



PROFESSIONALS  
INVESTMENT BANKING

# EQUITY FAIR VALUE REPORT

**FOR NILE TEXTILE INDUSTRIES COMPANY  
S.A.E**



May 2024



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# **CHAPTER 1**

## **EXECUTIVE SUMMARY**



## CHAPTER 1: Executive Summary

Nile Textile Industries Company (S.A.E.) was established in accordance with the provisions of Law No. 8 of 1997 under Incorporation Certificate No. 2536/2005. The company was registered in the Commercial Register under No. 13534 on April 20, 2005. The company's duration is 25 years, commencing on April 20, 2005, and ending on April 19, 2030.

### Company Objective

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The company's purpose is to establish and operate a factory for the production of cotton yarns and blended yarns; the production of sewing threads of all kinds; and the manufacture of medical cotton, bandages, and surgical dressings of various types, as well as sanitary pads.

It also produces multi-layer quilts and home covers for thermal insulation used for both industrial and personal applications such as winter clothing and linings (open-end cotton) made from fabric remnants purchased from the local market. The company further produces cotton fabrics and required velvets, various types of knitted fabrics, bleached, dyed, and finished fabrics and yarns, printed textiles, and inner and outer garments made from woven and knitted fabrics.

Other activities include cleaning, opening, mixing, and pressing cotton and synthetic fibers; manufacturing gloves, wristbands, and all types of socks and knitted products.

All activities are conducted in compliance with applicable laws, regulations, and decisions, and subject to obtaining the necessary licenses.

The company may also have an interest in or participate in any manner with companies or entities engaged in similar activities or that may assist in achieving its purpose, whether in Egypt or abroad. It may

merge with, acquire, or affiliate with such entities in accordance with the law and its executive regulations.

## Company Headquarters

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The company's headquarters is located in Kafr Hakim, Abu Rawash – Giza.

## Company Capital

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The authorized capital amounts to EGP 750 million, and the issued capital is EGP 551.86 million. The paid-up capital amounts to EGP 335 million, with a nominal value per share of EGP 100, distributed over 5.51 million shares.

## Valuation Results

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- The fair value of the company's share using the Adjusted Book Value Method was estimated at EGP 385.13 per share.
- The fair value of the company's share using the Price-to-Book Value Multiple Method was estimated at EGP 431.57 per share.

The weighted average approach was applied, combining both the Adjusted Net Asset Value (ANAV) Method and the Price-to-Book Value (P/BV) Multiple Method.

A 70% weight was assigned to the *Adjusted Net Asset Value Method* as it reflects the company's performance and the value of its owned assets, while a 30% weight was assigned to the *Price-to-Book Value Method* to link the company's performance to market indicators.

The Discounted Cash Flow (DCF) Method was excluded due to the company's incurred losses over the past years. A 5% liquidity discount was applied since the company is not listed on the Egyptian Stock Exchange.

The following table presents the fair value results per share of the company under valuation:

<b>METHOD</b>	<b>WEIGHTED VALUE (EGP)</b>	<b>WEIGHT %</b>	<b>VALUE (EGP)</b>
Adjusted Net Asset Value Method	385.13	70%	269.59
Price-to-Book Value Multiple Method	431.57	30%	129.47
<b>WEIGHTED AVERAGE SHARE VALUE</b>		<b>100%</b>	<b>399.06</b>
Less: Liquidity Discount			-5%
<b>FAIR VALUE PER SHARE</b>			<b>379.11</b>

The following table presents the nominal, book, and fair values of the company's share:

<b>NO.</b>	<b>DESCRIPTION</b>	<b>VALUE (EGP)</b>
1	Nominal Value	100.00
2	Book Value as of 31/03/2024	171.26
<b>3</b>	<b>FAIR VALUE</b>	<b>379.11</b>

Based on the above, the fair value of shareholders' equity in the company amounts to EGP 2.092 billion, distributed over 5.5 million shares, resulting in a fair value per share of EGP 379.11 (*only three hundred seventy-nine Egyptian pounds and eleven piasters*).

With our highest regards,

**Issued on: 20 MAY 2024**

**MANAGING DIRECTOR  
& BOARD MEMBER**

**MAHMOUD EL-NA'NAI FODA**

# **CHAPTER 2**

# **VALUATION ASSIGNMENT**



## CHAPTER 2: Valuation Assignment

### Introduction

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In accordance with the mandate issued by Nile Textile Industries Company (S.A.E.) in April 2024, the company commissioned the preparation of a comprehensive financial study to determine the fair value of its shares for internal use.

Accordingly, Professionals for Financial Consultancy, Underwriting, and Public Offering of Securities was appointed as an independent financial advisor to conduct a comprehensive financial valuation study of the company's share.

Nile Textile Industries Company (S.A.E.) was established in accordance with the provisions of Law No. 8 of 1997, under Incorporation Certificate No. 2536/2005, and was registered in the Commercial Register under No. 13534 on 20 April 2005.

The company's duration is 25 years, commencing on 20 April 2005 and ending on 19 April 2030. The company's activity is based on establishing and operating a factory for the production of cotton yarns and blended yarns, sewing threads of various types, medical cotton, bandages, and surgical dressings, as well as sanitary pads.

It also produces multi-layer quilts and home covers for thermal insulation for both industrial and personal uses, such as winter clothing and linings (open-end cotton) made from fabric remnants purchased from the local market. In addition, the company produces cotton fabrics, velvets, and various types of knitted fabrics, conducts bleaching, dyeing, finishing, and printing of fabrics and yarns, and manufactures inner and outer garments from woven and knitted textiles.

Other activities include cleaning, opening, mixing, and pressing cotton and synthetic fibers, as well as the manufacture of gloves,

wristbands, socks, and knitted products of all kinds, in compliance with applicable laws, regulations, and decisions, and subject to obtaining the necessary licenses.

The company may also have an interest in or participate, in any form, with other companies or entities engaged in similar activities or that may assist it in achieving its objectives, whether in Egypt or abroad. It may also merge with, acquire, or affiliate with such entities in accordance with the law and its executive regulations.

The company's headquarters is located in Kafr Hakim, Abu Rawash – Giza.

The authorized capital amounts to EGP 750 million, the issued capital is EGP 551.86 million, and the paid-up capital is EGP 335 million. The nominal value per share of the issued capital is EGP 100, distributed over 5.51 million shares.

