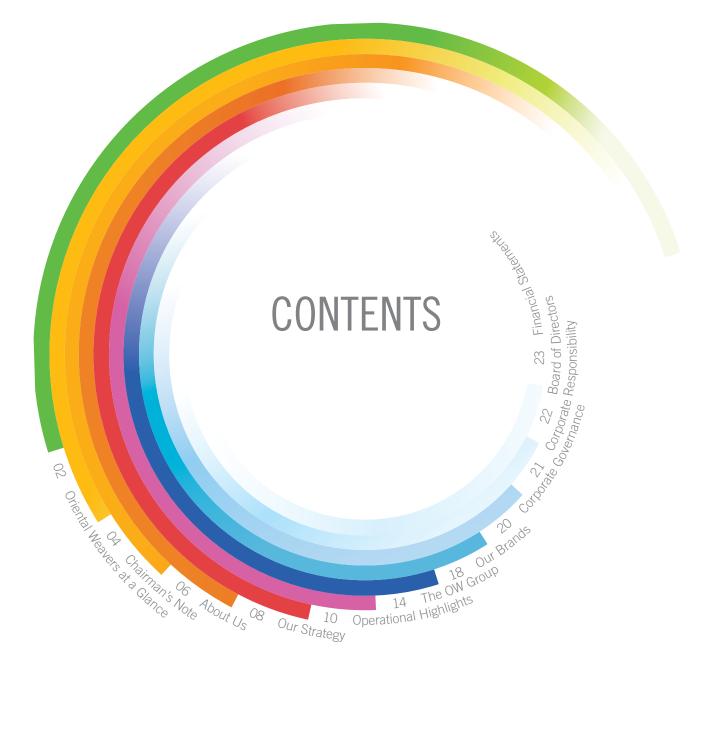
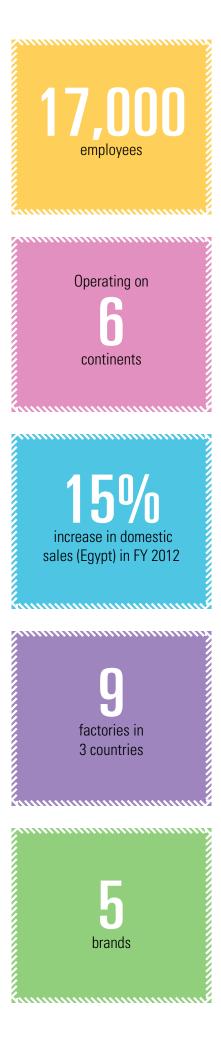
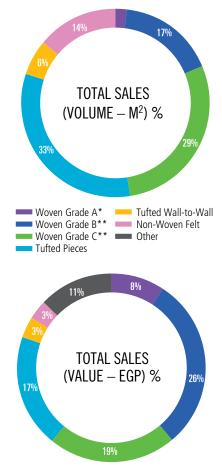
annual report **2012** The Art of Growth







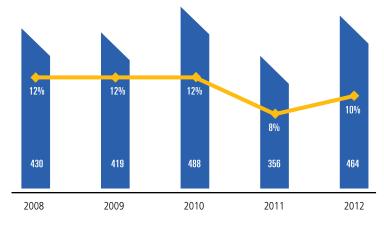
### **ORIENTAL WEAVERS** AT A GLANCE

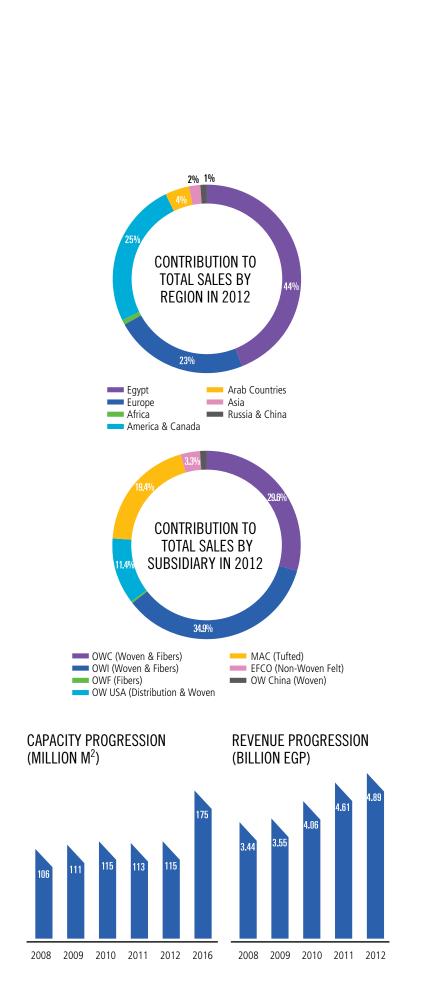


Woven Grade A: Composition 100% Natural Fibers

\*\* Woven Grade B: Composition 50:50 Natural and Synthetic Fibers \*\*\* Woven Grade C: Composition 100% Synthetic Fiber

#### GROSS PROFIT (MILLION EGP) AND GROSS PROFIT MARGIN (%)

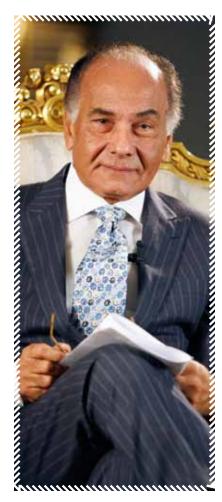






# CHAIRMAN'S NOTE

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.



Mohamed Farid Khamis Chairman and Founder

#### Fellow Shareholders,

It is a pleasure to report that hard work and dedication at all levels of the organization — from the plant floor to our marketing experts, from designers to client relationship managers — have helped Oriental Weavers deliver another outstanding year of performance.

We knew 2012 would be in many ways more challenging than the previous year, and it was: In our home market of Egypt, the economy sagged under the fallout from the 25 January 2011 Revolution and the protracted transition process that followed. Abroad, we saw major markets beginning tentative recoveries (the United States) while others lingered in crisis (the Eurozone).

Amid these headwinds, we pursued a strategy that was based on the added value we bring to the global playing field. This emphasis on adding value saw us work to maintain quality, curb costs, adjust our geographical exposure and distribution network, all while moving ahead with the horizontal integration of our product mix. Indeed, our focus on product development and market synergies paid off by giving us the maneuverability we needed to adapt to a constantly changing environment.

The results speak for themselves: We have recorded rises in gross profits and EBITDA, book-ended by a 6% rise in sales to EGP 4.9 billion and a sharp 30% rise in gross profit to EGP 463.9 million.

Sales in Egypt witnessed 15% growth in 2012 over 2011, coming in at 44% of total group sales. Growth was attributable to the favorable and consistent demographic factors that encourage consumers of all income brackets to purchase carpets to commemorate major life events, as well as a product mix better-diversified to cater to those consumers.

Export sales, meanwhile, were flat year-on-year, primarily due to currency changes for eurodominated sales. Overall volumes were essentially unchanged from 2011, with key markets including the United States and Canada recording 7% growth in the year and, noteably, 19% growth in Q4 2012, the highest growth rate for North American market in the last two years. A positive note on these markets is the fact that sales to the US and Canada exceeded 2006 levels, significant as that was the peak year for the floor coverings industry in the US.

In-depth market research into changing tastes globally, and management's ability to quickly take action based on its interpretation of these findings, allowed the company to enhance efficiency and utilization rates, ultimately increasing sales and margins.

This strategy saw sales for the Woven segment increase 6% to EGP 3.2 billion in the year. Tufted sales volumes and revenues, meanwhile, were static, while revenue from our high-end Fibers and Hand-Made Goods segment boosted overall sales for the full year, with a 25% increase in revenues.

A thoughtfully fine-tuned product mix increased our ability to capture market share — not in the mass market but in the most profitable segments, which led to a modest increase in sales filtering down to a 30% increase in Gross Profit and a 37% increase in Operating Profit year-on-year. Gross Profit Margin stood at 9.5%, a rise of 22.7%. This represents an impressive recovery driven primarily by the improved product mix and higher level of optimization and efficiency; also contributing to strong margins was the stabilization of raw material prices, in particular the polymerbased raw materials.

Careful SG&A controls linked to productivity and performance saw our SG&A : Sales ratio hold steady at 3%. This, together with healthy top line growth and operating efficiency, led to a 28% increase in Operating Margin in the full year. This solid performance filtered down to EBITDA and Adjusted EBITDA, which reported margins of 11% and 15%, respectively, while EBT Margin was up 3.3% in 2012 over 2011.

