



OrientalWeavers



Local Champion • Global Exporter • Industry Leader

ORIENTAL WEAVERS | ANNUAL REPORT 2009





An aerial photograph of a field with a mix of green and red plants, possibly a crop field or a natural landscape. The plants are densely packed and form a textured surface. The colors range from bright green to deep red, with some areas showing a mix of both.

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# Local Champion

With 207 showrooms displaying a product mix spread across the entire price spectrum, Oriental Weavers dominates the local industry with a market share exceeding 90%.







## Global Exporter

One of the industry's lowest cost producers with production facilities in the US and China, Oriental Weavers sells its carpets and rugs in 149 countries and has maintained steady sales growth in the rapidly expanding markets of Asia and Africa.









# Industry Leader

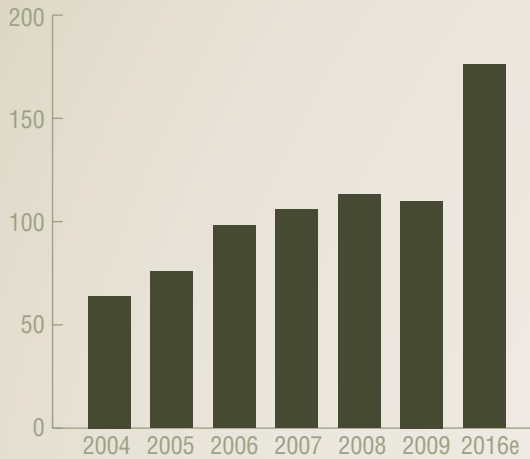
During an economic recession which saw worldwide production of machine-woven carpets decline by 25%, Oriental Weavers grew its production by 6% and achieved higher profit margins than any other producer of textile floor coverings.





# Overview of 2009

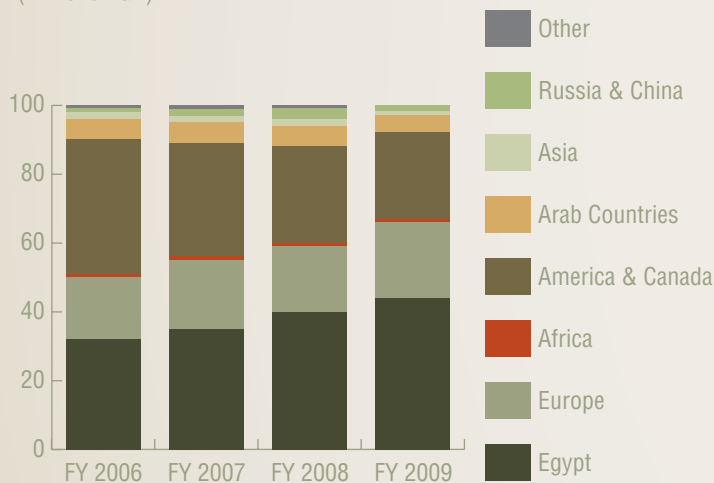
Capacity Progression Including Projections  
(Millions square meters)



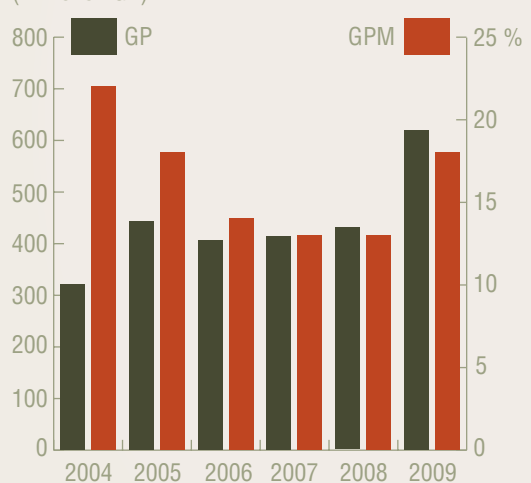
Revenue Progression  
(Millions EGP)



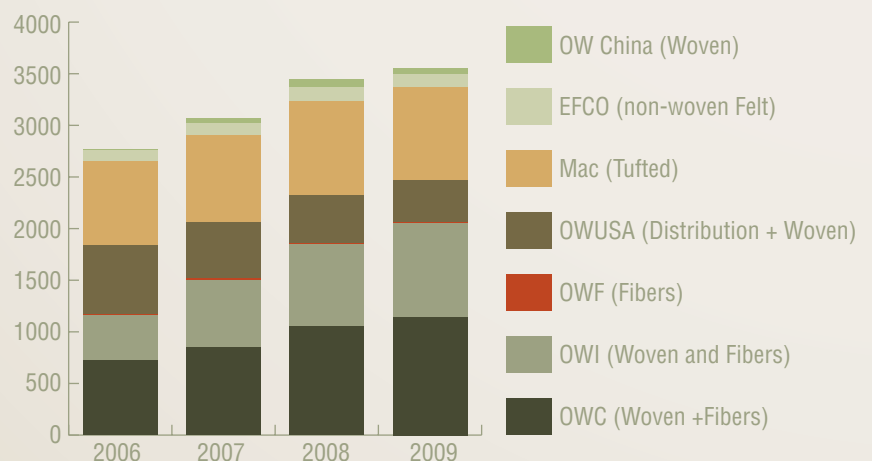
Contribution to Total Sales Value by Region (%)  
(Millions EGP)



Gross Profit (GP) and Gross Profit Margin (GPM)  
(Millions EGP)

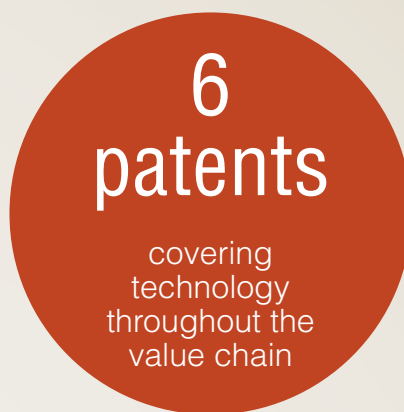
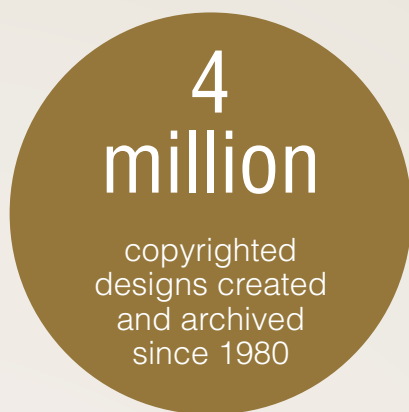


Contribution to Total Sales Value by Subsidiary  
(Millions EGP)



In 2009, Oriental Weavers saw a 67% growth in orders on 72 new collections to 30 new country destinations, including Slovakia, Nepal, Thailand, Afghanistan, Moldova and Estonia.

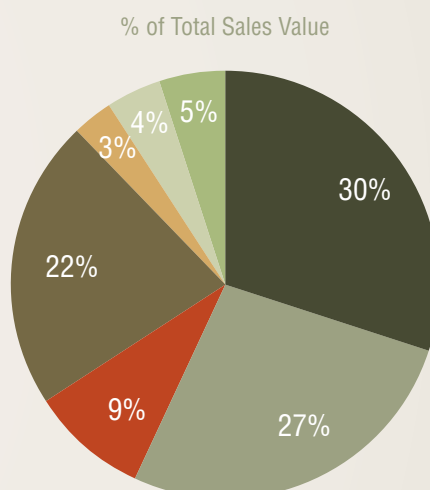
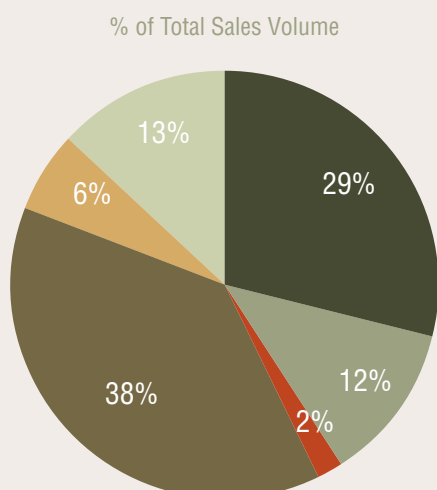




## Unrivalled production flexibility

Oriental Weavers produces on all price points and our manufacturing product mix can quickly respond both to consumer spending cuts or a return to high-end preferences. Our technology allows an unparalleled flexibility to meet market demand with very short lags as each machine can produce a wide variety of product types.

2009 Product Mix (Contribution to Total Sales by LoB)



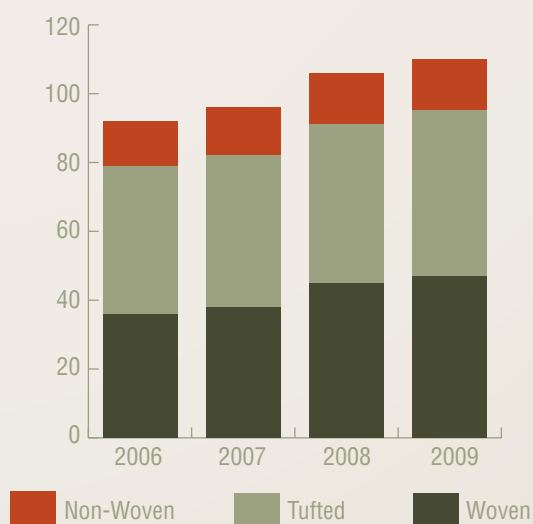
- Non-woven Felt
- Fibers
- Tufted Wall-Wall
- Tufted Pieces
- Woven (Grade A)\*
- Woven (Grade B)\*\*
- Woven (Grade C)\*\*\*

\* Woven Grade A: Composition 100% Natural Fibers

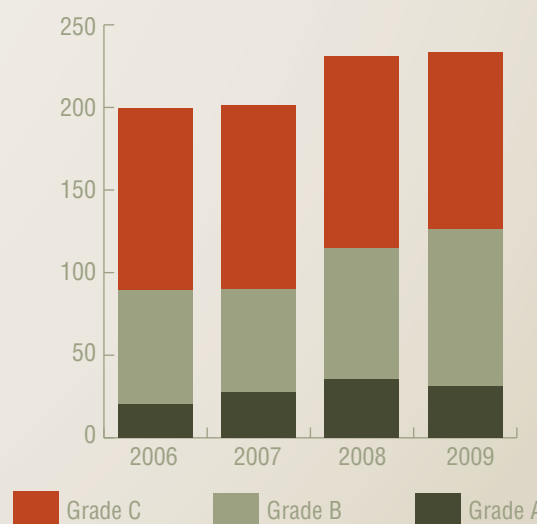
\*\* Woven Grade B: Composition 50:50 Natural and Synthetic Fibers

\*\*\* Woven Grade C: Composition 100% Synthetic Fiber

Sales Progression by Segment  
(Millions square meters)



Sales Progression by Grade (Woven Goods)  
(Millions EGP)





# Chairman's Letter to Shareholders

Fellow Shareholders,

If nothing else, the challenges of 2009 underscored the strength and resilience of the Oriental Weavers business model, which is based on four pillars: a diverse product mix, highly flexible and responsive production capacity, low cost structure, and a fully integrated supply chain. Having solidly developed and adhered to those four pillars throughout our 30-year history, we sustained growth within a cyclical industry and retained our global leadership during the sharpest economic downturn in living memory.

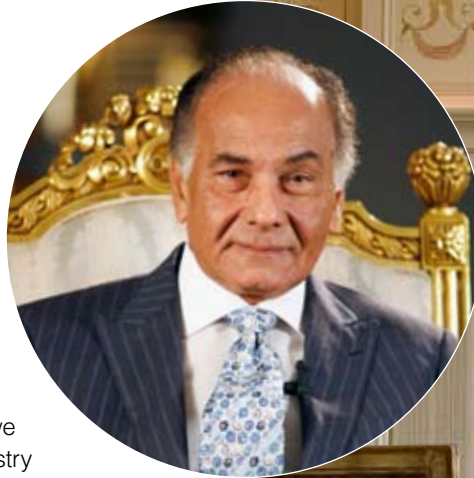
Today, we are proud to report that Oriental Weavers is the top performing company in our industry worldwide in terms of margins. In the fourth quarter of 2009, as global markets began to recover, we achieved sales of EGP 973 million compared to EGP 839 million in 4Q08, an increase of 16% quarter on quarter, making the final quarter of last year the second-best in the history of the company.

Our sales last year grew 3.17% compared to 2008. The overall sales increase was supported by the stability of the local economy and the ongoing expansion of our distribution networks and sales channels, which resulted in a 14% increase in local sales.

Indeed, the strength of the Egyptian consumer market curbed the overall impact of flagging global demand in much of 2009.

Our accomplishment in the year just ended is even more notable when you consider how the global economic climate has affected our European peers, many of whom were forced into bankruptcy or who had to suspend production or sell machinery to stay afloat. This gave us an advantage in terms of sales figures: Although our export sales dipped slightly by 4% in 2009, we have still outperformed the industry and grown our global market share. In the last quarter of the year, export sales increased by 17% compared to the same period the previous year. This significant growth in exports was fuelled by an 18% increase in sales to the United States and a 27% increase to Europe, Oriental Weavers' main export markets.

