

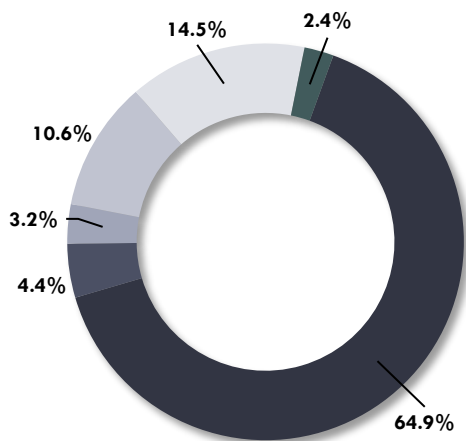
Obour Land for Food Industries S.A.E. (OLFI) reports record financial performance in FY 2016, with 24% YoY increase in Revenues to EGP1.45 bn, Gross Profit surge by 96% YoY to EGP363 mn, and 75% YoY growth in EBITDA to EGP234 mn, BoD recommends EGP60 mn cash dividends

Key financial indicators are all up as Egypt’s leading white cheese manufacturer reports robust sales volume growth, and overall enhancement in margins, despite the macro-economic challenges

Cairo, Egypt (March 29, 2017) – Obour Land for Food Industries S.A.E. (“OLFI” or “the Company”) (EGX: OLFI.CA, OLFI.EY), a leading white cheese manufacturer in Egypt, announced today its financial and operational results for the financial period ended December 31st, 2016.

Shareholder Structure

As of March 6th, 2017



- Sherif Family
- Norges Bank
- Lazard Capital
- Local Institutions
- Foreign Institutions
- Retail

Key Highlights

	FY2016	FY2015	Change
Revenues	EGP1.45 bn	EGP1.17 bn	24%
Volume Sold	97.4k tons	87.2k tons	11.7%
Avg. Price/ton	EGP14.9k	EGP13.4k	11%
Gross Profit	EGP363 mn	EGP185 mn	96%
Gross Profit Margin	25%	15.8%	9.2 pp
EBITDA	EGP234 mn	EGP133 mn	75.2%
EBITDA Margin	16.1%	11.4%	4.7 pp
Net Profit	EGP162 mn	EGP92 mn	76.4%
Net Profit Margin	11.2%	7.9%	3.3 pp

- Revenues increased 24% Year-over-Year (YoY) to record EGP1.45 billion during FY16, accompanied by an 11% increase in overall average price per ton, to EGP14.9k/ton by end of FY16. While volumes of white cheese sales reached 97.4 thousand tons, a growth of 11.7% YoY, driven by the increasing demand for Obour Land’s product offerings, along with the successful sales strategy and marketing campaigns adopted during FY16.
- Gross Profit surged by 96% YoY to EGP363 million, with a remarkable enhancement in Gross Profit Margin (GPM) by 9.2 percentage points YoY, recording a GPM of 25%.
- Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) recorded a 75% YoY growth, to attain a record high EGP234 million, the highest in the Company’s history, yielding 16.1% EBITDA margin.
- The Company’s Net Profit after Taxes also witnessed a remarkable 76.4% YoY increase, to close FY2016 with a record bottom-line profits of EGP162 million, yielding a Net Profit Margin (NPM) of 11.2%, noticeably higher than FY2015 NPM by 3.3 percentage points.
- The Board of Directors recommended cash dividends’ distribution of EGP60 million (30% of Paid in Capital), i.e. EGP 0.3 per share.



OLFI's Product Portfolio
As of December 31st, 2016



80g Feta



125g Feta



125g Olive



125g Istanbulli



250g Feta



250g Olive



250g Istanbulli



500g Feta



500g Olive



500g Istanbulli



1kg Feta



1kg Khazeen



1kg Istanbulli



1kg Double Cream



1kg Baramely



1kg Istanbulli



1kg Talaga

Mohamed Hamed Sherif, Chairman Comments:

I am delighted to share with you our results for the financial year ended December 31, 2016, a strong year for the Company in terms of Revenues, volumes of sales, profitability and growth, driven by our strategic focus on sustainable growth, accelerated expansion plans, backed by our strong management team and skilled-labor force.