Despite the impressive performance, EBT Margin came under pressure from higher financing expenses caused by the shift in our short-term debt from dollardenominated into balanced shortterm finance in Egyptian pounds and US dollars. Management made this shift in an effort to mitigate any short-term devaluation risks, while positioning the company to benefit from a position as a net foreign currency receiver.

Net Profit after Minority Interest grew 12% in absolute value and 6% in terms of margins in the year just ended compared with 2011. As noted, this growth was based on the interplay between top-line growth and a more favorable sales mix, leading to disproportionately strong margins and higher returns.

Meanwhile, 2012 saw the company making a consistent effort to increase local sourcing of raw materials. This, coupled with improved inventory turnover, saw us cut inventory levels by EGP 152 million in FY 2012, generating cashflow from operating activities of EGP 712 million in comparison to EGP 189 million in FY 2011. This past year also saw management work diligently to cut net debt to EGP 1.64 billion from EGP 1.74 billion in FY 2011. This focus on lowering outstanding debt levels continues through 2013.

An increasingly optimal debt position and strong cash balances will be particularly beneficial heading into what is shaping up to be a fiercely competitive and changeable environment 2013.

CAPEX for FY 2012 was down significantly at EGP 131 million from EGP 241 million in FY 2011 as the company completed construction on the King Tut yarn production facility and investing in new generation of machines with better utilization and efficiency rates.

So far, 2013 is proving to be a somewhat difficult year for the Egyptian market as a whole, which will potentially impact on margins as domestic sales are impacted. That said, I am cautiously optimistic about 2013 in light of a number of positive developments.

First among these is our solid performance in January 2013 at the Hannover DOMOTEX Fair, returning the highest number of confirmed orders in Oriental Weavers participation there. Historically, our performance at DOMOTEX has been a harbinger of our likely performance in the year to come.

Meanwhile, we are seeing continued signs of a steady recovery in the US housing market, which bodes quite well for sales in that market — the largest consumer market in the world, and one in which ORWE is quite well-established. Of course, a full recovery of the US housing market is likely a few years off, but it goes without saying that any improvement in housing sales in the US will boost the floor coverings industry.

The ongoing devaluation of the Egyptian pound will also boost margins, as Oriental Weavers is positioned as a net exporter with substantial US-dollardenominated revenues. Also boosting margins will be the recent improvements in our ability to source locally produced raw materials.

These positive developments, taken together with Oriental Weavers' proven ability to grow international sales in challenging market conditions suggest that the coming months will be strong ones for our company.

When these developments are considered in light of our strong performance last year, ladies and gentlemen, I believe that they demonstrate the simple, incontrovertible fact that Oriental Weavers manages not for today, but for the long-term.

# ABOUT US

Oriental Weavers (OW) is one of the most recognized brands in the machine woven rug and carpet industry today. Established in 1980 by Mr. Mohamed Farid Khamis, a leading Egyptian entrepreneur and industrialist, the company has grown under his leadership to become the largest and fastest-growing machine made rug and carpet manufacturer in the world.

Oriental Weavers is the flagship company of the Orientals Group, which is a multinational organization that incorporates several companies dedicated to the production of woven rugs and carpeting, along with related raw materials.

The Oriental Weavers Group is the largest and fastest growing rugs and mats producer in the world. A true Egyptian success story, Oriental Weavers has grown to become 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 company exports more than 60% of its production to more than 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.

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.

The company continues to invest in expanding its capacity and ability

to service the growing global rugs and carpet market, and has diversified beyond its core leadership in machine-woven, tufted and needle-punched rugs, mats and carpets. This diversification has seen the Group successfully 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 reach in the 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 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.



### Design Innovation

Oriental Weavers is the acknowledged leader in design, quality and innovation within the industry. With 33 fulltime designers living in Egypt, the UK, China and the US, Oriental Weavers produces, on average, a unique, new product every two weeks.

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## OUR STRATEGY





Oriental Weavers has a unique business model that allows it to achieve consistent, sustainable growth. The company is a global, low-cost producer using efficiency, technology and geography to deliver superior margins.

At the same time, full integration backward and forward — smoothes and optimizes costs, allowing economies of scale and scope. A flexible production capacity allows quick responses to market conditions while production across all price points fully penetrates markets. Finally, the group's global experience and presence ensures unmatched global market intelligence.

Oriental Weavers is focused on organic growth, expanding our global footprint, enhancing our local dominance, ensuring diversification, and furthering vertical integration.

#### ORGANIC GROWTH

A flexible production mix that can fluidly adapt to shifting market demand allows OW to set an orderdriven production schedule that is highly efficient and makes maximum use of capacity, with a steady backlog. In essence, this allows for organic growth at the group level, setting expansion plans in parallel with developing market trends.

#### **GLOBAL FOOTPRINT**

Oriental Weaver's truly global presence helps streamline its manufacturing and distribution operations while facilitating on-the-ground market insight. At the group level international sales accounted for 56% of revenues in 2012, supported by manufacturing facilities in Egypt, the US and China with distribution hubs in the US, UK and Dubai. OW rugs and carpets are sold in more than 150 countries across six continents.

#### LOCAL DOMINANCE

The group is the leading provider to the Egyptian market, with local sales accounting for 44% of group revenues in 2012. Sales in Egypt are supported by OW's ability to cater to all price points, as well as the Egyptian market's demographic trends, including population growth, a growing middle class and cultural factors that encourage purchases of new floor coverings for weddings and graduation gifts.

In Egypt, Oriental Weavers has 207 showrooms, including the largest rug showroom in the world, and aggressive expansion plans to capitalize on the strong fundamentals here. Our production facilities run at full capacity 24 hour per day, 7 days per week, and we are pressing ahead with an EGP 1 billion (USD 182 million) integrated industrial complex to increase capacity by 60%.

#### DIVERSIFICATION

An important cornerstone of Oriental Weavers' strategy, diversification allows the group to stay on top of market trends and achieve sustainable, organic growth. OW recently added two business lines — Axminster and Tapestry & Gobelin — which was a move into higher profit margin products geared toward the hospitality industry and was well-received by the market.

#### VERTICAL INTEGRATION

OW's vertical integration strategy embraces the complete carpet care and rug manufacturing process, from spinning and dyeing yarn to locally producing the polypropylene granules used in making synthetic fibers and blends thus guaranteeing quality and value for every rug. This cornerstone of OW's strategy, in particular, allows for greater cost reductions and complete control over the manufacturing process. The company embarked its strategy of vertical integration in 1983 with the establishment of 10th of Ramadan Spinning Company, to satisfy OW's wool fiber requirements. Egyptian Fibers Company (EFCO) and Oriental Weavers Fibers (OWF) were established in 1987 and 1993 respectively, securing the group's supply of polypropylene fibers. Moreover, EFCO exports a portion of its production to Arab and European countries.

Sphinx, the group's US distribution arm was established in 1991, and Oriental Weavers International (OWI), the group's export-oriented facility was founded in 1999 in the tax-free zone in the 10th of Ramadan City. Most recently, the group established King Tut, in 2011, a new varn production facility with an annual capacity of 100 tons daily. Actual production started in 2012. The new factory produces nylon, which is the primary raw material used by MAC printed and tufted carpets. With excess capacity, Oriental Weavers is not only self-reliant on yarn, but it is also able to export yarn to the US.

Our production facilities run at full capacity 24 hour per day, 7 days per week, and we are pressing ahead with an EGP 1 billion (US\$ 182 million) integrated industrial complex to increase capacity by 60%. 

### OPERATIONAL HIGHLIGHTS

In 2012, Oriental Weavers reported sales of EGP 4.9 billion, a 6% increase over 2011; EBITDA rose an even stronger 37%, while net income after minority was EGP 272.9 million, a 12% increase over FY 2011.

In addition to this solid performance, the company reported a number of key moves that see the group poised for success and increased market share despite the increasingly competitive global environment.

#### DOMESTIC SALES

In each quarter of 2012, Oriental Weavers reported strong sales

growth in our home market of Egypt, to the extent that domestic sales accounted for fully 44% of group revenues in 2012. Growth was attributable to a product mix better-diversified to cater to all income brackets as well as favorable and consistent demographic factors including population growth, a growing middle class and cultural factors that encourage purchases of new floor coverings for weddings and graduation gifts.

#### EXPORT SALES

Overall, export sales in 2012 were essentially flat, with the notable exception of sales to Arab countries, which saw sales growth of 58.4% from EGP 129.2 million in 2011 to EGP 204.6 million in 2012. This segment has grown to represent 4%





of group sales and is supported by many of the same demographic factors that boost sales in Egypt.