The company's share was valued using two methods:

- the Adjusted Net Book Value (ANBV) Method, and
- the Price-to-Book Value (P/BV) Multiple Method.

The Discounted Cash Flow (DCF) and Price-to-Earnings (P/E) methods were excluded due to the company's financial circumstances and the losses incurred in previous years.

## **Scope of Review & Limitation of Liability**

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The financial study prepared for the company includes the income statements and statements of financial position, relying also on marketing data derived from national production statistics in Egypt.

## **Limitation of Liability**

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All financial and non-financial information and data provided by the management of the company under valuation and its representatives are

the sole responsibility of the company's management and its external auditor.

Professionals for Financial Consultancy, Underwriting, and Public Offering of Securities has not conducted any audit to verify the accuracy of these data. The information and data used in the valuation and relied upon in the preparation of this report—except for any reservations explicitly stated herein, if any—are considered sufficient for determining the fair value as of the valuation date.

Professionals have exercised the due professional care of a prudent expert in verifying the reasonableness of the data, and nothing has come to our attention that would give reasonable cause to doubt that such information does not provide a reasonable basis for the preparation of this study.

The information has been prepared using a set of theoretical assumptions, and therefore, it may not be suitable for purposes other than those stated in this report. The management of the company under valuation bears full responsibility for the accuracy and completeness of such data and information.

We have exerted the necessary professional effort and diligence in verifying the reasonableness of the assumptions used in preparing the financial statements, in a manner consistent with the nature of the company's activities, the industry in which it operates, and the risks to which it is exposed. In several instances, we intervened to adjust these statements as appropriate. Nevertheless, we do not guarantee that the actual future results will conform to the assumptions adopted in this study.

We, Professionals for Financial Consultancy, Underwriting, and Public Offering of Securities, hereby declare our complete independence from any matters that might give rise to an actual or potential conflict of

interest with the requesting entity, the company under valuation, or any related parties, whether such interest is direct or indirect.

Furthermore, reliance has also been placed on the Asset Inspection and Valuation Report of Nile Textile Industries Company, which was prepared by El Mahdy Firm for Expertise, Valuation, and Intellectual Property, a firm of technical experts accredited by the Central Bank of Egypt.

This expert report forms an integral part of the present valuation report and should be read in conjunction with it.

El Mahdy Firm for Expertise, Valuation, and Intellectual Property bears full responsibility for the technical valuation of assets, and no responsibility whatsoever shall be borne by our firm, Professionals for Financial Consultancy, Underwriting, and Public Offering of Securities, in this regard.

## **Professional Responsibility**

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The fair value study of the Company has been prepared based on the latest unaudited financial statements issued by the subject company as of March 31, 2024. The fair value study was issued in May 2024, and may be relied upon at any time within a period not exceeding six months following the issuance date of the study, provided that no material changes occur in the Company, the industry, the sector, or the economy during that period.

The fair value of the subject company has been prepared in accordance with the Egyptian Standards for Financial Valuation of Enterprises, issued by the Financial Regulatory Authority (FRA), and in compliance with the applicable laws and legal regulations. This valuation has been prepared for a fixed professional fee that is independent of the valuation outcome and not linked to the share value.

The preparation of the financial analyses relied on information obtained from the Company as well as data derived from external sources, including:

- The financial sector studies in the Arab Republic of Egypt,
- Annual trading data and trading volumes as published in the official bulletins of the Egyptian Exchange,
- Publications of Bloomberg International,
- Data of the Central Bank of Egypt, and
- Reports of the Financial Regulatory Authority.

Reliance has also been placed on the Inspection and Asset Valuation Report of Nile Textile Industries Co. (S.A.E.), prepared by El-Mahdy Firm for Expertise, Appraisal, and Intellectual Property, who are certified technical experts accredited by the Central Bank of Egypt. The valuation expert's report constitutes an integral part of this report and must be read in conjunction therewith. El-Mahdy Firm for Expertise, Appraisal, and Intellectual Property bears full responsibility for the technical appraisal of assets, while Professionals for Financial Consulting and Securities Underwriting and Promotion bears no responsibility whatsoever for such technical valuation.

## **Confidentiality of Reports**

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This report is deemed confidential and has been prepared pursuant to the engagement letter issued to us by Nile Textile Industries Co. (S.A.E.) for the purpose of internal use by the Company. Accordingly, it shall be treated within the restricted scope for which it was prepared. Therefore, this report may not be copied, circulated, or transmitted to any person or entity without the prior written consent of the Company's management.



**CHAPTER 3**  
**BASIC INFORMATION ON**  
**NILE TEXTILE INDUSTRIES**  
**S.A.E**



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## **CHAPTER 3: Basic Information on Nile Textile Industries Co. (S.A.E.)**

### **Company Name**

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Nile Textile Industries Co. (S.A.E.)

### **Legal Form**

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The Company is governed by the provisions of Law No. 8 of 1997 and its Executive Regulations, and is registered in the Commercial Register under No. 13534, dated April 20, 2005.

### **Duration**

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The Company has a term of 25 years, commencing on April 20, 2005, and expiring on April 19, 2030.

### **Company Purpose**

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The Company's objectives include establishing and operating a factory for the production of cotton and blended yarns; manufacturing knitting yarns of various types; producing medical cotton, bandages, and surgical dressings of all kinds; producing sanitary napkins; manufacturing quilts and multilayer household covers for thermal insulation for both industrial and personal uses, such as winter clothing and linings (open-end cotton) made from locally sourced fabric remnants; producing cotton and velvet fabrics as well as various types of knitted fabrics; bleaching, dyeing, and finishing fabrics and yarns; fabric printing; manufacturing underwear and outerwear made of woven and knitted fabrics; cleaning, opening, mixing, and pressing cotton and synthetic fibers; manufacturing gloves, wristbands, and all types of socks and knitted products.

All of the above activities shall be carried out in compliance with the applicable laws, regulations, and decrees, and are subject to obtaining

the necessary licenses required for the exercise of such activities. The Company may also own interests in or participate in any manner with other companies or entities engaged in similar or complementary activities that support the achievement of its objectives, whether inside or outside Egypt. Furthermore, the Company may merge with, acquire, or affiliate with such entities, in accordance with the applicable laws and their executive regulations.

