

Earnings Release

Arafa Holding FY2011 Results



29th of April 2012

Al Arafa for Investments & Consultancies ("Arafa Holding" or "AIVC" or the "Company") released its FY 2011 financial results for the year ending January 31st, 2012.

Arafa Holding achieved operating profits of USD 14 million during FY 2011 compared to USD 16 million in FY 2010.

- ▲ Despite of the major challenges the group faced during FY 2011, the disruptions that followed the Egyptian revolution and the concerns that the export markets and international customers had with regards to the political situation and their impact over the manufacturing and export activities; FY 2011 still witnessed a number of accomplishments for Arafa Holding, where it succeeded in effectively managing the crisis, maintaining customers' confidence and further increasing the revenues of the garment manufacturing segment during this year.
- ▲ Arafa Holding celebrated the inauguration of its new state of the art factory, Camegit for Garment Manufacturing S. A. E in Beni Sweif, a 50:50 Joint Venture with Ermenegildo Zegna the Italian men's wear group. The company is specialized in producing high quality cotton shirts with the well known of quality, Egyptian cotton.
- ▲ On another front; Concrete managed to renew and open all the stores that were affected during the revolution whether from theft or damage (except for Arcadia Mall store) in addition to adding three new stores during 2011, one of which is the flagship store in El Mohandesin Area. Concrete also launched its new Made-to-Measure service during the year to cater for customers' needs and introduced a new product line for "New Born" besides venturing into product variations to meet the demands of a larger customer base such as providing slim fit line and mix and match suits.
- ▲ It is worth noting that Concrete had also received a non-binding expression of interest from a leading local private bank to acquire a 38% secondary stake of its shareholdings at an initial total equity valuation of EGP 400 million.
- ▲ Regarding the group's restructuring process that was announced early 2011; it had some delays, yet is currently progressing as planned where subsidiaries will be re-organized under 3 sub-holdings classified by market segments rather than by operational activities. The legal and financial restructuring processes are currently being finalized whereby new structure and reporting system are expected to be applied by mid 2012.

Financial Highlights for Arafa Holding Consolidated Results

Consolidated Results USD '000	FY 2011	FY 2010	Change %
Net Revenues	278,349	283,321	(1.8%)
EBITDA	23,020	24,454	(5.9%)
EBITDA Margin %	8.3%	8.6%	
EBIT	14,328	16,052	(10.7%)
EBIT Margin %	5.1%	5.7%	
Net Income	7,912	17,076	(53.7%)
NIM%	2.8%	6.0%	

- ▲ Arafa Holding reported **Consolidated Net Revenues** of USD 278 million compared to USD 283 million in FY 2010. The y-o-y 13% drop in revenues during Q1 2011, as a result of the political unrest that took place in Egypt and the region, was smoothed out during the remaining quarters, where a healthy and quick rebound took place in local and international operations. As a result, Arafa Holding ended up the year with a minor drop of only 1.8% in revenues which reflects the efforts of the company, eyeing a strategic goal of retaining its customer base and long term relationships.
- ▲ **Consolidated EBITDA** recorded USD 23 million with a margin of 8.3% compared to USD 24 million with a margin of 8.6% during the same period of last year.
- ▲ **Consolidated EBIT** for Arafa Holding reached USD 14 million versus USD 16 million with a margin of 5.1% in FY 2011 compared to 5.7% in FY 2010.
- ▲ Despite of the significant improvement in the retail segment during the year where it recorded profits of USD 2.8 million versus last year's losses of USD 12.2 million; Arafa Holding's profitability was hit by the slower than expected improvement in UK operations represented by the Baird Group which was estimated to record slight profitability, yet it contributed a consolidated net loss of approximately USD 7 million during the year which is significantly lower than last year's losses. Moreover, Arafa Holding has been undertaking a significant cost cutting process through downsizing programs and business restructuring incurring some exceptional costs during the year. It is anticipated that Arafa Holding will reap the benefit of its cost cutting programs during this year FY2012.
- ▲ On another front, as a result of the logistical interruptions that followed the Egyptian revolution; the garment manufacturing segment incurred significant exceptional costs during the first half of the year in terms of discounts and air freight to ensure delivery in a timely manner in order to retain its strong international customer base.

- ▲ **Net Profit after Tax** reached USD 8 million in FY 2011 compared to USD 17 million in FY 2010, thus yielding a net profit margin of 2.9% compared to 6.0% in FY 2010. The notable decline in profitability is mainly attributed to the lower other income and the lack of capital gains compared to last year.
- ▲ On a Standalone basis, Arafa Holding reported a Net Loss of USD 1.8 million compared to a Net Profit after Tax of USD 35 million in FY 2010 which included significant non-recurring capital gains.

Breakdown by Activity

Retail Segment

Retail Segment witnessed significant improvements driven by local retail coupled with lower losses from the UK operations on the back of stringent measures taken to restructure and control costs.

As a result, the retail segment turned into positive area to generate a net profit of USD 2.8 million in the reporting period compared to net losses last year amounted to USD 12.2 million.

Retail USD '000	FY 2011	FY 2010	Change %
Net Revenues	193,588	195,328	(0.9)%
EBIT	5,558	(829)	700%
EBIT %	2.9%	(0.4)%	
Net Profit After Tax	2,758	(12,224)	123%
NIM%	1.4%	(6.3)%	

Apparel & Tailoring Segment

The Apparel & Tailoring ("A&T") segment managed to grow revenues by almost 10% y-o-y to reach USD 125 million. However, the disruptions in manufacturing facilities earlier in the year led to higher production, selling and shipping costs which harmed the segment's profitability.

A&T USD '000	FY 2011	FY 2010	Change %
Net Revenues	124,532	113,688	9.5%
EBIT	7,700	15,198	(49.3%)
EBIT %	6.2%	13.4%	
Net Profit After Tax	7,173	14,346	(50.0%)
NIM%	5.8%	12.6%	

Textiles Segment

The Textiles Segment witnessed a mild slow down of 5.5% in revenues in FY 2011 leading to a drop of USD 700K in profits.

Textiles USD '000	FY 2011	FY 2010	Change %
Net Revenues	16,071	17,004	(5.5%)
EBIT	2,704	2,811	(3.8%)
EBIT %	16.8%	16.5%	
Net Profit After Tax	2,128	2,824	(24.6%)
NIM%	13.2%	16.6%	

About Al Arafa for Investments & Consultancies

- Al Arafa for Investments and Consultancies ("Arafa Holding") is a leading player in the Textiles & Apparel industry operating a vertically integrated business model that places the Group as one of the largest export oriented and integrated apparel and textiles manufacturers in Egypt and the Middle East, and a prominent apparel retailer and wholesaler in Egypt and the UK.
- Our local retail operations include Concrete brand in Egypt, while our foreign retail operations include the Baird Group that holds a market share of 12% of the UK suits market. Moreover the Company holds a 35% stake in Gruppo Forall the Italian company owning the prestigious brand PAL ZILERI.

For more information:

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