#### FIFTH AVENUE SHOWROOM

In September 2012, Oriental Weavers held a grand opening for its new 10,000+ square foot showroom at the New York Home Fashions Market in New York City. The showroom, located in the world-famous Textiles Building at 295 Fifth Avenue, is nearly double the size of the group's previous space and features products from Oriental Weavers USA, Sphinx by Oriental Weavers and the OW Hospitality lines. In the beautifully designed space, these Oriental Weavers' divisions will showcase their machine-woven, printed and hand-crafted accent and area rugs, broadloom, Axminster, rug pads and all other product segments.

#### OW HOSPITALITY EXPANSION

OW Hospitality, the Londonbased hospitality carpeting arm of Oriental Weavers Group — which manufactures broadloom carpets for luxury hotels worldwide — opened its latest showroom in London in November 2012. Located in the picturesque Queens Park northwest London, the showroom is a milestone cementing OW Hospitality's global reach. The expansive and contemporary facility spans 7,500 square feet and covers the ground floor of the company's corporate offices.

The London showroom will feature a creative design center servicing the local design and architecture community, and the offices will act as a project planning and coordinating hub for the London marketplace. The showroom will also be utilized for training, industry seminars and for OWH partners to hold





KEY FIGURE FOR ORIENTAL WEAVERS GROUP EGP 4.9 bn

2012 Sales Value

**6%** 2011-2012 Sales Growth

**37%** 2011-2012 EBITA Growth

EGP 272.9 mn 2012 Net Income (after minority)

**12%** 2011-2012 Net Income Growth

meetings, events and mini-shows.

#### HANNOVER DOMOTEX TRADE FAIR

Domotex Hannover is the floor coverings industry's most important annual trade fair, attended by top global industry players on both the buy- and sell-side. Oriental Weavers typically books c.30% of its woven-segment export sales at the event, which takes place each year in mid-January. Following up on its stellar 2012 performance, at which it returned record numbers for both sales and sold-out square meters, in 2013, the group reported booking the most confirmed orders in the years that Oriental Weavers

has participated there. Of 1,250 participants representing 60 countries, Oriental Weavers was honored to win the award for 'Best Display Area.' OW showcased over 2,400 designs from its top-of-the-line 2013 collection, setting the industry benchmark and meeting the growing needs of global markets.

#### ATLANTA INTERNATIONAL AREA RUG MARKET

Also in 2013, Oriental Weavers was a double winner at the Atlanta International Area Rug Market, the rug and home industry's signature event, taking home awards in the machine-made \$0-200 category with Chloe by Oriental Weavers USA, and the machine-made \$200-400 category with Nyla by Loloi Rugs, USA produced by OW.

#### WINDOWS 8 APP

Early in 2013, Oriental Weavers announced the launch of its groundbreaking online application for Windows 8 users, providing consumers with an easier and quicker way to stay up-to-date with the group's latest from new collections to store updates. The application is featured in the Windows Store, where it is available for download for free. Boasting a sleek and simple interface, customers can browse through OW's latest collections, get immediate access to



information about OW and its subbrands, and locate nearby stores, all via the application.

The application can be run on any computer or smart phone operating on Windows 8. It is imagebased and provides summary information at a quick glance as well as in depth information including recent images, alerts, and news.

#### SPHINX PARTNERS WITH PANTONE

In March 2013, Sphinx by Oriental Weavers announced their new color partnership with Pantone, LLC. Pantone is the global authority on all things color and the leading provider of professional color standards for the design community. Together, Sphinx and Pantone will embark on a multi-year venture to deliver fashion-forward color trends and innovative style and design to the home fashion industry through the PANTONE UNIVERSE<sup>\*\*</sup> brand.

Sphinx is well known as the industry leader with their innovative style, cutting-edge designs, avid colors and stirring rug collections. By joining with Pantone's inspiring and extensive color direction, Sphinx will continue to revolutionize the area and fashion rug business to deliver exhilarating decorative accessories to the home furnishings and design community.

Sphinx management has said that the company has very aggressive plans for a spectacular offering of fashion product developed in conjunction with the Pantone team and targeted towards the company's retail partners in the home furnishings business. The synergies between Pantone, their consumer reach, Sphinx's home furnishings base and the OW team are just tremendous and will be key in development, marketing, merchandising and advertising efforts.

## THE ORIENTAL WEAVERS GROUP

Oriental Weavers is comprised of six independent operating companies that fall under the umbrella of the Oriental Weavers Group. Each company has its own mandate, management team and scope, while interacting and operating in synergy with its peers.

#### ORIENTAL WEAVERS CARPET COMPANY

Oriental Weavers Carpet Company was founded in 1980 by industrialist and entrepreneur Mohammed Farid Khamis and today is the holding company for a fully vertically integrated producer of rugs, mats and carpets. As a manufacturer, Oriental Weavers produces three grades (A, B and C) of machine woven carpets and rugs for the Egyptian market, with annual capacity for the company presently reaching 32 million m2. Oriental Weavers has been traded on the Egyptian Exchange since 1997 and today its shares represent the consolidated earnings of the company's holding companies.

#### ORIENTAL WEAVERS INTERNATIONAL

Oriental Weavers International (OWI) was established in 1999 as an export-oriented free trade zone company in 10th 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 was 24 million m2 in 2012 and targets mainly export markets. OWI increased its total sales by 11% to EGP 1.7 billion y-o-y in 2012, two-thirds of which constituted exports to OWI's main export markets including North America, Europe, and the Middle East, while the company also delivers to more than 60 countries worldwide. Specifically, OWI fully owns OW China with an eye on developing its market share in the emerging Asian market.

#### **ORIENTAL WEAVERS USA**

Oriental Weavers USA manufactures in the company's plant in Dalton, Georgia, and also markets and distributes products it imports from the company's Egyptian plants. Oriental Weavers USA sells to mass merchants and big-box retailers







KEY FIGURES FOR THE ORIENTAL WEAVERS CARPET COMPANY

**32 million** m<sup>2</sup> 2012 Production Capacity

EGP 1.45 bn 2012 Sales Value

**37%** 2011-2012 EBITA Growth

**11%** 2011-2012 Sales Growth

12% Contribution to Group Sales

KEY FIGURES FOR ORIENTAL WEAVERS INTERNATIONAL

**24 million m<sup>2</sup>** 2012 Production Capacity

EGP 1.7 bn 2012 Sales Value

**11%** 2011-2012 Sales Growth

**35%** Contribution to Group Sales

KEY FIGURES FOR ORIENTAL WEAVERS USA

EGP 557 mn 2012 Distribution Arm Sales Value

**80/0** 2011-2012 Sales Growth

11% Contribution to Group Sales

### KEY FIGURES FOR ORIENTAI Weavers tianjin

**3.3 million m<sup>2</sup>** 2012 Production Capacity

EGP 55 mn 2012 Sales Value

-25% 2011-2012 Sales Growth (Decline)

**1%** Contribution to Group Sales

KEY FIGURES FOR MAC CARPETS

**44 million m<sup>2</sup>** 2012 Production Capacity

EGP 948 mn 2012 Sales Value

-5% 2011-2012 Sales Growth (Decline)

**19%** Contribution to Group Sales

KEY FIGURES FOR EGYPTIAN FIBERS COMPANY

**14 million m<sup>2</sup>** 2012 Production Capacity

EGP 161 mn 2012 Sales Value

**40/**0 2011-2012 Sales Growth

**3**<sup>1</sup>/<sub>0</sub> Contribution to Group Sales



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such as Home Depot, Lowes, Bed Bath & Beyond, Nebraska Furniture Mart, among others, as well as to independent retailers, furniture retailers, catalogues and department stores such as Macy's and JCPenny. In recent years the company has been awarded America's Most Magnificent Rug award through its high-end brand, Sphinx.

#### ORIENTAL WEAVERS (TIANJIN) COMPANY LTD (ORIENTAL WEAVERS CHINA)

Oriental Weavers China was established in 2006 in anticipation of China's growing importance in the global economic scene. OW China occupies 170,000 m2 in the Tianjin industrial zone, 80 kilometers south of Beijing. The producer is a vertically integrated facility with fiber extrusion capacities as well as rug and carpet manufacturing facilities. As domestic demand continues to drive the growth of China's economy, Oriental Weavers intends to capitalize on the rise of the country's large middle class by leveraging relationships with global retail customers such as IKEA and Wal-Mart, which have seen notable growth in China in recent years. Following events in Egypt in early 2011, group management ramped up production at OW China's facilities, growing total annual capacity to 4 million m2. Sales in 2012 were down 25% from EGP 73 million in 2011, to EGP 55 million in 2012. In 2012, management has been focused on utilizing OW China as a new hub for our contract / commercial business and expanding Aximinster operations to capitalize on strong growth in China's hospitality business.