## Capital Structure:

- Authorized Capital: EGP 750 million
- Issued Capital: EGP 551.86 million
- Paid-up Capital: EGP 335 million

## Number of Shares

5.51 million shares.

## Par Value per Share

EGP 100 per share.

## Shareholding Structure

SHAREHOLDER NAME	OWNERSHIP %	COUNT OF SHARES	ISSUED CAPITAL (EGP)
Mahmoud Mohamed Ghazal Marzouk	99.9985%	5,518,542	551,854,200
Rania Mahmoud Mohamed El-Dabaa	0.0013%	71	7,100
Mohamed Said Abdel-Hafez Ali	0.0002%	10	1,000
<b>TOTAL</b>	<b>100%</b>	<b>5,518,623</b>	<b>551,862,300</b>

**CHAPTER 4**  
**OVERVIEW OF THE**  
**EGYPTIAN ECONOMY**



## CHAPTER 4: Overview of the Egyptian Economy

As part of the Egyptian government's ongoing efforts to alleviate the living burdens on citizens and to contain, to the greatest extent possible, the repercussions of global economic crises and their domestic impacts, the State has launched the largest urgent social protection package amounting to USD 180 billion, effective March 2024.

### The key measures under the Urgent Social Protection Package, effective March 2024

- An increase of 50% in the minimum wage, raising it to EGP 6,000 per month.
- Salary increases for public sector employees and those in economic authorities, with a minimum monthly increase ranging from EGP 1,000 to 1,200, depending on job grade.
- Periodic allowances of 10% of the job wage for employees subject to the Civil Service Law, and 15% of the basic wage for those not covered by it, with a minimum of EGP 150, at a total cost of EGP 11 billion.
- Additional incentive payments starting from EGP 500 for Grade 6 employees, increasing by EGP 50 per grade, up to EGP 900 for top grades, at a total cost of EGP 37.5 billion.
- Allocations of EGP 15 billion in additional increases for doctors, nurses, teachers, and university faculty members, including:
  - EGP 8.1 billion for additional salary increases for pre-university teachers,
  - EGP 1.6 billion for university faculty members and researchers at institutes and research centers, and
  - EGP 4.5 billion for members of medical professions and nursing staff.
- Allocations of EGP 6 billion to recruit 120,000 professionals across the medical, educational, and administrative sectors.

- A 15% increase in pensions benefiting 13 million citizens, at a total cost of EGP 74 billion.
- A 15% increase in “Takaful and Karama” social pensions, at a cost of EGP 5.5 billion, bringing the total annual increase to 55% of the pension value, with EGP 41 billion allocated for the “Takaful and Karama” program in the fiscal year budget.

## Recent Macroeconomic Indicators

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### Real Sector

The Egyptian economy has demonstrated a significant degree of resilience despite the repercussions of the COVID-19 pandemic and the ongoing war in Europe, both of which have contributed to disruptions in global supply chains and substantial increases in international prices—particularly for basic commodities and foodstuffs.

In response, the Government of Egypt, in coordination with the Ministry of Finance, has developed a coherent and integrated framework to support both citizens and economic sectors. This has included the prompt adoption of measures, incentives, and policies aimed at stimulating economic activity, in addition to implementing social protection initiatives to improve the structure of wages and pensions.

- According to estimates issued by the Ministry of Planning and Economic Development, real GDP growth reached 2.65% during the first quarter of FY 2023/2024, compared to 4.4% during the same period of the previous fiscal year. This slowdown reflects the broader global economic deceleration, as the world growth rate declined to 3.1% in 2023, compared to 3.5% in 2022 and a historical average of 3.8% (2000–2019), based on IMF estimates (January 2024). The downturn has been driven by reduced global productivity, rising international prices (particularly for essential commodities and food), and the impact of tight monetary policies

adopted worldwide to curb inflationary pressures—resulting in reduced domestic demand, lower productivity, and increased production costs.

- For the fiscal year 2022/2023, the Egyptian economy achieved a real growth rate of 3.8%, as reported by the Ministry of Planning and Economic Development. Growth was sector-driven, led by:
  - Tourism: +28%
  - Information and Communications Technology: +20.3%
  - Suez Canal: +18.4%
  - Construction: +5.2%
  - Transportation: +4.3%
  - Wholesale and Retail Trade: +4.2%

Moreover, Suez Canal revenues recorded their highest annual level in a decade, reaching USD 8.8 billion in FY 2022/2023, supported by targeted marketing policies that successfully attracted new shipping lines.

On the external sector level, improvements in tourism receipts, Suez Canal revenues, foreign direct investment, and reduced imports contributed to a 66% improvement in the current account deficit, which declined to USD (4.7) billion (−1.2% of GDP) in FY 2022/2023, compared to USD (16.5) billion (−3.5% of GDP) in the preceding year.

- The Egyptian government continues to pursue structural reform efforts aimed at localizing industrial production, enhancing domestic manufacturing capacity, and expanding developmental investments, particularly in green projects. The government also targets the creation of one million job opportunities annually, alongside the launch of the State Ownership Policy Document,

which opens new avenues for attracting foreign direct investment (FDI), thereby contributing to sustainable development and the improvement of living standards and public services.

- Net international reserves increased to USD 35.2 billion by the end of December 2023, compared to USD 13.4 billion at the end of 2013, reflecting a strengthened external position.
- The Purchasing Managers' Index (PMI) recorded 48.1 points in January 2024, compared to 48.5 points in December 2023, and 37.1 points in December 2016, indicating gradual recovery in business sentiment despite persistent challenges.

## Financial Sector

Over the past five years, the Egyptian government has undertaken numerous reform measures aimed at placing the national economy on the right track and enhancing the efficiency of services provided to citizens. The Ministry of Finance has also continued to achieve fiscal discipline targets, ensure the sustainability of public finance indicators, improve the efficiency of public expenditure, and maximize state resources. In addition, it has supported the social safety network and human development sectors such as education and health, thereby increasing Egyptian citizens' productivity and standard of living, as well as improving infrastructure and public services.