We witnessed a strong year in terms of volumes of sales, growing by 11.7% YoY to record 97.4 thousand tons of white cheese, in spite of the macro-economic turbulences witnessed throughout the year, and the inflationary pressures posed on Egyptian consumers; reinforcing the fact that white cheese is a basic Egyptian consumer staple, that remains an affordable source of protein that is favored by all socioeconomic classes, leading to its relative inelasticity of demand.

In terms of financial performance, we delivered record results, our Revenues grew by 24% YoY, Gross Profit reached an all-time high of EGP363 million, EBITDA of EGP234 million, and bottom line profits of EGP162 million, with an overall enhancement in profitability margins, on the back of our strategic objective to continuously enhance efficiencies in procurement of raw materials, and to progressively increase selling prices to swiftly pass-on direct cost increases to end-consumers, while maintaining our overall targeted normalized profitability margins.

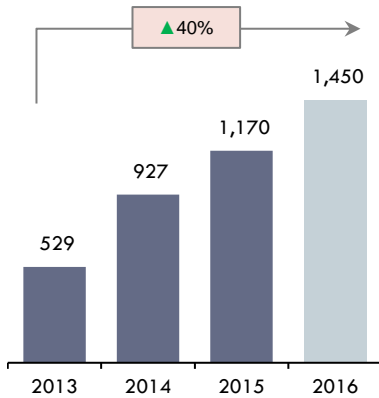
Our Balance Sheet is still minimally leveraged, with an inventory balance of EGP276 million covering Net Debt by 1.4 times, while FY16 EBITDA sufficiently covers Net Debt by 1.2 times. We started to rely on overdraft facilities to finance a portion of our working-capital needs, to support our adopted strategy to increase strategic-inventory-levels to cover the Company's needs for a minimum of 3 months, which served us well during the headwinds witnessed in FY16. Moreover, we will maintain the current favorable capital structure, with no intentions to overleverage our balance sheet in the coming future.

FY16 also witnessed our Initial Public Offering (IPO), a key milestone in the Company's history. We are very proud with how successful the offering was, and also proud of our current diversified shareholder base, with a multitude of local and foreign sophisticated institutional investors, who will definitely contribute to our key value proposition and will guide us further into our prosperous future.

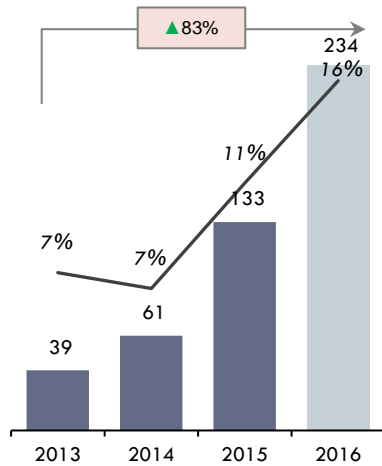
Our commitment to excellence and aspirations to offer the highest-possible quality of products, which are both affordable and safe, remains our key prime focus and our relentless driver for our expansionary attitude. We remain on track to launch our new product offerings including milk, juice, mozzarella cheese and processed cheese products, which are expected to start production operations by end of 2Q17.



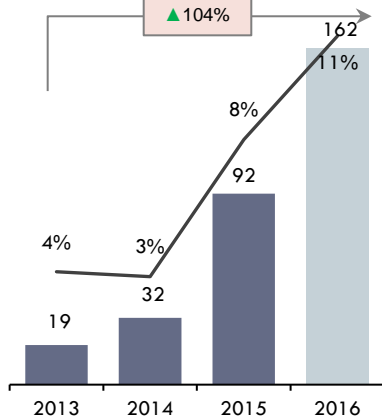
Revenues
(2012 - 2016, EGP Million)



EBITDA & EBITDA Margin
(2012 - 2016, EGP Million)



Net Profit & Net Profit Margin
(2012 - 2016, EGP Million)



