



Oriental Weavers

Annual Report 2015

Years
Of
37
Achievements

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Oriental Weavers Group



Oriental Weavers is comprised of six independent operating companies that fall under the umbrella of the Oriental Weavers Group.



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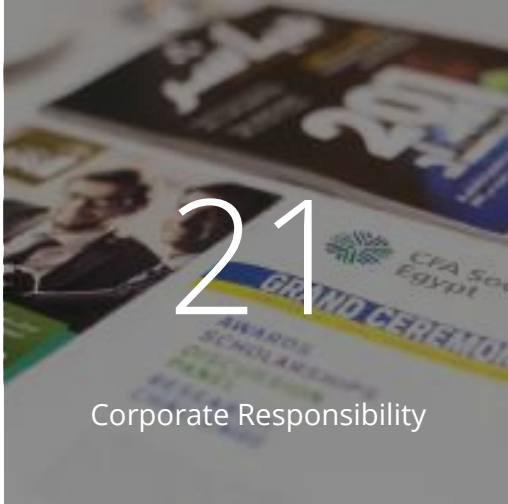
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The Board of Directors of Oriental Weavers is dedicated to guiding the company to success, enhancing shareholder value and ensuring the long-term prospects of the world's largest and fastest-growing rugs and mats producer.



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Founder's Note

Mohamed Farid Khamis
Founder and Non-executive board member of Oriental Weavers

“For us, 2015 was a year of bold action. We took a solid step towards deconcentrating our exposure to one of our top export customers for the sake of reaching a diversified client base and improving profitability. Thanks to strong local market share and longstanding exposure to international clients, the company overcame this internal challenge and efficiently utilized these capacities. Amid a wave of foreign currency shortages in Egypt, Oriental Weavers’ business model remained naturally hedged via its vertical integration production process.

We reported decent performance in 2015, with top line recording 4% growth y-o-y supported by strong performance in the local market, which grew 17% from 2014. This was driven mostly by improved consumer appetite in the Egyptian residential and hospitality segments alongside healthy market fundamentals. On the profitability side, gross profit grew 5% y-o-y.

2015 was a banner year for the hospitality division, with many spectacular installations around the globe and important developments with many major chains. The year saw OW win Interior Design Magazine’s prestigious “Best of the Year Award” for the patterns of our New Neo Collection, and first place in the Carpet category.

Given that technology plays a great role in this industry, we continue to upgrade our facilities by adding the latest highly-specified machinery. In 2014 and 2015, we added a total of 13 new highly-specified looms to our factories in Egypt and the US to ensure continuous innovation and operational efficiency. Together, they added 6mn sqm – around 5% – to our capacity. As trendsetters in this industry, innovation is key to success. With this in mind, we’ve kept our focus on operational efficiency through improved waste reduction and efficient supply chain management.

I continue to believe in the future of my country and my company alike.

In 2016 and onwards, we continue to be bullish on demand in the local market. The healthy demographics of Egypt and pace of development in the real-estate sector act as the main drivers for our growth.

Our strategy is to target sales expansion across all income groups, with our diversified product range appealing to a wide Egyptian consumer base. Accordingly, our focus is on greater penetration of previously under-saturated areas. We are currently expanding in some of Egypt’s most densely populated governorates, targeting the under-served lower and middle-income groups, where we see a great deal of opportunity for growth. To this end, we are planning to open around 6 small-sized retail outlets in 2016, primarily in the Delta and Upper Egypt.

In terms of exports, we are targeting to grow our market share globally by offering our overseas clients a wide range of peculiar high quality products. We continue to be bullish about the growing performance of our US primary export market. This view is supported by not only the positive economic outlook of the US economy, but also by the size of the product development that we are undertaking with key US home-furnishing retailers. We continue to introduce new collections to our customers worldwide to grow our market share while keeping an eye on shoring up our profitability margins. We continue to see renewed potential in Europe while expanding into high-potential territories in South America, the GCC and Asia.

Our international operations are supported by our manufacturing presence outside Egypt. Through our foreign-based manufacturing plants in the US and China, we cater to the various needs of our customers at a very short lead time. We continue to inject investments in our US plant, while restructuring our operations in China by hiring a skilled new management team. We remain confident about our presence in these strong growing markets.

Our hospitality arm, through OW Hospitality, continues to see opportunities to thrive locally and internationally – particularly in the Gulf, Europe, and US markets. We are investing in expanding our global presence and personnel while pushing continuous expansion in capacity and other flooring segments such as tufted guestrooms. The market is ripe for new additions, and given our current relationships with most of the major brands, we are in a prime position to leverage new categories of product to our portfolio and new specialized tufted graphics. Our product quality and large capacities have built us a strong reputation in this segment, and I am confident it will be one of the driving forces for our top line and earnings growth over the next several years.

In 2016, we are upgrading our yarn manufacturing plants to improve vertical integration and adding new woven looms. This comes in response to high demand from local and export markets, as well as the need to stay on the cutting edge of operational efficiency.

Finally, I’d like to extend my appreciation and thanks to all members of the group for their continued dedication, persistence and loyalty. With their work over the past 37 years, Oriental Weavers has been on the forefront of the world’s most trusted suppliers and globally recognized as one of the world’s largest manufacturers.”

“I continue to believe in the future of my country and my company alike.”



About OW

Oriental Weavers Group is one of the world's largest carpet and rug manufacturers. Based in Cairo, Egypt, the Group has manufacturing facilities in three countries and distributes its products in more than 130 countries worldwide.

Oriental Weavers (OW) is one of the most recognized brands in the machine woven rug and carpet industry today. Established in 1979 by Mr. Mohamed Farid Khamis, a leading Egyptian entrepreneur and industrialist, the company has grown under his leadership to become one of the largest and fastest-growing machine made rug and carpet manufacturers in the world.

A true Egyptian success story – and building on Egypt's long textile tradition which dates back thousands of years – Oriental Weavers has grown to become a vertically-integrated, multinational floor coverings producer based in Egypt's Tenth of Ramadan City, with additional production facilities in China and the United States. The company exports more than 50% of its production to more than 130 countries on six continents through a distribution network that includes offices in the United Kingdom, Egypt, China, the United States, and Canada.

OW is the acknowledged leader in design, quality and innovation within the industry. With a simple vision, the company has become a leading worldwide exporter and by far the largest player in the Egyptian market.



FLEXIBLE

OW averages a new product every two weeks.

VERTICALLY INTEGRATED

OW maintains complete control over the production and distribution value chain.

DIVERSE

Final products cover all price points and uses, ranging from machine-woven, tufted and needle-punched rugs, mats and carpets to Gobelin rugs and tapestries, upholstery, and Axminster carpets.

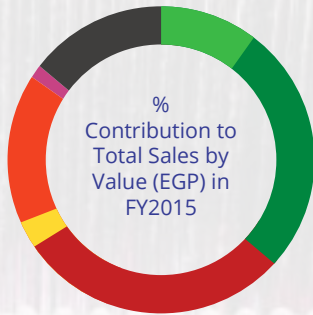
FOCUSED & INNOVATIVE

Concentrating on innovation in technology and design, OW has pioneered the production of the 4 million-points-per-square-meter rug – a technique which creates richer detail, color and overall quality per square meter.