#### MAC CARPETS

MAC Carpets is Oriental Weavers' foothold in the wall-to-wall tufted carpeting segment, a key division that further diversifies the group's product mix beyond the rugs and mats categories. MAC operates out of four sites in Egypt including three production plants and an electricity facility, all in 10th of Ramadan City. Since its establishment in 1980, MAC's output has risen sharply to more than 44 million m2 of carpeting in 2012, up from a capacity of 18 million m2 in 2002. Today MAC represents roughly 19% of total group sales. A leading Egyptian exporter, MAC's

products are delivered to more than 107 countries, supplying some of the world's largest retailers such as Wal-Mart and IKEA. The company reportedly supplied around 35% of the world's jet-printed mats and rugs in 2012. In addition to wall-to-wall carpeting, MAC's diversified product offerings include, door and kitchen rugs, rubber backed bathroom mats, multilevel textured mats for outdoor applications, car mats, children's rugs and mats, scatter rugs and club rugs. MAC also manufactures three-dimensional advertising floor panels, runners and artificial turf for indoor and outdoor applications.

#### EGYPTIAN FIBERS COMPANY

Egyptian Fibers Company (EFCO) is the group's polypropylene business and engages in the manufacture of polypropylene fibers and polyester threads. It also manufactures and exports different types of nonwoven plastic rugs and carpets and other related polypropylene and plastic products. EFCO has a 69% interest in Modern EFCO Fibers Company, which produces polypropylene, polyester and silk products, as well as non-woven carpets.





## OUR BRANDS

Oriental Weavers features four distinct brands that are marketed through independent divisions, each with a unique mandate.

#### **OW HOSPITALITY**

OW Hospitality, a division of Oriental Weavers catering to the hospitality and entertainment industry, produces woven Axminster carpets. Using 80% wool and 20% nylon, Axminster carpets offer an optimum blend for performance, luxury and comfort. Due to the unique characteristics of the wool, it can also be dyed to very light or vibrant shades, ensuring that it can be woven into both classic and contemporary designs. OW Hospitality benefits from a close relationship with its machine manufacturers, allowing the company to produce unique products such as the 19 mm pile height rugs popular with the royal families of Jordan, Saudi Arabia and the UAE. Among the company's numerous clients in the hospitality sector are Hyatt, Kempinski, Sheraton, InterContinental and the MGM Group. In 2011, OW Hospitality became the preferred supplier for both Four Seasons and Hilton European Division. The division has established markets in the US and Europe, with offices in London, Dubai, Dalton, Atlanta, New York and Las Vegas.





#### LA BOUTIQUE

La Boutique is developed around the simple concept of customer involvement. La Boutique's customers can commission custom rugs and carpets by matching a swatch of fabric or sketch, which is then transformed into an exquisite rug or carpet. This division caters to higher-end and top-niche markets.



#### **OW GOBELIN**

OW Gobelin produces high-end, non-polypropylene-based woven tapestries, upholstery and floor coverings targeting the luxury residential and commercial markets. Fully customized and typically destined for architectural firms and luxury hotel operators, OW Gobelin is also available to other high-end customers.



#### **OW LIFE STYLE**

OW Life Style is the group's line of contemporary rugs that includes a large variety of shag carpeting in various textures, styles and colors. Designed around today's lifestyle, the company offers only the finest materials combined 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, 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 locally through its own retail outlets and also exports to countries around the globe.

## CORPORATE RESPONSIBILITY

#### **GIVING BACK**

Oriental Weavers' commitment to corporate social responsibility includes its involvement in associations such as Dar El Orman-Orphans' Day "Youm el Yateem," the Breast Cancer Foundation, Care Foundation, Helwa Ya Balady Association and SIFE. OWC also interacts with a number of faculties to support students, including Applied Arts and the Faculty of Commerce at universities in Cairo, Helwan, Assiut and Damietta governorates. The company also provides free carpets for needy people, newly-wed couples and some religious institutions. Following are some recent highlights:

#### **SEEKING A CURE**

Oriental Weavers is proud to have sponsored the Breast Cancer Foundation in Egypt's (BCFE) Pink Party for the Cure. The event was hosted by Marriott, Zamalek in October 2012, marking the national Breast Cancer Awareness Month. The company is a long-time supporter of the BCFE, having been since 2006 a key sponsor of Egypt's leading organization supporting breast cancer patients.

This year, BCFE teamed up with Zumba instructors across Egypt to organize the Second Pink Party for the Cure. Building on the popularity of the fitness program inspired by Latin dance moves, the party was a great and fun way to raise awareness and support the fight against breast cancer. Party for the Cure helped raise substantial funds while emphasizing the importance of keeping fit. The party also included other fitness

#### CSR AT MAC

MAC is fully committed to serving its employees, and providing social and community services through programs including housing schemes, sponsorship of annual pilgrimage trips, and comprehensive medical coverage for employees and their families. MAC supports the community through several development projects and social welfare events. MAC has supported the construction of schools in rural Egypt, sponsored several public hospitals and clinics, and built orphanages for underprivileged children.



programs as well as raffles with many prizes offered by generous donations.

#### SUPPORTING THE ARTS

As an industry leader in fashion, technology and design in the global rugs market, Oriental Weavers is very aware of the importance of the arts. Recently, the group has spearheaded a number of exciting projects supporting the arts in Egypt.

35th Cairo International Film Festival December 2012, In Oriental Weavers provided Egypt's renowned Cairo International Film Festival with 1,800 square meters of red carpet for the grand ceremony at Cairo's medieval Citadel, itself considered to be among the world's great architectural gems. A strong supporter of the arts in Egypt, OW was a Gold sponsor of this acclaimed event, which ran from November 28th to December 7th at the Cairo Opera House.

Nearly 64 countries participated in the 35th Cairo International Film Festival; at which OW hosted three first-time participants: Croatia, Venezuela, and Azerbaijan, thereby increasing the number of countries participating.

#### LA BOUTIQUE

La Boutique is developed around the concept of customer involvement, and this year, the successful brand has taken this concept one step further. In March 2013, OW announced that luxury brand La Boutique would be teaming up with top international schools across Cairo to hold a contest among students between the ages of 5 to 15, giving them a chance to design their own carpets.

The contest aims to develop students' artistic taste and foster their sense of ownership of their rooms by designing their own carpets. The contest will be held across top notch international schools including Misr American College and Modern English School. The grand prize winner from each grade won the opportunity to have their artwork designed on an exquisite rug by Oriental Weavers.

#### KidZania

Africa's first International Edutainment City and the Middle East's second, KidZania at Cairo Festival City aims to help more than 1 million children worldwide 'Get Ready for a Better World' by simulating a realistic educational environment. Children between the ages of four and twelve partake in real life day-to-day activities, mimicking traditionally adult activities such as performing jobs or shopping, in a fun vet educational manner. At KidZania, OW offers children the chance to design and create their own rug in the course of 20 minutes. Those who succeed can take their rugs home.

#### **Contemporary Arts Festival**

In April 2013, Oriental Weavers sponsored the second Downtown Contemporary Arts Festival. The festival took place at multiple sites in downtown Cairo and is considered Egypt's first-ever international multi-disciplinary contemporary arts festival. Throughout the month of April, with more than 80 international artists presenting their work, Cairo audiences enjoyed a wide variety of independent theater and dance performances, film screenings, music concerts, visual arts exhibitions and workshops. The festival used non-traditional sites such as historical buildings, alleyways, and rooftops as sites for performances, events and arts installations, to engage both audiences and performers with the city in a new way.

#### **CORPORATE GOVERNANCE**

Oriental Weavers firmly believes that a successful business must respect the environment and communities in which it operates. To ensure that everyone from executive management to the sales floor are operating from the same playbook, management has set and maintained the highest standards of ethics and sustainable operations. The Board of Directors annually reviews and, if necessary, updates the company's codes of conduct and business ethics. The company regularly communicates to all Oriental Weavers employees the company's values and codes of conduct and ensures that they adhere to it.

In every country in which we operate, Oriental Weavers adheres to industry best practices in terms of wages, benefits, labor policies, basic human rights and environmental responsibility.

You can learn more about our Corporate Governance policies and practices on our website at orientalweavers. inktankir.com or contact us at the numbers listed at the end of this Annual Report for more information.

### BOARD OF DIRECTORS

The Board of Directors of Oriental Weavers is dedicated to guiding the company to success, enhancing shareholder value and ensuring the long-term prospects of the world's largest and fastest-growing rugs and mats producer.