Key Financial Indicators

	FY2016	FY2015	Change
Revenues	EGP1.45 bn	EGP1.17 bn	24%
Volume Sold	97.4k tons	87.2k tons	11.7%
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Net Profit	EGP162 mn	EGP92 mn	76.4%
Net Profit Margin	11.2%	7.9%	3.3 pp
Net Debt (Net Cash)	EGP199 mn	(EGP65 mn)	NA
Net Debt / EBITDA	0.85x	(0.49x)	NA
Cash Conversion Cycle	83 days	55 days	28 days
Return On Equity (ROE)	42.5%	32.4%	10.1 pp
Return On Assets (ROA)	18.7%	17.8%	0.9 pp

Financial Review

Obour Land for Food Industries (OLFI) reported strong double-digit Revenue growth of 24% Year-over-Year (YoY) to record EGP1.45 billion during FY16, accompanied by an 11% increase in overall average price per ton, to record EGP14.9k/ton by end of FY16, as management addressed unprecedented changes in macro-economic headwinds by rapidly and successfully rolling-out its price point migration strategy starting January 2016; such strategy allowed the Company to stay ahead of macro-economic challenges throughout the year and supported the enhancement of profitability margins amid the unprecedented inflationary pressures posed on Egyptian consumers post the undertaken governmental structural reforms, including the floatation of the Egyptian Pound in November 2016, and the partial lifting of energy subsidies.

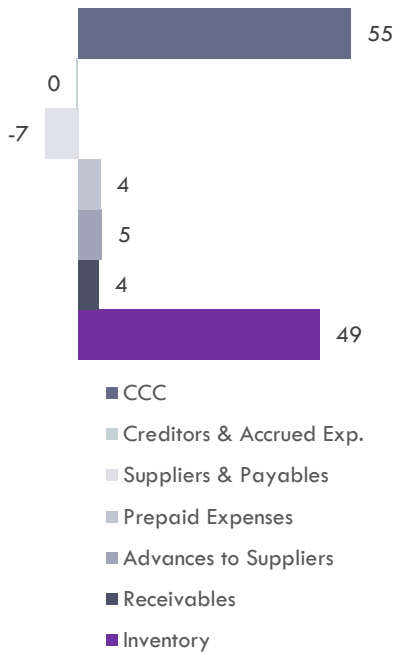
Volumes of white cheese sales reached 97.4 thousand tons, a growth of 11.7% YoY, despite the inflationary pressures and macro-economic challenges, driven by the fact that white cheese is a basic Egyptian consumer staple, along with the increasing demand for Obour Land's product offerings, in addition to the Company's successful sales strategy and marketing campaigns adopted during FY16.

Gross Profit surged by 96% YoY to EGP363 million, with a remarkable enhancement in Gross Profit Margin (GPM) by 9.2 percentage points YoY, recording a GPM of 25%. Enhancement in GPM resulted from the management's decision to rapidly and swiftly roll-out selling prices during FY16, along with the witnessed stability in international prices of raw materials, and the build-up of inventory positions at favorable price points throughout the year.

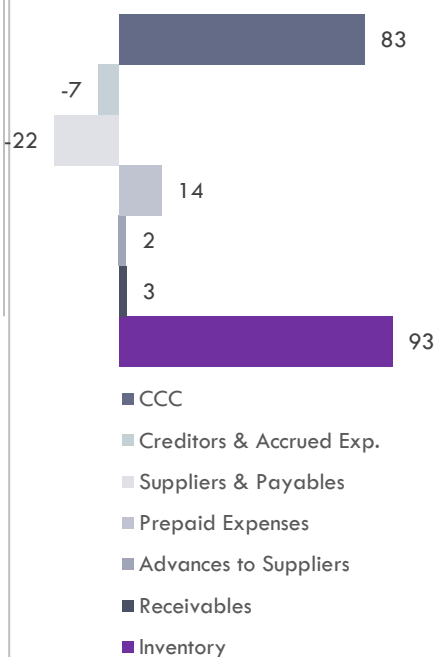
Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) recorded a 75% YoY growth, to attain a record high of EGP234 million, yielding 16.1% EBITDA margin.