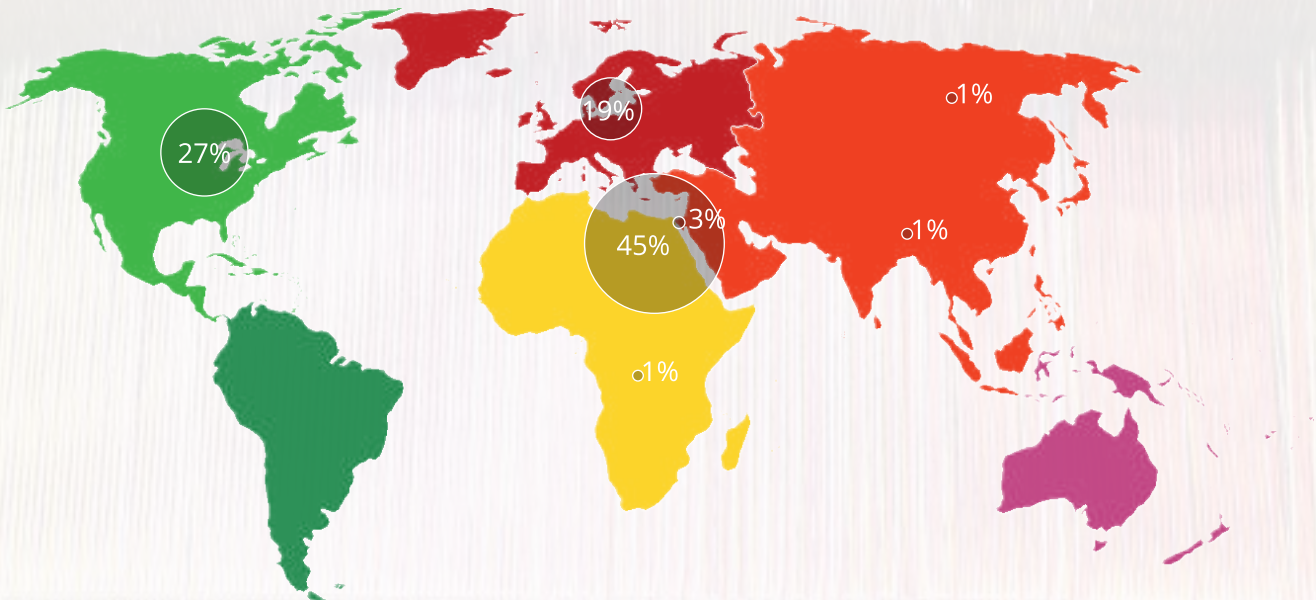


Woven Grade A	2%
Woven Grade B	18%
Woven Grade C	31%
Tufted Wall-Wall	5%
Tufted Pieces	32%
Non-woven felt	12%

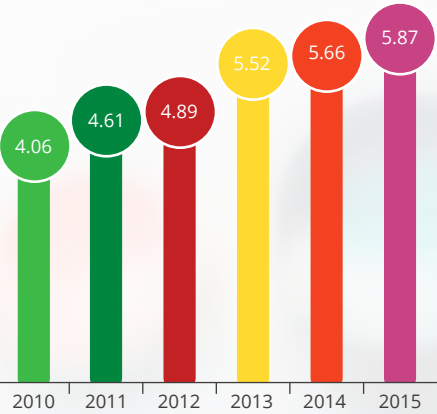


Woven Grade A	8%
Woven Grade B	29%
Woven Grade C	30%
Tufted Wall-Wall	2%
Tufted Pieces	15%
Non-woven felt	3%
Other	13%

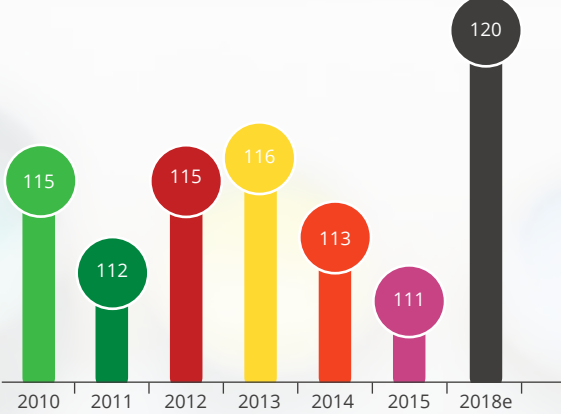
% Contribution to Total Sales by Region in FY2015



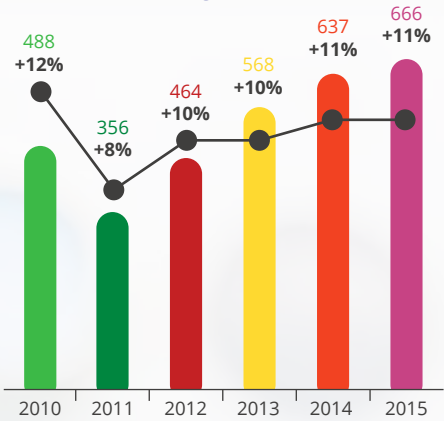
Revenue Progression (Billion EGP)

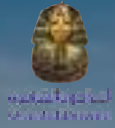


Sales volume progression (Million sqm)



Gross Profit (EGP mn) & Gross Profit Margin %





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.

OW Group's structure


37

years in the industry of
rugs and carpets

10

factories in Egypt, China
and the US

17%

increase in local sales
(Egypt) in FY 2015

130

importing countries from
OW

17,000
employees

3

continents with
operations

Most of our production facilities run at full
capacity 24 hours per day, 7 days per week



Oriental Weavers Carpet Company

Oriental Weavers Carpet Company was founded in 1979 by industrialist and entrepreneur Mohamed 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 reaching 23 million sqm in 2015. Oriental Weavers has been traded on the Egyptian Exchange since 1997 and today its shares represent the consolidated earnings of the company and its subsidiaries.

Key Figures for the Oriental Weavers Carpet Company

2015 Production Capacity:	23 million sqm
2015 Sales Value:	EGP 1.99bn
2015 Sales Volume:	19.5 mn sqm
Y-o-Y Sales Growth 2014 – 2015:	8%
Contribution to Group Sales:	32%

Oriental Weavers International

Oriental Weavers International (OWI) was established in 1998 as an export-oriented free trade zone company in Tenth of Ramadan City. The company's vertically integrated facilities handle the 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). OWI's main export markets include North America, Europe, and the Middle East, while the company also delivers to more than 60 countries worldwide. OWI fully owns OW China with an eye on developing its market share in the emerging Asian market. In 2012 production began at a new yarn production facility (King Tut) with an annual capacity of 100 tons daily.

Key Figures for the Oriental Weavers International

2015 Production Capacity:	39 million sqm
2015 Sales Value:	USD331.7mn
2015 Sales volumes:	35.7mn sqm
Y-o-Y Sales Growth 2014 – 2015:	-14%
Contribution to Group Sales:	33%

Oriental Weavers China (Tianjin)

Oriental Weavers China was established in 2006 in anticipation of China's growing importance in the global economic scene. OW China occupies 170,000 sqm 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.

Key Figures for the OW China

2015 Production Capacity:
2015 Sales Value:
Y-o-Y Sales Growth 2014 – 2015:
Contribution to Group Sales:

3.3 million sqm
EGP 66mn
-5%
1%

Oriental Weavers USA

Oriental Weavers USA is based in Dalton, Georgia, where it manufactures, markets and distributes products imported from the company's Egyptian plants. Oriental Weavers USA sells to mass merchants and big-box retailers as well as to independent retailers, furniture retailers, catalogues and department stores. In recent years the company has been awarded America's Most Magnificent Carpet award through its brand, OW Sphinx.