Mr. Salah Abdel Aziz Abdel Motalab Chairman, Chief Executive Officer, and Managing Director

Mr. Mohamed Farid Fouad Khamis Non Executive Board Member

Mr. Mahmoud Fawzy Fouad Khamis Non Executive Board Member

Mrs. Yasmine Mohamed Farid Khamis Executive Board Member

Farida Mohamed Farid Khamis Executive Board Member

Mohamed Mahmoud Fawzi Khamis Executive Board Member

Amr Mahmoud Fawzy Khamis Executive Board Member

Mohamed Mohamed Farid Fouad Khamis Non Executive Board Member

Maha Bint Ahmed Bin Hassan Feteihy Non Executive Board Member Kamal Ali Mahmoud Al Raei Non Executive Board Member

Mahmoud Amin Saad Executive Board Member

Mohamed Mohamed Ali Amer Non Executive Board Member

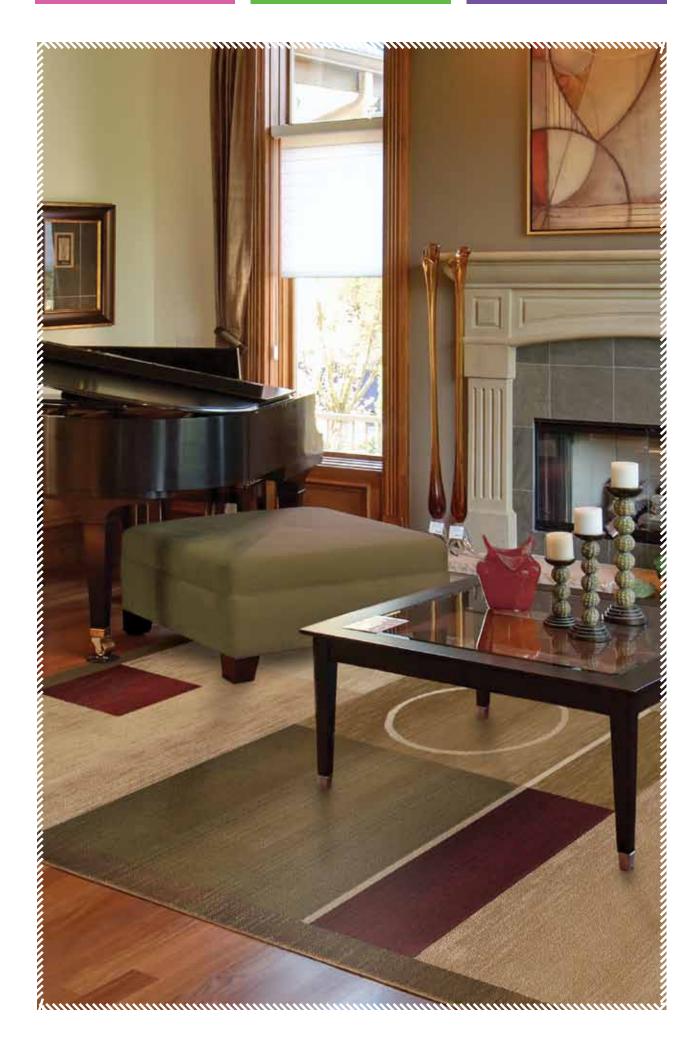
Mohamed Katary Abdullah Executive Board Member

Abdel Hamid Hafiz Fayad Executive Board Member

Youssef Abd El-Aziz Mohamed Executive Board Member

MISR INSURANCE COMPANY Hassan Abd El-Ghaffar Non Executive Board Member

MISR LIFE INSURANCE COMPANY Mohamed Fawzy Ramadan Non Executive Board Member



### CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2012

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Hassan Mahmoud EL Hashash & Co. Public Accountants & Consultants 110 A 26 of July St. Zamalek - Cairo Wahid Abdel Ghaffar & Co. Public Accountants & Consultants 17 Mahmoud Hassan off El - Orouba St. Cairo

#### AUDITOR'S REPORT TO THE SHAREHOLDERS OF ORIENTAL WEAVERS COMPANY FOR CARPETS

Translation from Arabic

#### 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, 2012 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, Oriental Weavers Company – China and Rosetex Modern Factories for Spinning & Weaving Co. "Consolidated subsidiaries". Which statements reflect total assets and revenues for these companies constituting 9.90 % and 12.26 % respectively, of the related to consolidated totals. The financial statements of Oriental Weavers Company-United States of America ,Oriental Weavers Company – China and Rosetex Modern Factories for Spinning & Weaving Co. "consolidated states of America ,Oriental Weavers Company – China and Rosetex Modern Factories for Spinning & Weaving Co. "consolidated states of totals. The financial statements of Oriental Weavers Company-United States of America ,Oriental Weavers Company – China and Rosetex Modern Factories for Spinning & Weaving Co. "consolidated subsidiaries" were audited by other auditors whom issued unqualified audit reports dated February 28,2013, February 6,2013 and February 25,2013 respectively. Our opinion, insofar as it relates to amounts included for these 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 31,2012 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: March 5, 2013

**Wahid Abdel Ghaffar** B.T. Wahid Abdel Ghaffar & Co. Public Accountants & Consultants **Hassan Mahmoud EL Hashash** Hassan Mahmoud EL Hashash & Co. Public Accountants & Consultants ORIENTAL WEAVERS COMPANY FOR CARPETS (AN EGYPTIAN JOINT STOCK COMPANY) Consolidated Financial Position for the company and it's subsidiaries

As of December 31, 2012

Translation from Arabic

	Note	31/12/2012	31/12/2011
	No.	LE	LE
Long Term Assets			
Fixed assets(net)	(5)	1752675173	$1\ 660\ 251\ 015$
Projects in progress	(6)	501 185 514	625 807 357
Available for sale investments	(7)	102 706 751	102 706 751
Goodwill	(8)	696 835 970	696 835 970
Total Long-term assets		3 053 403 408	3 085 601 093
Current Assets			
Inventory	(9)	$1\ 590\ 235\ 579$	1813592469
Trades & notes receivable		921 783 464	896 616 764
Debitors and other debit accounts	(10)	219 703 588	$202\ 416\ 177$
Cash & Cash equivalent	(11)	230 724 378	265 378 437
Total current assets		2 962 447 009	3 178 003 847
Current Liabilities			
Provisions	(12)	26 116 289	75 518 138
Banks-Credit accounts	(13)	1600703210	1618183358
Long term liabilities-Current portions	(22)	119 629 981	234 928 473
Suppliers & notes payable		$621\ 710\ 127$	693 881 937
Dividends payable		$2\ 659\ 852$	$2\ 759\ 439$
Creditors & other credit accounts	(14)	157 732 905	145 217 224
Total Current liabilities		2 528 552 364	2 770 488 569
Working Capital		433 894 645	407 515 278
Total Investment to be Financed as follows:		3 487 298 053	3 493 116 371
Shareholders' equity			
Issued and paid up capital	(15)	450 000 000	450 000 000
Reserves	(16)	$1\ 446\ 181\ 812$	$1\ 437\ 552\ 208$
Unrealized gain from available for sale investments		451 625	451 625
Retained earnings		585 192 036	556 679 253
Net profit for the year		272 761 511	243 025 559
Exchange differences arising on translation of financial statements		260 885 756	199 732 870
Treasury stocks	(25)	(14 596 505)	(14 596 505)
Total equity attributable to equity holders of the parent		3 000 876 235	2 872 845 010
Minority interest	(17)	211 939 190	227 506 668
Shareholder's equity		3 212 815 425	3 100 351 678
Long-term liabilities			
Long term loans	(18)	267 367 639	389 597 585
Deferred sales taxes installments	(19)		88 160
Housing and Development Bank loan	(20)	498 754	557 845
Creditors-Purchase of fixed assets	(21)	259 092	388 638
Deferred tax liabilities	(23)	6 357 143	2 132 465
Total long term liabilities	. ,		
Total shareholder's equity & long term liabilities		274 482 628	392 764 693
		3 487 298 053	392 764 693 3 493 116 371
Deferred tax liabilities	(24)	3 487 298 053 2 132 465	3 493 116 371 
Deferred tax liabilities Total long term liabilities Total shareholder's equity & long term liabilities		3 487 298 053	

The accompanying notes from No.(1) to No.(29) form an integral part of these consolidated financial statements. Auditor's Report attached.