FY2015 Cash Conversion Cycle
(EGP Million)



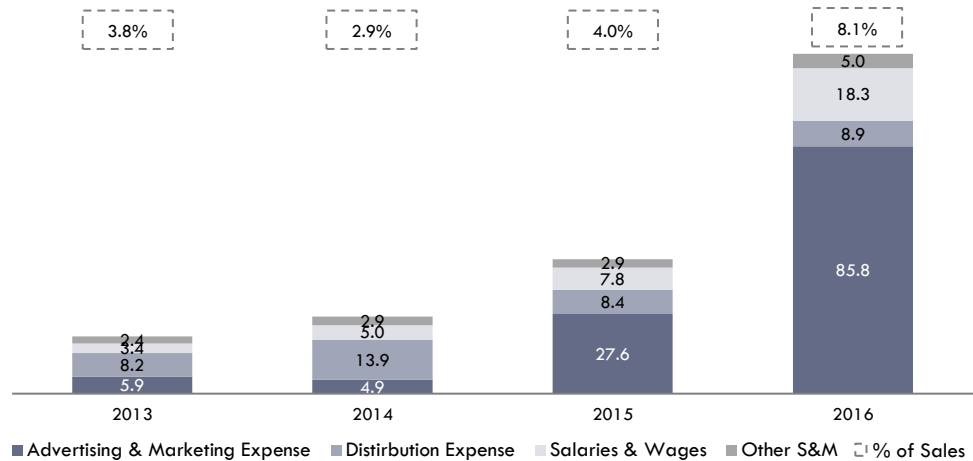
FY2016 Cash Conversion Cycle
(EGP Million)



Selling General and Administrative Expenses (“SG&A”) amounted to EGP129 million. SG&A/Sales stood at 8.9%, up from 4.4% in FY15, due to the increase in Selling and Marketing expenses (S&M) as well as higher Salaries and Wages (“S&W”) YoY. S&M/Sales have increased due to the expanded spending over marketing and advertising campaigns adopted throughout the year, especially the sponsorship of the Egyptian Premier League and the Egyptian Football Cup, undertaken to increase customer awareness and enhance brand equity, ahead of the anticipated launch of new product offerings.

Total S&W/Sales reached 1.6% compared to 0.9% for FY15, such increase comes after the additional staff recruited during the year, and the adopted uptick in employees’ compensation by 22% post the EGP flotation, a decision taken by management to properly compensate the Company’s human capital post the inflationary pressures.

Selling & Marketing Expenses Breakdown
(2013 - 2016, EGP Million)



Net Debt recorded EGP199 million, up from a Net Cash position of EGP65 million by end of FY15, as the Company started to rely on overdraft facilities to finance a portion of its working-capital needs, to support the adopted strategy to increase strategic-inventory-levels to cover the Company’s needs for 3 months.

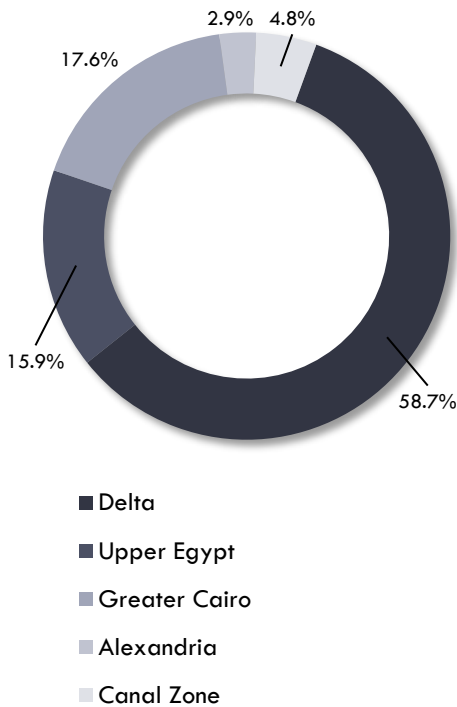
By end of FY16, total Inventory stood at EGP276 million compared to EGP132 million by end of FY15, covering Net Debt by 1.4 times, while FY16 EBITDA sufficiently covers Net Debt by 1.2 times.

The Company’s Cash Conversion Cycle (CCC) is very healthy, standing at 83 days by end of FY16, up from 55 days in FY15, driven by a surge in inventory levels in FY16 to benefit from lower prices of raw materials, and a lower USD/EGP FX rate prior to EGP flotation.

Receivables Days on Hand (DOH) is still favorably quite-low, since almost 96% of the Company’s sales is done on cash.