Gross profit in 2009 eased just 2%, primarily due to the shift in product mix. Given our market-driven business model and the discretionary purchasing power of the end consumer, we made the strategic decision to expand into mid-to-low price product ranges last year, with a higher contribution of man-made synthetic fibers and oil-based raw materials. The increasing price of these oil-based raw materials during the same period, however, placed slight







pressure on our overall profitability. In the coming year, Oriental Weavers will take steps to offset these increases.

Adjusted EBITDA rose 1% year-on-year to reach EGP 679 million, which can be mainly attributed to other revenues including export subsidies. This figure increased 31.7% in 2009 over 2008 as a result of the Egyptian government's efforts to stimulate exports and mitigate the negative effects of the financial crisis. Normalized EBITDA witnessed a 6% decrease year-on-year in terms of absolute value and a 9% decrease in terms of margins, mainly due to a 20% rise in SG&A costs in 2009 compared with the previous year.

EBT decreased 1.2% year-on-year to EGP 397 million, mainly driven by a 17% increase in financing expenses and a 51% decrease in foreign exchange gains to reach EGP 7 million as compared to EGP 14 million in 2008. Going forward, we will mitigate the financial and operational risks presented by these two factors and focus on enhancing the current debt structure by evaluating all potential and alternative resources while optimizing the natural hedging mechanism internally with all subsidiaries.

Finally, I note that our balance sheet remains strong, liquid and reasonably unleveraged with EGP 337 million in cash. Current debt remains at a comfortable position that can allow for the capitalization of unutilized credit lines and easy access to new facilities to further facilitate growth when needed.

### Our Outlook

In 2009, we implemented a new strategy to sell to our competitors. In the US and Turkey, for example, some of our largest competitors are now outsourcing capacity from us. These strategic partnerships with global manufacturers, which helped us boost our market share in the second half of 2009, are expected to continue to reflect positively on our bottom line in the coming year.

Judging by the positive start that we have had to the year at DOMOTEX Hannover 2010, one of our industry's largest trade fairs, we are well on our way to a solid year. Confirmed orders during the four-day exhibition increased 67% over the previous year. The orders placed were evenly distributed amongst our various product lines, allowing better utilization of manufacturing facilities and machinery.

The new market demand has also confirmed the validity of our expansion plans across all of our manufacturing operations. We are extremely pleased to see the positive trends and expect a further increase in demand throughout the remainder of this year.

In light of the encouraging signals of recovery, Oriental Weavers has accelerated the construction schedule of a fiber plant that was previously announced in 2008. The new Tenth of Ramadan plant will have an annual production capacity of 400,000 tons and is expected to be operating at full capacity by mid 2011. Plans are also underway to build a fully automated warehouse for Oriental Weavers International by October 2010.



# About Us

Oriental Weavers Group is a multinational floor coverings and related raw materials producer based in Cairo's Tenth of Ramadan City, with additional production facilities in China and the United States.

The Oriental Weavers Group is the world's largest and fastest growing rugs and mats producer — in 2009 the company produced 25% of the rugs and mats sold in the United States, and despite broad market retrenchment, expanded its share of the European rugs market to 20%. Through its majority-owned subsidiary Misr American Carpets (MAC), Oriental Weavers dominates the world jet printed and custom made rugs and mats segment, claiming 35% of global market share.

Oriental Weavers exports more than 60% of its production to nearly 150 countries on six continents through a distribution network that includes offices in the United Kingdom, Egypt, the United Arab Emirates and the United States.

The company continues to invest to expand its capacity and ability to service the growing global rugs and carpet market. In 2010, Oriental Weavers will launch the first phase of its EGP 1.3 billion (USD 237 million) industrial complex by establishing a new fiber plant with an annual capacity of 400,000 tons. The integrated industrial complex will increase capacity 60% by 2016.

Oriental Weavers has diversified in recent years beyond its core leadership in machine-woven, tufted and needle-punched rugs, mats and carpets. This diversification has seen the group introduce high margin business lines such as Gobelin tapestries, upholstery and floor coverings and Axminster carpets targeting the hospitality and luxury residential and commercial markets. This diversified product mix has not only expanded the Group's interests to growing textile sectors, but has also lessened its exposure to petroleum related market risks.

In recent years, Oriental Weavers' operations have also grown to include the highest quality of handmade rugs, made in partnership with craftsmen in China and India, markets long renowned for expertise in hand-woven rugs.

In addition to these final products, Oriental Weavers' vertically integrated operating structure includes production throughout the rugs, mats and carpets value chain. Oriental Weavers subsidiaries extract, spin and dye the fibers and yarns that are primary components of the carpets that the Group distributes across the global market. The group's subsidiaries produce, from granule to fiber, some 80-90% of the polypropylene and polyester fibers that compose approximately one-third of the raw material components across Oriental Weavers product lines.

Petroleum related expenses account for approximately 60% of Oriental Weavers' cost structure. Oriental Petrochemicals Company (OPC), a minority-owned strategic partner of Oriental Weavers, has long produced polypropylene for the local market; however, the propylene used to make the polypropylene was until recently all imported. In 2006 Oriental Weavers raised USD 600 million with a host of global partners with an eye to internalize the Group's petrochemical supply — primarily through a new venture OPC is undertaking in conjunction with the Egyptian Petrochemicals Company to produce both propylene and polypropylene. This new venture is the final step in making the Oriental Weavers Group 100% vertically integrated.







When Mohamed Farid Khamis founded Oriental Weavers in 1979, a time when Egyptian private sector manufacturing was still in its nascent stages, he thought big. From day one, his vision was to create an export-driven rug manufacturing company that would be well positioned to accommodate forecasted growth in the international market. His foresight quickly paid off. From a single loom, Oriental Weavers grew rapidly to become one of the most successful and profitable enterprises in Egypt and one of the country's leading exporters. Oriental Weavers was thrust into the limelight when the company's stock first became available through an IPO in 1997. Today they are the largest producer of machine-woven carpets in the world and the global leader in tufted and jet-printed rugs and carpets.





# Our Strategy Durable Competitive Advantage

Since Mohamed Faris Khamis founded the company in 1980, Oriental Weavers has rapidly grown from a single-loom operation to the world's largest and fastest-growing rugs and mats producer. This growth has been driven by a unique business model — one based on a commitment to producing world-class rugs, mats and carpets at globally competitive prices and marketing these products through worldwide distribution networks.

With high product quality now an industry standard, Oriental Weavers has steadily expanded its market share by optimizing its cost advantages, backed by full vertical integration, and growing long-standing efforts to build and support logistics and marketing networks that make the company, according to *Time* magazine, “the Pharaoh of Egyptian exporters.”

In addition to its vertical integration and global distribution channels, Oriental Weavers' success in global markets is supported by the company's steadily expanding product mix and unique market orientation as a global industry leader based in an emerging market.

## Cost Structure: Uncompromising Vertical Integration

Oriental Weavers began moving toward full vertical integration in 1983, and today the company operates a turn-key production process, from producing polypropylene and polyester granules to spinning and dyeing yarn, weaving, finishing and ultimately packing, delivering and distributing finished products through domestic and international distribution facilities and retail outlets.

Uncompromising vertical integration — which reaches increasingly to even such basic raw materials as gas supply — is a pillar of Oriental Weavers' global competitiveness. This commitment to internalized production means secure supply chains, managed and lower costs and more lenient financing terms. Commitment to vertical integration also allows what would otherwise be impossible control over the complete manufacturing process, and flexible production that introduces nimble response to advances and nuances in global market preferences.

## Serviceability

At Oriental Weavers' factories in Egypt, the United States and China production runs at full capacity 24 hours a day, 7 days a week, while the Group is pressing ahead with an EGP 1.3 billion (USD 237 million) integrated industrial complex that will increase capacity by 60%.

This commitment to production excellence paired with the company's strong marketing, supply and logistics channels ensures Oriental Weavers' ability to deliver its products to retailers and partner brands across the globe. In 2009, the company sold rugs and carpets in more than 100 markets, and in 2010 management expects to reach just under 150 global destinations.

The company has worked to achieve forward integration into world markets through a strategic supply network that includes:

## Oriental Weavers' Cost Advantages

Cost Item	Egypt	Brazil	China	Turkey	India	Korea	Italy
Skilled Labor cost (\$/hr)	1.05	3.61	1.03	9.10	1.44	8.46	25.40
Electricity (\$/KWH)	.042	.090	.100	.110	.112	.062	.187
Water (\$/m3)	.060	.760	.360	.440	.320	1.380	.670
Oil/ Gas (\$ per kg/ ft3)/ (\$ per ft3)	.100 (oil)	.650 (oil)	.600 (oil)	.790 (oil)	.650 (oil)	.540 (gas)	.720 (oil)
Building Costs (\$/m2)	180	71	112	185	183	107	1343

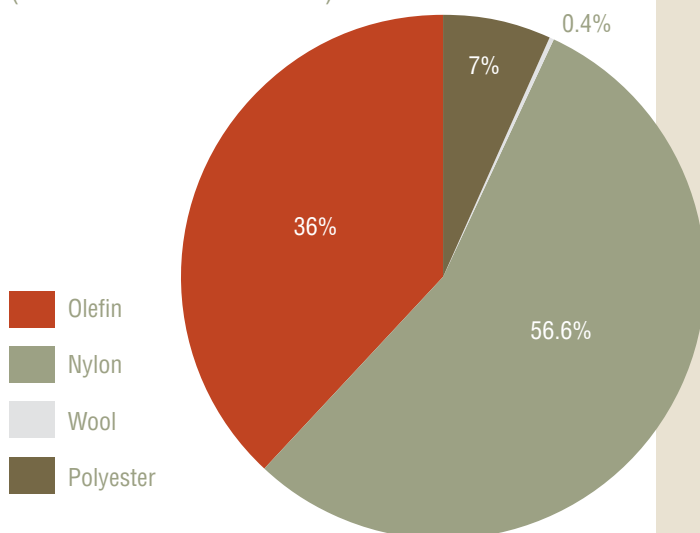




- Worldwide warehousing and sales facilities in the US, Canada, UK, Germany, Italy, Jordan and Dubai.
- Oriental Weavers USA (Sphinx), a dedicated marketing, design and distribution arm covering the United States and Canada.
- 6 mega retail outlets in addition to 198 smaller distributors accounting for 85% of local market share and 40% of Group revenue.
- Innovative brands serving local consumers (La Boutique and Oriental Life Style) and the international hospitality, entertainment and luxury industries (Cambridge Weavers).

Oriental Weavers has always placed a premium on relationships with the world's premier retailers, resorts and other lifestyle centers in order to maintain direct-to-market access. In recent years, Oriental Weavers has also emerged a prominent supplier to big box retailers. Key partners such as IKEA, Wal-Mart and Target are among the host of global retail brands that have increasingly looked to Oriental Weavers for the high-quality, reasonably-priced rugs, carpets and mats their customers demand.

Breakdown of Annual Fiber Consumption  
(3.5 Billion Pounds in 2009)



## CASE STUDY of Oriental Weavers Vertical Integration

Polypropylene — also known as olefin and used in synthetic and blended rug and carpet fibers — is a petroleum derivative that is a particularly significant industry cost variable, representing around 30% of total costs incurred at Oriental Weavers in 2009 and 40% of production costs after eliminating selling and depreciation expenses.

Over the past two decades, use of polypropylene fibers in rugs and carpets has increased dramatically. The fiber's significant cost advantages, durability, stain resistance and color retention have helped it emerge as an increasingly popular choice in markets throughout the world.

Polypropylene, as raw input, has also witnessed steep cost increases — a three-year CAGR of 13% as of 2008 as prices reached USD 1,577 per metric ton was driven in large part by petroleum prices and market demand for polypropylene as a raw input.

Oriental Weavers has smoothed cost variables associated with market demand by internalizing supplies of 80-90% of its polypropylene granule needs through Oriental Petrochemicals Company — a 12%-owned strategic partner. This model offers significant competitive strength in the global carpet and rugs industry where Oriental Weavers' costs are approximately 30-40% lower than the industry average. The benefits include:

- Reducing stocking period from 6 months to only 1 month;
- Lowering transportation expenses;
- Lowering finance charges;
- Insulating against dramatic price rises in the future; and
- Guaranteeing supply.





Highlighting Oriental Weavers outstanding performance in the face of adverse market circumstances in 2009, the Group also began selling for the first time to other carpet manufacturers, including several of the industry's producers in North America and Europe. This demand is expected to continue as Oriental Weavers continues to distinguish itself as the world's leading producer of rugs and mats.

