النساجون الشرقيون
Oriental Weavers

Annual Report 2017

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Oriental Weavers International Facility

Group's key Milestones

1981

* Establishment of Oriental Weavers
&
MAC

1981-87

* Establishment of Egyptian Fibers Co. (EFCO)
* Opening of the first OW showroom in the USA

1991-92

* Establishment of Sphinx, the US distribution arm
* Opening of the OW showroom in Atlanta

1993-98

* Establishment of a manufacturing facility in the US
* Establishment of OWI, export oriented subsidiary

2006

* Establishment of OW China.

2011-14

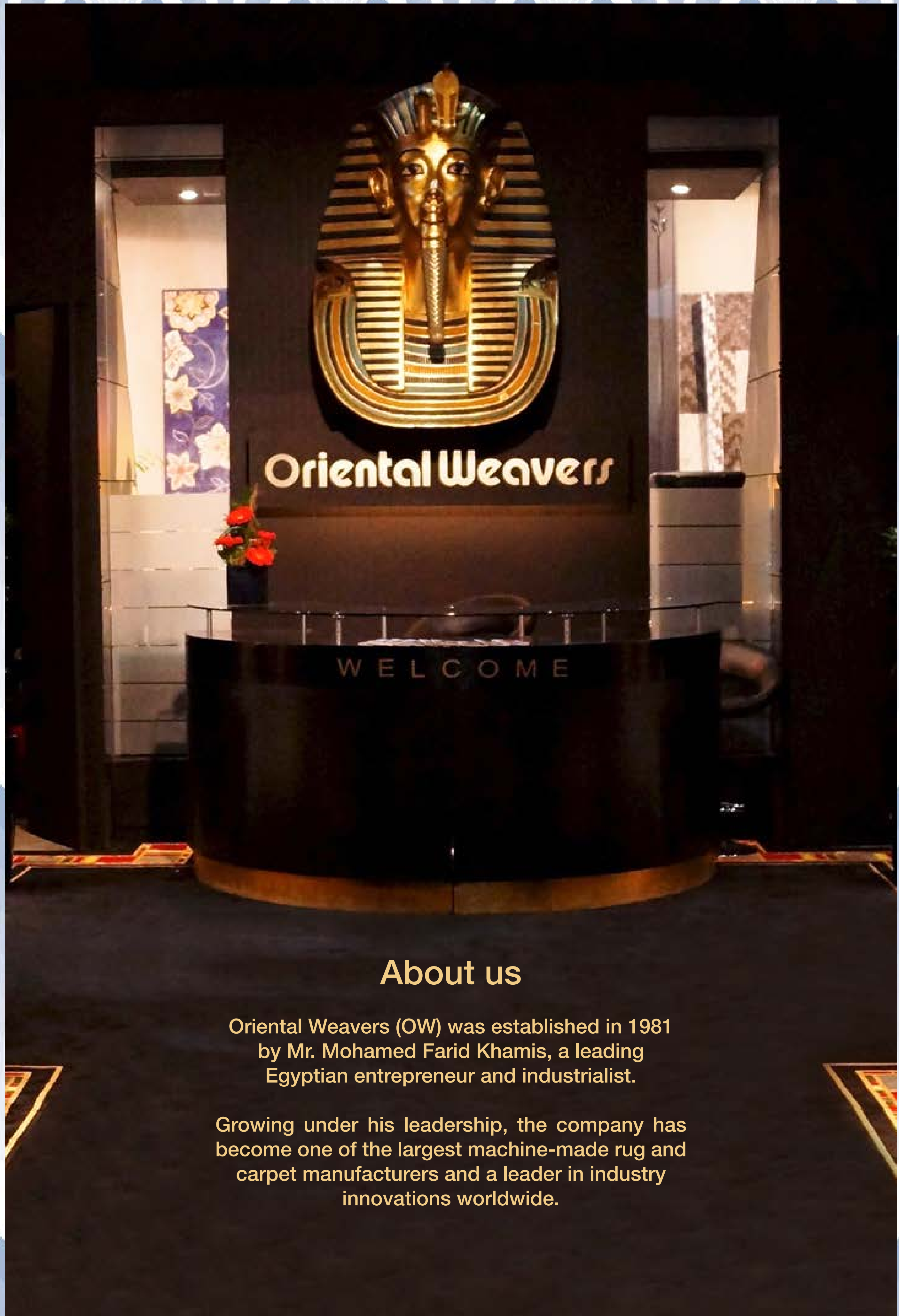
* Establishment of King Tut yarn plant
* Launching OW Hospitality in London
* Opening a new showroom in New York City
* US subsidiary partnering with Pantone & Tommy Bahama

