Al Arafa for Investment and Consultancies

Earnings Release | H1 2017 Results

September 2017

Al Arafa for Investment & Consultancies ("Arafa Holding" or "AIVC" or the "Company"), the leading Company in Retail, Garments & Textile manufacturing released its results for the 1st six months of the FY 2017/2018.

Arafa Holding reported Operating Profits of USD 9.7 million for the first six months of the FY 2017/2018 compared to USD 5.7 million during the first six months of the FY 2016/2017 even though sales of companies operating in Egyptian market were negatively affected after financial statements translation with devaluation of the EGP against the USD with an average of 52.0% during the period , and the witnessed shrinking in local retail markets which was accompanied by a large increase of costs due to higher inflation rates. This is in addition to continuous slowdown in the global retail markets pushing international retail chains to change their selling strategies in light of the expansion of the online sales companies.

Arafa Holding recorded Net profit after Tax of USD 2.4 million during the first six months of FY 2017/2018 compared to USD 3.5 million during the same period of FY 2016/2017 affected by higher cost of financing used to finance retail expansions in both Egypt and the United Kingdom, as well as non-recurring losses arising from the sale of available-for-sale marketable securities during the period.

Financial Highlights for H1 2017 Results

Consolidated Results |USD '000	H1 2017	H1 2016
Net Revenues	114 378	122 589
Operating profit	9 665	5 663
Operating profit margin%	*8.4%*	*4.6%*
Net profit after tax	2 403	3 549
Net profit margin %	*2.1%*	*2.9%*

- Arafa Holding recorded **Consolidated Net Revenues** amounted of USD 114.4 million during H1 2017 compared to USD 122.6 million during H1 2016. Sales of companies operating in the Egyptian market were negatively affected after the translation of the financial statements with depreciation of EGP against USD with an average of 52.0% as well as witnessed shrinking of local retail markets during the period. Sales to European markets were also affected by the depreciation of the euro against the USD during the period with an average of 3.2% and the continuous slowdown in global retail markets putting pressure on world retail chains to change their selling strategies.

- **Consolidated Operating profits** recorded USD 9.7 million during H1 2017 compared to USD 5.7 million during the comparative period, even though sales were negatively affected by the decline in the value of sales of companies operating in the Egyptian market after financial statements translation due to depreciation of EGP against USD with an average of 52% during the period and the shrinking of the local retail markets, accompanied by a large increase in costs due to higher inflation rates.
- **Consolidated Net profits after Tax** reported USD 2.4 million during H1 2017 compared to USD 3.5 million during the comparative period on the back of higher financial costs used to finance retail operations' expansions in both Egypt and the United Kingdom, as well as non-recurring losses arising from the sale of available-for-sale marketable securities during the period.

Breakdown by Business Segment:

Luxury Segment

Luxury | USD '000	H1 2017	H1 2016
Net Revenues	26 313	38 224
Operating Profits	2 049	3 485
Operating profit margin%	*7.8%*	*9.1%*

Luxury Segment recorded **Net Revenues** of USD 26.3 million during H1 2017 compared to USD 38.2 million during same period last year. Sales of *Egypt Tailoring Company S.A.E* were affected by the continuous slowdown in the European retail markets as well as the depreciation of the euro against the USD during the period with an average of 3.2%. Also Segments' sales were negatively affected by the decrease in value of sales of *Concrete for Ready Made Garments Company S.A.E* after the translation of the financial statements due to the devaluation of EGP against the USD during the first six months of FY 2017 by an average of 52.0% and the shrinking of the local retail markets during the period, despite the increase in sales of the company on the local currency by 32.7% during the period.

Segment's **Operating profits** reached USD 2.0 million with operating profit margin of 7.8% compared to USD 3.5 million with operating profit margin of 9.1% during same period last year. Operating profits were affected by lower sales as well as higher SG&A for the segment during the period since SG&A expenses included the advertising and marketing expenses of Concrete's advertising campaign which was launched during Q2 2017.

Formal Segment

Formal | USD '000	H1 2017	H1 2016
Net Revenues	107 566	113 203
Operating profits	6 404	3 511
Operating profit margin%	*6.0%*	*3.1%*

Formal Segment recorded **Net Revenues** of USD 107.6 million during H1 2017 compared to USD 113.2 million for the comparative period. Although Baird Group sales were up by 10.5% on the local currency (GBP) and Golden Tex Wool Co. S.A.E sales increased by 72.3% on the local currency (EGP), the depreciation of GBP and EGP against the USD averaging 9.9% and 52.0% during the period led to lower sales of the two companies after the translation of the financial statements during the H1 2017.

Segment's **Operating Profits** reached USD 6.4 million with an operating profit margin of 6.0% compared to USD 3.5 million with an operating profit margin of 3.1% during the comparative period supported by a significant decline in the industrial costs of *Swiss Garments Company S.A.E* and *Golden Tex Company S.A.E* during the period. This is in addition to the decline in the SG&A expenses of Baird Group, which witnessed a significant increase in the administrative expenses during last year in relation to obtaining the exclusive rights of Ben Sherman and the integration of its operations with Baird Group.

Casual Segment

Casual | USD '000	H1 2017	H1 2016
Net Revenues	7 322	7 592
Operating profits	633	236
Operating profit margin%	*8,6%*	*3,1%*

Casual Segment recorded **Net Revenues** of USD 7.3 million during H1 2017 compared to USD 7.6 million during H1 2016. Sales of *Swiss Cotton Garments Company S.A.E* were up by 62.2% in Q2 2017 in compared to Q2 2016.

Segment reported **Operating profits** of USD 633k and an Operating profit margin of 8.6% compared to USD 236k and an Operating profit margin of 3.1% during the comparative period due to lower industrial costs and SG&A expenses of *Swiss Cotton Garments Company S.A.E* 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