### Diversification

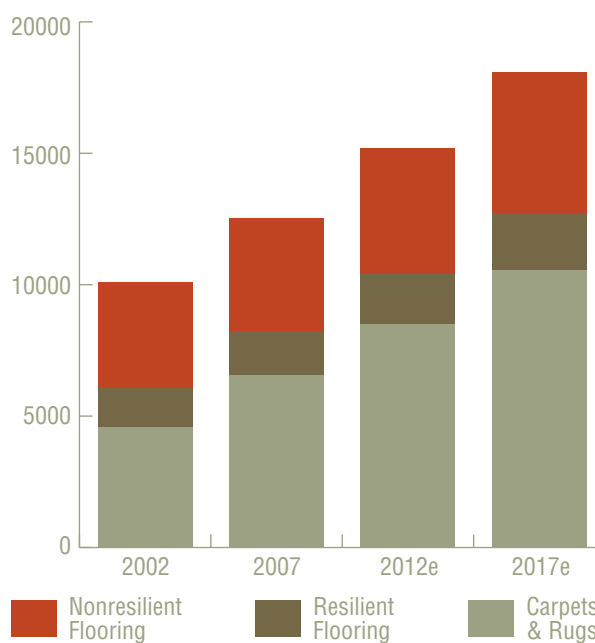
Oriental Weavers is the world's number one producer of machine woven rugs and mats and continues to invest in expanding its leadership in this segment, where it produces at all price points and quality levels.

Global trends toward hard flooring surfaces over the past two decades, and forecasted to continue into the foreseeable future, promise to continue supporting growth in rugs and mats sales. As the world's top producer in the segment, Oriental Weavers is optimistic about its market position and expects to remain the industry leader.

Despite its commitment to continued worldwide leadership in this segment, Oriental Weavers has long placed a premium on diversifying its production portfolio to include the manufacture of a broad array of flooring and other household products. The company's product diversification allows improved risk management and decreases its vulnerabilities to fluctuations in raw materials prices, global economic slowdowns and challenging movements in the business cycle.

The Group has particularly moved in recent years toward high margin products that benefit from the company's cost advantages and historical production strengths, but which demonstrate less correlated demand fundamentals. Notably, the Group has expanded into the international hospitality and entertainment industries through its subsidiary distribution channel Cambridge Weavers and into Egyptian high-end retail through its brand outlet La Boutique. By diversifying into higher margin, non-polypropylene lines such as Gobelin and Axminster, Oriental Weavers has countered the pressure presented by the rising price of other raw materials. These higher end products are

**Projected Growth in Flooring Demand**  
(Millions square meters)



all customized and typically destined for architectural firms and hotel operators such as the Four Seasons, for whom Cambridge is a preferred supplier. La Boutique also caters to the needs of luxurious home furnishing and other high end customers.

Still, Oriental Weavers derives 70% of its revenues from the sale of basic C-grade goods. In this regard, the company's commitment to broad exposure to diverse, largely uncorrelated markets provides a natural hedge to many market risks. In 2009, as global economies slowed significantly and housing markets in Western countries collapsed, Oriental Weavers maintained profitability as significant exposure to Egypt's relatively untouched domestic market supported Group sales. As sales in Gulf markets such as Dubai fell off dramatically, Oriental Weavers' broad distribution networks allowed the Group





Vertical integration and serviceability, the two pillars of the Group's strategy, enable Oriental Weavers to effectively respond to shifts in global demand.

to increase sales in the South African hospitality sector in preparation for the FIFA World Cup 2010.

Specifically, the Group's consolidation of subsidiaries MAC and EFCO was a major step in the diversification drive and led to new product offerings in the loose laid segment. By significantly expanding its manufacturing capacity for materials such as felt, master batch and fiber while acquiring 34 million square meters of additional manufacturing capacity attributable to MAC in 2005, Oriental Weavers increased its ability to produce more of every segment and on every price grade.

### Emerging Market Leader

Oriental Weaver's broad international footprint and ability to sell products at every end of the price spectrum, from woven A-grade rugs to needle punched C-grade mats, has helped it secure significant shares of markets ranging from China to the US. While the value of exports to America and Europe has increased over the past five years, contribution to consolidated group sales has fallen from 57% in 2006 to 47% in 2009 as Asia and Africa's share of group sales has expanded.

China is poised to become the world's second largest consumer market after the US, and Oriental Weavers is among the most prepared international producers to enter the market of more than 1.3 billion consumers. In 2005, Oriental Weavers completed its first factory in China and in 2010 the company expects to significantly boost capacity at its Tianjin production facility as demand for the company's goods continues to pick up.

Oriental Weavers' progression into global emerging markets, whether with a marketing or production presence, is competitively advantaged by the company's 30 year history as the emerging world's top rugs and carpet producer and marketer. Oriental Weavers' business model — its keen eye on cost management, unrelenting focus on exporting to a broad swath of world markets, and high-quality production across the price spectrum — derive from the company's unique position as an emerging world producer.

When Oriental Weavers opened its production facility in China, for example, the company was not looking to replace its established, local manufacturing facilities, as has been done by competitors; cost structures in Egypt are very similar to those of China. Rather, Oriental Weavers entered Tianjin to export its unique expertise and business model and to bring its cost competitive approach to the world's most promising market.

As developing nations around the world from Africa to Asia and South America see rising wealth and greater consumer demand, Oriental Weavers believes that its business model, shaped by the realities of once-overlooked emerging markets, will allow the company to emerge a leading producer and supplier in some of today's most coveted and fastest growing consumer markets.

### Innovation

Oriental Weavers believes that innovation is imperative to maintaining and expanding worldwide market leadership. After all, the rugs and carpets industry is driven by technology, cost advantages, distribution strength and nonstop production innovation — only 6% of Group costs are labor-based.


Oriental Weavers was the first rug manufacturer to devise an eight-color-loom — at a time when the industry standard was five colors — and the first to manufacture with 10 and subsequently 14, 36, 55 and 92 colors.

In 2002, Oriental Weavers introduced the world's first 2 million points-per-square-meter rug, an industry breakthrough. The company was again the industry's first to 3 million, and today Oriental Weavers has exclusive rights to 4 million points-per-square-meter technology.

The company's portfolio of US-based patents covers an array of raw material development procedures and technologies — most recently Oriental Weavers gained patent protection for a 100% acrylic rug with the look and feel of silk.

Additionally, Oriental Weaver USA markets signature rug collections under license from Andy Warhol, National Geographic and Woolrich.





Oriental Weavers' consistent performance in a cyclical industry reflects the success of the Group's vertical integration and the reach of its product mix.



# Our Industry

The floor covering industry is characterized by a number of broad secular trends, which the Oriental Weavers Group has taken into careful consideration while developing the business strategy that has effectively helped them to combat the effects of the global downturn. As a result the Group has seen positive growth while others in the industry have suffered the loss of both revenue and market share.

Oriental Weavers' strategy, which is underpinned by the full vertical integration of its production and distribution networks, has allowed the company to be proactive in regards to global shifts in demand and assume its position as the world's leading manufacturer of rugs and mats. Most significant has been Oriental Weavers' accumulated market insight, geographic distribution and production capacity. These three factors have helped the Group establish itself as a leading supplier both in mature economies and the increasingly crucial emerging markets.

Some of the most important factors characterizing the global market for carpets and rugs include the erratic business cycles associated with global housing markets, the complexity of housing related demand for floor covering, the public perception of some key competitors and long-term shifts in demand.

## Consistent Performance in a Cyclical Market

Carpet and rug manufacturers are subject to a number of cyclical forces on the world market, the most significant of which are housing trends and the price of raw materials. Because a substantial portion of product demand in the flooring industry comes from refurbishing and replacement businesses, economic recessions accompanied by contractions in discretionary spending typically lead to lower over-all sales volumes. Demand in such business climates thus comes in large part from first-time buyers and tends to follow trends in building construction.

While construction in industrialized economies has slowed, worldwide expenditures in this sector are expected to increase by 4.2% annually through 2012, following sustained growth in manufacturing output, fixed capital investment and per capita income in the developing economies of Asia, Africa and the Middle East — markets which also lead the globe in terms of projected population and GDP growth. Concurrently, global demand for floor covering is expected to surpass 18 billion square meters worth USD 221 billion by 2017, up from 12.5 billion square meters worth USD 138.6 billion in 2007. Developing economies such as Egypt account in large part for the growing rate of flooring per capita, which is expected to increase from 1.9 square meters in 2007 to 2.5 square meters in 2017.

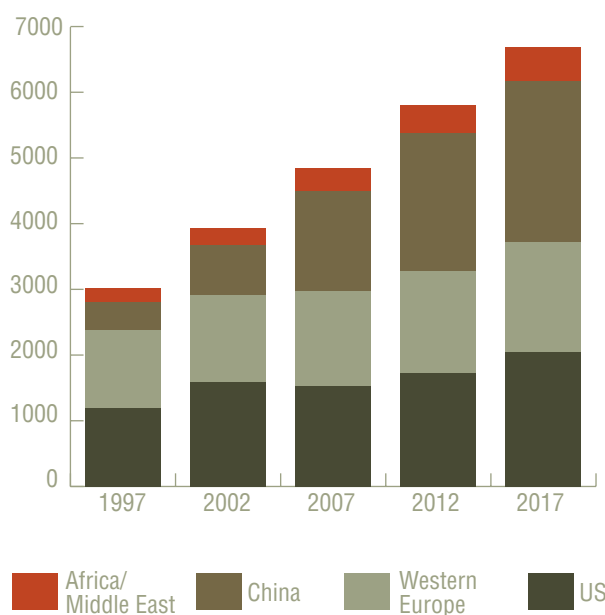
In this context, Oriental Weavers has emerged as an industry leader fully equipped to supply the various components of global demand. The vertical integration

of Oriental Weavers' manufacturing and distribution arms allows the Group to absorb the fluctuating costs of petroleum, polypropylene and other raw materials while offering top quality products at competitive prices. In an industry in which manufacturers are differentiated primarily by the affordability of their product offerings, Oriental Weavers has out-performed numerous foreign rug exporters and currently supplies over 90% of the Egyptian floor covering market. Adding to the competitive advantages it has over other manufacturers servicing the emerging markets of Africa and Asia, Oriental Weaver's geographic situation allows it to circumvent problems associated with shipping expenses and delivery deadlines, a fact which explains the Group's expanding presence in North Africa and China.

Oriental Weavers' rise to the fore of emerging markets has not prevented it from maintaining its share of markets in Western Europe and the US. By maintaining its serviceability through partnerships with major retail outlets such as IKEA and Wal-Mart, the Group increased its market share to 20% in Europe and 25% in the US in 2009.

The company's distribution network, which ranges from its own subsidiaries to cooperative arrangements with major retailers, gives it sustained access to

Progression of Demand from Residential Building  
(Millions square meters)





developed economies while its vertical integration and geographical proximity to the faster growing markets of Asia and Africa give it unrivalled competitive advantages in the developing world.

The industrialization of developing economies continues to be the primary driver of growth in demand for floor coverings, as construction of buildings for residential and non-residential use is forecast to expand in the near future. Demand from the residential sector accounted for 55% of global sales in 2007 and is expected to grow at an annual rate of 3.5% through 2012, while non-residential construction accounted for 38% in 2007 but is expected to grow at a faster annual rate of 4.7% over the same period.

As the world's leading producer of rugs and mats, Oriental Weavers stands to benefit a great deal from the sustained increase in residential construction, which will continue to fuel global demand for loose laid textile floor coverings. While economies with mature housing markets currently trail the rest of the world in demand for floor covering, a forecasted resurgence in demand for repair-related servicing in the US and Europe is also likely to boost post-crisis sales levels.

Meanwhile, the acceleration of construction spending on commercial buildings, in particular in the hospitality industry, will further promote Oriental Weavers' performance in upper end woven and tufted goods. Cambridge Weavers, the Group's subsidiary in the UK, produces top quality Axminster carpets primarily for this sector.

### Capitalizing on Favorable Flooring Trends

Not only is the global market for floor coverings forecast to grow by 4% annually in the short term, but the growing popularity of hard surface flooring also suggests that long-term growth in demand for area rugs and loose laid textile floor coverings, products which complement hard flooring, will also continue to increase.

While Oriental Weavers has maintained a solid sales presence in high-quality wall-to-wall carpeting through

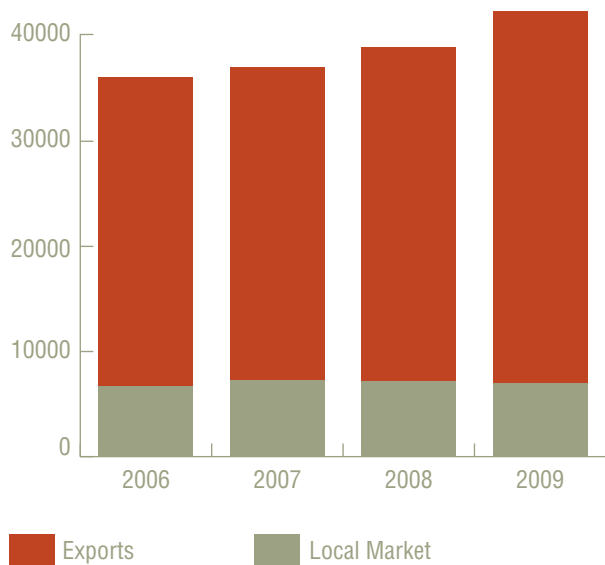
Cambridge Weavers, the Group has undoubtedly created a niche for itself in the business of area rugs and mats and continues to increase its share of global sales volume in each. Misr American Carpets (MAC), Oriental Weavers' subsidiary which specializes in tufted floor covering, has played a crucial role in expanding the Group's share of the global market for area rugs and mats.