Key Figures for OW USA

2015 Sales Value:
Y-o-Y Sales Growth 2014 – 2015:
Contribution to Group Sales:

USD104.6mn
6%
14%

MAC Carpet “Fiber Factory”

MAC Carpet ‘Fiber Factory’ 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, all in Tenth of Ramadan City. A leading Egyptian exporter, MAC’s products are delivered to more than 107 countries, supplying some of the world’s largest retailers. 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.

Key Figures for MAC Carpet

2015 Production Capacity:	56 million sqm
2015 Sales Value:	EGP 1.1bn
2015 Sales Volume:	41.3 mn sqm
Y-o-Y Sales Growth 2014 – 2015:	-1%
Contribution to Group Sales:	17%

Egyptian Fibers Company

Egyptian Fibers Company (EFCO) manufactures and exports different types of non-woven rugs and carpets and other related polypropylene products.

Key Figures for EFCO

2015 Production Capacity:
2015 Sales Value:
2015 Sales Volume:
Y-o-Y Sales Growth 2014 – 2015:
Contribution to Group Sales:

18.5 million sqm
EGP 165mn
13.4 mn sqm
-26%
3%

Our Strategy

Oriental Weavers has a unique business model that allows it to achieve consistent and sustainable growth.

Local Presence

The group is the leading provider to the Egyptian market, with local sales accounting for 45% of group revenues in 2015. 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 floor coverings for newlywed couples. We continue to be optimistic about growth potential in the local market, as the real-estate sector is seeing major development. This comes not only from the private sector, but also the government, which is playing a major role in offering social housing for low income groups and supporting continuous development of new urban communities.

In Egypt, Oriental Weavers & MAC operate close to 229 stores, 164 showrooms and 65 wholesale outlets, including the largest rug showroom in the world in the Sixth of October City with a total retail area of 12,000 sqm. We continue to capitalize on the strong fundamentals in Egypt, where we will add around 6 small-sized retail outlets in 2016.



Global Footprint

At the group level, international sales accounted for 55% of revenues in 2015, supported by manufacturing facilities in Egypt, the US and China with distribution hubs in the US, UK and Canada. OW rugs and carpets are sold in more than 130 countries across six continents.

International premier partners

Relationships count – Oriental Weavers' enduring relationships with the world's best retailers, clients, resorts and other lifestyle centers ensure continued market leadership.



American & Canadian premier partners: retail segment



Novel product mix

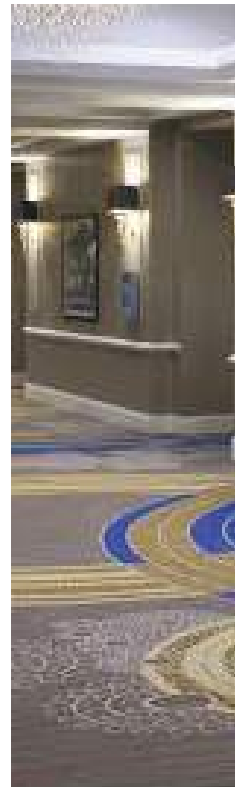
Diversification is an important cornerstone of Oriental Weavers' strategy, which allows the group to stay on top of market trends and achieve sustainable, organic growth. Propelled by the growing trend in the US for outdoor rugs, Oriental Weavers' outdoor product segment also sustained its upward trend during the year. In the same vein, Oriental Weavers used the Domotex Hannover Fair as well as The Atlanta Fair this year to showcase its newest ranges and designs, which were positively received by audiences. Likewise, the US arm of the business has entered partnerships with major global players including Tommy Bahama and Pantone, while at the same time introducing new products to meet customer needs. In this regard, we added the 1000 Reed looms to produce machine-made rugs with a more hand-made look.



Growing hospitality business

OW's latest business line – Axminster – represented a move into higher profit margin products geared toward the hospitality industry, and was well-received by the market. This surely was a top highlight of the year, with OW having completed such major installations as: The Habtoor Westin in Dubai; the prestigious Marriott Grosvenor House Hotel in London; The Hilton Schipol Airport in Amsterdam; The Fiesta Rancho Casino in Las Vegas; The Four Seasons Jumeirah Beach in Dubai and Four Seasons Las Colinas in the US; several US Grand Bohemian properties; Odeon Cinemas throughout the UK and The London Hotel West Hollywood.

Featured Instalation Projects



JW Marriot Grosvenor House
London, UK

Margaritaville Resort and Casino
Bossier City, LA.

Marriot Richmond
Richmond, VA

Our Vertically-integrated Business Model



Vertical Integration

We maintain control over the entirety of our manufacturing process, starting with the partial sourcing of our polypropylene granule needs through The Egyptian Propylene and Polypropylene Company, which helps lower warehousing costs and retain foreign currency by paying the supplier in Egyptian pounds. We then convert the granules to yarn, produce area rugs and carpets and sell them through our retail outlets in the local market and our international agents worldwide.



Operational Highlights

For the purpose of the analysis in this earnings release, Oriental Weavers compares actual 2015 results against adjusted 2014 figures – for the merger of Modern EFCO with EFCO that took place in late December 2014 (subsidiaries of the non-woven segment) – and not against the statutory figures reported in 2014 as this allows for a more accurate gauge of Oriental Weavers' financial performance.

2015 figures reflected our success in facing the year's challenges. A long stretch of strong market performance helped offset lower exports, resulting in a near-flat top line.

Despite challenging export market, top line remained flat

Net sales for FY 2015 came in somewhat flat at EGP 5.88 billion, inching up from adjusted net sales of EGP 5.81 billion in the year prior. This came despite an 8% decline in export sales, which were offset by higher sales volumes in our local market during the same period.

Local Sales

Sales from the Egyptian market climbed 17% y-o-y from adjusted EGP 2.3 billion to EGP 2.7 billion in the 12-month period, on the back of improved consumer appetite in the residential and hospitality segments, and available product capacity being allocated to the local market.

Looking ahead, management is looking to open up to 6 small retail outlets as part of its strategy to expand in rural and underpenetrated areas in Egypt to meet demand from growing low-income housing.

Export Sales

Our 2015 exports declined by 8% y-o-y in FY 2015 to EGP 3.2 billion. This decline was a product of a number of factors, including reduced exposure to one of our top export customers, which led to 7% volume reduction y-o-y, coupled with price discounts and Euro devaluation against the EGP. Had we adjusted our numbers for the 8% devaluation of the Euro vs. EGP, the company would have recorded a 2% decline in export value during 2015.

Additionally, difficulties in the economic and political climate in some markets – Libya, Yemen, Iraq, and Russia and Ukraine, for example – affected the performance of our exports division, leading to 23% decline in exports to Africa and 6% decrease in exports to and Russia and China, respectively. However, Oriental Weavers' export committee worked tirelessly during the year to draft a plan of action to hedge the company against circumstantial fluctuations by broadening the company's geographical footprint and attempting to expand into new markets in Africa, the GCC, Europe, and Asia. Meanwhile, signs of improvement in European markets like Greece and Italy are beginning to appear.

The American and Canadian markets were in the lead for another consecutive quarter, constituting almost 50% of

total export sales. Revenues from that region climbed 9% y-o-y to EGP 1.6 billion in FY 2015 thanks to an overall growth in the market, the introduction of unique and novel products, and more impactful marketing campaigns. Additionally, 2015 also saw an uptick in housing construction and sales activity. Figures issued by the US's National Association for Home Builders show existing home sales in the United States growing by more than 6% y-o-y during 2015, while single-family home construction rose to its highest levels since 2007, boding well for Oriental Weavers.

Management intends to continue cultivating key markets while also leveraging the significant growth opportunities offered by the hospitality industry in the Gulf region, which already accounts for 3% of export sales and helped shore up exports to the GCC in 2015 by 23% y-o-y.