2016

* OW Sphinx was named "the Supplier of the Year" by Rugs Direct

2017

* OW registered a printable polypropylene yarn patent
* OW surpassed the EGP10 billion turnover record



About us

Oriental Weavers (OW) was established in 1981 by Mr. Mohamed Farid Khamis, a leading Egyptian entrepreneur and industrialist.

Growing under his leadership, the company has become one of the largest machine-made rug and carpet manufacturers and a leader in industry innovations worldwide.

Our History

Oriental Weavers Group is the world's largest carpet and rug manufacturer. Headquartered in the Tenth of Ramadan City, Sharqia Governorate, 45km away from the capital Cairo, Egypt, the Group operates additional manufacturing facilities in two countries – China and the United States and a wide distribution network with other offices in Dubai and the UK. OW exports more than 50% of its production and distributes its high-quality products to more than 130 countries worldwide. Today, OW is one of the most widely recognized brands in the machine-woven rug and carpet industry worldwide. The company represents Egypt's true success story.

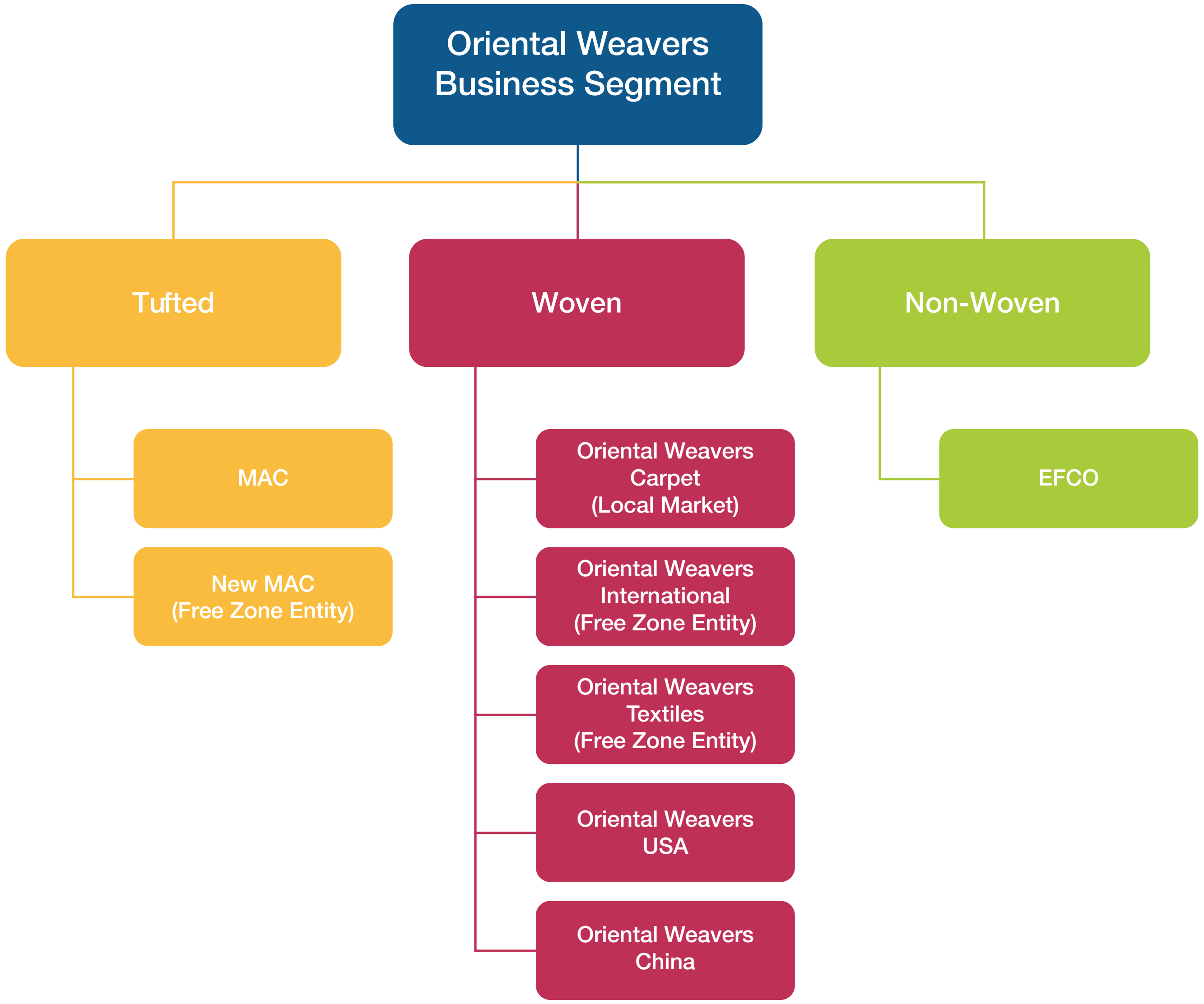
Building on the country's long textile tradition dating back thousands of years, OW has grown to become a vertically-integrated, multinational soft floor covering producer.