Chairman & CEO Salah Abdel Aziz Abdel Moteleb CFO & Board Member Mohamed Kattary Abdallah ORIENTAL WEAVERS COMPANY FOR CARPETS (AN EGYPTIAN JOINT STOCK COMPANY) Consolidated Income statement for the company and it's subsidiaries

for the financial year ended December 31, 2012

Translation from Arabic

	Note No.	31/12/2012 LE	31/12/2011 LE
	110.		
Net sales		4 894 970 047	4 608 942 531
Less:			
Cost of sales		4 431 083 586	4 252 986 620
Gross profit		463 886 461	355 955 911
Less:			
Distribution expenses		38 544 432	36 262 376
General & Administrative expenses		100 948 883	86 108 866
Formated provisions & Impairment		5 500 000	
		144 993 315	122 371 242
Net income from operation activities		318 893 146	233 584 669
Add/(Less):			
Investment income		677 500	
Interest Income		6 186 918	12 857 357
Other revenues		165 472 468	156 739 064
Capital Gain		6 385 007	218 386
Financing expenses		$(161\ 719\ 048)$	$(87\ 597\ 070)$
Foreign exchange differences		(10 039 109)	(18 919 134)
		6 963 736	63 298 603
Net profit for the year before income tax		325 856 882	296 883 272
Add/(Less):			
Current income tax		(35 614 417)	(32 636 217)
Deferred tax		(5 148 867)	(3528677)
Income tax for the year		(40 763 284)	( 36 164 894)
Net profit for the year after income tax		285 093 598	260 718 378
Attributable to:		200 000 000	200110010
Equity holders' of the parent		272 761 511	243 025 559
Minority interest	(17)	12 332 087	17 692 819
minority meetede	(1)	285 093 598	260 718 378
Basic Earning per Share for the year	(24)	203 050 050	2.21

The accompanying notes from No.(1) to No.(29) form an integral part of these consolidated financial statements.

### ORIENTAL WEAVERS COMPANY FOR CARPETS (AN EGYPTIAN JOINT STOCK COMPANY)

Consolidated statement of changes in Shareholder's Equity for the Company and it's subsidiaries for the financial year ended December 31, 2012

Translation from Arabic

Total LE	2 793 285 058 	(217312917)	 (1536595)	55 383 905	243 025 559 2 872 845 010	2 872 845 010 	$(180\ 856\ 832)$	I	$(27\ 607\ 420)$	2581080	61 152 886	272 761 511	3 000 876 235
Treasury stocks LE		(2	1 1	1	2			ł	-	ł	ł	1	_
Differences of translation LE	342 167 861 144 348 965 (14 596 505) (17 311 308)	ł		55 383 905	 199 732 870 (14 596 505)	$243\ 025\ 559\ 199\ 732\ 870\ (\ 14\ 596\ 505)$ ( $8\ 699\ 604$ )	1	I	1	ł	61 152 886	1	$\underline{260885756(14596505)}$
LE LE	<b>342 167 861 1</b> (17 311 308)	(217312917)	107 543 636) 		243 025 559 1	243 025 559 1 (8629604)	( 180 856 832)	$53\ 539\ 123\ (\ 53\ 539\ 123)$	ł	1	1	$272\ 761\ 511$	272 761 511 2
Retained earnings LE	451 625 450 672 212 	)	107 543 636( 107 543 636) ( 1 536 595)	ł	556 679 253	556 679 253	)	53 539 123	(27 607 420)	$2\ 581\ 080$	1	1	585 192 036
Available Capital for sale reserve nvestments LE LE	451 625 	I		ł	451 625	451 625	I	I	ł	1		:	451 625
Capital reserve LE	<b>408 872</b> 7 078 596	ł		ł	7 487 468	7 487 468 104 048		I	ł	I	ł	1	7 591 516
Special reserve LE	59 973 828 	ł		ł	59 973 828	59 973 828 	1	1	I	1	1	1	59 973 828
General reserve LE	352 120 746 	I		ł	352 120 746	352 120 746 	I	I	ł	ł	1	:	352 120 746
Legal reserve LE		I		ł	 017 970 166 3			I	ł	ł	1	1	
Issued and Paid up capital LE	<b>450 000 000 1 007 737 454</b> 10 232 712	ł		I		450 000 000 1 017 970 166 8 575 556	I		ł	1	1	:	450 000 000 1 026 495 722
	Balance at 1/1/2011 Transferred to reserves	Dividends for the year 2010 Transferred to retained	earning Adjustments related to consolidated statements	Change in translation differences	Net pront for the year Balance at 31/12/2011	Balance at 1/1/2012 Transferred to reserves	Dividends for the year 2011	Transferred to retained earning	Adjustments on retained earning	Adjustments related to consolidated statements	Change in translation differences	Net profit for the year	Balance at 31/12/2012 =

The accompanying notes from No.(1) to No.(29) form an integral part of these consolidated financial statements.

### ORIENTAL WEAVERS COMPANY FOR CARPETS (AN EGYPTIAN JOINT STOCK COMPANY) Consolidated Cash flow statement for the company and it's subsidiaries

for the financial year ended December 31, 2012

Translation from Arabic

	Note	31/12/2012	31/12/2011
	No.	LE	LE
Cash flows from operating activities		005 056 000	000 000 070
Net profit for the year before income tax		325 856 882	296 883 272
Adjustments to reconcile net profit to net cash provided by operating activities			
Fixed assets depreciation		229 023 943	214 243 004
Formed provisions & Impairment		5 500 000	
Financing expenses		161 719 048	87 597 070
Investment income		(677500)	
Capital Gain		(6385007)	(218386)
Operating profits before changes in working capital	-	715 037 366	598 504 960
Change in working capital			
Decrease/(Increase) in inventory		152 153 539	$(225\ 066\ 559)$
Increase) in trades & notes receivable and debit accounts)		(46 702 042)	(166 017 706)
(Decrease) in suppliers & notes payable and other credit accounts		(108 353 020)	(18 278 332)
Cash flows provided by operating activities	_	712 135 843	189 142 363
Financing expenses paid		(160 336 981)	(88 309 072)
paid income tax		(18 725 024)	(29 503 710)
Net cash flows provided by operating activities	-	533 073 838	71 329 581
Cash flows from investing activities			
Payments) for purchase of fixed assets and projects in progress)		(130 901 819)	(241 271 598)
proceeds from selling of fixed assets		8 490 700	192 829
Net cash flows (used in) investing activities	-	(122 411 119)	(241 078 769)
Cash flows from financing activities			
(Payments)Proceeds from banks-credit accounts		(15812546)	342 156 809
Dividends paid and payments for Minority interest		(182 961 115)	(209 010 693)
(Payment) for long term liabilities		(237 805 235)	(225 186 330)
Net cash flows (used in) financing activities		(436 578 896)	(92 040 214)
Net change in cash and cash equivalents during the year		(25 916 177)	(261 789 402)
Cash and cash equivalents at beginning of the year		263 668 643	530 953 120
Exchange differences arising from translation of financial statements		(7 070 280)	(5 495 075)
Cash and cash equivalents at end of the year	(11)	230 682 186	<b>263 668 643</b>
cush and cush equivalents at one of the year	(11)	200 002 100	200 000 010

The accompanying notes from No.(1) to No.(29) form an integral part of these consolidated financial statements.

#### ORIENTAL WEAVERS COMPANY FOR CARPETS (AN EGYPTIAN JOINT STOCK COMPANY)

Notes to the Consolidated Financial Statements for the Company and Its Subsidiaries for the financial year ended December 31, 2012

Translation from Arabic

#### 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 2012 %
Oriental Weavers Co. U.S.A.	100.00
Oriental Weavers International Co.	99.99
Oriental Weavers Company Fibers Co.	99.00
MAC Carpet Mills	53.08
Egyptian Fibers Co.(EFCO)	79.60
Oriental Weavers Co China	99.65
New Mac	52.02
Modern EFCO	57.57
Rosetex Modern Factories for Spinning & Weaving Co.	99.99

#### 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 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 period.

#### 4-3 Translation of Financial Statements of Foreign Companies

Some of the subsidiaries maintain their books of accounts in foreign currency other than Egyptian Pounds. 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 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
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

#### 4-5 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.

#### 4-6 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.

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 period 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.

#### 4-7 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 period.

#### 4-8 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.

#### 4-9 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.

### 4-10 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.

### 4-11 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.

### 4-12 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 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.

### 4-13 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 and received.
- 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.

### 4-14 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.

### 4-15 Treasury Stocks

Treasury stocks 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.

