

Statement on Current Developments in Egypt



February 7th, 2011

Cairo, **Al Arafa for Investments & Consultancies (Arafa Holding - AIVC)** the leading textiles focused-investment company in Egypt, reports on its operations in light of the recent developments in Egypt

Arafa Holding confirms today that none of our staff in Egypt were harmed during recent events.

The entire Executive Team of the Egypt-based Companies is in Egypt and assuming duties in full capacity.

AIVC's foreign operations (Mainly Baird Group that represented almost 33.6% of the last nine month of FY2010 gross sales and Forall in Italy); were not affected at all with the recent developments.

Arafa Holding is proud of its labor force and appreciates the commitment that they showed during past week.

Status of Local Manufacturing Operations:

- ▲ Almost 78% of our manufacturing companies' sales are exported to foreign destinations that were not affected by the current developments in Egypt.
- ▲ Due to the fact that our facilities are located at least 50km away from Cairo (10th of Ramadan, 6th of October, and Beni Sweif); they were up and running for the entire six days of last week that started from Saturday the 29th of January till Thursday the 3rd of February with the exception of Goldentex facilities in 10th of Ramadan that was shut down for the entire 6 days.
- ▲ Currently, the entire manufacturing facilities including Goldentex are up and running starting Saturday the 5th of February.
- ▲ Over the last week; average productivity reached 50%, and effective Saturday February 5th, 2011 attendance has reached 95%.
- ▲ Current group working hours are from 8:00am till 4:00pm which is only half an hour shorter than the normal working hours that end at 4:30pm. Working hours will be extended in line with the curfew hours and the security situation.
- ▲ We expect a shipment lag of almost a week predominately due to the logistical interruption that took place at the shipping harbors last week. However, we are pleased to state that product shipments by sea and air have been initiated effective Saturday February 5th, 2011.
- ▲ Given the seasonal nature of the industry and the related manufacturing and delivery lead time for the products to reach the end consumer, no order cancellations and/or order postponements are perceived by any of our manufacturing operations.
- ▲ In terms of the future order book, the impact of the current situation in Egypt will only be realized during the early part of the second quarter 2011. Nonetheless, management is confident that, production and shipment of goods during the previous difficult times should comfort our clients and accordingly limit any potential fallout from the current circumstances to the bare minimum.

Status on Local Retail Operations:

- ▲ AIVC local retail operations include both Concrete Retail Chain that runs 46 stores across Egypt and the factory outlet facilities under the brand name of Euromed that total 9 stores.
- ▲ Concrete contributed almost 10% of AIVC consolidated sales during the first 9 months of FY 2010.
- ▲ Both Concrete and Euromed entire stores were shut down starting from Friday the 28th of January until now. Store operations are currently planned for end of this week, barring any security issues.
- ▲ Concrete has suffered damage to four of its stores, namely: Arkadia Mall, Carrefour Maadi (men's and kids' being two separate stores) and Carrefour Alexandria. The extent of the damage encompasses **partial and not total loss** of store goods and minor damage to the stores itself. Given the limited access of our staff to these various sites, the full extent and quantification of the damage is yet under assessment. The four stores contribute almost 8% of Concrete Sales (Full FY2009 and the first 9 months of FY2010).
- ▲ We are fortunate that the current developments have taken place post our peak retail sale season which should partially soften the impact for the current period

Currency Devaluation Impact:

- ▲ During the first nine months of FY2010, the Egyptian Pound Sales represented only 11% of AIVC's Gross sales, US Dollars 42%, British Pound 38% and Euro 9%.
- ▲ Most of the imported raw materials cost is being passed on to the client while the rest of cost items are in Egyptian Pound.
- ▲ Having also AIVC's stock denominated in US Dollars, we believe that any potential Egyptian Pound devaluation is generally beneficial.

In line with the best corporate governance and transparency practices, we will keep our stakeholders updated with any further major developments.