With a design center of more than 30 dedicated fashion oriented designers, OW has become a leader in rug design and innovation. The company owns almost 500 registered local industrial designs and yarn patents. Its vision has raised OW to the position as an international trendsetter in rug and carpet manufacturing, high-quality production, and exports. It is by far the largest player in the Egyptian carpet market.

Our Segments and Group's Structure

Oriental Weavers' production rests on three key processes – Weaving, Tufting, and Needle Felting. Although this may sound simple, there are many other processes involved from fiber selection and preparation for the pile to innovative methods in applying colors, design, and texture to the manufacturing processes as such.

The Oriental Weavers Group comprises of eight independently operating companies, each with its own mandate, management team, and scope. The eight entities interact, operating in synergy with their peers and that allows the company to offer a wide variety of popular as well as award-winning products both in the local, regional and international markets.



Woven Segment

Five companies are engaged in the manufacturing of woven products, three of which are in Egypt, one in the US and another one in China.

OW produces three grades of machine-woven carpets and rugs (A, B, and C). In the weaving process, the surface yarn is inserted and intertwined with the backing yarn, which generally consists of jute weft threads (horizontal) and warp threads (vertical). The warp threads are made of jute, cotton, viscose or polypropylene.

OW Hospitality, another division within the group, produces unique-woven broadloom products. The company is well-established in the US, European and Asian markets with its offices in the UK, US, Egypt and the United Arab Emirates.

Oriental Weavers Carpet Company

Oriental Weavers Carpet Company was established in 1981 by Mohamed Farid Khamis, the Egyptian industrialist and entrepreneur. Today, it is a holding company for a fully vertically-integrated manufacturer of rugs, mats, and carpets, producing three grades (A, B, and C) of machine-woven carpets and rugs for the Egyptian and global markets, with an annual production capacity of 23.5 million m^2 (2017). To meet the high-end demand in Egypt in recent years, Oriental Weavers' operations have grown to include the imported handmade rugs of the highest quality made in partnership with craftsmen in China, India and Iran. This cooperation brings exquisite inputs from various cultures and artists, who are renowned for their years-long expertise in hand-woven rugs.

Oriental Weavers was listed in the Egyptian Stock Exchange (EGX) since 1997, and, today, its shares represent consolidated earnings for the company and its subsidiaries.