### Pre-Empting Worldwide Trends Toward Consolidation

Compared to other industries, the global floor covering industry is relatively fragmented, with the top eight producers accounting for barely 15% of global sales in 2007, and yet the competitive and global nature of the business has increasingly led to mergers, acquisitions and divestitures. As these activities continue, smaller producers lacking established market positions and the necessary distribution systems have proved less capable of competing in the global market.

Oriental Weavers has clearly met this worldwide trend toward consolidation head on: The Group supplies over 90% of the Egyptian market and exports either textiles or raw materials to more than 100 countries. Oriental Weavers' early and sustained efforts to achieve full vertical integration of the Group's production and distribution processes allowed the company to consolidate its position locally and evolve into a primarily export-oriented manufacturer.

**MAC Sales of Loose Laid Floor Covering**  
(Millions square meters)



### Oriental Weavers' Vertical Integration In History

- 1983:** Oriental Weavers spins off of 10th of Ramadan Spinning Company in order to satisfy its wool fiber requirements.
- 1987:** Oriental Weavers establishes the Egyptian Fibers Company (EFCO), the company's first step in securing its supply of polypropylene fibers. Now EFCO exports a portion of its production to Arab and European countries.
- 1991:** Sphinx, the Group's US distribution arm, is established.
- 1993:** Oriental Weavers Fibers (OWF) is established, another step in securing a stable supply of polypropylene fibers.
- 1999:** Oriental Weavers International (OWI), the Group's export-oriented facility is founded in the tax-free zone of 10th of Ramadan City.
- 2001:** With partners, Oriental Weavers launches Oriental Petrochemicals Company (OPC), Egypt's first polypropylene venture. The move significantly improves the Group's overall production efficiency significantly, relieves the burden of foreign exchange costs and completes Oriental Weavers' vertical integration vision.











# The Oriental Weavers Group

Oriental Weavers produces woven, tufted and needle punched rugs, mats and carpets through a number of subsidiaries: Oriental Weavers USA Incorporated (Sphinx), Oriental Weavers International, Oriental Weavers China, Cambridge Weavers and Misr America Carpet (MAC Carpet).

## Oriental Weavers Carpet Company

Oriental Weavers Carpet Company was founded in 1980 by industrialist and entrepreneur Mohammed Farid Khamis and today encompasses a fully vertically integrated rugs, mats and carpets group. As a manufacturer, Oriental Weavers produces three grades (A, B and C) of machine woven carpets and rugs for the Egyptian market, with capacity presently at 110 million square meters annually.

Oriental Weavers has been traded on the Egyptian Exchange since 1997; today, its shares provide exposure to the consolidated earnings of all companies in the Oriental Weavers Group.

## Oriental Weavers USA

Oriental Weavers USA manufactures, imports, markets and distributes products for sale in the United States. The company was created through the merger of Oriental Weavers of America and Oriental Weavers USA (Sphinx).

Oriental Weavers USA manufactures in the Group's Dalton, Georgia plant, and sells primarily to mass merchants and big-box retailers such as Wal-Mart and Lowes. The division also imports products from the Group's Egyptian plants and targets independent retailers, furniture retailers, catalogues and department stores such as Macy's and JC Penny.

Oriental Weavers USA also markets signature rug collections under license from Andy Warhol, National Geographic and Woolrich. In recent years the company received the coveted America's Most Magnificent Rug award from America's Mart Atlanta.

## Oriental Weavers International

Oriental Weavers International (OWI) was established in 1999 as an export-oriented free trade zone company in Tenth of Ramadan City. The company's vertically integrated facilities encompass the scope of extrusion of synthetic fibers, dyeing and spinning wool as well as the weaving and finishing of products. The majority of the Group's diversified products related to home textiles are produced within this facility (carpets, rugs, Axminster, Gobelin, gun-tuft and fibers). The total annual capacity of the plant reached 25 million square meters in 2009 and primarily targets exports, which account for two-thirds of its total sales (EGP 906 million in 2009).

OWI exports to more than 60 countries worldwide, with its main markets being North America, Europe, and the Middle East. OWI fully owns Oriental Weavers

China, with an eye on developing its market share in the emerging Asian market.

## Oriental Weavers China

Oriental Weavers China was established in 2006 in light of China's growing importance in the global economic scene. Oriental Weavers China occupies 170,000 square meters in the Tianjin Industrial Zone, 80 kilometers south of Beijing, and enjoys a five-year tax exemption with three years of full exemption and two years of a 50% exemption. It is a vertically integrated facility with fiber extrusion capacities as well as rug and carpet manufacturing facilities. As domestic demand increasingly becomes the main engine of growth for the Chinese economy, the Group intends to capitalize on the emergence of a middle class and target existing important retail customers IKEA and Wal-Mart, for which China has recently become a lucrative market.

Oriental Weavers China's production is intended to supply both the local Chinese market as well as neighboring export markets. The company's total annual capacity reached 3 million square meters and nearly EGP 50 million in 2009, and has a market-driven expansion strategy with pre-investments made for future growth. Additional looms will be brought online as the market demand calls for increased capacity.

## Cambridge Weavers

Cambridge Weavers, a division catering to the hospitality and entertainment industry, produces woven Axminster carpets, a durable, flexible and high quality product. Using 80% wool and 20% nylon, Axminster carpets offer the optimum blend for durability, luxury and comfort. Due to the unique characteristics of the wool, it can be dyed to very light or vibrant shades, allowing it to be woven into both classic and contemporary designs. Cambridge Weavers benefits from a close relationship with its machine manufacturers, which allows the company to produce unique products such as the 19mm-pile (height) rugs popular with the royal families of Jordan, Saudi Arabia and the United Arab Emirates.

Among the company's numerous clients in the hospitality sector are Hyatt, Kapinsky, Sheraton, Inter-Continental and MGM Group; Cambridge Weavers is also one of the Four Seasons' preferred suppliers. The company has established market shares in the US and Europe with offices in London, Dalton and Las Vegas, and is looking to Asia through its Dubai office. While the casino industry has traditionally generated



considerable demand for luxury carpeting, the fastest growing markets for Cambridge Weavers are now Asia and Africa, where the company has worked with such high profile clients as the King of Swaziland, the Rotana Hotel in Khartoum, the Ritz Carlton in Madagascar, and the Sofitel in Morocco.

### Misr American Carpets

Misr American Carpets (MAC) is Oriental Weavers' foothold in the wall-to-wall tufted carpeting segment, a key branch which further diversifies the Group's product mix beyond the rugs and mats categories in which it is an industry leader. MAC operates out of four sites in Egypt including three production plants and an electricity facility, all in Tenth of Ramadan City.

Since its establishment in 1981, MAC's output has risen sharply, reaching 50 million square meters of carpeting annually worth more than EGP 893 million in 2009, from a capacity of 18 million square meters in 2002. Today MAC represents roughly 25% of total group sales. A leading Egyptian exporter, MAC's products are delivered to more than 107 countries worldwide, supplying some of the world's largest retailers, including Wal-Mart and IKEA. The company supplied around 35% of the world's jet printed mats and rugs in 2008.

In addition to wall-to-wall carpeting, MAC's diversified product offerings include kitchen rugs, rubber-backed bathroom mats, multilevel textured mats for outdoor use, car mats, children's rugs and mats, scatter rugs, and club rugs. MAC also manufactures three-dimensional advertising floor panels, runners and astroturf for indoor and outdoor applications.

### La Boutique

La Boutique is a newly established division of Oriental Weavers, catering to high-end and top-niche markets. It involves the simple concept of customer involvement and allows clients to custom make their own rugs and carpets by matching a swatch of fabric or transforming a sketch into a luxuriant carpet.

### OW Life Style

OW Life Style is Oriental Weavers' line of contemporary rugs that includes a large variety of shag carpeting in various textures, styles and colors. Designed to complement the contemporary lifestyle, the company offers only the finest materials put together with the highest production standards. The OW Life Style name has come to be synonymous with quality and value, bringing a unique and truly distinguishable touch to any decor. Like La Boutique and OW Classics, Life Style provides a brand outlet for Oriental Weavers to market products with specific themes, in this case the ultra modern and abstract. The company sells its increasingly popular products in Egypt through its own retail outlets.

From its integrated production facilities to its international marketing and distribution arms, Oriental Weavers has become a lowest-cost producer with unrivalled brand equity.





## A Glossary of Oriental Weavers Product Mix:

**Axminster** – A weaving method in which individual pile tufts are inserted from spools of colored yarns, making possible an almost endless variety of colors and geometric or floral patterns. Also a type of loom and a brand named for its place of origin in Axminster England.

**Broadloom** – A term used to denote carpets produced in widths of more than 6 feet.

**Gobelin** – Woven tapestry often used for upholstery; noted for its rich pictorial designs.

**Grade A** – The highest quality product composed of either 100% wool, or 80% wool and 20% polypropylene.

**Grade B** – Middle range quality products made of heatset polypropylene.

**Grade C** – The least expensive quality products composed of bulked continuous filament (BCF) polypropylene.

**Masterbatch** – A concentrated mixture of pigments encapsulated during a heat process and then cooled and cut into a granular shape. Masterbatch allows the processor to color raw polymers economically during the manufacturing process.

**Needle Punched** – A carpet that is not woven but made on a loom with hundreds of barbed needles that punch the fibers into the backing, giving it a texture like felt

**Polypropylene** – Also known as olefin, polypropylene is a long-chain polymer synthetic fiber. It is created when ethylene and / or propylene gases are polymerized under very specific conditions. Olefin is created when the polymers are melted to a liquid, then run through a machine called a spinneret, which forces the product into a long fiber through small holes. This fiber is then used to make the fabric, or the end product in which it will be used. Because olefin resists dyeing, any dye must be added during this melting process.

**Tufted** – Tufts of yarn are inserted by needle point into a pre-constructed backing, creating a pile surface of cut and / or looped ends. Tufted carpeting accounts for about 90% of all the carpet produced globally. Limited design possibilities mean that tufted rugs and carpets are usually plain or made up of two interwoven colors or a series of dots. Designs can, however, be printed on the surface. The tufting machine may be used for a wide variety of carpet and rug qualities and styles.

**Woven** – Rugs and carpets are produced on a weaving loom on which yarns are interlaced to form the fabric, including the face and the backing. In woven products, patterns and designs are woven into the rug or carpet using colored yarns.





# Our Environment and Our People

Throughout Oriental Weavers' 30-year history, the company has implemented best practices in all of its lines of business and at all levels of activity from the boardroom to the factories and sales floors.

Oriental Weavers has always believed that a successful business must respect the environment and communities in which it operates. From the very beginning, in 1980, management has set and maintained the highest standards of ethics and sustainable operations.

Among the Group's policies is its commitment to an effective environmentally friendly management system that ensures the company's compliance with international and domestic performance standards. Oriental Weavers maintains ISO 9001 (Quality Management System) and ISO 14001 (Environmental Management System) certifications.

Extending its policy of respect for the community, Oriental Weavers believes that its position as a lowest-cost producer does not preclude responsible employment practices. At its Egyptian operations, for

instance, the Group provides a number of benefits to the entire workforce including subsidized housing and free medical care for employees and their families at a clinic established by Oriental Weavers Founder and Chairman Mohamed Farid Khamis in Tenth of Ramadan City.

The Group has set, and adheres to, stringent rules against using child labor and Oriental Weavers makes it clear to all of its suppliers and affiliates that the Group will not conduct any business with entities that violate these standards.

## Sustainability Initiatives

Beyond the workforce, the Group also considers itself an active member of Egyptian society and strives to contribute to development, public welfare, and education initiatives. Oriental Weavers has, for





## Cambridge Weavers: An Industry Model for Green Carpets

Cambridge Weavers produces high quality Axminster carpets that are both exceptionally durable and environmentally responsible. Cambridge is constantly improving its production processes to minimize the adverse impact of water, air, noise, and solid waste pollution while staff regularly reports on a range of parameters to Britain's National Environmental Affairs Agency in order to maintain the company's license to operate its facilities.

The engineers at Cambridge continue to innovate methods of recycling and re-engineering waste from the manufacturing processes to significantly reduce the company's environmental footprint. These technological advancements are very important to maintaining an environmentally friendly product mix, and Cambridge Weavers' carpeting last 300% longer than any other carpet constructions, further reducing waste to landfills. Additionally, carpets produced at Cambridge require less yarn and use less water in the dyeing process while the environmental impact of the company's synthetic fiber manufactures is minimal considering all carpets are polyvinyl chloride (PVC), formaldehyde and 4-Phenylcyclohexene (4-PCH) free.

As a responsible corporate citizen, Oriental Weavers takes an active interest in improving the lives of its staff and supporting the surrounding communities in Egypt.

instance, supported the construction and renovation of over 100 schools in some of the country's more remote locations and has also supplied advanced medical equipment to several public hospitals.

