



## Press release

Cairo May 11, 2017

Arabian Food Industries Company (DOMTY) announced that the percentage of raw materials to sales for the first four months of 2017 (unaudited) have shown a significant and gradual improvement during the months of January to April, reaching 84.7% in the first quarter of 2017, and declined to reach 75.9% in April 2017.

"We are very optimistic for the first time after the flotation, what happened in Egypt during the past six months was like an earthquake," said **Mohamed el-Damaty**, vice chairman of the company. "Egypt and Domty have not experienced such economic events before, the devaluation of the EGP exceeded our expectations.

We did not buy a large raw materials stock before the flotation and the company did not increase the selling prices suddenly and shock its trade and consumers similar to the same surprise and shock the exchange rate decision did.

The company's sales have grown in quantity significantly over the past 10 years. Therefore, the decline in quantities called for a study of the reasons and determines whether their impact is continuous or temporary. Also, the expectations of the exchange rate decline do not appear to be verifiable in the short term. Based on these data, the company started in March to focus on raising the selling price to reach a satisfactory profit margin, hence the company expects to reach the required percentage ratio of raw materials to sales by the end of the second quarter.

The company will start to make the fixed expenses commensurate with the size of the new demand and the sales associated with it, we have achieved a large sales numbers compared to the market in January and February. Hence increased market share.

Further increase in the exchange rate was shocking and made the gradual transfer of the cost burden to the consumer not commensurate with the market variables and the new trend led to some impact on the sales quantities.

The pricing policy for the company's main stream products was changed. Instead of selling at the same price point of the competitors, **Domty Plus**, the company's main product, was 3 to 5% higher in price than the nearest competitor. The same applies to our **juice/nectar brand** despite the fierce competition. The company decided to reduce its dependence on our cheese fighter brands (**Gebnty and Damo**) due to the fierce competition from small players over and above the company has decided to stop granting credit facilities of more than two weeks period for any customer having a low credit rating.

The company appointed storekeepers and accountants at the agents to control the volume of credit granted to the market by the agents, and also reduced supply to the

government sector due to the high debt number, in spite of all of these factors that resulted in resistance which reduced the sales figures by more than the normal rates in the short term, today the management of the company sees that these procedures are commensurate with the current market conditions and we stand now on a solid ground more than ever before and has increased the ability of the company now to transfer the burden of increased costs to the consumer after the change of policies above.

The **Fita Plus** growing sales figures plus the high consumer demand is also a supporting factor in growing the whole company and we see it as a matter of time for going back to our normal sales volumes or even exceeding it as the company, is looking at the medium to long term business plans, and we are very optimistic about what is coming.

The results of the first quarter will be issued on Monday May 22 after the end of the trading session.

**Mohamed Eldamaty**

**Vice Chairman**