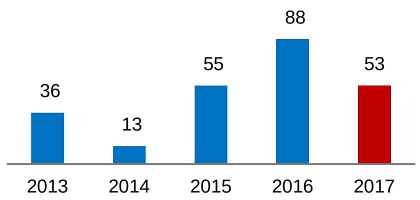
Operational Overview

The company witnessed strong and consistent revenue growth during the past couple of years and extending into 2017, supported by the addition of three production lines in 9M17 (59.6 kpta additional capacity) to expand the total capacity to 194.1 thousand tons per annum ("ktpa"). In addition, the company penetrated new export markets such as Jordan, Palestine and UAE (among others). Export sales grew from EGP 2mn in FY16 to EGP 10.8mn in FY17, with the aim to grow exports even further to develop a constant source of USD.

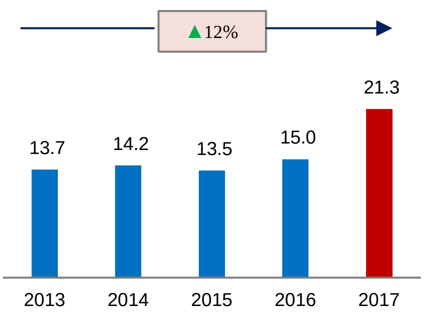
The company's management decision to act as a first mover, by rapidly and successfully rolling-out its price migration strategy starting March 2016 proved to be effective in terms of both growth and profitability. The strategy allowed the company to stay ahead of macro-economic challenges post the EGP floatation whereas average selling price per kg increased from EGP 15.0 in FY16 to EGP 21.3 in FY17. As a consequence of adapting this strategy; the company maintained its growing y-o-y revenue trend, experiencing a 42% increase in y-o-y revenue from FY16 to FY17. In addition, the Company's products proved to be more resilient than the F&B market, maintaining the company's sales volume in FY17 at 97k tons.

Cash Conversion Cycle (Days)

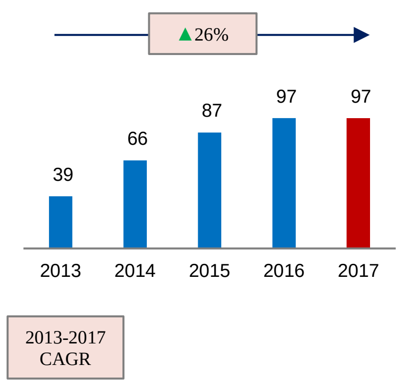
CCC increased in 2016 on the back of a pile up in raw materials inventory, purchased at low price points



Average Price (EGP/kg)



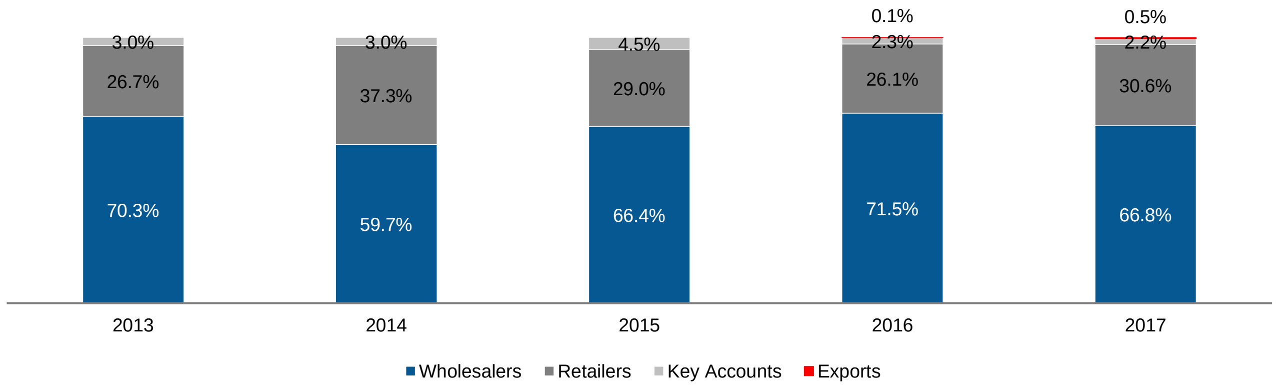
Total Volume (ktpa)