In addition to improving the conditions of public facilities such as schools and hospitals, Oriental Weavers also helps finance infrastructure renovations for villages lacking proper power and electricity, and participates in disaster relief activities, such as for the victims of the tragic 2008 al-Dewaiqa rock slides in the Muqattam hills east of Cairo.

Oriental Weavers also leads a number of initiatives to improve the plight of orphans in Egypt. In addition to building a number of much-needed orphanages, the Group has made it a yearly tradition to support the Dar El-Orman orphanage in their annual "Orphan's Day" which aims to galvanize further support for orphans.









# Board Of Directors

**Mr. Mohamed Farid Fouad Khamis**  
Chairman and Founder

**Mr. Salah Abdel Aziz Abdel Motalab**  
Chief Executive Officer

**Mr. Mahmoud Fawzy Fouad Khamis**  
Non Executive Board Member

**Mrs. Yasmine Mohamed Farid Khamis**  
Executive Board Member; Vice President of Sales and Marketing

**Mrs. Farida Mohamed Farid Khamis**  
Executive Board Member; Vice President of Corporate Finance

**Mr. Mohamed Mahmoud Fawzy Khamis**  
Executive Board Member; Vice President of Local Sales

**Mr. Amr Mahmoud Fawzy Khamis**  
Executive Board Member; Vice President of Manufacturing and Operations

**Mr. Mahmoud Amin Saad**  
Executive Board Member; Director of International Operations

**Mr. Mohamed Katary Abd Allah**  
Executive Board Member; Director of Financial Affairs

**Mr. Mohamed Mohamed Shaban Farag**  
Executive Board Member; Director of Fibers Operations

**Mr. Mahmoud Rada Abdel Baki**  
Executive Board Member; Director of Planning

**Mr. Arfat Al Mahdy Alawa**  
Executive Board Member; Managing Director of Oriental Weavers Carpet Company

**Mr. Kamal Ali Mahmoud Al Raei**  
Non Executive Board Member; Managing Director of Oriental Weavers Fibers

**Mr. Abdel Hamid Fayad**  
Executive Board Member; Financial Controller for Oriental Weavers Carpet Company

**Misr Insurance Company (2 seats)**  
Non-Executive Board Member

**Mr. Mohamed Mohamed Ali Amer**  
Non Executive Board Member





# Audited Financial Statements







# Auditor's Report

TO THE SHAREHOLDERS OF ORIENTAL WEAVERS COMPANY FOR CARPETS

## Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Oriental Weavers Company For Carpets (S.A.E) which comprise of the consolidated balance sheet as of December 31, 2009 and the income statement ,changes in stockholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. We did not audit the financial statements of Oriental Weavers Company -United States of America and Oriental Weavers Company - China "Consolidated subsidiaries". Which statements reflect total assets and revenues for these companies constituting 9.06 % and 10.60 % respectively, of the related to consolidated totals. The financial statements of Oriental Weavers Company-United States of America and Oriental Weavers Company - China consolidated subsidiaries" were audited by other auditors whom issued unqualified audit reports dated February 26, 2010 and January 19, 2010 respectively. Our opinion, insofar as it relates to amounts included for there two companies, is based on the reports of the other auditors.

## Management responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Egyptian Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Egyptian Auditing Standards and in the light of prevailing Egyptian laws. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements .The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements ,whether due to fraud or error .In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances , but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion the consolidated financial statements referred to above, give a true and fair view of the consolidated financial position of Oriental Weavers Company For Carpets (S.A.E) as of December 31,2009 and of its consolidated financial performance and its cash flows for the year then ended in accordance with Egyptian Accounting Standards and in compliance with related Egyptian laws and regulations.

Cairo, February 28, 2010

**Wahid Abdel Ghaffar**

B.T. Wahid Abdel Ghaffar&Co.  
Public Accountants & Consultants

**Hassan Mahmoud EL Hashash**

BHassan Mahmoud EL Hashash & Co.  
Public Accountants& Consultants



# Consolidated Balance Sheet for the Company and its Subsidiaries

For the Financial Year Ended 31 December 2009

	Note No.	31/12/2009 LE	31/12/2008 LE
<b>Long Term Assets</b>			
Fixed assets(net)	(5)	1,608,600,860	1,625,445,746
Projects in progress	(6)	232,255,334	205,538,647
Goodwill	(7)	696,835,970	696,835,970
Available for sale investments	(8)	70,531,751	63,999,294
Deferred tax assets	(23)	--	17,902,286
<b>Total Long-term assets</b>		<b>2,608,223,915</b>	<b>2,609,721,943</b>
<b>Current Assets</b>			
Inventory	(9)	1,430,172,744	1,702,790,501
Trades & notes receivable		707,562,287	742,183,232
Debitors and other debit accounts	(10)	103,787,588	109,507,262
Cash & Cash equivalent	(11)	337,299,473	191,771,336
<b>Total current assets</b>		<b>2,578,822,092</b>	<b>2,746,252,331</b>
<b>Current Liabilities</b>			
Provisions	(12)	67,565,778	67,162,650
Banks-Credit accounts	(13)	858,108,925	941,844,583
Long term liabilities-Current portions	(22)	211,254,571	117,056,884
Suppliers & notes payable		607,941,243	554,866,122
Dividends payable		3,339,249	5,175,004
Creditors & other credit accounts	(14)	146,025,608	157,111,159
<b>Total Current liabilities</b>		<b>1,894,235,374</b>	<b>1,843,216,402</b>
<b>Working Capital</b>		<b>684,586,718</b>	<b>903,035,929</b>
<b>Total Investment to be Financed as follows:</b>		<b>3,292,810,633</b>	<b>3,512,757,872</b>
<b>Shareholder's equity</b>			
Issued and paid capital	(15)	373,033,555	373,033,555
Reserves	(16)	1,411,865,946	1,401,242,285
Accumulated gain (loss) from available for sales investment		451,625	(6,282,832)
Retained earnings		463,861,007	495,066,279
Net profit for the year		312,330,120	311,126,390
Exchange differences arising on translation of financial statements		64,551,105	69,913,763
Treasury stocks	(25)	(29,792,744)	(1,295,095)
Total equity attributable to equity holders of the parent		2,596,300,614	2,642,804,345
Minority interest	(17)	215,883,957	229,003,437
<b>Total equity</b>		<b>2,812,184,571</b>	<b>2,871,807,782</b>
<b>Long-term liabilities</b>			
Long term loans	(18)	471,586,700	624,835,268
Deferred sales taxes installments	(19)	868,626	2,213,663
Housing and Development Bank loan	(20)	705,090	981,678
Creditors-Purchase of fixed assets	(21)	6,618,447	12,919,481
Deferred tax liabilities	(23)	847,199	--
<b>Total long term liabilities</b>		<b>480,626,062</b>	<b>640,950,090</b>
<b>Total shareholder's equity &amp; long term liabilities</b>		<b>3,292,810,633</b>	<b>3,512,757,872</b>

The accompanying notes from No.(39) to No.(52) form an integral part of these consolidated financial statements.  
Auditor's Report attached.

**Salah Abdel Aziz Abdel Moteleb**  
Chairman & CEO

**Mohamed Kattary Abdallah**  
Finance Manager



# Consolidated Income Statement for the Company and its Subsidiaries

For the Financial Year Ended 31 December 2009

	Note No.	31/12/2009 LE	31/12/2008 LE
Net sales		3,550,637,276	3,442,387,090
<b>Less:</b>			
Cost of sales		3,131,382,904	3,014,696,995
<b>Gross profit</b>		<b>419,254,372</b>	<b>427,690,095</b>
<b>Less:</b>			
Distribution expenses		23,211,692	19,022,006
General & Administrative expenses		78,224,300	65,378,777
Formated provisions & Impairment		2,202,000	1,850,000
		103,637,992	86,250,783
<b>Net income from operation activities</b>		<b>315,616,380</b>	<b>341,439,312</b>
<b>(Add / Less):</b>			
Investment income		--	1,751,250
Interest Income		9,723,432	4,367,063
Other revenues		160,775,910	122,078,179
Capital Gain		89,240	425,757
Financing expenses		(96,229,706)	( 82 352 103)
Foreign exchange differences		6,945,615	14,205,366
		<b>81,304,491</b>	<b>60,475,512</b>
<b>Net profit for the year before income tax</b>		<b>396,920,871</b>	<b>401,914,824</b>
<b>(Less):</b>			
Current income tax		(43,093,154)	( 34 384 000)
Deferred tax		(2,652,416)	( 2 070 727)
<b>Income tax for the year</b>		<b>(45,745,570)</b>	<b>(36,454,727)</b>
<b>Net profit for the year</b>		<b>351,175,301</b>	<b>365,460,097</b>
<b>Attributable to:</b>			
Equity holders of the parent		312,330,120	311 126 390
Minority interest		38,845,181	54 333 707
		<b>351,175,301</b>	<b>365,460,097</b>
<b>Basic Earning per Share for the year</b>	(24)	<b>4.06</b>	<b>3.98</b>

The accompanying notes from No.(39) to No.(52) form an integral part of these consolidated financial statements.



# Consolidated Statement of Changes in Shareholders' Equity for the Company and its Subsidiaries

For the Financial Year Ended 31 December 2009

	Issued and Paid capital LE	Legal reserve LE	General reserve LE	Special reserve LE	Capital reserve LE	Available for sale Investments LE	Retained earning LE	Net profit LE	Differences of translation LE	Treasury stocks LE	Total LE
<b>Balance at 1/1/2008</b>	<b>280,951,780</b>	<b>977,929,302</b>	<b>322,436,392</b>	<b>59,973,828</b>	<b>408,872</b>	<b>5,542,371</b>	<b>385,879,227</b>	<b>328,248,778</b>	<b>71,694,481</b>	<b>(29,050,955)</b>	<b>2,404,014,076</b>
Transferred to reserves	--	9,126,721	25,396,993	--	--	--	--	(34,523,714)	--	--	0
Dividends for the year 2007	--	--	--	--	--	--	--	(92,673,598)	--	--	(92,673,598)
Appropriated for capital increase	92,081,775	--	--	--	--	--	(24,809,999)	(67,076,681)	--	(195,095)	0
Transferred to retained earning	--	--	--	--	--	--	133,974,785	(133,974,785)	--	--	0
Adjustments related to consolidated statements	--	--	--	--	--	--	22,266	--	--	--	22,266
Unrealized (losses) from available for sale Investments	--	--	--	--	--	(11,825,203)	--	--	--	--	(11,825,203)
Change in translation differences	--	--	--	--	--	--	--	--	(1,780,718)	--	(1,780,718)
Purchase of Treasury Stocks	--	--	--	--	--	--	--	--	--	(22,927,515)	(22,927,515)
Sale of Treasury Stocks	--	--	5,970,177	--	--	--	--	--	--	50,878,470	56,848,647
Net profit for the year	--	--	--	--	--	--	--	311,126,390	--	--	311,126,390
<b>Balance at 31/12/20012</b>	<b>373,033,555</b>	<b>987,056,023</b>	<b>353,803,562</b>	<b>59,973,828</b>	<b>408,872</b>	<b>(6,282,832)</b>	<b>495,066,279</b>	<b>311,126,390</b>	<b>69,913,763</b>	<b>(1,295,095)</b>	<b>2,642,804,345</b>
<b>Balance at 1/1/2009</b>	<b>373,033,555</b>	<b>987,056,023</b>	<b>353,803,562</b>	<b>59,973,828</b>	<b>408,872</b>	<b>(6,282,832)</b>	<b>495,066,279</b>	<b>311,126,390</b>	<b>69,913,763</b>	<b>(1,295,095)</b>	<b>2,642,804,345</b>
Transferred to reserves	0	10,623,661	0	0	0	0	0	(10,623,661)	0	0	0
Dividends for the year 2008	--	--	--	--	--	--	(13,215,236)	(300,502,729)	--	--	(313,717,965)
Adjustments related to consolidated statements	--	--	--	--	--	--	(17,990,036)	--	--	--	(17,990,036)
Unrealized gain from available for sale Investments	--	--	--	--	--	6,734,457	--	--	--	--	6,734,457
Change in translation differences	--	--	--	--	--	--	--	--	(5,362,658)	--	(5,362,658)
Treasury Stocks - USA	--	--	--	--	--	--	--	--	--	(28,497,649)	(28,497,649)
Net profit for the year	--	--	--	--	--	--	--	312,330,120	--	--	312,330,120
<b>Balance at 31/12/2009</b>	<b>373,033,555</b>	<b>997,679,684</b>	<b>353,803,562</b>	<b>59,973,828</b>	<b>408,872</b>	<b>451,625</b>	<b>463,861,007</b>	<b>312,330,120</b>	<b>64,551,105</b>	<b>(29,792,744)</b>	<b>2,596,300,614</b>

The accompanying notes from No.(39) to No.(52) form an integral part of these consolidated financial statements.