### 4-16 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.

### 4-17 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.

### 4-18 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.

#### 4-19 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 same bases of dealing with third party.

#### **4-20 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 year not more than three months.

### **4-21 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	Accumulated depreciation as of	Net Book Value as of	Net Book Value as of
	31/12/2012	31/12/2012	31/12/2012	31/12/2011
	LE	LE	LE	LE
Land	159 679 883		159 679 883	144 307 206
Buildings & Constructions	932 506 010	275 539 793	656 966 217	555 316 131
Machinery & Equipments	$2\ 739\ 615\ 961$	$1\ 878\ 989\ 229$	860 626 732	891 156 980
Vehicles	104 048 479	78 689 110	25 359 369	21 747 907
<b>Tools &amp; Supplies</b>	56 697 897	40 863 864	15 834 033	$18\ 477\ 121$
Showrooms Fixture	29 425 877	26 021 910	3 403 967	3 823 635
Furniture & Office Equipments	63 727 143	42 331 248	21 395 895	20 663 353
Computers and Programs	53 523 858	44 114 781	9 409 077	4 758 682
	4 139 225 108	2 386 549 935	1 752 675 173	1 660 251 015

### 6 PROJECTS IN PROGRESS

	31/12/2012	31/12/2011
	L.E	L.E
Buildings under Construction	94 904 419	182 970 607
Machinery & Equipment under installation	382 794 097	390 226 224
Development of computer system	1 216 548	1 734 791
Vehicles	10 031 794	9 423 348
Advance payment for purchasing Fixed assets	12 229 204	40 638 175
Letters of credit for purchasing fixed assets	9 452	814 212
	501 185 514	625 807 357

	No. of owned	Percentage of participation	Par value for each Share	Acquisition cost	Accumulated Impairment losses	Accumulated Unrealized Gain	Balance as of 31/12/2012	Balance as of 31/12/2011
	Shares	%		L.E	L.E	L.E	L.E	L.E
Oriental Weavers for Textile*	112 500	45	USD 100	64 820 211	I	ł	64 820 211	$64\ 820\ 211$
10th of Ramadan for Spinning Industries	524 000	28.5	L.E 10	5 304 365	I	ł	5 304 365	5 304 365
Modern Spinning Company	81 677	30.8	L.E 10	1 433 607	I	I	1 433 607	607 433 1
Orientals for Industrial Develop ment	800 000	∞	L.E 10	4 200 000	1	1	4 200 000	4 200 000
Oriental Petrochemicals	3 202 000	11.7	L.E 5	$14\ 295\ 000$	I	I	14295000	14 295 000
Piraeus Bank**	782 167	1.2	L.E 15.58	12 188 193	1	526 154	12 639 818	12 639 818
Egyptian for Trade and Marketing	4 000	2.08	L.E 100	402 000	$(000\ 402)$	I	1	ł
Trading for Development Export	100	I	L.E 100	10 000	I	I	10 000	10 000
Cambridge Weavers	1500	1.5	L.E 10	3 750	1	1	3 750	3 750
				$102\ 657\ 126$	$(402\ 000)$	451 625	102 706 751	102 706 751

The company name has been changed from Oriental Weavers for textile to be OW hospitality for carpets.

\*

\*\* During year 2010 the shares of Piraeus Bank has been cancelled from Stock Exchange Market.

7

## 8 GOODWILL

9

10

UODMILL		
	31/12/2012	31/12/2011
	L.E	L.E
Oriental weavers international (OWI)	51 258 912	51258912
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
	696 835 970	696 835 970
INVENTORY		
	31/12/2012	31/12/2011
	L.E	L.E
Raw materials	471 671 120	653 353 869
Spare parts & materials	413 605 96	90 027 983
Work in process	56 743 790	71 050 720
Finished products	924 463 698	983 745 166
Letter of credit for purchasing of raw materials	40 751 558	15 414 731
	1 590 235 579	1 813 592 469
DEBITORS AND OTHER DEBIT ACCOUNTS		
	31/12/2012	31/12/2011
	L.E	L.E
Prepaid expenses	13 040 170	11 907 974
Tax authority – debit accounts	63 483 348	62 403 309
Debit accounts – related parties	31 847 548	$27\ 503\ 321$
Letter of guarantee – cash margin	2212736	3 165 735
Suppliers – advance payment	18 884 445	22331070
Orientals for Building materials (Orocom)	5 000 000	5000000
Other debit accounts	87 911 662	72 781 089
	222 379 909	205 092 498
Less:		
LC35.		
Impairment loss on debtors and other debit accounts	2 676 321	2 676 321

### 11 CASH AND CASH EQUIVALENTS

	31/12/2012	31/12/2011
	L.E	L.E
Bank – Time Deposit	41 195 534	108 620 733
Bank – Current Account	186 230 333	149243271
Cash on hand	3 298 511	7 514 433
Cash and cash equivalent	230 724 378	265 378 437
Less:		
Time deposits blocked as guarantee to the	42 192	1 709 794
facilities which granted to the company		
Cash & cash equivalent for cash flows statement purposes	230 682 186	263 668 643

### 12 PROVISIONS

	Balance as of	Used during	Formed during	Balance as of
	1/1/2012	The year	The year	31/12/2012
	L.E	L.E	L.E	L.E
Provisions for Contingent liabilities	75518138	(54 901 849)	5 500 000	26 116 289
_	75 518 138	(54 901 849)	5 500 000	26 116 289

### 13 BANKS – CREDIT ACCOUNTS

Banks – credit accounts amounting to L.E 1 600 703 210 as of December 31, 2012 represents 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.

### 14 CREDITORS AND OTHER CREDIT ACCOUNTS

	31/12/2012	31/12/2011
	L.E	L.E
Trade receivable – advance payment	40 509 559	30 737 704
Accrued expenses	11 185 112	13 511 368
Tax authority – credit accounts	45 672 800	44 344 999
Social insurance authority	7 464 753	5 576 647
Creditors – purchases of fixed assets	1 728 785	3 463 334
Shareholders – credit accounts	2 874 435	3 736 709
Deposits from others	29 936 795	19 343 731
sales taxes instalments	2 258 062	1 925 193
Credit accounts – related parties	64 009	$7\ 325\ 286$
Other credit accounts	16 038 595	15 252 253
	157 732 905	145 217 224

### 15 ISSUED AND PAID UP 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 450 000 000 distributed over 90 000 000 shares which 428 403 200 (only four hundred twenty eight million four hundred and three thousand and two hundred Egyptian pounds) are cash shares and 21 596 800 (only twenty one million and five hundred ninety six thousand and eight hundred Egyptian pounds) are in-kind shares at a value of L.E 5 each.
- **15-3** 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

	31/12/2012	31/12/2011
	L.E	L.E
Legal reserve	$1\ 026\ 495\ 722$	1 017 970 166
General reserve	352 120 746	352 120 746
Special reserve	59 973 828	59 973 828
Capital reserve	7 591 516	7 487 468
	1 446 181 812	1 437 552 208

### 17 MINORITY INTEREST

	÷	Minority interest in the net profit of Subsidiaries	Balance as of 31/12/2012	Balance as of 31/12/2011
	L.E	L.E	L.E	L.E
Orientals Weavers Co. Fibres (O.W.F)	428 540	84 779	513 319	536 048
Orientals Weavers international Co (O.W.I)	73 989	9 920	83 909	76 076
MAC Carpet Mills	169 075 235	6 096 081	175 171 316	193 525 197
Egyptian fibres Co. EFCO	15 738 840	2 908 223	18 647 063	17 351 065
EFCO Modern Fibres	12710184	3078782	15 788 966	14 500 121
Oriental Weavers – China	541 952	(46 037)	495 915	$518\ 221$
New MAC	1 035 363	200 267	1235630	996 940
Rosetex Modern Factories for Spinning & Weaving Co.	3 000	72	3 072	3 000
-	199 607 103	12 332 087	211 939 190	227 506 668

Balance as of 31/12/2011	Current portion due in one Long term year installments L.E. L.E.	Terms of Payment         3 010 000       1 505 000       The principal of the loan shall be settled over 10 equal semi annual installments starting from 30/11/2008 till 31/5/2013 the interest and commissions.shall be computed and paid upon settlement of installments at inetrest rate 0.75% above libour.	<ul> <li>6 765 945 3 382 973 The principal of the loan shall be settled over 10 equal semi annual installments starting from 31/12/2008 till 31/12/2013, the interest and commissions shall be computed and paid u pon settlement of installments at interest rate 8.5%.</li> </ul>	30 000 000 The principal of the loan shall be settled over 10 equal quarter annual installments starting from 31/3/2010 till 30/6/2012, the interest and commissions shall be computed and paid upon its due date.	39 775 945 4 887 973	<ul> <li>4 822 020 7 224 000 Medium term loan to be paid over 10 equal installments semi annual for june and december in every year. The first installment will be accrued within december 2009 with interest rate 3% above libour.</li> </ul>	4 816 000 9 632 000 Medium term loan to be paid over 10 equal installments semi annual for june and december in every year. The first installment will be required within june,2010 with interest rate 3% above libour.	<ul> <li>12 737 315 99 712 270 The principal of the loan shall be settled over 73 monthly installments began at December, 2010 till December, 2016. The interest and commissions shall be computed at interest rate 3% above libour.</li> </ul>	109344270	<ul> <li>8 934 825 8 934 495 The principal of the loan shall be settled over 10 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 currency is Egyptian Pound.</li> </ul>
	Long term dı installments L.E.	1	;	ς, Ι	- 35	2 519 774 4	5 032 000	84 276 565 1	89 308 565 17	1
<b>Balance as of 31/12/2012</b>	Current portion due in one year i L.E.	1 572 500	3 534 701	ł	5 107 201	5 032 000	5 032 000	19 907 850	24 939 850	9 335 212
	Balance of the loan as of 31/12/2012 L.E.	1 572 500	3 534 701	I	5 107 201	7 551 774	10 064 000	104 184 415	114 248 415	9 335 212
	Principal of the loan in original Currency	2 500 000	5 619 556	25 000 000	1	4 000 000	4 000 000	21 100 000		18 000 000
	Loan Currency	USD	USD	USD		USD	USD	USD		USD
	BANK	<b>Export Development Bank of Egypt</b> (1) Export Development Bank of Egypt (1)	Export Development Bank of Egypt (2)	Export Development Bank of Egypt (3)		Barcleys Bank	HSBC (1)	HSBC (2)		NSGB