Obour Land increased its fleet of vehicles to 345 as of FY17 (72% increase from FY16) serving its direct distribution network that is constituted of 23 distribution centers across Egypt, in addition to the indirect distribution to wholesalers and retailers. The increase in fleet size is part of the company's strategy to increase their operational efficiency as well as to accommodate the new expansion plans.

On the distribution front, sales through wholesalers and retailers accounted for the majority of FY17 sales (c.97%), while c.3% of sales were directed to key-accounts, hypermarkets, and exports. Export sales grew as of FY17 to EGP 10.8mn; the company is adopting an expansion plan and the launch of new product offering is expected to flourish export sales.

Sales Breakdown by Channel



Income Statement

(Egyptian Accounting Standards)

EGP	2013	2014	2015	2016	2017
Revenues	528,868,362	926,979,665	1,169,837,613	1,450,122,574	2,065,516,703
Export Rebates	-	-	-	-	558273
Cost of sales[1]	-467,487,279	-835,651,737	-985,062,271	-1,087,501,189	-1,579,642,506
Gross Profit	**61,381,083**	**91,327,928**	**184,775,342**	**362,621,385**	**486,432,470**
Gross Profit Margin	*12%*	*10%*	*16%*	*25%*	*24%*
Selling and marketing expense[1]	-19,906,976	-26,702,550	-46,645,944	-117,932,531	-122,045,740
General and administrative expense[1]	-2,963,581	-3,945,846	-4,674,091	-10,847,153	-20,079,451
EBITDA	***38,510,526***	***60,679,532***	***133,455,307***	***233,841,701***	***344,307,279***
EBITDA Margin	*7%*	*7%*	*11%*	*16%*	*17%*
Depreciation	*-5,762,866*	*-8,042,793*	*-10,044,891*	-13,301,946	-18,445,255
EBIT	***32,747,660***	***52,636,739***	***123,410,416***	***220,539,755***	***325,862,024***
EBIT Margin	*6%*	*6%*	*11%*	*15%*	*16%*
Other income (loss)	-263,085	201,794	2,522,059	2,109,459	579,535
Provision for expected claims[2]	-4,386,485	-6,028,106	-5,730,770	-2,356,796	
(Loss) gain from disposal of fixed assets	3,648	198,825	-51,050	287,206	
Foreign exchange difference	-313,944	-178,319	913,605	-4,922,292	5,110,467
Interest income	143,607	177,642	1,253,987	1,981,885	6,066,743
Interest expense	-1,032,770	-911,101	-2,258,525	-7,955,818	-23,782,592
EBT	**26,898,631**	**46,097,474**	**120,059,722**	**209,683,399**	**313,836,177**
Income tax	-7,788,445	-14,014,480	-28,208,203	-47,695,427	-70,639,403
Net Profit	**19,110,186**	**32,082,994**	**91,851,519**	**161,987,972**	**243,196,774**
Net Profit Margin	*4%*	*3%*	*8%*	*11%*	*12%*

[1] Excludes depreciation expense

[2] The provisions for expected claims are related to the Company's expected tax claims

Balance Sheet

(Egyptian Accounting Standards)