Oriental Weavers International

Oriental Weavers International (OWI) was established in 1998 as an export-oriented, private free trade zone company in the 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 company's diversified product mix related to residential and commercial use include carpets, rugs and upholstery (gobelin).

OWI's main export markets include North and South America, Europe, the Middle East, Asia and Australia. OWI owns a 79% stake in Oriental Weavers (Tianjin) company Ltd, China, keeping an eye on expanding its current share in the emerging Asian market. In late 2014, a new fully-automated yarn production facility, the King Tut, started its operations with a production capacity of 100 tons per day.

A New Product Every Fortnight

Oriental Weavers Textiles

Located in a private free zone area, Oriental Weavers Textiles is another export-oriented subsidiary to OW. The company owns a sizeable vacant land, which can be utilized for future expansion initiatives of the OW's woven segment. In the area, the company launched the first phase of its expansion plan by constructing a new plant and adding eleven state-of-the-art manufacturing looms in the last two years. Currently the company is building a new raw material warehouse with a size of 4550 meters square as part of its expansions.

Oriental Weavers USA

Oriental Weavers USA is based in Dalton, Georgia. It manufactures, markets, and distributes products imported mainly from the company's Egyptian plants besides other Asian countries. Oriental Weavers USA sells the products to its mass market merchants and big-box retailers, as well as to independent retailers, furniture retailers, catalogues, and various department stores. The online sales segment to major home-furnishing portals such as Target, Kohl's, Amazon, Wayfair, and Rugs Direct has been very successful in recent years, contributing almost 20% to the company's net sales. OW USA was awarded the Supplier of the Year in 2016 by one of the US online retailers. This came in addition to the company's America's Most Magnificent Carpet Award that the company has been receiving annually over the last decade.

Oriental Weavers (Tianjin) Company Ltd,China

Oriental Weavers China was established in 2006 in response to the growing demand for woven products in China and other East Asian countries. OW China manufacturing facilities occupy 140,000 m^2 of land in the Tianjin industrial zone, 80 kilometers south of Beijing. The producer is a vertically-integrated facility with fiber extrusion and rug and carpet manufacturing facilities.

The World of Inspiration

Tufted Segment

There are two companies that operate in the tufted segment in Egypt; MAC, and its private free zone subsidiary, New MAC.
In the tufting process, the yarn is fed into a primary backing, followed by a design printing, and an anchor coat of adhesive material is applied to hold the tufts in place. A secondary backing is then added to guarantee the carpet's solid form.

MAC Carpet "Fiber Factory"

MAC Carpet "Fiber Factory" is Oriental Weavers' foothold in the tufted carpeting segment and a leading Egyptian exporter to more than 112 countries, supplying some of the world's largest retailers. MAC has a diversified portfolio from wall-to-wall carpeting, to door and kitchen rugs, to rubber backed bathroom mats, to multilevel textured mats for outdoor applications, as well as 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. In 2017, MAC expanded its portfolio with new digital printing products that are widely appealing in major markets.

MAC runs four manufacturing sites in Egypt, all in the Tenth of Ramadan City. The company also owns a 98% stake in its subsidiary, New MAC, a tufted manufacturing facility, operating in a private free zone area.

Non-Woven Segment

Egyptian Fibers Company (EFCO) is the Group's unique manufacturer of non-woven felt and it is one of the leading non-woven carpet manufacturers in the world.

In the non-woven segment, the fibers are bonded together through chemical and thermal treatments.

Egyptian Fibers Company (EFCO)

EFCO exports its high-quality products to more than 67 countries worldwide. The company specializes in the production of the master batch, polypropylene staple fiber, and needle felt carpets, including wall-to-wall carpeting of various weights with customized widths of up to four meters; indoor/outdoor rugs; patterned, printed, engraved, and embossed mats; underlay rolls and rug pads; car mats; and bath mats. EFCO uses the latest production technologies to offer high quality prouducts that comply with international standards.