The overall fiscal balance of the state's general budget recorded about  $-5.88\%$  of the gross domestic product (GDP) during the period from July to January of fiscal year 2023/2024, while the primary surplus amounted to EGP 173 billion, representing  $1.29\%$  of GDP during the same period. All requirements for increasing allocations to the health and education sectors, treasury-financed investments, wage increases, and social protection programs have been met.

Total revenues reached EGP 952 billion during the period from July to January of fiscal year 2023/2024, marking an increase of EGP 265

billion, or a 38.6% growth rate. Tax revenues accounted for 81.7% of total revenues, while non-tax revenues represented 18.3%.

### **Total Debt of Budgetary Entities (Domestic and External)**

The latest data indicate that the total debt of budgetary entities as a percentage of gross domestic product (GDP) reached 95.7% in June 2023 — comprising 70.5% domestic debt and 25.2% external debt — compared to 100.9% in June 2017, when domestic debt represented 84.1% and external debt 16.8% of GDP. It is expected that the ratio of the total debt of budgetary entities to GDP will reach 92.2% in June 2024.

### **Inflation**

Data indicate that the annual inflation rate reached 29.8% in January 2024, compared to 33.7% in the previous month. The average annual inflation rate during the period July–January of fiscal year 2023/2024 was approximately 35.1%, compared to 17.9% during the same period of the previous fiscal year. The core inflation rate reached 29% in December 2024, compared to 34.2% in the preceding month.

### **Monetary Sector**

- According to the latest data issued by the Central Bank of Egypt (CBE), the annual growth rate of domestic liquidity stabilized at 24.4% in August 2023, reaching about EGP 8,467 billion. This was mainly due to an increase in the annual growth rate of quasi-money by 21.6% in August 2023, driven by the rise in the annual growth rate of foreign currency demand deposits by 68.7%, and the annual growth rate of foreign currency time and savings deposits by 81.3% during the same month. Additionally, the annual growth rate of local currency time and savings deposits rose by 10.1% in August 2023. The growth rate of the money supply (M1) stabilized at 33.1%, supported by an increase in currency in circulation outside the

banking system by 25.0% during the month under review, compared to 23.8% in the previous month, and a slower increase in local currency demand deposits, which rose by 41.1% compared to 42.7% in the prior month.

- The annual growth rate of net foreign assets (NFA) recorded –EGP 801 billion in August 2023, compared to –EGP 812 billion in the preceding month. This reflects an improvement in net foreign reserves at the Central Bank, which reached –EGP 290 billion in August 2023, compared to –EGP 312 billion a month earlier, while net foreign assets of commercial banks amounted to –EGP 510 billion in August 2023, versus –EGP 499 billion in the previous month. The foreign assets of the Central Bank stood at EGP 1,049.8 billion in August 2023, while net international reserves increased slightly to USD 34.9 billion in August 2023, up from USD 34.8 billion in July 2023.
- On the other hand, the annual growth rate of net domestic assets (NDA) rose moderately to EGP 9,268.8 billion, recording 28.7% at the end of August 2023, compared to 29.4% in the previous month. This was mainly due to an increase in the annual growth rate of government liabilities by 42.4%, reaching EGP 6,464 billion in August 2023, compared to 42.2% a month earlier, and a slightly slower growth in credit extended to the private and household sectors, which increased by 25.3%, reaching EGP 2,796 billion in August 2023, compared to 25.6% in the prior month.
- The annual growth rate of total deposits (EGP 9,719 billion) increased at a slower pace, reaching 27.1% by the end of August 2023, compared to 28.4% in the previous month. It is worth noting that 77.6% of total deposits belong to the non-governmental sector, while the loans-to-deposits ratio stood at 51.5% at the end of August 2023.

In this context, during its extraordinary meeting on March 6, 2024, the Monetary Policy Committee (MPC) decided to raise the overnight deposit rate, lending rate, and the Central Bank's main operation rate by 600 basis points, bringing them to 27.25%, 28.25%, and 27.75%, respectively. The credit and discount rate was also increased by 600 basis points to reach 27.75%.

## **External Sector**

The balance of payments recorded an overall surplus of USD 228.8 million during the first quarter of fiscal year 2023/2024, compared to an overall surplus of USD 523.5 million during the previous fiscal year.

A notable improvement of 21.1% was observed in the current account deficit, which narrowed to –USD 2.8 billion, compared to a larger deficit of –USD 3.2 billion in the preceding fiscal year. This improvement in the current account deficit was mainly driven by a 12.7% reduction in the trade balance deficit, which decreased to around –USD 7.9 billion.

The services balance surplus also contributed to the improvement, rising to approximately USD 5.2 billion, mainly supported by higher tourism revenues and Suez Canal transit fees.

Meanwhile, the capital and financial account recorded a net inflow of about USD 1.8 billion during the fiscal year.



**CHAPTER 5**  
**OVERVIEW OF THE TEXTILE**  
**SECTOR**



## CHAPTER 5: Overview of the Textile Sector

The textile industry in Egypt is the second-largest industrial sector, accounting for 25% of the overall apparel industry and approximately 3% of the gross domestic product (GDP). It also plays a vital role in shaping the Egyptian economy.

Egypt has achieved significant growth in the textile and clothing industry, supported by a large labor force, relatively low wage levels, and planned improvements in the business environment and transport infrastructure. Egyptian cotton has gained global renown for its exceptional quality, softness, and durability, making Egypt a symbol of luxury and excellence in textile manufacturing, with a rich history dating back to the 19th century.

In 2020, the United Nations Industrial Development Organization (UNIDO) highlighted that the textile supply chain—a fundamental pillar of the local economy—is entirely integrated within Egypt, encompassing all stages from cotton cultivation through ginning, spinning, weaving, and final manufacturing, including home textiles. Moreover, by-products of cotton textiles in post-manufacturing stages represent significant growth potential for the industry.

In 2023, the U.S. Department of Agriculture praised the remarkable improvement in the quality of Egypt's cotton crop, attributing this to government intervention and revised cotton production policies introduced in 2017. The report also noted that the Mahalla El-Kubra Spinning and Weaving Factory represents a major step forward in the development of Egypt's textile industry.

Furthermore, in 2022, the International Cotton Advisory Committee (ICAC) reported that Egypt's cotton sector has witnessed substantial progress, as the government has adopted a comprehensive strategy for cotton cultivation and trade, developed ginning facilities, and launched

an integrated development plan for the spinning and weaving industry through the establishment of new industrial centers and the restructuring of existing facilities.