EGP	2013	2014	2015	2016	2017
Fixed Assets	99,691,781	99,131,395	182,527,661	190,384,367	415,358,404
Projects Under Construction	8,691,932	40,886,437	34,865,836	197,456,530	68,266,998
Intangible Assets	-	-	-	-	2,822,973
Deferred Tax Assets	-	-	-	5,306,928	-
Total Non-Current Assets	**108,383,713**	**140,017,832**	**217,393,497**	**393,147,825**	**486,448,375**
Inventories	74,722,292	55,982,298	131,297,821	275,975,253	292,474,799
Accounts & Notes Receivable	4,345,346	6,798,751	13,067,057	10,283,482	68,209,366
Prepayments & Other Debit Balances	14,696,369	11,661,405	29,725,286	63,770,226	42,420,514
Cash on Hand & at Banks	28,997,101	93,417,825	125,600,700	121,289,503	95,763,193
Total Current Assets	**122,761,108**	**167,860,279**	**299,690,864**	**471,318,464**	**498,867,872**
Total Assets	**231,144,821**	**307,878,111**	**517,084,361**	**864,466,289**	**985,316,247**
Provision for Expected Claims	6,241,124	12,269,230	17,826,168	20,067,194	15,913,492
Credit Facilities	1,324,520	2,723,993	31,384,204	174,783,853	102,118,438
Accounts & Notes Payable	44,903,919	43,410,684	17,981,042	65,183,997	128,038,425
Loan From Shareholders[1]	-	-	95,000,000	-	-
Long Term Liabilities - Current Portion[2]	12,530,029	15,315,071	18,451,657	32,780,966	22,745,732
Income Tax Payable	3,050,932	10,761,582	20,564,632	40,874,893	46,121,577
Dividends Payable	14,362,410	278,261	-	-	
Accrued Expenses & Other Credit Balances	48,430,553	55,583,194	11,876,752	36,241,609	29,197,588
Total Current Liabilities	**130,843,487**	**140,342,015**	**213,084,455**	**369,932,512**	**344,135,252**
Long Term Liabilities - Non-Current Portion[2]	2,367,806	11,063,560	10,474,359	113,147,603	90,396,727
Deferred Tax Liabilities	6,591,103	6,722,374	10,348,538	-	15,923,406
Notes Payable	-	-	-	581,850	1,659,547
Total Non-Current Liabilities	**8,958,909**	**17,785,934**	**20,822,897**	**113,729,453**	**107,979,680**
Total Liabilities	**139,802,396**	**158,127,949**	**233,907,352**	**483,661,965**	**452,114,932**
Paid up Capital	42,500,000	100,000,000	200,000,000	200,000,000	200,000,000
Amounts Paid in Respect to Capital Increase	33,100,000	25,000,000	-	-	-
Legal Reserves	1,199,780	1,926,912	3,068,074	7,660,650	15,760,049
Retained Earnings	14,542,645	22,823,250	80,108,935	173,143,674	317,342,471
Minority Interest					98,795
Total Equity	**91,342,425**	**149,750,162**	**283,177,009**	**380,804,324**	**533,201,315**
Total Equity & Liabilities	**231,144,821**	**307,878,111**	**517,084,361**	**864,466,289**	**985,316,247**

[1] The loan from shareholders was used to acquire two plots of land adjacent to the Company's headquarters in Obour City, as well as purchase and pile up inventory at low price points

[2] Long term liability is related to packaging machinery acquired from Tetra Pak and is discounted at an annual rate of 4%

About Obour Land for Food Industries S.A.E. (OLFI)

Obour Land for Food Industries S.A.E., a leading white cheese manufacturer in Egypt, is a joint stock company established in 1997. Obour Land manufactures, markets and distributes a wide variety of carton packed and plastic tub white cheese products and has a robust distribution platform, with a direct and indirect outreach that covers all of Egypt. The Company's white cheese product offerings spans Feta, Istanbuly, Double Cream, Olive, Khazeen, Talaga and Barameely, all marketed under the well-known brand name "Obour Land".

As of November 2017, Obour Land operated a total of 16 production lines, including 15 Carton Pack production lines and one plastic tubs production line, with a total annual production capacity of c.194.1 thousand tons per annum. Obour Land is the number one white cheese producer & seller in Egypt boasting the largest market share by total sales value. The Company is listed on the Egyptian Stock Exchange, and is traded under the symbol "OLFI.CA".

For more information, please visit: www.obourland.com

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