Mohamed Farid Khamis
Founder and Non-Executive Board Member of Oriental Weavers

"*An EGP10 billion* record turnover was achieved in 2017 for the first time in the company's history. Over the past three years, our expansion strategies aimed at broading the geographic outreach of our exports and widening our export client base, in addition to the enhancement of our products that helped us to effectively capitalize on Egypt's currency floatation implemented in late 2016. By introducing a wide range of product categories, implementing our strategy in the local market we have maintained our strong market presence and successfully streamlined the amounting inflationary pressures throughout the year. We pursued our expansion strategy to add 12 new showrooms to our portfolio opened in heavily populated areas in the Delta, East of Cairo, and Upper Egypt throughout 2017.

Owing to the above, we reported a financial performance record in 2017 with a top line recording a 50% increase year-on-year, up to EGP 10.2 billion. We generated EBITDA of EGP 1.5 billion, up 36% compared to 2016 and 41% higher than the previous attributable earnings, up to EGP 683 million.

Our strong performance via OW Hospitality has gained a wide recognition from our local and international customers. Locally, we have had the honor of successfully launching a number of new projects at the New Egyptian Administrative Capital in addition to other contributions such as our participation in the renovation of Al-Azhar Grand Mosque. We also contributed to local and international hotels' installations over and above. In 2017, this division recorded a 56% growth in its revenues, contributing almost 3% to the total revenue.

With a vision to maintain our leading position in the industry, we are continuously investing in acquiring new state-of-the-art machinery in order to broaden our product range and to further integrate our rug manufacturing categories. During the past year, we invested close to EGP 500 million in establishing a new rug factory, Horus, in addition to adding ten new looms, three yarn machinery, and a digital printing machine, among others. The new looms added almost 2% to our total production capacity in 2017. Furthermore, we plan to continue raising our production capacities in 2018 by adding eight new looms, five yarn machinery and a cutting machine for the tufted segment. We expect to spend between EUR 15-20 million of CAPEX in 2018.

Our company has convincingly maintained its solid position across all the markets. In the US, the management of Oriental Weavers USA is continuously developing new programs, targeting the growing remodeling business segment through mass merchants, home centers, and e-commerce providers.

Expanding in the Asian Markets

I'd like to share with you that the Asian market was the strongest growing market for the company, owing to the extensive effort and ambitious vision of our export team. Oriental Weavers has unlocked the growth opportunities available in the Japanese market throughout 2017. Our exports to Japan grew 2.5 times more in USD terms in 2017, owing to our solid partnership with major retailers. It is also worth to mention that our company received a highly positive response from our new customers at a recent industry fair in Domotex, China, held in March 2018.

In Europe, we continue expanding our exposure by approaching new Scandinavian customers, successfully growing in Southern Europe and further boosting our presence in France with some smaller retail stores as well as e-commerce retailers and agents. Building on these efforts and positive achievements, we launched a new program with our primary European customers, which led to a growth in continental exports by 5% in the EUR terms in 2017.

The potential of the Egyptian market remains strong, relying on favorable demographics and ongoing real-estate developments. We continue targeting different income groups in Egypt through a diversified product range and different price points. Accordingly, we focus on a greater penetration to unsaturated areas, targeting the lower and middle-income groups of people, where we see a great deal of opportunity for growth. To this end, we are planning to open around eight small-sized retail outlets in 2018, primarily in the Delta and Upper Egypt regions.

OW Hospitality has thrived thanks to its wide network of both local and international clients – particularly, in the Gulf, Europe, and the USA. By developing our products and services under the OW Hospitality umbrella along with other segments such as tufted guestrooms, we seek to further expand our global presence. The high-quality of our products has earned the company a strong reputation within this segment at the international level. I am confident that this will be one of our key driving forces to boost our top-line and earnings growth over the next several years.

I'd like to extend my appreciation and thanks to all members of the OW Group, who, each and every one of them, have had played a significant role in the success of our company that we are witnessing these days. With their devotion, determination and perseverance since establishment, Oriental Weavers has positioned its brand among one of the world's largest manufacturers and ensures a sustainable yield to our shareholders."