# Consolidated Cash Flow Statement for the Company and its Subsidiaries

For the Financial Year Ended 31 December 2009

	Note No.	31/12/2009 LE	31/12/2008 LE
<b>Cash flows from operating activities</b>			
Net profit for the year before income tax		396,920,871	401,914,824
<b>Adjustments to reconcile net profit to net cash provided by operating activities</b>			
Fixed assets depreciation		200,499,415	206,874,117
Formatted provisions & Impairment		2,202,000	1,850,000
Financing expenses		96,229,706	82,352,103
Capital Gain		(89,240)	(425,757)
<b>Operating profits before changes in working capital</b>		<b>695,762,752</b>	<b>692,565,287</b>
<b>Change in working capital</b>			
Decrease (Increase) in inventory		270,244,971	(457,611,047)
Increase) in trades & notes receivable and debit accounts)		(23,223,652)	(92,313,180)
Decrease) in suppliers & notes payable and other credit accounts)		(38,735,809)	(6,241,910)
<b>Cash flows provided by operating activities</b>		<b>904,048,262</b>	<b>136,399,150</b>
Financing expenses paid		(96,229,706)	(87,116,159)
Income tax paid		(26,722,119)	(28,590,293)
<b>Net cash flows provided by operating activities</b>		<b>781,096,437</b>	<b>20,692,698</b>
<b>Cash flows from investing activities</b>			
Payments) for purchase of fixed assets and projects in progress)		(205,516,856)	(239,809,826)
Proceeds from compensations and sale of fixed assets		89,240	3,239,163
Proceeds from sale real state investment		--	17,341,216
Payments) for purchase Available for sale Investments)		--	(4,895,587)
<b>Net cash flows (used in) investing activities</b>		<b>(205,427,616)</b>	<b>(224,125,034)</b>
<b>Cash flows from financing activities</b>			
(Payments) Proceeds from banks-credit accounts		(83,720,101)	411,111,870
Payments) for purchase treasury stocks)		--	(22,927,515)
Proceeds from selling treasury stocks		--	56,848,647
Dividends paid		(276,719,589)	(126,590,445)
Payment) Proceeds in long term liabilities)		(64,208,912)	(53,064,618)
<b>Net cash flows (used in) provided by financing activities</b>		<b>(424,648,602)</b>	<b>265,377,939</b>
<b>Net change in cash and cash equivalents during the year</b>		<b>151,020,219</b>	<b>61,945,603</b>
Cash and cash equivalents at beginning of the year		191,275,423	131,003,330
Exchange differences arising on translation of financial statements		(5,476,524)	(1,673,510)
<b>Cash and cash equivalents at end of the period</b>	(11)	<b>336,819,118</b>	<b>191,275,423</b>

The accompanying notes from No.(39) to No.(52) form an integral part of these consolidated financial statements.



# Notes to the Consolidated Financial Statements for the Company and its Subsidiaries

For the Financial Year Ended 31 December 2009

## 1. BACK GROUND INFORMATION

- Oriental Weavers Company for Carpets was established in November 16, 1981 as a Limited Liability Company according to Law No. 43 of 1974 which was replaced by Law No.32 of 1977. On November 2, 1991 the Legal status of the company was changed to be an Egyptian Joint Stock Company (S.A.E) under Law No. 230 of 1989 and Law No. 95 of 1992.
- Company's objective  
Producing, selling and exporting ready – made carpets and importing related production supplies, equipment, machinery, or materials.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

- The financial statements have been prepared in accordance with Egyptian Accounting Standards and in the light of Egyptian laws and regulations.
- The preparation of financial statements requires making limited accounting estimates in addition to that the management makes another accounting estimates about choosing and implementing the company's accounting policies. The note no. (4) from the notes of the financial statements indicates the items and the elements that have significant accounting estimates.

## 3. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements include companies in which Oriental Weavers Company for Carpets participates at a percentage greater than 50% of their capitals and has control thereon.  
Subsidiaries included in the consolidated financial statements are as follows:-

Subsidiary name	Percentage of participations
	2009 %
Oriental Weavers Co. U.S.A.*	100.00
Oriental Weavers International Co.	99.99
Oriental Weavers Company Fibers Co.	99.51
MAC Carpet Mills	53.08
Egyptian Fibers Co.(EFCO)	79.60
Oriental Weavers Co.- China	99.51
New Mac	52.02
Modern EFCO	57.57

## 4. SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Basis of consolidation

- Consolidated current financial position are prepared by combining similar items of assets, liabilities, equity, revenues and expenses stated in the financial statements of the holding company and its subsidiaries.
- The carrying amount of the holding company's investment in each subsidiary and the holding company's portion in the equity of each subsidiary are eliminated.
- All inter-company balances, transactions, and material unrealized gains are eliminated.
- Minority interest in the net equity and net profits of subsidiaries controlled by the holding company are included in a separate line item under the shareholders equity in the consolidated financial position "minority interest" and it represents the minority share in the net assets of the subsidiaries.

### 4.2 Foreign currency Translation

The company and some of its subsidiaries maintain their books of accounts in Egyptian Pound.  
Transactions denominated in foreign currencies are recorded at the prevailing exchange rates at the date

\* During the year Oriental Weavers USA, Inc acquired all the outstanding stock of O.W. Holdings, Inc. USA, for restructuring process of the companies in the United States of America.



# Notes to the Consolidated Financial Statements for the Company and its Subsidiaries

For the Financial Year Ended 31 December 2009

of the transaction. At consolidated financial position date monetary assets and liabilities denominated in foreign currencies are revaluated at the exchange rates declared by the company's bank and its subsidiaries' bank at that date. The exchange differences are recorded in the consolidated income statement for the year.

#### 4.3 Translation of Financial Statements presented in Foreign Currency

Some of the subsidiaries maintain their books of accounts in foreign currency. Monetary assets and liabilities of these companies are translated into Egyptian Pound at the Foreign exchange rate at the date of consolidated financial position. Shareholders' equity items are translated at the foreign exchange rate prevailing at the consolidation date. Consolidated income statement items are translated at the average foreign exchange rate of the reporting Year. The holding company's portion in accumulated differences arising from retranslation of foreign entities is presented as a separate item in shareholders' equity in the consolidated financial position.

#### 4.4 Difference in accounting policies

Some of accounting standards used for the preparation of the financial statement of Oriental Weavers U.S.A Inc. in which accord with Generally Accepted Accounting Principles were not applied in preparing the consolidated financial statements of Oriental Weavers for Carpets which were prepared in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations. Although the necessary adjustments to the financial statements of the subsidiaries were made for the unification of the implementation of accounting policies were not adjusted due to differences between Generally Accepted Accounting Principles and Egyptian Accounting Standards as follows:-

##### Capital Lease

Oriental Weavers Co. U.S.A applies U.S Generally Accepted Accounting Principles in the treatment of the capital lease transaction occurring at the date of the consolidated financial position.

##### Pensions

Oriental Weavers Co. U.S.A treats pension scheme in accordance with U.S Generally Accepted Accounting Principles. The resulting liabilities are shown in consolidated financial position as creditors and other credit accounts.

#### 4.5 Fixed Assets and Depreciation

Fixed assets are stated in the consolidated financial position at cost after deduction of the related accumulated depreciation and impairment losses and are depreciated using the straight – line method over their estimated useful lives for each asset as follows:

Description	Estimated useful life (Period)
Buildings & Constructions	25-50
Machinery & Equipments	10
Vehicles	5-8
Tools & Supplies	5
Show-room Fixture	3
Furniture & office equipment	5-10
Computers & programs	3-5

#### 4.6 Projects in Progress

Costs relating to purchase and construction of fixed assets are initially recorded as project in progress. When the asset is completed and becomes ready for the intended use, then, they are transferred to fixed assets.

#### 4.7 Valuation of Available for sale Investment

Available for sale investments are valued at fair market value on an investment by investment basis with gains and losses being recognized as part of the equity under unrealized gains (losses) from Available for sale investments.



# Notes to the Consolidated Financial Statements for the Company and its Subsidiaries

For the Financial Year Ended 31 December 2009

In the event of impairment the value of the investment is reduced by the impairment value which is offset against the unrealized gains recorded in the equity with excess losses being charged to the income statement.

The fair value of the available for sale investments which are not listed in the Securities Exchange Market and for which there are no possible methods for reliably determining its value, can be determined by cost less the value of impairment (if any) and recognizing the losses in the income statement.

If in a subsequent year to the impairment the fair value of the investment increases the increase will be recognized in the income statement to the extent of the impairment losses which have been previously recognized and any excess recognizes in the equity, except in the case of equity securities for which the losses cannot be reversed unless sold or disposed of.

## 4.8 Goodwill

Goodwill represents in the increase in the acquisition cost of some shares of the subsidiary companies through swap of shares, and the company's interest in the fair value of the acquired net assets of these subsidiaries on the acquisition date.

Goodwill acquired shall not be amortized. Instead of that the company shall test it for impairment annually or periodically if events or changes in circumstances indicate that it might be impaired, and in case there is impairment such impairment shall recognize in the income statement for the year.

## 4.9 Inventory

Inventory is valued at the end of the Year at which is lower of cost or net realizable value according to the following basis:

- Raw materials, Spare parts, packaging materials, are determined using the moving average method.
- Cost of work in process is determined at industrial cost which include materials used in its production and direct wages in addition to its related direct and indirect industrial expenses up to the production stage that have been reached.
- Cost of finished products at which is lower of cost or net realizable value includes all the direct and indirect industrial expenses.

## 4.10 Debtors & other debit accounts

Debtors & other debit accounts are stated at nominal value less impairment loss of any amounts expected to be uncollected, and are classified as current assets. Amounts that are expected to be collected after more than one year are classified as long term assets.

## 4.11 Provisions

Provisions are recognized when the company has a legal or constructive obligation as a result of a past event, and it is probable that an out flow of economic benefits will be required to settle the obligation, and the obligation can be reasonably estimated, and if there is a significant effect of the monetary time value, the provisions are determined after deduction of future cash flow that are related to the obligation of payment by using the relevant deduction rate to take this effect into consideration. Provisions are reviewed at the financial position date and amended when necessary to reflect the best current estimate.

## 4.12 Borrowing Cost

Borrowing cost is charged as expense to the consolidated income statement for the year when incurred by the company or its subsidiaries. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset should be capitalized as part of the cost of that asset.

## 4.13 Income tax

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognized in the income statement except for the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on taxable income for the Year, using tax rates enacted or substantially enacted at the consolidated financial position date, and any adjustment to tax payable in

# Notes to the Consolidated Financial Statements for the Company and its Subsidiaries

For the Financial Year Ended 31 December 2009

respect of previous year.

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities for financial purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against extent that it is no longer probable that the related tax benefit will realize.

#### 4.14 Revenue Recognition

- Revenue from sales is recognized when goods- related rewards and risks are transferred to the buyer upon the delivery of the products and invoicing.
- Interest income is recognized in the income statement using the effective interest method. The effective interest method is used for discounting the expected future cash flows and allocating the related interest income over the maturity year. The effective interest is calculated taking in consideration the contractual arrangements.
- Income from available for sale investment is recognized when the cash distribution declared by the investee company.
- The gains or losses resulted from selling investment are recognized when the transaction is completed which is represented in the date of benefits and risk transfer to the buyer.

#### 4.15 Legal reserve

According to the company's statutes the Company is required to set aside 5% of the annual net profit to form a legal reserve. The transfer to legal reserve ceases once the reserve reach 50% of the issued share capital. If the reserve falls below the defined level (50% of the issued share capital), then the Company is required to resume setting aside 5% of the annual net profit until it reaches 50% of the issued share capital.

#### 4.16 Treasury Shares

Treasury Shares are stated at cost, and shall be deducted from equity. No gain or loss shall be recognized in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments. Consideration paid or received shall be recognized directly in equity.

#### 4.17 Impairment of financial assets other than investment

- The carrying amounts of the company's financial assets other than investments are reviewed at each financial position date to determine whether there is any indication of impairment. If such indication exists, these losses are estimated on the basis of the increase of carrying amount of the asset than the present value for the expected future cash flows or net realizable value of these assets which ever is greater. Impairment losses are charged to the income statement, and in case of the increase of the value it will be charged to the income statement to the limit of that charged to the income statement during the previous year.
- An impairment loss of goodwill is estimated annually at each financial position date regardless of presence of any indications of impairment or not.

#### 4.18 Employees' pension

The Company contributes to the government social insurance system for the benefit of its personnel in accordance with the social insurance law no 79 of 1975 and its modifications. Limited Contributions are charged to income statement using the accrual basis of accounting.

#### 4.19 Contingent liability and commitment

Contingent liabilities and commitments shown out of the financial position as it is not represented actual assets or liabilities at the financial position date.

#### 4.20 Related parties transactions

Transactions with Related parties that are undertaken by the Company in the course of its ordinary transactions are recorded according to the conditions laid down by the company's management on the



# Notes to the Consolidated Financial Statements for the Company and its Subsidiaries

For the Financial Year Ended 31 December 2009

same bases of dealing with third party.

## 4.21 Cash flow statement

Consolidated Cash flow statement is prepared using the indirect method.

For purpose of preparing the consolidated statement of cash flows, Cash and cash equivalents include cash and time deposits for a period not more than three months.

## 4.22 Comparative Figures

Comparative figures are reclassified whenever necessary to confirm with the current classification in the current Year.