Decent Operational Performance Across All Business Segments

Sustained strong market fundamentals and an optimal product mix supported our woven sales (67% of top line) in 2015, reaching EGP3.96 billion (flat y-o-y). This figure came despite an 8% decline in export woven revenues and was supported by 12% growth in local sales (45% of woven revenues), over and above the strong growth of 16% achieved in the US division.

A closer look at our woven sales by grade reveals 13% growth in Grade A, driven by the local and export markets, and 6% growth in Grade C, driven solely by the local market. Lower exports of Grade B drove overall sales of Grade B (36% of woven sales value) 13% down y-o-y.

The impact of the EGP devaluation was subdued in light of the discounts offered to our export clients since the beginning of 2015.

Tufted sales slowed 2% y-o-y in FY 2015 to EGP 1.01 billion – despite 4% growth in volumes – on discounts offered to our export clients.

Non-Woven Felt saw volumes drop 8% y-o-y from FY 2014 levels to stand at 13.4 million square meters at year's end. A resultant 26% drop was witnessed in overall sales value for the segment during the same period – mainly due to difficulties faced in export markets.

Operating margin flattened in FY2015

For calendar year 2015, gross profit margin remained flat at 11.3% compared to 2014 adjusted gross profit margin of 11.5%. On a quarterly basis, however, gross profit margin came in at 9.7%, 1.1 percentage points higher than 4Q 2014 thanks to the decreased cost of raw materials, improvements in operational efficiency and cost-cutting initiatives.

EBITDA for the quarter rose by 8% to EGP 167 million vs. EGP 154 million in 4Q 2014, with an EBITDA margin of 12.2%, up 1.62 percentage points from the comparable period last year. For the full year, EBITDA dropped by 1% to EGP 803 million with a margin of 13.7% compared to 13.9% in 2014. Lower polypropylene prices during the year were not filtered into higher profitability margins given: higher prices for the available stock on hand early in the year; a 17% devaluation of the Euro (transaction currency of European customers, 19% of sales); a 10% devaluation of the EGP vs. USD; and a more than 5% discount offered to export customers since the beginning of the year. Attributable 2015 net income meanwhile reached EGP 356 million, down 6% y-o-y on the back of the higher FX losses, increased provisions and impairments, and lower rebates collected during the year. The company realized EGP 42 million in FX losses during the year on the back of the EGP's devaluation against the USD, as well as the depreciation of the EUR. Additionally, we booked EGP95.3 million provisions and impairments in FY2015 compared to EGP 53 million in FY 2014. The amount was composed of EGP 40 million in slow moving inventory, EGP 40 million in goodwill impairment related to MAC (a 58.5% owned subsidiary), and EGP 15.3 million in tax settlements. The company also collected 26% lower rebates in FY2015.

Our General Assembly Meeting held on April 2, 2016 approved a per share dividend of EGP0.5, yielding almost 7% at the closing of the trading session of April 24.

Healthier debt position on restructuring rendering Net debt/EBITDA to 1.05x

As part of the Group's continued efforts to work around

volatile political and economic conditions by restructuring the company's debt, management further reduced the Group's debt position during the year, with a resultant year-end debt/equity ratio of 0.59x compared to 0.69x a year ago and net debt/EBITDA reaching 1.05x vs. 1.19x.

Key Corporate Developments

Collecting delayed rebates at a modest pace

After an 18-month delay in the disbursement of export subsidies, The Egyptian Ministry of Trade and Industry issued a decree in late January 2016 declaring the cancellation of the 2014 export subsidy program. The decree further stated that companies would revert back to pre-2014 rates, which allowed us to collect EGP 91 million in delayed amounts through June, 2016. Please refer to page 7 of our 2Q 2014 Earnings Release for more details about these rates.

Continuous boost to online business

We continue to see strong growth in the e-commerce and catalog segments in the US. Consumers are more comfortable making larger purchases online, and sales are encouraged by the ease of the shipping process, which delivers area rugs directly to consumers' homes using a US courier service.

Partnering with key US retailers

We have developed strategic product development relationships with several of the largest furniture retail store chains. Our licensed program with Tommy Bahama has continued to exceed expectations and is very popular with our retailer customers and their consumers.

Globally well-recognized

Our continued innovation and operational excellence has garnered recognition with our company being awarded the Star of Manufacturing award in the MENA region by CPI Media Group.





Corporate Responsibility

From sustainable business practices to community wellness projects, Oriental Weavers has always been dedicated to the principles of corporate social responsibility.

Sustainable Business

We believe that our vision of creating a better future for our customers, our company and our communities requires a focus on sustainability as a business model. Our holistic approach to managing our environmental impact and working to serve as a responsible company means that every member of the OW Group has the opportunity to join us in this endeavor.

To drive our progress through 2015, we focused on environmental performance goals for our energy, waste and water usage. Since we obtained the ISO14001 in 1999, emission levels of air pollutants from the examined boilers at Oriental Weavers International are within the allowable limits of the Egyptian Environmental law (law # 4/1994).

These goals encourage us to look forward and be mindful that every decision we make today will affect tomorrow's world. Today, we are focusing on strategies for sustainability through the innovative improvement of our products and manufacturing processes and our social responsibility work.

Air protection from pollution Unit- ISO 14001-1999

The results are shown in the next table:

Pollutant	OW	Law #4/1994 standard
Carbon Monoxide, mg m3	7.8	250
Carbon dioxide, %	6.6	0
Sulphur dioxide, mg m3	3.55	1600
Nitrogen oxidex, mg m3	61.5	300
Aldehyde, mg m3	0.21	20
Fly ash, mg m3	21	100
Smokes, mg m3	3.6	50

Source: National Research Center, 27 May 2015

Giving Back to the Community

As a proudly local brand, Oriental Weavers embraces corporate social responsibility (CSR) and is among Egypt's top companies in terms of giving back to the community.

OW goes the extra mile by sharing its fortunes and know-how with other institutions involved in community service or those aspiring to become socially responsible. OW ensures that service is on a large scale, and that development is sustainable.

Not only does CSR benefit the community, offer help to those in need, and foster creativity among the new generations, it also promotes an image of business accountability to a wide range of clients, shareholders, and investors.

In 2015, Oriental Weavers donated EGP1.159mn to the community through a number of development channels. The following are some recent highlights:

Supporting the Underprivileged

Oriental Weavers has proudly supported the underprivileged through providing transportation services to students from Tenth of Ramadan City to universities in Cairo and surrounding governorates.



OW Group has also donated rugs to underprivileged newlywed couples, supplied blankets and refurbished the exteriors of mosques in several governorates and provided Ramadan meals for the community.

Seeking a Cure

In 2015, Oriental Weavers continued its support for the Breast Cancer Foundation of Egypt (BCFE), having been a key sponsor of Egypt's leading organization supporting breast cancer patients since 2006.

The company has also lent its support to public hospitals, renovating the main emergency room of the Specialized Pediatric Hospital of Cairo University in 2015.



Supporting Education

Fostering Education

Oriental Weavers believes education is the cornerstone for the advancement and prosperity of any nation. Proud to lead by example, OW has spared no effort to support education – whether by renovating public schools, building schools in remote areas, or working with community organizations to help eliminate adult illiteracy.

Sponsoring CFA Candidates in Egypt



OW was the gold sponsor of the grand ceremony of the CFA Institute in Egypt and awarded scholarships to 10 CFA candidates.

Inspiring the artist in each child



Oriental Weavers (OW) has teamed up with top international schools across Cairo to bring out the artist in each child. OW's luxury sub-brand, La Boutique, held a contest among students between the ages of 5 to 15, giving them a chance to design their own carpets.