It is worth noting that the ICAC is an association of governments of cotton-producing, consuming, and trading countries, functioning as an international commodity body for cotton and cotton textiles.

Egypt achieved record cotton exports during the 2022 season, despite the negative repercussions of the Russia–Ukraine war on global trade. The country succeeded in exporting approximately 50,000 tons, equivalent to 75% of its total cotton production.

The cultivated area of cotton reached 255,000 feddans in FY 2023/2024, compared to 216.6 thousand feddans in FY 2017/2018, reflecting an increase of 17.7%. Likewise, cotton production rose to 1.8 million kantars in FY 2023/2024, up from 1.4 million kantars in FY 2017/2018, representing an increase of 28%.

The state achieved a higher growth rate in raw cotton exports than in imports. Cotton exports amounted to USD 211.8 million in FY 2022/2023, compared to USD 122.6 million in FY 2017/2018, marking an increase of 72.8%. Meanwhile, cotton imports rose to USD 293.3 million in FY 2022/2023, up from USD 243.3 million in FY 2017/2018, an increase of 20.6%.

Furthermore, ready-made garment exports reached USD 2.3 billion in FY 2022/2023, compared to USD 1.5 billion in FY 2017/2018, showing a growth of 53.3%. In addition, carpet and kilim exports amounted to USD 338.4 million in FY 2022/2023, compared to USD 321.3 million in FY 2017/2018, reflecting a 5.3% increase.

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## Development of the Spinning and Weaving Industry

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The spinning and weaving industry development project focuses on expanding cotton cultivation and improving its quality. Efforts include reclaiming new lands for cotton farming and developing five new cotton varieties, which have been officially registered, raising productivity from 8 to 10 kantars per feddan.

In addition, contract farming has been introduced to encourage farmers, with the price per kantar for the 2024/2025 season set at EGP 10,000 for medium-staple cotton and EGP 12,000 for long-staple cotton. A new cotton trading system has also been launched based on public auctions linked to international prices, aiming to improve cotton quality and cleanliness, organize trading operations, and ensure fair prices for farmers. This system has been implemented nationwide since the 2021 season.

Regarding cotton ginning modernization, the process is being upgraded by introducing advanced automated ginning technologies, eliminating manual intervention to produce impurity-free cotton bales, doubling production capacity, and enhancing packaging methods.

As for spinning and weaving companies, 31 companies have been merged into 9, operating in cotton trading, ginning, spinning, weaving, dyeing, finishing, and garment manufacturing. The development plan also includes 65 factories and service buildings across various governorates, involving construction, renovation, and rehabilitation, in addition to supplying new state-of-the-art machinery from leading international manufacturers. Furthermore, a new marketing company has been established to promote spinning and weaving products domestically and internationally, expand into new markets, and increase exports.

Egypt has also expanded the cultivation of short-staple cotton to meet the needs of domestic spinning and weaving companies and reduce import costs. Short-staple cotton is particularly important, as 97–98% of global and domestic demand for cotton-based apparel relies on it. Its expansion could save approximately USD 2 billion annually, representing the value of imports of ready-made garments, coarse yarns, and short-staple cotton.

The short-staple cotton cultivation trials have been successfully implemented in East Oweinat and Toshka, with 1,250 feddans planted in East Oweinat and 250 feddans in Toshka. The average yield per feddan has significantly increased since the experiment began in 2020, rising from 5.7 kantars in 2020 to 9.85 kantars in 2021, and reaching 10 kantars in 2022.

## **Major Projects Scheduled for Inauguration under the National Project for the Development of the Spinning and Weaving Industry**

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The projects include the “Spinning and Weaving” factory, the largest spinning mill in the world, located in El-Mahalla El-Kubra, with a production capacity of approximately 183,000 spindles and a target daily output of 30 tons of yarn. The installation of the new machinery has been completed, and operations and production are expected to commence soon.

The total cost of the “Ghazl 4” factory amounts to EGP 2 billion, spanning an area of 24.5 thousand m<sup>2</sup> and housing around 72 thousand spindles and machines, with an expected daily yarn output of 15 tons.

Furthermore, the development project of Misr Spinning, Weaving & Beyda Dyers Company in Kafr El-Dawar includes the construction of six factories for spinning, weaving, and dyeing, specialized in producing fine yarns, shirt and trouser fabrics, and garments, over an area of 337

thousand m<sup>2</sup>. As for the development project of Damietta Spinning & Weaving Company, it includes the establishment of four factories for spinning, weaving, weaving preparation, and dyeing, dedicated to jeans fabrics and thick yarns.

The Misr Shebin El-Kom Spinning & Weaving Company development project includes two factories for producing fine yarns, while the Dakahlia Spinning & Weaving Company project includes three factories for knitting, garment manufacturing, and dyeing. In addition, the Upper Egypt Spinning & Weaving Company project in Minya Governorate includes three factories for spinning, knitting, and dyeing.

After implementing the new development system, the target production capacities of the cotton, spinning, and weaving sector are as follows:

- The production capacity per ginning mill after development will reach 4.4 million kantars per year, compared to 1.5 million kantars per year before development.
- The target spinning production capacity will reach 188 thousand tons per year, up from 35 thousand tons per year before development.
- The target weaving production capacity will reach 198 million meters per year, compared to 50 million meters per year before development.
- The target production capacity of ready-made garments and textile products will reach 50 million pieces per year, compared to 8 million pieces per year before development.

## **Leading Players in Egypt's Textile Manufacturing Market**

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- Egyptian International Textile Company (Liontex)
- Giza Spinning and Weaving Company
- Startex for Textile, Dyeing, and Finishing

- DNM for Spinning, Weaving, and Dyeing
- Oriental Weavers

## **Textile Industry Market Trends in Egypt**

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The global textile yarn market is projected to reach USD 18.5 billion by 2028, up from USD 14.4 billion in 2023, reflecting a compound annual growth rate (CAGR) of 5.1% over the forecast period in value terms. The textile and spinning market has experienced significant growth and maintained a dominant position in the global textile industry, driven by the continuously increasing demand for textiles across a wide range of applications.