FY2015 Sales by Region
(% of Total Sales)



Operational Review

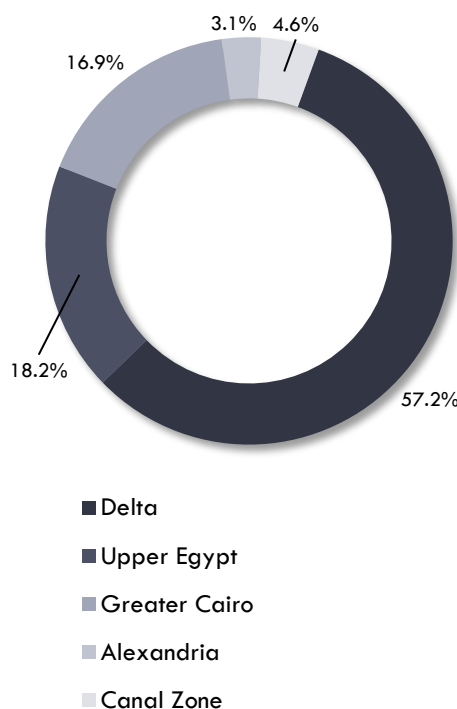
The Company witnessed strong and consistent revenue growth during the past couple of years, supported by the addition of four production lines in the period from 2013 to 2015, with a total capacity of 40.3 thousand tons per annum ("ktpa") in addition to one production line in 2016 with a total capacity of 13.5 ktpa, and driven by increased cheese consumption patterns and wider market reach.

Stabilization in the prices of key raw materials like Skimmed Milk Powder (SMP), Milk Protein Concentrate (MPC) and Butter - after a period of unprecedented price hikes - helped in enhancing profitability margins, with a benign commodity prices outlook ensuring further profitability margins sustainability.

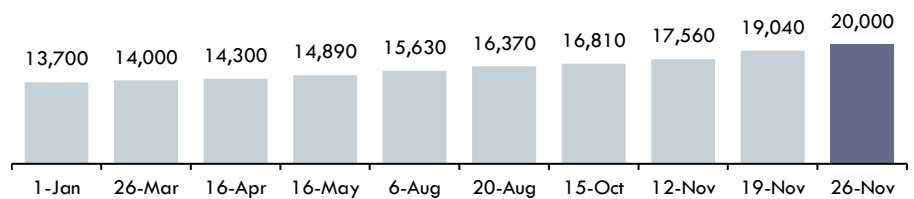
Additionally, the Company has developed experience and understanding of the international commodity markets whereby it strategically purchases raw materials at low price points while sustaining healthy inventory levels.

The Company's management decision to act as a first mover, by rapidly and successfully rolling-out its price point migration strategy starting January 2016; such strategy allowed the Company to stay ahead of macro-economic challenges throughout the year, whereas average selling price per ton went up from EGP 1,370 in January, to reach its peak of EGP 2,000 per ton by end of November 2016.

FY2016 Sales by Region
(% of Total Sales)



Pricing Progression during FY2016
(In EGP, Average Selling Price/Ton)

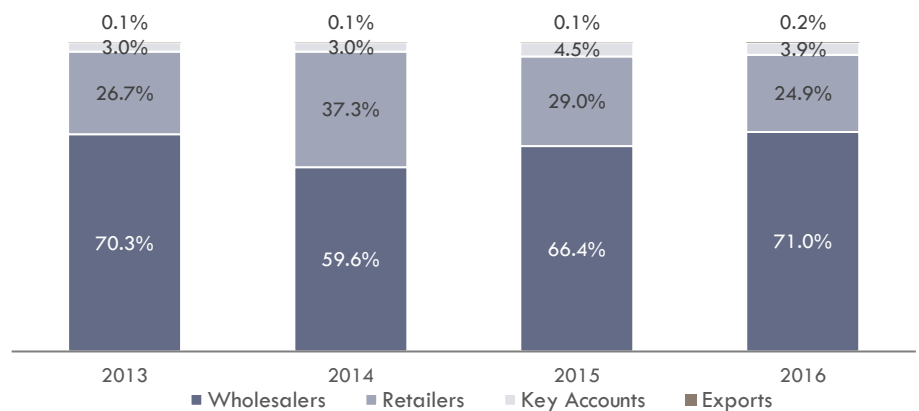


Obour Land boasts the largest market share by white cheese brand in Egypt with superior performance in the Delta and Upper Egypt, Egypt's most populous regions. Despite being the second largest brand in Greater Cairo, Obour Land displayed robust growth in market share in that region as well. FY16 witnessed further enhancement for sales volumes and market share in Upper Egypt region, which represented 18.2% of total annual sales, up from 15.9% during FY15.