			<b>Terms of Payment</b> The principal of the loan shall be settled over 10 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.	Other loans in US dollar granted to Oriental Weavers Co. U.S.A	The principal of the loan shall be settled over 11 equal quarter installments starting from $1/8/2010$ till $1/2/2013$ , the interest and commission shall be computed and paid upon its due date.	The principal of the loan shall be settled over 20 equal quarter installments starting from 31/8/2012 till 31/5/2017, the interest and commission shall be computed and paid upon its due date.	The principal of the loan shall be setteled over 12 equal quarter installments starting from 30/6/2009 till 31/3/2012.the interest and commissions shall be computed and paid up on its due date.	The principal of the loan shall be setteled over 10 equal quarter installments with a grace period of six months starting from the end of grace period at annual interest 11.5%.	The principal of the loan shall be setteled over 18 equal quarter installments starting from february 2009 with at interest rate 1.25% over libour, the interest and commission shall be calculated and paid upon its due.	Medium term loan to be paid over 8 equal semi annual installments for January and July in every year. The first installment will be accrued within January 2010 with interest rate 2.4% above libour.		
31/12/2011	Long term installments L.E.	130 390 738	ł	46 463 166	13 637 376	189 000 000	ł	1	2 581 305	7 525 000	10 106 305	389 597 585
<b>Balance as of 31/12/2011</b>	Current portion due in one year L.E.	71 086 105	60 000 000	ł	54 545 454	21 000 000	10 000 002	2 400 000	5 162 605	7 525 000	25 087 607	231 719 166
[31/12/2012]	Long term installments L.E.	91 828 339	ł	22 291 800	1	153 247 500	ł	1	1	1	1	267 367 639
Balance as of 31/12/2012	Current portion due in one year L.E.	44 414 263	ł	6 383 916	14 216 964	43 785 000	1	1	2 688 147	7 862 500	10 550 647	119 350 790
	Balance of the loan as of 31/12/2012 L.E.	136242602	ł	28 675 716	14216964	197 032 500	1		2 688 147	7 862 500	10 550 647	386718429
	Principal of the loan in original Currency	I	25 000 000	4 764 715	25 000 000	35 000 000	20 000 000	12 000 000	3 846 316	2 000 000	1 1	1 11
	Loan Currency		USD	USD	USD	USD	USD	LE	USD	USD		
	BANK	Carried Forward	Crédit Agricole Egypt Bank	Loans from other banks	Alexandria bank	Audi Bank	<b>BNP Paribas Bank</b> BNP Paribas Bank (1)	BNP Paribas Bank (2)	BNP Paribas Bank (3)	BNP Paribas Bank (4)		Total

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

### 19 DEFERRED SALES TAXES INSTALMENTS

31/12/2011	31/12/2012	Note	
L.E	L.E	No	
478 393	88 160		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.
(390 233)	(88 160)	(22)	Instalments due within one year were classified as part of current liabilities under the item of long term liabilities – current portion.
88 160			
			HOUSING AND DEVELOPMENT BANK LOAN
31/12/2011	31/12/2012	Note	
L.E	L.E	No	
622 920	560 239		Balance of this item represents 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.
(65 075)	(61 485)	(22)	Instalments due within one year were classified as part of current liabilities under the item of long term liabilities – current portion.
557 845	498 754		
			CREDITORS – PURCHASE OF FIXED ASSETS
31/12/2011	31/12/2012	Note	
L.E	L.E	No	
3 142 637	388 638		Balance of this item represents the remaining amount due to 10th of Ramadan city organization in return of purchasing a piece of land in 10th of Ramadan city.
(2 753 999)	(129 546)	(22)	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 LONG TERM LIABILITIES – CURRENT PORTIONS

	Note	31/12/2012	31/12/2011
	No	L.E	L.E
Long-term loan instalment	(18)	119 350 790	231 719 166
Deferred sales taxes instalment	(19)	88 160	390 233
Housing and development bank loan	(20)	61 485	65 075
Creditors purchase of fixed assets	(21)	129 546	2 753 999
		119 629 981	234 928 473

### 23 DEFERRED TAX

Deferred tax Assets and liabilities

	31/12/2012		31/12/2011	
	Assets	(Liabilities)	Assets	(Liabilities)
	L.E	L.E	L.E	L.E
Temporary tax differences – O.W. (USA)	$15\ 201\ 508$		22178772	
Fixed assets		$(21\ 558\ 651)$		(24 311 237)
Total deferred tax assets / (liabilities)	15 201 508	(21 558 651)	22 178 772	(24 311 237)
Net deferred tax assets	_	(6 357 143)	_	(2 132 465)

### 24 BASIC EARNING PER SHARE FOR THE YEAR

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

	31/12/2012	31/12/2011
	L.E	L.E
Net profit for the year	272 761 511	243 025 559
Less:		
Employee profit share	48 619 777	43 363 378
Member board bonus	3 282 462	3 599 414
	220 859 272	196 062 767
Weighted average number of shares available during the year	88 680 969	88 680 969
Basic earning per share for the year	2.49	2.21

### 25 TREASURY STOCKS

	31/12/2012		31/12/2011	
	No. of	Amount	No. of	Amount
Description	Stocks	L.E	Stocks	L.E
The owned Shares by Oriental weavers Co U.S.A (OW U.S.A)				
"Subsidiary Co."	1 319 031	14 596 505	1 319 031	14 596 505

### 26 CONTINGENT LIABILITIES

L.G'S Issued By Banks in favour of the company and its subsidiaries to third parties as of December 31, 2011 amounted to L.E 22 521 110 Also Contingent liabilities from L.C'S in that date amounted to L.E 117 653 754

### 27 CAPITAL COMMITMENTS

The capital commitments as of December 31, 2011 amounted to L.E 19 830 946 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 has been inspected till December 31, 2008 and the assessed tax differences were paid.

- The company submits its annual tax return regularly on legal dates.

#### 28-2 Salaries & Wages Tax

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#### 28-3 Sales Tax

- The company has been inspected till December 31, 2010 and the assessed tax differences were paid.

- The company submits the monthly tax return on the legal dates.

#### 28-4 Stamp Duty Tax

- The company was inspected till December 31, 2007 and the assessed tax differences were paid.

- The financial years 2008, 2009 is being inspected.
- The company submits the tax return on the legal dates.

### 29 FINANCIAL INSTRUMENTS AND RISK MANAGMENT

### 29-1 Financial instruments fair value

The company's financial instruments represents 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 represent a reasonable estimate of their fair value.

### 29-2 Interest rate risk

Interest rate risk represents 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 represents 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 Foreign Currency Risk

The foreign currency risk basically represents 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.

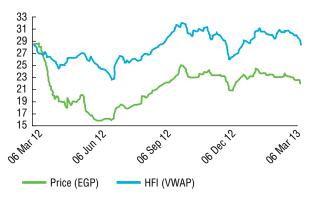
### STOCK INFORMATION:

Oriental Weavers' issued and paid-in capital is currently EGP 450 million distributed over 90 million shares.

Oriental Weavers' stock is traded on the Egyptian Exchange.

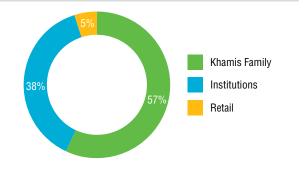
Reuters Code: ORWE.CA Bloomberg Code: ORWE EY Market Capitalization as of March 31, 2012: EGP 1.941 billion.

# SHARE PRICE PERFORMANCE AND PRICE RELATIVE TO EGX30 REBASED



### **CAPITAL STRUCTURE**

Khamis Family Institutions Retail 57% 38% 5%



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### Head Office

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### **INDEPENDENT AUDITORS:**

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