According to the OECD, Asia's share of total global middle-class consumer spending is expected to rise to 59% by 2030. As the middle-class population expands and consumers' purchasing power increases, individuals will have more disposable income to spend on various goods, including textiles and apparel. This growing purchasing power directly translates into higher demand for textile products, which in turn drives demand for textile yarns.

The textile yarn market has thus become increasingly competitive, making it more difficult for companies to differentiate themselves. Fluctuations in raw material prices — such as cotton, polyester, and other fibers — present challenges for manufacturers in managing production costs and pricing strategies.

Moreover, the textile industry faces increasing pressure due to its environmental impact, including water consumption, chemical pollution, and waste generation. As a result, manufacturers must address these concerns and adopt sustainable practices, which may pose additional challenges in terms of investment and operational changes.

Synthetic yarns are gaining popularity, particularly in North America, due to their various advantages. Synthetic fibers such as polyester, nylon,

and acrylic offer durability, versatility, and cost efficiency, making them popular choices for textile applications. The rising demand for synthetic yarns in industries such as apparel, home textiles, automotive textiles, and industrial fabrics has fueled market growth in North America.

Changing fashion trends and evolving consumer preferences in the region have also contributed to the dominance of synthetic yarns. Synthetic fibers offer a wide range of design options, vibrant colors, and unique textures, allowing designers and manufacturers to produce innovative and fashionable products. Their versatility supports the production of fabrics for diverse applications, reinforcing their market leadership.

Egyptian spinning, weaving, and knitting companies must recognize that they operate within a globalized ecosystem and strive to deliver diversity, quality, and consistent production to establish a strong international presence — at least within the Middle East and Mediterranean Basin, where countries like Turkey, Portugal, Greece, and Morocco are fiercely competing for larger shares of the European market.

To achieve meaningful export growth in spinning and textiles, Egypt must expand beyond cotton and polyester products, investing in the manufacturing of other natural fibers such as linen, wool, jute, and bamboo, and achieving a major leap in synthetic fiber production — including polyester, nylon, acrylic, and others. Countries such as China nearly dominate this sector, followed by Indonesia, Malaysia, India, and Thailand, whose combined share of synthetic fiber production roughly doubles that of natural fibers. Thus, Egypt should prioritize and encourage investment in synthetic fiber industries to reduce imports and create an export-oriented manufacturing base for global markets.

El-Mahalla El-Kubra remains the heart of Egypt's textile industry, accounting for approximately 60% of national textile production and 80% of Egypt's textile exports, with around 30 factories exporting and 500

factories operating in total. Removing existing barriers to boost competitiveness is essential.

The National Project for the Development of the Spinning and Weaving Industry is one of the most significant initiatives undertaken by the Egyptian government, with a total investment estimated at EGP 33 billion, a figure expected to rise as the project progresses.

In 2024, Egypt is set to inaugurate Ghazl 1, one of the largest spinning factories in the world, under Misr Spinning and Weaving Company in El-Mahalla El-Kubra. The factory is designed to produce 30 tons of yarn per day, housing around 183,000 spindles under one roof and covering an area of more than 62,000 m<sup>2</sup>.

This facility complements Ghazl 4, which produces 15 tons of yarn daily, forming a critical foundation for Egypt's textile, apparel, and dyeing industries. Together, these projects aim to restore the prominence of Egypt's textile sector, regain lost export markets, and reclaim Egypt's historical standing before the rise of East Asian competitors such as Vietnam, Pakistan, Afghanistan, Bangladesh, China, and India.

The comprehensive national project encompasses 65 factories and service buildings across various sites, targeting an annual production capacity of 188,000 tons of yarn, 198 million meters of fabric, 15,000 tons of fleece, and 50 million ready-made garments — positioning Egypt as a competitive global player in the textile industry once again.

**CHAPTER 6**  
**HISTORICAL FINANCIAL**  
**PERFORMANCE**  
**(FY 2021 – FY 2024 Q1)**



## CHAPTER 6: Historical Financial Performance (FY 2021 – FY 2024 Q1)

### Statement of Income

(Amounts in EGP '000)

STATEMENT ITEM	2021	2022	2023	31/03/2024
<b>Sales Revenues</b>	221,567	137,880	47,885	17,915
Cost of Sales	-224,740	-213,939	-70,064	-11,887
<b>Gross Profit (Loss)</b>	-3,173	-76,059	-22,179	6,028
Selling & Distribution Expenses	-10,282	-8,130	-6,116	-1,388
General & Administrative Expenses	-20,917	-12,294	-14,077	-1,975
Universal Healthcare Contribution	-589	-527	-	-
Export Subsidy Receivable	7,252	4,494	-	-
Income from Subsidiaries	64,399	-	-	-
Other Revenues	6,574	22	451,600	-
Realized FX Gains (Losses)	59	4,001	-	-
Unrealized FX Gains (Losses)	-45,356	-	-30,749	-
Capital Gains (Losses)	-2,109	-7,068	-	-
Treasury Bill Yields	24,523	-	-	-
Investment Fund Revenues	549	-	-	-
Bank Interest Income	112	-	7,225	-
<b>EBITDA (Net Profit Before Taxes, Interest and Depreciation)</b>	<b>-23,185</b>	<b>-76,408</b>	<b>409,228</b>	<b>4,214</b>
Depreciation	-7,646	-3,794	-2,691	-743
<b>EBIT (Net Profit Before Taxes and Interest)</b>	<b>-30,831</b>	<b>-80,201</b>	<b>406,537</b>	<b>3,471</b>
Finance Costs	-11,805	-16,556	-34,549	-2,424
<b>Net Profit Before Tax</b>	<b>-42,636</b>	<b>-96,757</b>	<b>371,989</b>	<b>1,048</b>
Income Tax for the Year	-31,141	-	-	-
Deferred Tax	-703	-	-	-
<b>Net Profit</b>	<b>-42,636</b>	<b>-96,757</b>	<b>340,145</b>	<b>1,048</b>

## **Commentary on the Income Statements**

### **Revenues**

The company's revenues declined from EGP 221.5 million in 2021 to EGP 47.8 million in 2023, mainly due to the suspension of operations at the plant following a disruption in gas supply. Revenues during the first three months of 2024 amounted to EGP 17.9 million.