On the distribution front, the Company sold 95.9% of its FY16 sales entirely on a cash basis to either wholesale or retail channels, and 3.9% of sales were directed to key-accounts and hypermarkets. Export sales is still minimal, since majority of production is sold locally. Nonetheless, the Company is targeting to enhance overall export sales, which is expected to flourish with the launch of new product offerings.

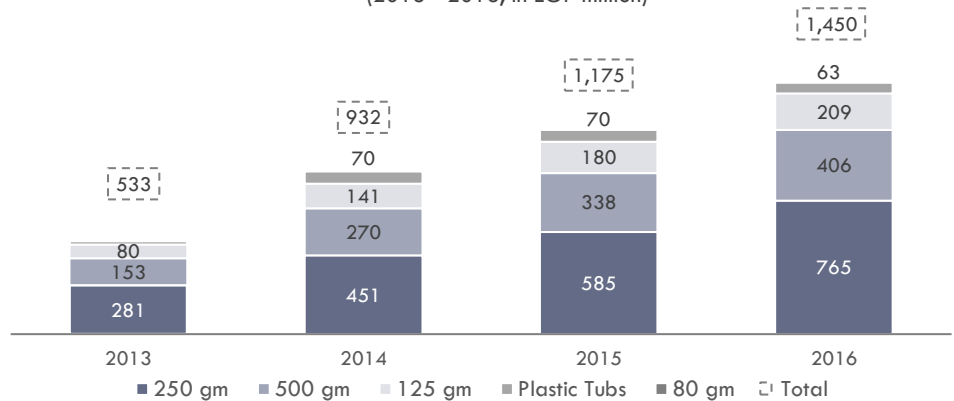
Sales Breakdown by Channel
(2013 - 2016, % of Total Sales)



Obour Land is swiftly progressing with its strategy towards shifting its sales concentration to more retail channels as it seeks to further enhance and improve its penetration rate and gain an increased access to end-consumers. Such strategy has its own merits, given the fact that retail clients yield us higher profitability margins, and are characterized by a quicker acceptance of the higher price points as opposed to wholesalers.

Carton packed white cheese continues to dominate sales volumes and value, with the 250gm pack SKUs contributing 53% of total sales, and the 500gm SKUs contribute 28% of sales.

Sales Breakdown by Product Type
(2013 - 2016, in EGP million)





Outlook

Obour Land remains optimistic with regard to FY17 targets and expected performance, despite the overall macro-economic challenges, given the fact that we are still the least negatively affected given the relative inelasticity of demand for our product offering. The Company is targeting double-digit annual growth in revenues ranging from 25% to 30%, and targeting to increase its carton-packed white cheese local market share to reach 42% by end of FY17, and 45% by end of FY18. We will continue to pass-on the increase in direct costs associated with the EGP depreciation, to maintain our targeted normalized profit margins, while sustaining healthy sales volumes.

With regard to the ongoing expansion plans, the Company remains on track in the installation of its new milk, juice, mozzarella cheese, and processed cheese production lines, and is aiming to commence production operations by end of 2Q17, while targeting a market share of around 6% from the local milk & juice packaged products' market during the first 2 years of operations.

The Company is also aiming to increase its export sales through its cheese and juice product segments during the coming period, and is targeting a total export sales volume that ranges between 3% to 5% from its total sales by 2Q18, noting that the Company is currently exporting a limited proportion of its white-cheese production to Saudi Arabia, UAE, Kuwait, Qatar, Lebanon and USA.

As for fleet expansion, the Company owns a sales and distribution fleet of 201 vehicles, and is planning to expand said fleet by adding an additional 60 to 70 vehicles to assist the Company in its market share enhancement and penetration, and support the sales and distribution of the new product offering including milk, juice, mozzarella and processed cheese.