The contest aimed to develop students' artistic taste and foster their sense of ownership of their rooms by designing their own carpets. "We are tremendously proud to be engaging school students at such a creative age," said Yasmine Khamis, OW Vice President. "At OW, we are committed to helping the young develop their skills and we're always on the lookout for such opportunities. It's an exciting and challenging experience to be able to draw absolutely anything and turn it into a unique rug, and we are very eager to see the ideas these young designers will come up with."

Sponsoring sport tournaments in Egypt



Oriental Weavers sponsored "Arab Under 10 Tennis Challenger" that took place in El-Gouna in mid 2014.

Site visits



Oriental Weavers organized several factory visits over the last few years. Recently, Oriental Weavers received his Excellency the Swiss Ambassador to Egypt and his spouse together with a Swiss group. This comes in addition to receiving a group of Egypt's prominent reporters and investment analysts.



Board of Directors



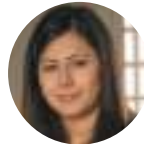
MR. MOHAMED FARID FOUAD KHAMIS
Founder; Non-Executive Board Member



MR. SALAH ABDEL AZIZ ABDEL MOTALAB
Chairman and Chief Executive Officer



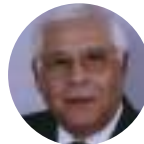
MRS. YASMINE MOHAMED FARID KHAMIS
Executive Board Member; Vice President of
Sales and Marketing



MRS. FARIDA MOHAMED FARID KHAMIS
Executive Board Member; Vice President of
Corporate



MR. MOHAMED MAHMOUD FAWZY KHAMIS
Executive Board Member; Vice President of
Local Sales



MR. EL SAYED MOAATASAM RASHED
Non-Executive Board Member



MR. AMR MAHMOUD FAWZY KHAMIS
Executive Board Member; Vice President of
Manufacturing and Operations



MR. MOHAMED MOHAMED FARID KHAMIS
Non-Executive Board Member



MR. MAHMOUD AMIN SAAD
Executive Board Member; Director of
International Operations



MRS. MAHA BINT AHMED BIN HASSAN
FETEIHY
Non-Executive Board Member



MR. MOHAMED KATARY ABD ALLAH
Executive Board Member; Director of
Financial Affairs



DR. WADOUDA ABD EL RAHMAN BADRAN
Non-Executive Board Member



MR. ALAA ELDEEN MAHMOUD SHEHATA
Executive Board Member; Managing Direc-
tor of MAC



MR. MOHAMED MOHAMED ALI AMER
Non-Executive Board Member



MR. MAHMOUD FAWZY FOUAD KHAMIS
Non-Executive Board Member

MR SALAH ABD EL SALAM MAHMOUD
Non-Executive Board Member representing Misr Life
Insurance

MR NABIL MOHAMED MOHAMED SARHAN
Non-Executive Board Member representing Misr
Insurance Holding Company

Consolidated Financial Statements

For the Company and its Subsidiaries For The
Financial Year ended December 31, 2015
Together With Auditor`s Report

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Translation from Arabic**AUDITORS' 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, 2015 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 11.80% and 14.73% 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 subsidiaries" were audited by other auditors whom issued unqualified audit reports dated March 1,2016, January 30,2016 and February 20,2016 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 31,2015 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 13, 2016 .

Wahid Abdel Ghaffar

B.T. Wahid Abdel Ghaffar & Co.

Public Accountants & Consultants





Consolidated Financial Position for the company and it's subsidiaries

For the Financial Year ended December 31, 2015

	Note No.	31/12/2015 LE	31/12/2014 LE
Long Term Assets			
Fixed assets(net)	(5)	2 577 302 588	2 663 344 195
Projects in progress	(6)	109 646 232	62 180 917
Available for sale investments	(7)	81 673 779	81 673 779
Goodwill	(8)	326 239 174	366 239 174
Total Long-term assets		3 094 861 773	3 173 438 065
Current Assets			
Inventory	(9)	1 587 537 366	1 631 748 329
Trades & notes receivable	(10)	1 250 634 046	1 028 561 382
Debitors and other debit accounts	(11)	227 739 922	201 372 543
Treasury Bills	(12)	177 469 587	--
Cash & Cash equivalent	(13)	369 948 977	591 390 667
Total current assets		3 613 329 898	3 453 072 921
Current Liabilities			
Provisions	(14)	15 840 452	14 490 642
Banks-Credit accounts	(15)	1 152 988 445	1 323 046 652
Long term liabilities-Current portions	(23)	116 186 324	93 616 953
Suppliers & notes payable	(16)	726 246 711	740 997 806
Dividends payable		7 796 762	11 647 562
Creditors & other credit accounts	(17)	141 043 193	147 618 222
tax payable		78 508 116	85 333 638
Total Current liabilities		2 238 610 003	2 416 751 475
Working Capital		1 374 719 895	1 036 321 446
Total Investment to be Financed as follows:		4 469 581 668	4 209 759 511
Shareholders equity			
Issued and Paid up Capital	(18)	450 000 000	450 000 000
Reserves	(19)	1 525 067 672	1 505 118 644
Retained earnings		823 478 382	707 276 452
Net profit for the year		356 302 735	367 079 806
Exchange differences arising on translation of financial statements		694 414 374	503 968 630
Treasury stocks	(25)	(14 596 505)	(14 596 505)
Total equity attributable to equity holders of the parent		3 834 666 658	3 518 847 027
Minority interest	(20)	380 631 755	398 080 655
Shareholder's equity		4 215 298 413	3 916 927 682
Long-term liabilities			
Long term loans	(21)	119 758 860	131 068 068
Housing and Development Bank loan	(22)	314 293	375 780
Deferred tax liabilities	(24)	134 210 102	161 387 981
Total long term liabilities		254 283 255	292 831 829
Total shareholder's equity & long term liabilities		4 469 581 668	4 209 759 511

The accompanying notes from №.(1) to №. (30) 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

Consolidated Income statement for the company and it's subsidiaries

For the Financial Year ended December 31, 2015

	Note No.	31/12/2015 LE	31/12/2014 LE
Net sales		5 875 149 056	5 664 331 603
Less:			
Cost of sales		5 208 795 551	5 027 724 302
Gross profit		666 353 505	636 607 301
Less:			
Distribution expenses		50 209 321	40 354 658
General & Administrative expenses		146 887 085	139 509 689
Formed provisions & Impairment		95 300 000	50 450 000
		292 396 406	230 314 347
Net income from operation activities		373 957 099	406 292 954
Add / (Less):			
Financial investments revenues		212 250	--
Financial investments sales revenues		--	24 325 098
Treasury Bills returns		1 665 423	--
Interest Income		24 896 219	8 077 251
Other revenues		123 293 397	154 967 487
Capital Gain		7 914 076	3 747 659
Financing expenses		(83 285 923)	(88 318 747)
Foreign exchange differences		(42 117 106)	(40 815 404)
		32 578 336	61 983 344
Net profit for the year before income tax		406 535 435	468 276 298
Add/(Less):			
Current income tax		(93 872 979)	(97 524 538)
Deferred tax		26 445 646	6 719 900
Income tax for the period		(67 427 333)	(90 804 638)
Net profit for the year after income tax		339 108 102	377 471 660
Attributable to:			
Equity holders of the parent		356 302 735	367 079 806
Minority interest	(20)	(17 194 633)	10 391 854
		339 108 102	377 471 660

The accompanying notes from №.(1) to №. (30) form an integral part of these consolidated financial statements.