Mohamed Farid Khamis
Founder and Non-Executive Board Member of Oriental Weavers

Management: An experienced
management team with an export-oriented vision

Board of Directors

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

Mr. Mohamed Farid Fouad Khamis
Founder & Non-Executive Board Member

Mr. Salah Abdel Aziz Abdel Motalab
Executive Board Chairman and Chief ExecutiveOfficer

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

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

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

Eng. Mohamed Mahmoud Fawzy Khamis
Executive Board Member & Vice President of Local Sales

Eng. Amr Mahmoud Fawzy Khamis
Executive Board Member & Vice President of Manufacturing and Operations

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

Mr. Alaa ElDeen Mahmoud Shehata
Executive Board Member

Mr. Mahmoud Fawzy Fouad Khamis
Non-Executive Board Member

Mr. Mohamed Mohamed Farid Khamis
Non-Executive Board Member

Mr El Sayed Moaatasam Rashed
Non-Executive Board Member

Mrs. Maha Bint Ahmed Bin Hassan Feteihy
Non-Executive Board Member

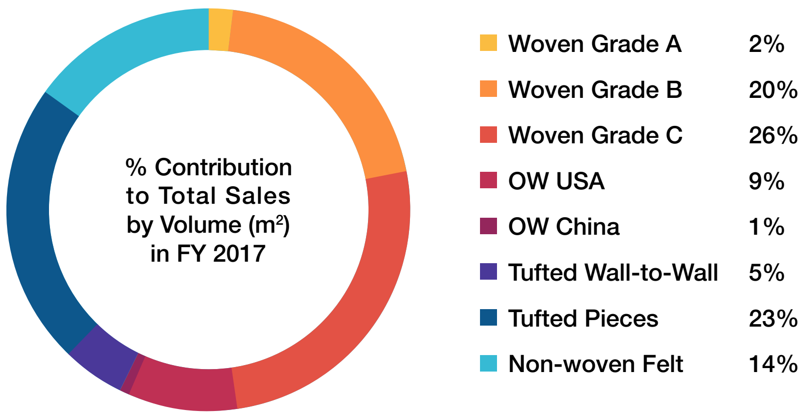
Prof. Wadouda Abd El Rahman Badran
Non-Executive Board Member

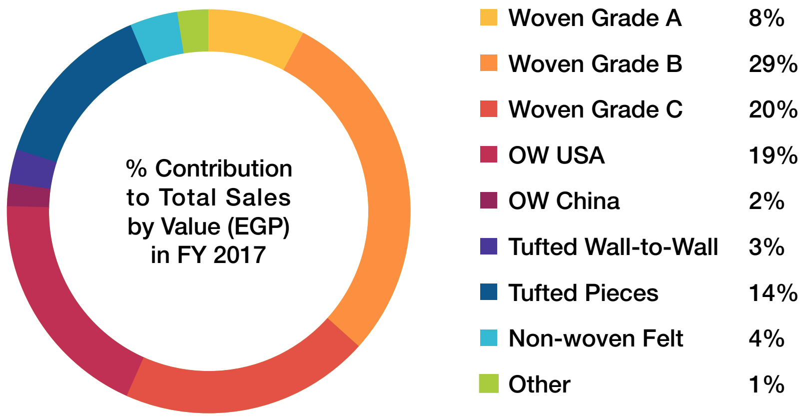
Mr. Mohamed Mohamed Ali Amer
Non-Executive Board Member