3 new carton-packed white cheese lines are currently being installed, and are also expected to be operational by end of 2Q17, bringing the total Company's annual white cheese capacity to 199 ktpa, which will make Obour Land the largest white cheese producer in Egypt and the MENA region by production capacity.



Income Statement ¹
(Egyptian Accounting Standards)

In EGP Millions	FY2016	FY2015	Change
Revenues	1,450.1	1,169.8	24.0%
Cost of Goods Sold	(1,087.5)	(985.1)	10.4%
Gross Profit	362.6	184.8	96.2%
Gross Profit Margin %	25.0%	15.8%	9.2 pp
Selling, General, and Administrative Expenses	(128.8)	(51.3)	151%
EBITDA	233.8	133.5	75.2%
EBITDA Margin %	16.1%	11.4%	4.7 pp
Depreciation & Amortization	(13.3)	(10.0)	32.4%
Operating Profit	220.5	123.4	78.7%
Less:			
Finance Costs & Interest Expenses	(8.0)	(2.3)	252%
Impairment in Accounts and Notes Receivables	(0.02)	(0.6)	(97%)
Provisions	(2.4)	(5.7)	(59%)
FX Losses	(4.9)	-	NA
Capital Losses	-	(0.1)	NA
Add:			
Interest Income	2.0	1.3	58%
Reversal in Impairment of Accounts and Notes Receivables	0.3	0.6	(49%)
Reversal in Impairment of Other Debit Balances	0.0	0.3	NA
Other Income	1.8	2.3	(20%)
FX Gains	-	0.9	NA
Capital Gains	0.3	-	NA
Net Profit Before Income Tax	209.7	120.1	74.6%
Income Tax Expense	(47.7)	(28.2)	69%
Net Profit after Tax	162	92	76.4%
Margin %	11.2%	7.9%	3.3 pp

¹ The Company's consolidated financial statements for the fiscal year ended December 31, 2016, prepared in accordance with Egyptian Accounting Standards ('EAS'), can be downloaded from our Company's website: www.obourland.com



Balance Sheet

(Egyptian Accounting Standards)

EGP Millions	December 31, 2016	December 31, 2015
Long-Term Assets		
Property, Plant and Equipment (Net)	190.4	182.5
Projects under execution/construction	197.5	34.9
Deferred Taxable Asset	5.3	0.0
Total Long-Term Assets	393.1	217.4
Current Assets		
Cash & Cash Equivalents	121.3	125.6
Inventory	276.0	131.3
Accounts and Notes Receivables	10.3	13.1
Pre-paid Expenses and Other Debit Balances	63.8	29.7
Total Current Assets	471.3	299.7
Total Assets	864.5	517.1
Current Liabilities		
Banks - Credit Facilities and Overdrafts	174.8	31.4
Suppliers and Notes Payables	65.2	18.0
Due to Shareholders	0.0	95.0
Payables of Fixed Assets Purchases – Current Portion	32.8	18.5
Income Tax Liability	40.9	20.6
Creditors and Other Credit Balances	36.2	11.9
Provisions	20.1	17.8
Total Current Liabilities	369.9	213.1
Working Capital	101.4	86.6
Total Investment	494.5	304.0
<i>Financed as Follows:</i>		
Shareholders' Equity		
Issued and Paid-In Capital	200	200
Legal Reserve	7.7	3.1
Retained Earnings	173.1	80.1
Total Shareholders' Equity	380.8	283.2
Long Term Liabilities		
Deferred Income Tax Liability	0.0	10.3
Notes Payable - Long Term	0.6	0.0
Payables of Fixed Assets Purchases - Long Term Portion	113.1	10.5
Total Long Term Liabilities	113.7	20.8
Total Equity & Long Term Liabilities	494.5	304.0





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 Baramely, all marketed under the well-known brand name "Obour Land".

As of December 2016, Obour Land operated a total of 13 production lines, including 12 Carton Pack production lines and one plastic tubs production line, with a total annual production capacity of c.134.4 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 being traded under the symbol "OLFI.CA".

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

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Disclaimer

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