### **Cost of Revenues**

The company's cost of revenues decreased from EGP 224.7 million in 2021 to EGP 70 million in 2023. The cost-to-revenue ratio fluctuated, increasing from 101% in 2021 to 155% in 2022 due to lower revenues amid the persistence of fixed expenses such as salaries and operating costs, before declining to 146% in 2023. During the first quarter of 2024, total costs amounted to EGP 11.8 million, representing 66% of revenues.

### **Gross Profit (Loss)**

Gross losses increased from EGP 3.1 million in 2021 to EGP 76 million in 2022, then declined to EGP 22.1 million in 2023. The company achieved a gross profit of EGP 6 million during the first quarter of 2024.

### **Selling and Distribution Expenses**

Selling and distribution expenses decreased from EGP 10.2 million in 2021 to EGP 6.1 million in 2023, representing 13% of revenues. During the first quarter of 2024, these expenses amounted to EGP 1.3 million, representing 8% of revenues.

### **General and Administrative Expenses**

The company's general and administrative expenses fluctuated, declining from EGP 21 million in 2021 to EGP 12.2 million in 2022, then rising by 14% to EGP 14 million in 2023. During the first quarter of 2024, general and administrative expenses reached EGP 2 million.

## **Investment Income from Subsidiaries**

The company generated income from its investments in subsidiaries (Giza Spinning & Weaving Company) amounting to EGP 64.3 million in 2022, which it subsequently divested in 2023.

## **Other Revenues**

The company generated other revenues amounting to EGP 451.6 million in 2023, representing insurance compensation and proceeds from the sale of investments in subsidiaries.

## **Interest Income**

The company earned additional income from deploying its available cash in financial investments such as treasury bills and investment funds, in addition to interest income from cash balances held with banks, achieving total interest income of EGP 32.2 million in 2023.

## **Finance Costs**

Finance costs increased from EGP 11.8 million in 2021 to EGP 34.5 million in 2023. During the first three months of 2024, finance costs amounted to EGP 2.4 million.

## **Net Profit (Loss)**

The company incurred net losses during 2021 and 2022, amounting to EGP 97 million in 2022, primarily due to the increase in operating costs. However, it achieved a net profit of EGP 340 million in 2023 following the sale of its investments in subsidiaries. The company also recorded profits of EGP 1 million during the first three months of 2024.

## Statement of Financial Position

(Amounts in EGP '000)

STATEMENT ITEM	2021	2022	2023	31/03/2024
<b>Net Fixed Assets</b>	411,200	389,046	384,651	383,895
Projects Under Construction	3,944	4,276	9,038	9,038
Financial Investments in Associates	168,620	–	–	–
<b>Total Non-Current Assets</b>	<b>415,143</b>	<b>561,942</b>	<b>393,688</b>	<b>392,933</b>
Inventory	155,268	73,636	65,629	96,911
Trade Receivables and Notes Receivable	24,893	5,992	4,424	2,684
Advances to Suppliers	–	–	–	–
Other Receivables and Debtors	34,154	105,643	39,275	77,671
Investment Funds	62	–	–	–
Tax Assets – Egyptian Tax Authority	20,931	–	–	–
Cash on Hand and at Banks	137	27,279	568,761	529,628
<b>Total Current Assets</b>	<b>214,452</b>	<b>212,550</b>	<b>699,020</b>	<b>706,956</b>
<b>Total Assets</b>	<b>629,595</b>	<b>774,491</b>	<b>1,092,708</b>	<b>1,099,889</b>
Bank Overdrafts	233,964	97,957	87,315	141,941
Trade Payables and Notes Payable	66,794	67,804	26,843	6,172
Due to Related Parties	38,019	50,150	–	–
Tax Liabilities – Egyptian Tax Authority	36,457	–	–	–
Other Creditors and Payables	64,083	433,898	401,927	4,449
<b>Total Current Liabilities</b>	<b>402,860</b>	<b>649,810</b>	<b>552,542</b>	<b>152,562</b>
<b>Working Capital</b>	<b>-188,408</b>	<b>-437,260</b>	<b>146,478</b>	<b>554,394</b>
<b>Total Investment</b>	<b>226,735</b>	<b>124,682</b>	<b>540,166</b>	<b>947,327</b>
Paid-in Capital	261,862	261,862	335,000	335,000
Shareholders' Current Accounts	5,296	–	–	372,430
Retained Earnings (Losses)	–	-42,636	-139,393	236,637
Net Profit (Loss) for the Year	-42,636	-96,757	340,145	1,047
<b>Total Shareholders' Equity</b>	<b>224,523</b>	<b>122,469</b>	<b>535,752</b>	<b>945,114</b>
Deferred Tax Liabilities	2,212	2,212	2,916	2,212
Long-Term Notes Payable	1,499	–	–	–
<b>Total Non-Current Liabilities</b>	<b>2,212</b>	<b>2,212</b>	<b>4,415</b>	<b>2,212</b>
<b>Total Liabilities</b>	<b>405,073</b>	<b>652,022</b>	<b>556,957</b>	<b>154,775</b>
<b>Total Financing</b>	<b>226,735</b>	<b>124,682</b>	<b>540,166</b>	<b>947,327</b>

## Commentary on the Statement of Financial Position

### Non-current assets

The company's non-current assets amounted to EGP 393 million during the first three months of 2024, represented by net fixed assets of EGP 384 million and projects under construction of EGP 9 million.

### Current assets and current liabilities

Current assets reached EGP 706 million during the first three months of 2024, comprising inventory, trade receivables and notes receivable, other receivables, and cash and cash equivalents.

Current liabilities amounted to EGP 152.2 million during the same period, including bank overdrafts, trade payables and notes payable, and other creditors and payables.

The following is a breakdown of the main working capital balances:

- **Inventory:** Consists of raw materials, chemicals, spare parts, packaging materials, etc., amounting to EGP 97 million during the first three months of 2024.
- **Trade receivables and notes receivable:** Representing domestic and export customers, with a balance of EGP 2.7 million during the first three months of 2024.
- **Other receivables and debtors:** Including prepaid expenses, deposits with third parties, social insurance accounts, employee advances and loans, and various other receivables, totaling EGP 77.6 thousand during the first three months of 2024.
- **Bank overdrafts:** Bank overdraft balances amounted to EGP 142 million during the first three months of 2024.
- **Trade payables and notes payable:** Representing domestic and foreign suppliers, with total payables of EGP 6.1 million during the first three months of 2024.
- **Other creditors and payables:** Including accrued expenses, taxes, solidarity contributions, community participation fees, health

insurance contributions, creditor shareholders, and other payables, totaling EGP 4.4 million during the first three months of 2024.