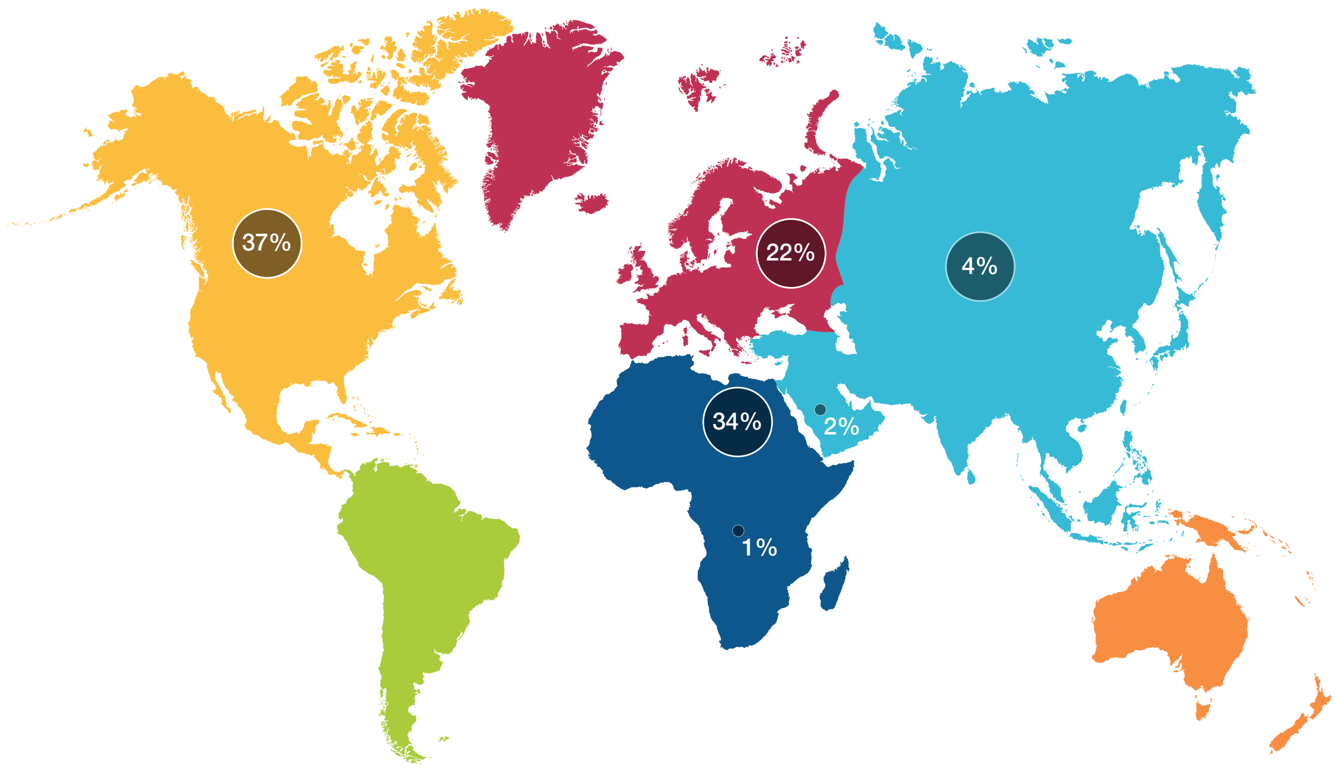
Mr. Ali Abd El Rahman Mohamed El Iraqi
Non-Executive Board Member representing Misr Life Insurance

Mr. Nabil Mohamed Mohamed Sarhan
Non-Executive Board Member representing Misr Insurance Holding Company