Chairman & CEO
Salah Abdel Aziz Abdel Moteleb



CFO & Board Member
Mohamed Kattary Abdallah

Consolidated Cash flow statement for the company and its subsidiaries

For the Financial Year ended December 31, 2015

	Note №	31/12/2015 LE	31/12/2014 LE
Cash flows from operating activities			
Net profit for the year before income tax		406 535 435	468 276 298
Adjustments to reconcile net profit to net cash provided by operating activities			
Fixed assets depreciation		333 272 767	314 972 825
formed provisions & Impairment		95 300 000	50 450 000
Interest income		(24 896 219)	(8 077 251)
Financing expenses		83 285 923	88 318 747
Financial investments revenues		(212 250)	--
Financial investments sales revenues		--	(24 325 098)
(gain)capital		(7 914 076)	(3 747 659)
Differences of translation		56 306 779	15 164 179
Operating profits before changes in working capital		941 678 359	901 032 041
Change in working capital			
Decrease (Increase) in inventory		4 210 963	(110 413 133)
(Increase) in trades & notes receivable and debit accounts		(256 354 868)	(80 953 862)
Decrease increase in suppliers & notes payable and credit accounts		(38 835 318)	100 616 453
Cash flows provided by operating activities		650 699 136	810 281 499
proceeds from interest income		24 974 993	7 345 973
Financing expenses paid		(83 285 923)	(88 318 747)
Income tax paid		(89 019 431)	(56 338 062)
Net cash flows provided by operating activities		503 368 775	672 970 663
Cash flows from investing activities			
(Payments) for purchase of fixed assets and projects in progress		(162 978 096)	(99 380 196)
Proceeds from selling of fixed assets		13 533 645	38 063 622
(Payments) for purchase of Treasury Bills		(116 325 805)	--
proceeds from selling of Financial investments		--	24 325 098
Net cash flows (used in) investing activities		(265 770 256)	(36 991 476)
Cash flows from financing activities			
proceeds (Payment) for banks-credit accounts		(170 060 995)	(65 171 683)
Dividends paid and payments for Minority interest		(239 036 896)	(230 045 974)
proceeds (Payment) for long term liabilities		11 198 676	(74 239 614)
Net cash flows (used in) financing activities		(397 899 215)	(369 457 271)
Net change in cash and cash equivalents during the year		(160 300 696)	266 521 916
Cash and cash equivalents at beginning of the year		591 343 211	324 821 295
Exchange differences arising from translation of financial statements			
Cash and cash equivalents at end of the year		431 042 515	591 343 211
Cash & Cash equivalent	(13)	369 898 733	591 343 211
Treasury Bills	(12)	177 469 587	--
Treasury Bills due more than three months		(116 325 805)	--
Cash & Cash equivalent		431 042 515	591 343 211

The accompanying notes from №.(1) to №. (30) form an integral part of these consolidated financial statements.



Chairman & CEO
Salah Abdel Aziz Abdel Moteleb



CFO & Board Member
Mohamed Kattary Abdallah

Consolidated statement of changes in Shareholder's Equity for the Company and It's Subsidiaries

For the Financial Year ended December 31, 2015

	Issued and Paid up capital LE	Legal reserve LE	General reserve LE	Special reserve LE	Capital reserve LE	Unrealized gain from Available for sale Investments LE	Retained earnings LE	Net profit LE	Differences of translation LE	Treasury stocks LE	Total LE
Balance at 1/1/2014	450 000 000	1 018 796 049	328 236 096	59 973 828	5 954 993	451 625	664 191 959	347 488 068	448 119 302	(14 596 505)	3 308 615 415
Transferred to reserves	--	12 798 817	--	--	32 809 482	--	--	(45 608 299)	--	--	--
Dividends for the year 2013	--	--	--	--	--	--	--	(230 282 542)	--	--	(230 282 542)
Transferred to retained earnings	--	--	--	--	--	--	71 597 227	--	--	--	--
Adjustments related to consolidated statements	--	(4 815 803)	(3 615 816)	--	54 529 373	--	(28 512 734)	--	--	--	17 585 020
Change in translation differences	--	--	--	--	--	--	--	--	55 849 328	--	55 849 328
Net profit for the year	--	--	--	--	--	--	--	367 079 806	--	--	367 079 806
Balance at 31/12/2014	<u>450 000 000</u>	<u>1 026 779 063</u>	<u>324 620 280</u>	<u>59 973 828</u>	<u>93 293 848</u>	<u>451 625</u>	<u>707 276 452</u>	<u>367 079 806</u>	<u>503 968 630</u>	<u>(14 596 505)</u>	<u>3 518 847 027</u>
Balance at 1/1/2015	450 000 000	1 026 779 063	324 620 280	59 973 828	93 293 848	451 625	707 276 452	367 079 806	503 968 630	(14 596 505)	3 518 847 027
Transferred to reserves	--	13 213 020	--	--	6 735 854	--	--	(19 948 874)	--	--	--
Dividends for the year 2014	--	--	--	--	--	--	--	(231 048 249)	--	--	(231 048 249)
Transferred to retained earning	--	--	--	--	--	--	116 082 683	(116 082 683)	--	--	--
Adjustments related to consolidated statements	--	154	--	--	--	--	119 247	--	--	--	119 401
Change in translation differences	--	--	--	--	--	--	--	--	190 445 744	--	190 445 744
Net profit for the year	--	--	--	--	--	--	--	356 302 735	--	--	356 302 735
Balance at 31/12/2015	<u>450 000 000</u>	<u>1 039 992 237</u>	<u>324 620 280</u>	<u>59 973 828</u>	<u>100 029 702</u>	<u>451 625</u>	<u>823 478 382</u>	<u>356 302 735</u>	<u>694 414 374</u>	<u>(14 596 505)</u>	<u>3 834 666 658</u>

The accompanying notes from №.(1) to №. (30) form an integral part of these consolidated financial statements.



Chairman & CEO
Salah Abdel Aziz Abdel Moteleb



CFO & Board Member
Mohamed Kattary Abdallah



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

For the Financial Year ended December 31, 2015

1 - BACKGROUND INFORMATION

1-1 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. The company has been register in the commercial register under No.44139 on November 16,1981 .

1-2 **Company's objective**

Producing, selling and exporting ready – made carpets and importing related production supplies, equipment, machinery, or materials.

1-3 Company Life time is 25 periods start from November 15, 2006 to November 14, 2031.

1-4 The Company listed in Egyptian exchange stock market in Cairo and Alexandria

1-5 The Company located at tenth of Ramadan city – Industrial zone - sharkia

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 that have been prepared using historical cost, modified by the results of revaluation differences of financial assets and liabilities at fair value through profit and loss applied consistently along the financial period.

- The preparation of financial statements according to the Egyptian Accounting Standard requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical

experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates. The note no. (4) From the notes of the financial statements indicates the items and the elements that have significant accounting estimates.

- Estimates and underlying assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

- The Egyptian Accounting Standards requires refer to the International Financial Reporting Standards when no Egyptian accounting standard or legal requirements illustrate how to treat specific balances or transaction.

- **Application of new and revised Egyptian Accounting Standards**

The Minister of Investment's decree No. (110) of 2015 was issued on July 9, 2015. It has been decided to replace and supersede the former Egyptian Accounting Standards with Revised Egyptian Accounting Standards – 2015, which include a new accounting standards and amendments on the current Standards, and it shall be effective as of the first day of January 2016, and will be applied on the entities whose fiscal year on or after this date, Currently the Company is study the effect of the application of these standards on its Financial Statements.