- **Shareholders' equity:** The company finances its investments primarily through shareholders' equity, which amounted to EGP 945.1 million during the first three months of 2024.

# **CHAPTER 7**

# **VALUATION METHODOLOGY**



## CHAPTER 7: Valuation Methodology

The company's share was valued using two approaches:

- Adjusted Net Book Value (ANBV) method, and
- Price-to-Book Value (P/BV) multiple method.

A weighted average between these two methods was then applied to determine the fair value per share.

The Discounted Cash Flow (DCF) method was excluded due to the company's current operational and financial circumstances, which render reliable cash flow projections impractical.

### Adjusted Net Book Value Method

Professionals for Financial Consultancy, Underwriting, and Public Offering based its valuation on the technical appraisal of the company's assets prepared by El-Mahdy for Expertise, Valuation, and Intellectual Property.

According to the revaluation report, the total adjusted asset value amounted to EGP 1.564 billion, distributed as follows:

ITEM	VALUE (EGP THOUSAND)
Land and services	508,404
Buildings and constructions	621,764
Machinery and equipment	326,177
Vehicles	7,830
<b>Total</b>	<b>1,564,175</b>

Accordingly, the company's shareholders' equity after revaluation amounted to EGP 2.125 billion. The following is a detailed analysis for

determining the fair value of the company's share based on the Adjusted Net Book Value Method:

(in thousand Egyptian pounds)

STATEMENT ITEM	BEFORE REVALUATION (31/03/2024)	AFTER REVALUATION (31/03/2024)	REVALUATION DIFFERENCES
Net fixed assets	383,895	1,564,174	1,180,279
Projects under construction	9,038	9,038	–
<b>Total non-current assets</b>	<b>392,933</b>	<b>1,573,212</b>	<b>1,180,279</b>
Inventory	96,911	96,911	–
Accounts receivable and notes	2,684	2,684	–
Debtors and other receivables	77,671	77,671	–
Investment funds	62	62	–
Cash on hand and at banks	529,628	529,628	–
<b>Total current assets</b>	<b>706,956</b>	<b>706,956</b>	<b>–</b>
<b>Total assets</b>	<b>1,099,889</b>	<b>2,280,168</b>	<b>1,180,279</b>
Bank creditors	141,941	141,941	–
Suppliers and notes payable	6,172	6,172	–
Creditors and other payables	4,449	4,449	–
<b>Total current liabilities</b>	<b>152,562</b>	<b>152,562</b>	<b>–</b>
Paid-up capital	335,000	335,000	–
Shareholders' current accounts	372,430	372,430	–
Retained earnings (losses)	236,637	236,637	–
Net profit (loss) for the year	1,047	1,047	–
Revaluation differences	–	1,180,279	1,180,279
<b>Total shareholders' equity</b>	<b>945,114</b>	<b>2,125,393</b>	<b>1,180,279</b>
Deferred tax liabilities	2,212	2,212	–
<b>Total long-term liabilities</b>	<b>2,212</b>	<b>2,212</b>	<b>–</b>
<b>Total liabilities</b>	<b>154,775</b>	<b>154,775</b>	<b>–</b>
<b>Total equity and liabilities</b>	<b>–</b>	<b>–</b>	<b>1,180,279</b>

The following table illustrates the value of the share before and after revaluation:

<b>ITEM</b>	<b>BEFORE REVALUATION</b>	<b>AFTER REVALUATION</b>
Total shareholders' equity as of 31/03/2024 (in thousand EGP)	945,114	2,125,393
Total number of shares (in thousand shares)	5,519	5,519
<b>Value per share (EGP) according to the adjusted book value method</b>	<b>171.26</b>	<b>385.13</b>

Accordingly, the value of the company's share, based on the Adjusted Net Book Value Method, amounts to EGP 385.13 (only three hundred eighty-five pounds and thirteen piasters).



# **CHAPTER 7**

## **RESULTS AND CONCLUSION**



## CHAPTER 8: Results and Conclusion

- The company's share value, based on the Adjusted Book Value Method, amounted to EGP 385.13.
- The company's share value, based on the Price-to-Book Value Multiple Method, amounted to EGP 431.57.

The Weighted Average Method was applied to combine the results of the Adjusted Net Asset Value Method and the Price-to-Book Value Multiple Method. A 70% weight was assigned to the Adjusted Net Asset Value Method, as it reflects the company's performance and the value of its owned assets, and a 30% weight to the Price-to-Book Value Multiple Method to link the company's performance to market conditions.

The Discounted Cash Flow Method was excluded due to the company's losses in recent years. A liquidity discount of 5% was applied since the company is unlisted on the stock exchange.

The following table summarizes the fair value results of the company's share under valuation:

METHOD	WEIGHTED VALUE (EGP)	WEIGHT %	VALUE (EGP)
Adjusted Net Asset Value Method	385.13	70%	269.59
Price-to-Book Value Multiple Method	431.57	30%	129.47
<b>WEIGHTED AVERAGE SHARE VALUE</b>		<b>100%</b>	<b>399.06</b>
Less: Liquidity Discount			-5%
<b>FAIR VALUE PER SHARE</b>			<b>379.11</b>

The following table presents the nominal, book, and fair values of the company's share:

<b>NO.</b>	<b>DESCRIPTION</b>	<b>VALUE (EGP)</b>
1	Nominal Value	100.00
2	Book Value as of 31/03/2024	171.26
<b>3</b>	<b>FAIR VALUE</b>	<b>379.11</b>

Accordingly, the fair value of the company's shareholders' equity amounts to EGP 2.092 billion for a total of 5.5 million shares, resulting in a fair value per share of EGP 379.11 (only three hundred seventy-nine pounds and eleven piasters).

With our highest regards,

**Issued on: 20 MAY 2024**

**MANAGING DIRECTOR  
& BOARD MEMBER**

**MAHMOUD EL-NA'NAI FODA**





**PROFESSIONALS**  
INVESTMENT BANKING