## 5. FIXED ASSETS (NET)

	Cost as of 31/12/2009 LE	Accumulated depreciation as of 31/12/2009 LE	Net Book Value as of 31/12/2009 LE	Net Book Value as of 31/12/2008 LE
Lands	123,310,330	--	123,310,330	121,894,497
Buildings & Constructions	673,418,224	176,402,187	497,016,037	451,538,946
Machinery & Equipments	2,175,910,155	1,262,339,451	913,570,704	988,498,767
Vehicles	82,227,117	59,357,220	22,869,897	25,807,967
Tools & Supplies	44,356,331	24,879,997	19,476,334	12,785,335
Showrooms Fixture	24,217,752	20,464,070	3,753,682	1,667,237
Furniture & Office Equipments	49,163,675	27,661,967	21,501,708	15,229,626
Computers and Programs	43,381,980	36,279,812	7,102,168	8,023,371
	<b>3,215,985,564</b>	<b>1,607,384,704</b>	<b>1,608,600,860</b>	<b>1,625,445,746</b>

## 6. PROJECTS IN PROGRESS

	31/12/2009 L.E	31/12/2008 L.E
Building under Construction	132,121,362	129,692,619
Machinery & Equipment under installation	80,715,114	56,066,324
Furniture & office equipment	--	8,662
Development of computer system	166,450	--
Advance payment for purchasing Fixed assets	18,500,854	19,041,021
Letters of credit for purchasing fixed assets	751,554	730,021
	<b>232,255,334</b>	<b>205,538,647</b>

- Projects under construction includes amount of L.E 3,069,934 as a capitalized loan's interest and commissions during the year.

## 7. GOODWILL

	31/12/2009 L.E	31/12/2008 L.E
Oriental weavers international (OWI)	51,258,912	51,258,912
MAC Mills (MAC)	573,720,329	573,720,329
Egyptian Fibbers Co. EFCO	67,551,346	67,551,346
Oriental weavers Co.- U.S.A (OW U.S.A)	4,305,383	4,305,383
	<b>696,835,970</b>	<b>696,835,970</b>

# Notes to the Consolidated Financial Statements for the Company and its Subsidiaries

For the Financial Year Ended 31 December 2009

## 8. AVAILABLE FOR SALE INVESTMENTS

	No. of owned Shares	Percentage of participation %	Par value for each Share	Acquisition cost L.E	Impairment losses L.E	Accumulated Unrealized Gain L.E	balance as of 31/12/2009 L.E	balance as of 31/12/2008 L.E
Oriental Weavers for Textiles *	56,250	45	USD 100	32,195,211	--	--	32,195,211	32,195,211
10th of Ramadan for Spinning Industries	524,000	28.5	L.E 10	5,304,365	--	--	5,304,365	5,304,365
Modern Spinning Company	81,677	30.8	L.E 10	1,433,607	--	--	1,433,607	1,433,607
Oriental for Industrial Development	800,000	8	L.E 10	4,200,000	--	--	4,200,000	4,200,000
Oriental Petrochemicals	3,202,000	11.7	L.E 5	14,295,000	--	--	14,295,000	14,295,000
Piraeus Bank	782,167	1.2	L.E 15.58	12,188,193	--	451,625	12,639,818	5,905,361
Egyptian for Trade and Marketing	4,000	2.08	L.E 100	402,000	(402,000)	--	--	202,000
Oriental for Polyester Industry	45,000	9	L.E 10	450,000	--	--	450,000	450,000
Trading for Development Export	100	--	L.E 100	10,000	--	--	10,000	10,000
Cambridge Weavers **	1500	1.5	L.E 10	3,750	--	--	3,750	3,750
				<b>70,482,126</b>	<b>(402,000)</b>	<b>451,625</b>	<b>70,531,751</b>	<b>63,999,294</b>

\* According to board of directors meeting held on December 25, 2007 which include the intention of selling its investments in the company and offering it to other investors, the company name has been changed from Oriental Weavers & Miro Radici Textiles to be Oriental Weavers for Textiles

\*\* The company name has been changed from Orientals for international trade to be Cambridge Weavers.



# Notes to the Consolidated Financial Statements for the Company and its Subsidiaries

For the Financial Year Ended 31 December 2009

## 9. INVENTORY

	31/12/2009 L.E	31/12/2008 L.E
Raw materials	513,411,896	689,963,588
Spare parts & materials	73,250,402	80,004,190
Work in progress	81,284,133	94,832,383
Finished products	750,307,963	818,284,576
Letter of credit for purchasing of raw materials	11,918,350	19,705,764
	<b>1,430,172,744</b>	<b>1,702,790,501</b>

## 10. DEBITORS AND OTHER DEBIT ACCOUNTS

	31/12/2009 L.E	31/12/2008 L.E
Prepaid expenses	10,211,884	9,560,732
Tax authority – debit accounts	29,957,027	34,703,497
Lending to related parties	--	9,563,659
Debit accounts – related parties	10,498,742	2,438,001
Letter of guarantee – cash margin	2,499,103	3,368,191
Suppliers – advance payment	20,946,021	6,810,029
Oriental for Building materials (Orocom)	5,000,000	5,000,000
Other debit accounts	27,351,132	40,739,474
	<b>106,463,909</b>	<b>112,183,583</b>
<b>Less:</b>		
Impairment loss on debtors and other debit accounts	2,676,321	2,676,321
	<b>103,787,588</b>	<b>109,507,262</b>

## 11. CASH AND CASH EQUIVALENT

	31/12/2009 L.E	31/12/2008 L.E
Bank – Time Deposit	202,028,372	127,284,133
Bank – Current Account	122,175,781	58,248,408
Cash on hand	13,095,320	6,238,795
<b>Cash and cash equivalents</b>	<b>337,299,473</b>	<b>191,771,336</b>
<b>Less:</b>		
Time deposits blocked as guarantee to the facilities which granted to the company	480,355	495,913
<b>Cash &amp; cash equivalents for cash flows statement purposes</b>	<b>336,819,118</b>	<b>191,275,423</b>

## 12. Provisions

	Balance as of 1/1/2009 L.E	Formed during The year L.E	Used during The year L.E	Balance as of 31/12/2009 L.E
Provisions for Contingent liabilities	67,162,650	2,000,000	(1,596,872)	67,565,778
	<b>67,162,650</b>	<b>2,000,000</b>	<b>(1,596,872)</b>	<b>67,565,778</b>

## 13. BANKS – CREDIT ACCOUNTS

Banks – credit account amounting to L.E 858,108,925 as of December 31,2009 is represented in short term facilities granted by banks at relatively fixed interest rate a part of facilities is guaranteed by notes receivable deposited at these banks for collection.

# Notes to the Consolidated Financial Statements for the Company and its Subsidiaries

For the Financial Year Ended 31 December 2009

## 14. CREDITORS AND OTHER CREDIT ACCOUNTS

	31/12/2009 L.E	31/12/2008 L.E
Trade receivable – advance payment	37,777,397	50,680,622
Accrued expenses	12,764,602	18,060,737
Tax authority – credit accounts	43,216,173	37,135,815
Social insurance authority	4,386,388	5,078,033
Creditors – purchases of fixed assets	2,847,113	847,302
Shareholders – credit accounts	8,917,504	8,638,301
Deposits from others	16,312,159	15,119,049
Accrued sales taxes instalment	2,096,509	2,012,293
Credit accounts – related parties	6,541,413	20,430
Other credit accounts	11,166,350	19,518,577
	<b>146,025,608</b>	<b>157,111,159</b>

## 15. Issued And Paid Capital

15.1 The company's authorized capital is determined to be L.E 500 Million (five hundred million Egyptian pounds).

15.2 The Issued capital is LE 280,951,780 (only two hundred eighty million, nine hundred fifty one thousand and seven hundred and eighty Egyptian pound) distributed over 56,190,356 share of which L.E 259,354,980 (only two hundred fifty nine million , three hundred fifty four thousand and nine hundred and eighty Egyptian pound) are cash shares and L.E 21,596,800 (only twenty one million and five hundred ninety six thousand and eight hundred Egyptian pound) are in-kind shares at a value of L.E 5 each (five Egyptian pound).

15.3 According to the decision taken by the general assembly meeting held on March 29,2008 it was approved a stock dividend by one share per each three shares and increasing issued capital in amount of LE 92,081,775 . The Issued capital reached the amount of LE 373,033,555 distributed over 74,606,711 shares and it had been registered at the commercial register at July 7, 2008.

15.4 The company's shares are centrally kept at Misr for Central Clearing, Depositary and Registry Co. and those shares are traded in Cairo and Alexandria stocks exchange market.

## 16. Reserves

	31/12/2009 L.E	31/12/2008 L.E
Legal reserve	997,679,684	987,056,023
General reserve	353,803,562	353,803,562
Special reserve	59,973,828	59,973,828
Capital reserve	408,872	408,872
	<b>1,411,865,946</b>	<b>1,401,242,285</b>

## 17. MINORITY INTEREST

	Minority interest in the net equity of subsidiaries L.E	Minority interest in the net profit of subsidiaries L.E	Balance as of 31/12/2009 L.E	Balance as of 31/12/2008 L.E
Oriental Weavers Co. Fibres (O.W.F)	412,280	1,570,311	1,982,591	1,238,771
Oriental Weavers international Co (O.W.I)	53,966	11,132,023	11,185,989	6,108,761
MAC Carpet Mills	152,795,172	18,159,664	170,954,836	193,388,267
Egyptian fibres Co. EFCO	13,071,599	4,124,612	17,196,211	15,024,898
EFCO Modern Fibres	9,679,385	3,237,384	12,916,769	12,043,519
Oriental Weavers – China	465,515	(12,044)	453,471	560,989
New MAC	560,859	633,231	1,194,090	638,232
	<b>177,038,776</b>	<b>38,845,181</b>	<b>215,883,957</b>	<b>229,003,437</b>



# Notes to the Consolidated Financial Statements for the Company and its Subsidiaries

For the Financial Year Ended 31 December 2009

## 18. LONG TERM LOANS

Loan Currency	Principal of the loan in original Currency	Balance of the loan as of 31/12/2009 L.E.	Balance as of 31/12/2009		Balance as of 31/12/2008		Terms of Payment
			current portion due in one year L.E.	long term installments L.E.	current portion due in one year L.E.	long term installments L.E.	
Export Development Bank of Egypt							
	USD	2,500,000	9,572,500	2,735,000	6,837,500	2,755,000	9,642,500
	USD	5,619,556	21,517,034	6,148,280	15,368,754	7,024,017	21,674,627
	USD	25,000,000	136,875,000	54,750,000	82,125,000	--	137 500 000
	USD	9,907,000	--	63,633,280	104,331,254	9,779,017	168,817,127
	USD	--	167,964,534	--	--	13,646,893	13,646,892
	USD	4,000,000	19,701,846	4,376,000	15,325,846	--	--
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	--	--	--	--	--	--
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
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	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--	4,708,165	14,124,497
	USD	8,666,000	--	--	--		

# Notes to the Consolidated Financial Statements for the Company and its Subsidiaries

For the Financial Year Ended 31 December 2009

BANK	Loan Currency	Principal of the loan in original Currency	Balance as of 31/12/2009		Balance as of 31/12/2008		Terms of Payment
			Balance of the loan as of 31/12/2009 .L.E	current portion due in one year .L.E	long term installments due in one year .L.E	long term installments due in one year .L.E	
<b>Carried Forward</b>			<b>187,666,380</b>	<b>68,009,280</b>	<b>119,657,100</b>	<b>28,134,075</b>	<b>196,588,516</b>
<b>Loans from other banks</b>							
HSBC	USD	4,000,000	--	--	--	<b>8,332,791</b>	<b>1,172,309</b>
	USD		21,880,000	4,376,000	000 504 17	--	--
<b>NSGB</b>							
NSGB (1)	USD	18,000,000	32,473,779	8,118,573	24,355,206	8,177,942	32,711,496
The principal of the loan shall be settled over ten equal semi annual installments starting from 26/4/2009 till 26/10/2013, the interest and commission shall be computed and paid annually at an interest rate 10.25% including highest debit Balance commission while Draw down curancy is Egyptian Pound							
NSGB (2)	USD	8,000,000	--	--	--	14,678,640	--
The principal of the loan shall be settled over twelve equal monthly installments starting from 31/5/2008 till 30/4/2009, the interest and commission shall be computed and paid annually at an interest rate 2% above libour							
<b>Sun Trast Bank</b>			<b>32,473,779</b>	<b>8,118,573</b>	<b>24,355,206</b>	<b>22,856,582</b>	<b>32,711,496</b>
Sun Trast Bank (1)	USD	632,368	--	--	--	682,320	--
The principal of the loan shall be settled over ten equal semi annual installments starting from 17/1/2005 till 31/8/2009, the interest and commissions shall be computed and paid upon settlement of the installments at interest rate 1.20% above libour							
Sun Trast Bank (2)	USD	6,458,093	3,214,725	3,214,725	--	6,469,831	3,238,260
The principal of the loan shall be settled over ten equal semi annual installments starting from 27/12/2005 till 26/2/2010, the interest and commissions shall be computed at interest rate 0.9% above libour							
<b>Suez Cannal Bank</b>			<b>3,214,725</b>	<b>3,214,725</b>	--	<b>7,152,151</b>	<b>3,238,260</b>
Suez Cannal Bank	LE	12,000,000	3,030,188	3,030,188	--	3,000,000	3,000,000
The principal of the loan shall be settled over eight equal semi annual installment starting from 1/6/2007 till 1/12/2010, the interest and commissions shall be computed at interest rate 11%							
Suez Cannal Bank	USD	10,000,000	20,575,536	13,686,524	6,889,012	13,775,000	20,662,500
The principal of the loan shall be settled over eight equal semi annual installment starting from 30/11/2007 till 30/4/2011, the interest and commissions shall be computed at interest rate of 1.25% above libour							
<b>Brought forward</b>			<b>23,605,724</b>	<b>16,716,712</b>	<b>6,889,012</b>	<b>16,775,000</b>	<b>23,662,500</b>
			<b>268,840,608</b>	<b>100,435,290</b>	<b>168,405,318</b>	<b>83,250,599</b>	<b>257,373,081</b>



