Al Arafa for Investment and Consultancies

Earnings Release | 9M 2016 Results

December 2016

Al Arafa for Investment & Consultancies ("Arafa Holding" or "AIVC" or the "Company"), the leading Company in Retail, Garments & Textile manufacturing released its financial results for the 1st Nine months of the Fiscal Year ending 31st of January 2017.

Arafa Holding recorded Consolidated Net Profit after Tax of USD 3.0 million for the 1st Nine months of FY 2016 compared to USD 6.5 million for the same period last year, with results included non-recurring FX loss incurred during Q3 2016.

Arafa Holding reported Consolidated Net Sales of USD 186.8 million during 9M 2016 in compared to USD 199.7 million during 9M 2015, Export sales were negatively affected with the ongoing slowdown in European retail markets in 2016, and the depreciation of the British Pound against US dollar by 10.9% during the period. This is in addition to less Local retail sales attributed to the depreciation of Egyptian Pound against US dollar by 11.1% during 9M 2016.

Financial Highlights for 9M 2016 Results

Consolidated Results | USD '000	9M 2016	9M 2015
Net Revenues	186 845	199 748
Net Profit After Tax – *Excluding non-recurring activities*	6 082	6 508
NPM %	*3.3%*	*3.3%*
Net Profit After Tax	3 036	6 508
NPM %	*1.6%*	*3.3%*

- Arafa Holding reported **Consolidated Net Revenues** of USD 186.8 million during 9M 2016 compared to USD 199.7 million during 9M 2015. Export Sales of Industrial segment were negatively affected with the ongoing slowdown in European retail markets in 2016 driving the world largest retail chains to start adopting new selling strategies, this is in addition to the depreciation of British Pound against USD by 10.9% during 9M 2016. Local retail sales were also affected with financial statements translation due to depreciation of EGP against USD by 11.1% during period.

- **Consolidated Net Profit after Tax** reported USD 3.0 million during 9M 2016 compared to USD 6.5 million, results included USD 3.0 million non-recurring FX losses incurred during Q3 2016.

Breakdown by Business Segment:

Luxury Segment

Luxury | USD '000	9M 2016	9M 2015
Net Revenues	55 214	61 987
Operating Profits (EBIT)	1 721	5 406
EBIT margin%	*3.1%*	*8.7%*

Luxury Segment recorded **Net Revenues** of USD 55.2 million during 9M 2016 compared to USD 62.0 million during same period last year. *Egypt Tailoring Company S.A.E (ETC)* exports sales were negatively affected with ongoing slowdown in European markets *(Major exports destination). Concrete for Ready Made Garments S.A.E* recorded less sales after financial statements translation -despite the uptick in local retail sales by 21.6%- due to the depreciation of EGP against USD by 11.1% during the period.

Segment's **Operating profits** (EBIT) reported USD 1.7 million compared to USD 5.4 million during same period last year, Operating profits were sensitive to non-recurring SG&A expenses *(incurred only during FY 2016)* related to Concrete's Brand & Stores revamping plan, such plan reflects the management's strategy to develop and support the local retail segment- *Concrete & Brands for Less stores' network* - for enhancing the quality of products and customers satisfaction in addition to raising the brand's competitiveness among the international fashion players.

Formal Segment

Formal | USD '000	9M 2016	9M 2015
Net Revenues	172 149	174 139
Operating profits (EBIT)	5 931	6 866
EBIT margin%	*3.4%*	*3.9%*

Formal Segment recorded **Net Revenues** of USD 172.1 million during 9M 2016 compared to USD 174.1 million for the comparative period. Sales of *British subsidiary, Baird Group* increased by 9.5% despite the depreciation of British Pound against USD by 10.9% during the period. On the Contrary *Swiss Garments Company S.A.E* and *Goldentex for Wool S.A.E* export sales fluctuated as a result of ongoing slowdown in European retail markets driving the world largest retail chains to start adopting new selling strategies.

Segment's **Operating Profits** (EBIT) reported USD 5.9 million compared to USD 6.9 million during the comparative period. Operating profits showed an increase of 24.2% during Q3 2016, recording USD 3.1 million supported by the decline in *SGC* operating costs.

It is worth mentioning that *Baird Group* achieved positive results on both sales and profits during Q3 2016, recording an uplift of net profits by 41.0% on the back of an increase in sales by 17.8% and a drop in company's SG&A expenses during the period.

Casual Segment

Casual | USD '000	9M 2016	9M 2015
Net Revenues	9 905	17 984
Operating profits (EBIT)	(737)	220
EBIT margin%	*(7.4%)*	*1.2%*

The Casual Segment recorded **Net Revenues** of USD 9.9 million during 9M 2016 compared to USD 18.0 million during 9M 2015. Operating profits were negatively affected with the decline in sales of *Swiss Cotton Garments Company S.A.E* and the increase in the SG&A expenses during the period.

About Al Arafa for Investment & Consultancies

Al Arafa for Investment and Consultancies ("Arafa Holding") is a leading player in the fashion industry, listed on Egyptian Stock Exchange and holds approximately 15% market share of the UK formal menswear market through its subsidiary "Baird Group" that manages 235 stores in the UK.

Arafa Holding owns the homegrown brand, Concrete, in Egypt, which is considered the largest retailer for luxurious men's & kids' wear in the country. The company's retail operations are vertically integrated with a state of the art industrial platform that is considered the largest in the Middle East & Africa. In addition to some other strategic investments with leading international fashion players such as Ermenegildo Zegna.

Investor Relations:

Al Arafa for Investment & Consultancies (Arafa Holding - AIVC)
Address: Nasr City Public Free Zone – 15st. near North Area
Tel: +202 267 140 44
Email: ir@arafaholding.com
Website: www.arafaholding.com