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 2015 (%)
Oriental Weavers Co. U.S.A.	100.00
Oriental Weavers International Co.	99.99
MAC Carpet Mills	58.29
Egyptian Fibers Co. EFCO	67.87
Oriental Weavers Co.- China	99.67
New Mac	52.02
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

a- Presentation and Transaction Currency

The Financial Statements are presented in Egyptian pound which represents the company presentation and transaction currency.

b- Transaction and Balances

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 period.

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

a- Recognition and Initial Measurement

Fixed assets are recognized initially at cost and subsequently at cost less accumulated depreciation and accumulated impairment losses.

b- Subsequent Cost

The Company recognizes the carrying amount of Parts of some Items of Fixed assets may require replacement, the cost of replacing part of such an item is recognized when criteria are met and after derecognition the carrying amount of those parts that are replaced and when replacement have probable future economic benefits and can be measured reliable, any other costs are recognize at income statement.



c- Depreciation

Depreciable value is determined based on fixed asset cost less its residual value. Residual value is representing the net value resulting from dispose-off the asset, if the asset were in its condition after its useful life.

Depreciation of assets is charged in the income statement on a straight-line basis over the estimated useful lives of each part of fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Description

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

Useful lives, depreciation method and residual value of assets are reviewed annually, and amendments are applied if there is a significant change in the earning of the economic benefits generated from these assets.

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 Available for sale Investment

Available for sale investments are acquired at fair market value added by related transaction cost.

Available for sale investments are valued subsequently at fair value (market price) 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 period 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 period are classified as long term assets.

4-10 Treasury Bills

Treasury Bills are recorded at face value. The issuance discount is recorded in Other Liabilities and deducted from the Gross Treasury Bills balance on the Balance Sheet, which are measured at amortized cost using the Effective interest rate.

4-12 Borrowing Cost

Borrowing cost is charged as expense to the consolidated income statement for the period 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 period 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 period, using tax rates enacted or substantially enacted at the consolidated financial position date, and any adjustment to tax payable in respect of previous period. 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 period. 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.

4-15 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 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.

4-17 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 period.

- 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 liabilities and commitments

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 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, time deposits for a period not more than three months and treasury bills 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 period.

5- FIXED ASSETS (NET)

	Cost as of 31/12/2015 LE	Accumulated Depreciation as of 31/12/2015 LE	Cost as of 31/12/2015 LE	Cost as of 31/12/2015 LE
Land	316 823 335	--	--	308 816 312
Buildings & Constructions	1 460 084 778	452 037 185	452 037 185	1 022 675 830
Machinery & Equipments	3 960 745 348	2 794 020 075	2 794 020 075	1 244 709 570
Vehicles	143 254 017	109 662 332	109 662 332	37 906 631
Tools & Supplies	71 328 413	56 478 954	56 478 954	14 143 063
Showrooms Fixture	41 851 692	31 421 575	31 421 575	6 860 251
Furniture & Office Equipments	73 703 883	57 425 724	57 425 724	17 529 961
Computers and Programs	78 150 146	67 593 179	67 593 179	10 702 577
	6 145 941 612	3 568 639 024	3 568 639 024	2 663 344 195

6- PROJECTS IN PROGRESS

	31/12/2015 L.E	4201/12/31 L.E
Buildings under Construction	73 813 847	535 813 32
Machinery & Equipment under installation	15 419 919	774 456 21
Development of computer system	8 638 379	277 603 2
Vehicles	--	30 438
Letters of Credit for assets purchases	6 495 763	--
Advance payment for purchasing Fixed assets	5 278 324	5 276 893
	109 646 232	917 180 62

7- AVAILABLE FOR SALE INVESTMENTS *

	Nº of owned Shares	Percentage of participation %	Par value for each Share	Acquisition cost L.E	Accumulated Impairment (losses) L.E	Accumulated Unrealized Gain L.E	Balance as of 31/12/2015 L.E	Balance as of 31/12/2014 L.E
Oriental Weavers for Textile	112 500	45	USD 100	64 820 211	--	--	64 820 211	64 820 211
Oriental for Industrial Development	800 000	8	L.E 10	4 200 000	--	--	4 200 000	4 200 000
Piraeus Bank**	782 167	.75	L.E 15.58	12 188 193	--	625 451	12 639 818	12 639 818
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
10th of Ramadan for Spinning Industries	524 000	28.5	L.E 10	5 304 365	(5 304 365)	--	--	--
Modern Spinning Company	81 677	30.8	L.E 10	1 433 607	(1 433 607)	--	--	--
Egyptian for Trade and Marketing	4 000	2.08	L.E 100	402 000	(402 000)	--	--	--
				88 362 126	(7 139 972)	625 451	81 673 779	81 673 779

* Not listed at the Egyptian Stock Exchanges.

**During period 2010 the shares of Piraeus Bank were delisted from the Egyptian Stock Exchanges.

8- GOODWILL

	Investment cost L.E	Company's share of the fair value for Net assets L.E	Good will Impairment L.E	31/12/2015 L.E	31/12/2014 L.E
Oriental weavers international (OWI)	728 049 443	676 790 531	--	912 258 51	912 258 51
MAC Carpet Mills (MAC)	750 697 752	400 022 873	80 000 000	879 674 270	879 674 310
Oriental weavers Co.- U.S.A (OW U.S.A)	127 127 706	122 822 323	--	383 305 4	383 305 4
	1 605 874 901	1 199 635 727	80 000 000	174 239 326	174 239 366

9- INVENTORY

	31/12/2015 L.E	31/12/2014 L.E
Raw materials	465 916 769	461 680 192
Spare parts & materials	140 209 331	124 915 271
Work in process	63 691 415	67 062 621
Finished products	902 534 249	961 194 257
Letter of credit for purchasing of raw materials	15 185 602	18 895 988
	1 587 537 366	1 633 748 329
Less: Impairment in inventory	--	2 000 000
	1 587 537 366	1 631 748 329

10- TRADES & NOTES RECEIVABLE

	31/12/2015 L.E	31/12/2014 L.E
Trades	984 030 043	821 160 962
Less: Impairment in Trades	47 339 336	48 602 289
	936 690 707	772 558 673
Notes Receivable	313 943 339	256 002 709
	1 250 634 046	1 028 561 382

11- DEBITORS AND OTHER DEBIT ACCOUNTS

	31/12/2015 L.E	31/12/2014 L.E
Prepaid expenses	17 055 415	12 131 112
Tax authority – debit accounts	63 830 745	76 149 190
Debit accounts – related parties	28 445 756	26 788 338
Accrued revenues	17 731 095	1 063 515
Letter of guarantee & Letter of credit – cash margin	3 984 291	3 708 790
Suppliers – advance payment	17 645 187	14 587 864
Orientalis for Building materials (Orocom)	5 000 000	5 000 000
Other debit accounts	80 647 513	68 720 135
	234 340 002	208 148 944
Less:		
Impairment in debtors and other debit accounts	6 600 080	6 776 401
	227 739 922	201 372 543

12- TREASURY BILLS

	31/12/2015 L.E	31/12/2014 L.E
Treasury bills (mature in 90 days)	61 625 000	--
Treasury bills (mature in more than 90 days)	120 000 000	--
	181 625 000	--
Less: Unearned revenue	4 155 413	--
	177 469 587	--