# Notes to the Consolidated Financial Statements for the Company and its Subsidiaries

For the Financial Year Ended 31 December 2009

BANK	Loan Currency	Principal of the loan in original Currency	Balance of the loan as of 31/12/2009 L.E	Balance as of 31/12/2009 current portion due in one year L.E	long term installments L.E	Balance as of 31/12/2008 current portion due in one year L.E	long term installments L.E	Terms of Payment
<b>Carried Forward</b>			<b>268,840,608</b>	<b>100,435,290</b>	<b>168,405,318</b>	<b>83,250,599</b>	<b>257,373,081</b>	
<b>Credit Agricole Bank EGYPT</b>	USD	25,000,000	136,875,000	27,375,000	109,500,000	--	<b>137 500 000</b>	The principal of the loan shall be settled over ten equal quarter installments starting from 1/9/2010 till 1/12/2012 , the interest and commission shall be computed and paid .upon its due date
<b>Alexandria bank</b>	USD	25,000,000	136,875,000	24,886,366	111,988,634	--	<b>137 500 000</b>	The principal of the loan shall be settled over eleven equal quarter installments starting from 1/8/2010 till 1/5/2013 , the interest and commission shall be computed and paid .upon its due date
<b>BNP Paribas Bank</b>								
BNP Paribas Bank (1)	USD	20,000,000	82,125,000	36,500,002	45,624,998	27,500,000	<b>82 500 000</b>	The principal of the loan shall be settled over twelve equal quarter annual installments starting from 30/6/2009 till 31/3/2012 , the interest and commission shall be computed and paid upon its due date
BNP Paribas Bank (2)	LE	12,000,000	12,000,000	4,800,000	7,200,000	--	<b>9 962 187</b>	The principal of the loan shall be settled over ten equal quarter installments with a grace period of six months .starting from the end of draw down period
BNP Paribas Bank (3)	USD	3,846,316	16,483,600	4,709,600	11,774,000	--	--	The principal of the loan shall be settled over eighteen equal quarter installments starting from february 2009 with at interest rate 1.25% over libro , the interest and currency .calculated and paid upon its due
BNP Paribas Bank (4)	USD	5,000,000	23,931,250	6,837,500	17,093,750	--	--	medium term loan to be paid over 8 equal installments semi annual for January and July in every year. The first instalment will be accrued within January 2010 with interest rate 2.4% above libour
<b>Total</b>			<b>850 539 134</b>	<b>52,847,102</b>	<b>81,692,748</b>	<b>27 500 000</b>	<b>92 462 187</b>	
			<b>677,130,458</b>	<b>205,543,758</b>	<b>471,586,700</b>	<b>110,750,599</b>	<b>624,835,268</b>	

The loans are granted to the company against a first class commercial pledge on machinery , equipments and all tangible and intangible assets of the company-

# Notes to the Consolidated Financial Statements for the Company and its Subsidiaries

For the Financial Year Ended 31 December 2009

## 19. DEFERRED SALES TAXES INSTALMENTS

	Note No	31/12/2009 L.E	31/12/2008 L.E
Deferred sales tax instalments represents the accrued sales tax on the plants machinery and equipment which will be paid on seven equal annual instalments, after a grace period of three years, against the letter of guarantee covering these amounts issued in favour of sales tax authority as a security for the settlement of these liabilities on due dates.		1,258,859	3,169,157
Instalments due within one year were classified as part of current liabilities in the consolidated pro forma financial position under the item of long term liabilities – current portion.	(22)	(390,233)	(955,494)
		<b>868,626</b>	<b>2,213,663</b>

## 20. HOUSING AND DEVELOPMENT BANK LOAN

	Note No	31/12/2009 L.E	31/12/2008 L.E
Balance of this item is represented in the remaining amount due to bank of housing and development against purchasing housing units for employees in 10th of Ramadan city. Payment shall be made on equal monthly instalments for 27 years.		928,447	1,151,804
Instalments due within one year were classified as part of current liabilities in the consolidated financial position under the item of long term liabilities – current portion.	(22)	(223,357)	(170,126)
		<b>705,090</b>	<b>981,678</b>

## 21. CREDITORS – PURCHASE OF FIXED ASSETS

	Note No	31/12/2009 L.E	31/12/2008 L.E
Balance of this item is represented in the remaining amount due to 10th of Ramadan city organization in return of purchasing a piece of land in 10th of Ramadan city.		11,715,670	18,100,146
Instalments due within the year were classified as part of the current liabilities in the balance sheet under the item of long term liabilities – Due within one year.	(22)	(5,097,223)	(5,180,665)
		<b>6,618,447</b>	<b>12,919,481</b>

## 22. LONG TERM LIABILITIES – CURRENT PORTIONS

	Note No	31/12/2009 L.E	31/12/2008 L.E
Long-term loan instalment	(18)	205,543,758	110,750,599
Deferred sales taxes instalment	(19)	390,233	955,494
Housing and development bank loan	(20)	223,357	170,126
Creditors purchase of fixed assets	(21)	5,097,223	5,180,665
		<b>211,254,571</b>	<b>117,056,884</b>



# Notes to the Consolidated Financial Statements for the Company and its Subsidiaries

For the Financial Year Ended 31 December 2009

## 23. DEFERRED TAX

Deferred tax Assets and liabilities

	31/12/2009		31/12/2008	
	Assets L.E	Liabilities L.E	Assets L.E	Liabilities L.E
Temporary tax differences – O.W. (USA)	22,035,988	--	38,133,057	--
Fixed assets	--	(22,883,187)	--	(20,230,771)
Total deferred tax assets / (liabilities)	22,035,988	(22,883,187)	38,133,057	(20,230,771)
<b>Net deferred tax assets</b>		<b>(847,199)</b>	<b>17,902,286</b>	

## 24. BASIC EARNING PER SHARE FOR THE YEAR

Basic earning per share determined in the year profits as follows:-

	31/12/2009 L.E	31/12/2008 L.E
Net profit for the year	312,330,120	311,126,390
Less:		
Employee profit share	13,000,000	13,491,714
Member board bonus	1,800,000	1,800,000
	297,530,120	295,834,676
Weighted average number of shares available during the year	73,355,211	74,338,413
<b>Basic earning per share for the year</b>	<b>4.06</b>	<b>3.98</b>

## 25. TREASURY STOCKS

Description	31/12/2009		31/12/2008	
	No. of Stocks	Amount L.E	No. of Stocks	Amount L.E
The owned Shares by MAC Carpet Mills "Subsidiary Co."	158,071	1,295,095	158,071	1,295,095
The owned Shares by Oriental weavers Co.- U.S.A (OW U.S.A) " Subsidiary Co."	1,093,429	28,497,649	--	--
	<b>1,251,500</b>	<b>29,792,744</b>	<b>158,071</b>	<b>1,295,095</b>

## 26. CONTINGENT LIABILITIES

L.G'S Issued By Banks in favour of the company and its subsidiaries to third parties as of December 31, 2009 amounted to L.E 6,903,837 Also Contingent liabilities from L.C'S in that date amounted to L.E 30,805,683

## 27. CAPITAL COMMITMENTS

The capital commitments as of December 31, 2009 amounted to L.E 17,425,592 Represents the value of new extension related to show Rooms and completion of construction in progress.

## 28. TAX POSITION

### 28.1 Corporate Tax

- The company was inspected till December 31, 2004 and the assessed tax differences were paid.
- The company submits its annual tax return regularly on legal dates.

### 28.2 Salaries & Wages Tax

- The company was inspected till December 31, 2005 and the assessed tax differences were paid.
- The company has inspected the salary tax from years 2006 & 2007, the company has not been informed for claims.
- The company submits its tax return on the legal dates.

### 28.3 Sales Tax

- The company was inspected till December 31, 2006 and the assessed tax differences were paid.
- The company submits the monthly tax return on the legal dates.

# Notes to the Consolidated Financial Statements for the Company and its Subsidiaries

For the Financial Year Ended 31 December 2009

## 28.4 Stamp Duty Tax

- The company was inspected up to July 31, 2006 and the assessed tax differences were paid.
- The company submits the tax return on the legal dates.

## 29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### 29.1 Financial instruments fair value

The company's financial instruments are represented in the balances of cash and cash equivalent debtors and creditors debit and credit balances and bank –credit accounts. The carrying amounts of these financial instruments represented a reasonable estimated of their fair value.

### 29.2 Interest rate risk

Interest rate risk is represented in an adverse effect of the interest rate changes on its operational results and cash flows and the company depends in financing its working capital on short-term loans at an almost fixed interested rate.

### 29.3 Credit Risk

Credit risk is represented in the ability of customers granted credit facilities to pay the balances due from them. This risk is controlled by the company through credit selling to a limited number of reputable customers of strong credit position and governmental bodies. Further, The Company obtains notes receivable from the customers against the debts due to the company; therefore, the company consider this risk relatively limited.

### 29.4 Currency Ris

The foreign currency risk is basically represented in the risk of fluctuations in exchange rates which affects expenditures and disbursements in foreign currencies as well as the valuation of assets and liabilities in foreign currencies. The company considered this risk to be low where the company pays the obligations in foreign currencies.

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End Of Financials

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### STOCK INFORMATION:

Oriental Weavers' issued and paid-in capital is currently EGP 373 million distributed over 74.6 million shares.

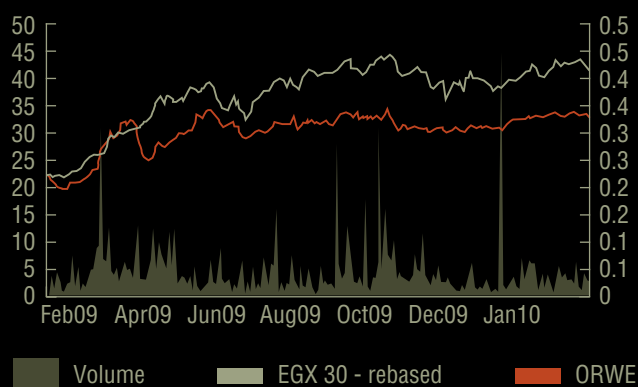
Oriental Weavers' stock is traded on the Egyptian Exchange.

Reuters Code: ORWE.CA

Bloomberg Code: ORWE EY

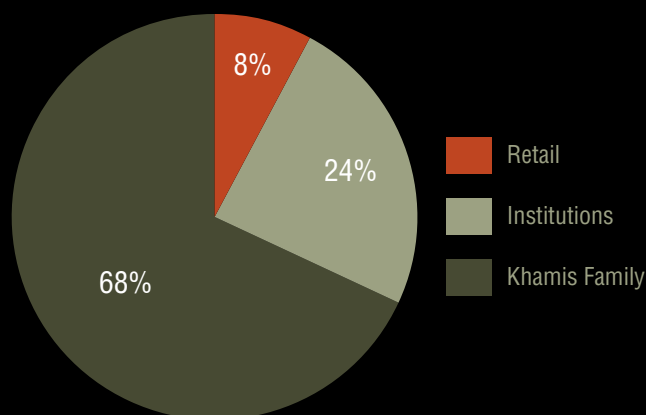
Market Capitalization as of March 21, 2010:  
EGP 2.928 billion

### Share Price Performance and Price Relative to EGX30 Rebased



### CAPITAL STRUCTURE

Khamis Family	68.0%
Institutions	24.0%
Retail	8.0%



### ADDRESS

#### Factory

Industrial Area B1 – 10th of Ramadan City

#### Head Office

8 Zakaria Khalil Street, Oriental Weavers  
Complex, Heliopolis, Cairo, Egypt

### INDEPENDENT AUDITORS:

B.T. Wahid Abdel Ghaffar & Co.

Hassan Mahmoud El Hashash & Co.

### WEB SITE ADDRESS

[www.orientalweavers.com](http://www.orientalweavers.com)

[www.owsphinx.com](http://www.owsphinx.com)

[www.cambridgeweavers.com](http://www.cambridgeweavers.com)

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