



**ARAFA HOLDING acquires a 35% stake in  
Forall Confezioni S.p.A (Pal Zileri)**

**Cairo, December 15<sup>th</sup> 2008:** Al Arafa for Investment and Consultancies S.A.E. (“ARAFA HOLDING”) is pleased to announce that it has signed a definitive agreement for the acquisition of a 35% stake in Forall Confezioni S.p.A. (“FORALL GROUP”) for a total consideration of Euro 25.3 million. The acquisition will take place in the form of a capital increase that will be fully subscribed to by ARAFA HOLDING and that values FORALL GROUP at a pre money equity value of Euro 47 million (post money value of Euro 72.3 million).

With cash and bank facilities in excess, ARAFA HOLDING has seized the right moment to close such a favorable deal.

Established in 1970 in Vicenza, Italy, FORALL GROUP is the owner of several prestigious brands as “PAL ZILERI” and “LAB. by Pal Zileri” among the others. Considered one of the top menswear brands all over the world, PAL ZILERI owes its brand awareness to the high quality of its products, fully styled and manufactured in Italy. PAL ZILERI has also a high standing distribution, developed through high-end locations in several countries including both consolidated markets like Italy, France, Spain, Switzerland, Germany, United Kingdom, Russia, the United States, Japan and emerging ones like China, India, Saudi Arabia and Qatar among others.

In its audited financial statements for the year ended December 2007, FORALL GROUP reported total revenues of Euro 136 million with an EBITDA of Euro 10.4 million.

ARAFA HOLDING believes that FORALL GROUP through its flagship brand PAL ZILERI has a lot of potential that can be capitalized on through a wider distribution network that will make the brand nearer to more of its growing customer base worldwide. Accordingly, the proceeds from the Euro 25.3 million capital increase undertaken by ARAFA HOLDING will be used to open up new PAL ZILERI flagships in select high growth markets in USA, Europe, Asia and the Middle East.

The share in such a reputable and well-known brand is another step in Arafa Holding’s ongoing strategy to globalize its business and further build on its growing presence in key markets outside Egypt. It will also strengthen the Company’s global positioning as a major player in the menswear fashion industry and further enhance its supply chain and international distribution channels. Most importantly, the

acquisition of a 35% stake is likely to result in the creation of significant synergies between the two companies, the results of which are likely to show in Arafa Holding's results starting the fiscal year 2010.

That is because even with a 35% stake, the management of both companies reached an agreement to cooperate in order to trigger instant synergies. The most immediate synergy is referred to the just activated QUERINI project, but more important results can be achieved concentrating the manufacturing of the second line "LAB. by Pal Zileri" in ARAFA's plants. Born only 4 years ago, the LAB. line has already achieved a yearly turn-over of Euro 25.0 million and has a tremendous growth potential. The LAB. products are targeted to a younger customer and are already manufactured in several sites outside Forall's plants; the concentration in Egypt, consequently, will deliver logistic, quality and price advantages to the whole process. It is important to underline that a third important source of synergies will also come from manufacturing products coming from relevant license agreements that FORALL GROUP is negotiating for.

The entire current Management Team of FORALL GROUP will remain in place, representing the guarantee of the top brand positioning and reputation of PAL ZILERI, of the strategy continuation and of the high level of service to PAL ZILERI's customers.

Commenting on the acquisition, Dr. Alaa Arafa, Chairman and CEO of ARAFA HOLDING stated "the participation in FORALL GROUP 's equity represents a unique opportunity that we have been preparing ourselves for during the past years. Accordingly, we have actively pursued this transaction over the past months and with its completion we have achieved a very important milestone in our effort to build ARAFA HOLDING into a global powerhouse in the fashion industry. FORALL GROUP has built the wonderful, world renowned PAL ZILERI brand that we are proud to be associated with and are excited about our ability to grow further in the coming few years".

Dr. Arafa further elaborated that "our ability at this time to secure resources in the shape of debt to finance c. 70% of this important acquisition and to use our internally generated cash flows to finance the rest is a testament to the strength of our Company in general and its balance sheet in particular. Moreover, this agreement with a Company that has a turnover that represents nearly 50% of our current turnover should further enhance our future prospects and help us in our continuous pursuit of shareholder value creation."

Italian Firm Studio Associato Di Consulenza Tributaria carried out the financial and legal due diligence for Arafa Holding.

EFG-Hermes Investment Banking acted as Sole Financial Advisor to ARAFA HOLDING on this deal.

### **About ARAFA HOLDING**

Al Arafa for Investment and Consultancies S.A.E. is an Egyptian manufacturer that focuses on all elements of creating apparel; from the spinning of the yarn to the completion of the finished garments.

With an ambitious vision, the Company has grown in the past few years from an Egyptian retailer to an international player in the fabric and garment industry.

For the year ended March 31<sup>st</sup> 2008, the Company had total assets of US\$ 403 million with a shareholders' equity that reached US\$ 202 million. During the 12 months ended March 2008, the Company was able to realize US\$ 300 million in sales on which it netted profits of US\$ 30 million. The Company is listed on the Egyptian Stock Exchange under the symbol (AIVC.CA) with a current market capitalization of around US\$ 145 million.

### **About PAL ZILERI's Global Network**

- 4 showrooms located in Milan, Paris, New York, Tokyo
- 36 Flagship (DOS) in the most important high-end streets
- 221 Franchisee
- 6 Duty free
- 1.300 multi-brand stores located in more than 70 Countries

#### List of Countries:

Algeria	France	Mexico	Slovakia
Argentina	Germany	Monaco	Slovenia
Armenia	Greece	Morocco	South Africa
Australia	Holland	Mozambique	Spain
Austria	Hong Kong	New Zealand	Sweden
Azerbaijan	Hungary	Nigeria	Switzerland
Bahrain	India	Norway	Syria
Belgium	Indonesia	Pakistan	Taiwan
Brazil	Ireland	Panama	Thailand
Bulgaria	Italy	Philippines	Tunisia
Canada	Ivory Coast	Poland	Turkey
China	Japan	Portugal	UAE
Colombia	Jordan	Qatar	UK
Croatia	Kazakhstan	Romania	Ukraine
Czech Republic	Kuwait	Russia	Uruguay
Denmark	Lebanon	S. Korea	USA
Egypt	Lithuania	Saudi Arabia	Uzbekistan
Estonia	Luxemburg	Serbia	Venezuela
Finland	Macau	Singapore	Yemen