13- CASH AND CASH EQUIVALENT

	31/12/2015	31/12/2014
	L.E	L.E
Banks – Time Deposits	129 072 695	248 435 203
Banks – Current Accounts	238 818 298	341 604 683
Cash on hand	2 057 984	1 350 781
Cash and cash equivalent	369 948 977	591 390 667
Less:		
Time deposits blocked as guarantee to the facilities which granted to the company	50 244	47 456
Cash & cash equivalent for cash flows statement purposes	369 898 733	591 343 211

14- PROVISIONS

	Balance as of	Used during	Formed during	Balance as of
	1/1/2015	The period	The year	31/12/2015
	L.E	L.E	L.E	L.E
Provisions for Contingent liabilities	14 490 642	(13 950 190)	15 300 000	15 840 452
	14 490 642	(13 950 190)	15 300 000	15 840 452

15- BANKS – CREDIT ACCOUNTS

Banks – credit accounts amounting to L.E 1 152 988 445 as of December 31,2015 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

16- SUPPLIERS & NOTES PAYABLE

	31/12/2015	31/12/2014
	L.E	L.E
Suppliers	638 006 757	627 275 205
Notes Payable	88 239 954	113 722 601
	726 246 711	740 997 806

17- CREDITORS AND OTHER CREDIT ACCOUNTS

	31/12/2015	31/12/2014
	L.E	L.E
Accrued expenses	9 961 991	12 732 176
Tax authority – credit accounts	10 529 604	28 240 124
Social insurance authority	9 387 406	7 912 921
Trade receivable – advance payment	40 491 385	33 569 194
Creditors – purchases of fixed assets	3 855 444	2 009 523
Shareholders – credit accounts	7 173 391	543 606
Deposits from others	41 086 210	39 529 573
Other credit accounts	18 557 762	23 081 105
	141 043 193	147 618 222

18- ISSUED AND PAID UP CAPITAL

18-1 The company's authorized capital is determined to be L.E 500 Million (five hundred million Egyptian pounds).

18-2 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.

According to the Extra ordinary general assembly meeting held on April 10, 2014 it was agreed unanimously on stock split with a coefficient 1-5 (every share split into 5 shares) also agreed the changes in the company statutes article № 6&7 to be the company's share 450,000,000 is amount of one Egyptian pound each share which register in commercial register at Dec. 28, 2014.

18-3 The company's shares are centrally kept at Misr for Central Clearing, Depository and Registry Co. and those shares are traded in Cairo and Alexandria stocks exchange market.

19- RESERVES

	31/12/2015	31/12/2014
	L.E	L.E
Legal reserve	1 039 992 237	1 026 779 063
General rese	324 620 280	324 620 280
Special reserve	59 973 828	59 973 828
Capital reserve	100 029 702	93 293 848
Unrealized gain from available for sale investments	451 625	451 625
	1 525 067 672	1 505 118 644

20- MINORITY INTEREST

	Minority interest in shareholder's Equity L.E	Minority interest in the net profit (loss) of Subsidiaries L.E	Balance as of 31/12/2015 L.E	Balance as of 31/12/2014 L.E
Oriental Weavers international Co (O.W.I)	114 831	13 879	128 710	113 728
MAC Carpet Mills	324 354 471	(24 976 915)	299 377 556	320 619 488
Egyptian fibres Co. EFCO	70 810 964	7 597 055	78 408 019	74 990 282
Oriental Weavers – China	466 649	(37 157)	429 492	460 660
New MAC	2 076 364	208 486	2 284 850	1 893 389
Rosetex Modern Factories for Spinning & Weaving Co.	3 109	19	3 128	3 108
	397 826 388	(17 194 633)	380 631 755	398 080 655

21- LONG TERM LOANS

BANK	Loan Currency	Principal of the loan in original Currency	Balance of the loan as of 31/12/2015 L.E.	Balance as of 31/12/2015 current portion due in one year L.E.	long term installments L.E.	Balance as of 31/12/2014 current portion due in one year L.E.	long term installments L.E.	Terms of Payment
HSBC	USD	21 100 000	40 064 155	40 064 155	--	35 026 841	36 533 807	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
Loans from other banks	USD	9 489 160	54 991 077	10 361 285	44 629 792	8 478 627	19 459 261	Other loans in US dollar granted to Oriental Weavers Co. U.S.A
Audi Bank (1)	USD	35 000 000	82 005 000	54 670 000	27 335 000	50 050 000	75 075 000	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.
Audi Bank (2)	USD	10 000 000	58 823 467	11 029 399	47 794 068	--	--	The principal of the loan shall be settled over 16 equal quarter installments starting from 4/5/2016 till 24/2/2020 , the interest and commission shall be computed and paid upon its due date.
			140 828 467	65 699 399	75 129 068	50 050 000	75 075 000	
			235 883 699	116 124 839	119 758 860	93 555 468	131 068 068	

22- HOUSING AND DEVELOPMENT BANK LOAN

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.

Instalments due within one year were classified as part of current liabilities under the item of long term liabilities – current portion.

Note No.	31/12/2015 L.E	31/12/2014 L.E
(22)	375 778	437 265
	(61 485)	(61 485)
	314 293	375 780

23- LONG TERM LIABILITIES – CURRENT PORTIONS

	Note No.	31/12/2015 L.E	31/12/2014 L.E
Long-term loan instalment	21	116 124 839	93 555 468
Housing and development bank loan	22	61 485	61 485
		<u>116 186 324</u>	<u>93 616 953</u>

24- DEFERRED TAX LIABILITIES

Deferred tax Assets and liabilities

	Assets L.E	31/12/2015 (Liabilities) L.E	Assets L.E	31/12/2014 (Liabilities) L.E
Temporary tax differences – O.W. (USA)	11 452 217	--	21 783 598	
Fixed assets	--	145 662 319		(183 171 579)
Total deferred tax assets / (liabilities)	11 452 217	145 662 319	21 783 598	(183 171 579)
Net deferred tax (liabilities)		<u>(134 210 102)</u>		<u>(161 387 981)</u>

25- TREASURY STOCKS

	31/12/2015		31/12/2014	
	No. Of Stocks	Amount L.E	No. Of Stocks	Amount L.E
The owned Shares by Oriental weavers Co. U.S.A (OW U.S.A) Subsidiary Co	<u>6 595 155</u>	<u>14 596 505</u>	<u>6 595 155</u>	<u>14 596 505</u>

26- CONTINGENT LIABILITIES

L.G'S Issued By Banks in favour of the company and its subsidiaries to third parties as of December 31, 2015 amounted to L.E 13 949 432 Also Contingent liabilities from L.C'S in that date amounted to L.E 6 962 917.

27- CAPITAL COMMITMENTS

The capital commitments as of December 31, 2015 amounted to L.E 17 598 785 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, 2010 and the assessed tax differences were paid.
- Periods 2011 to 2013 was inspected and no form received.
- The company submits its annual tax return regularly on legal dates.

28-2 Salaries & Wages Tax

- The company has been inspected till December 31, 2010 and the assessed tax differences were paid.
- The company submits its tax return on the legal dates.

28-3 Sales Tax

- The company has been inspected till December 31, 2013 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, 2013 and the assessed tax differences were paid.
- 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 represent the balances of cash and cash equivalent debtors and creditors 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.

30- SUBSEQUENT EVENTS

On August 18, 2016, Oriental Weavers received a letter from the Egyptian Competition Authority accusing the company of engaging in monopolistic practices and obliging the company to remove all exclusivity clauses in its contracts signed with a number of local area-rug distributors. Oriental Weavers denied in its releases to the Egyptian Stock Exchanges on August 18 and September 22, 2015 these allegations and that all its contracts do not include any exclusivity clauses. The case has been referred to the general prosecution, yet the company is confident of its sound legal position.



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