Financial Highlights

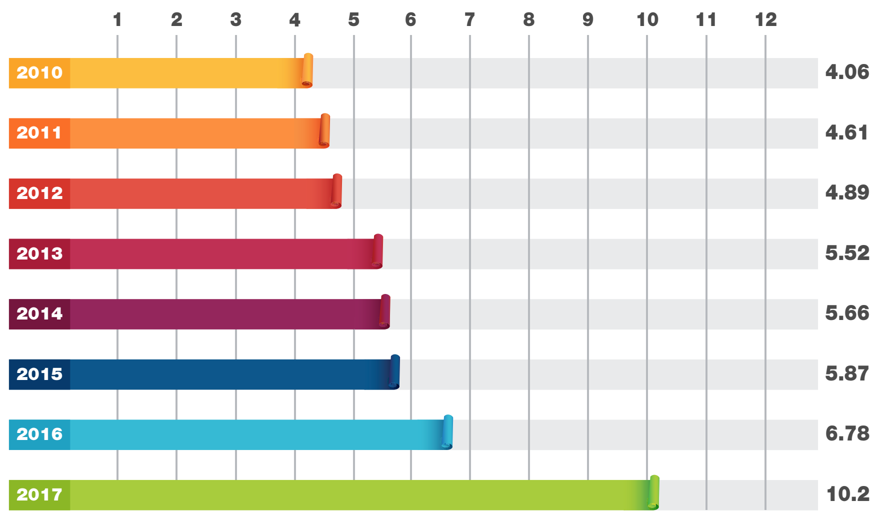




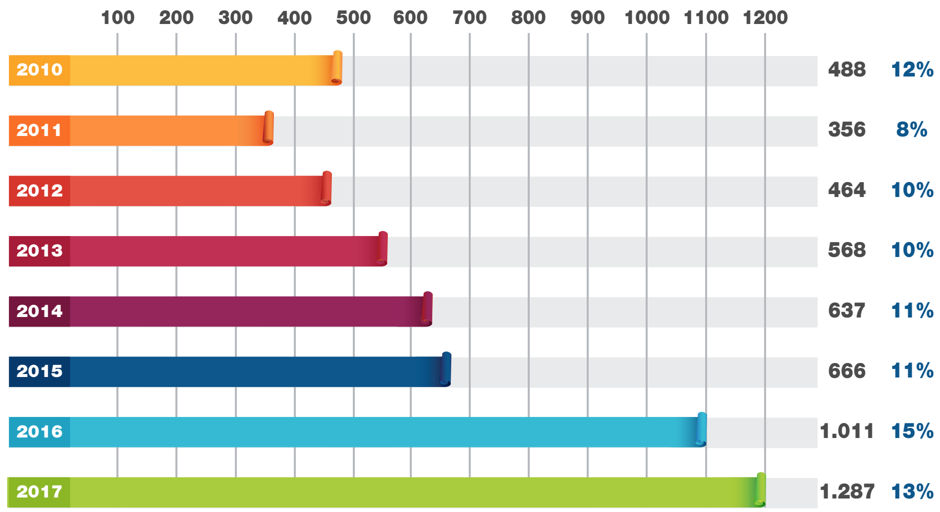


% Contribution to Total Sales by Region in FY 2017

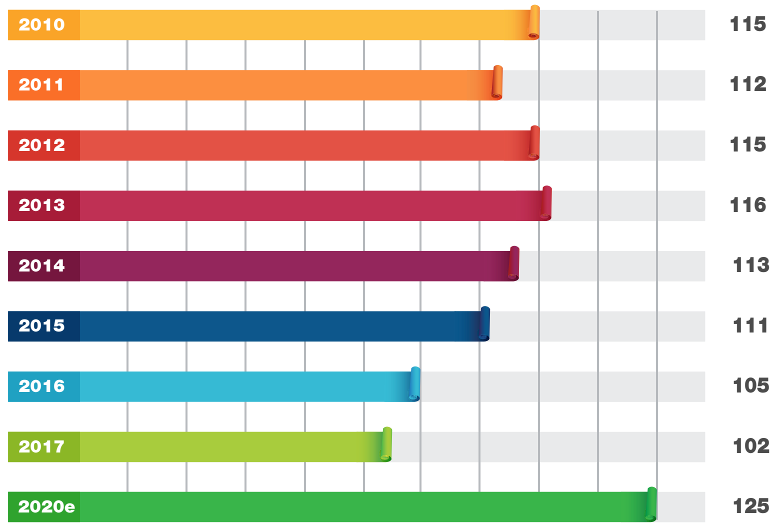
Revenue performance (EGP Billion)



Gross Profit (EGP Million) and Gross Profit Margin



Sales volume performance (Million m²)



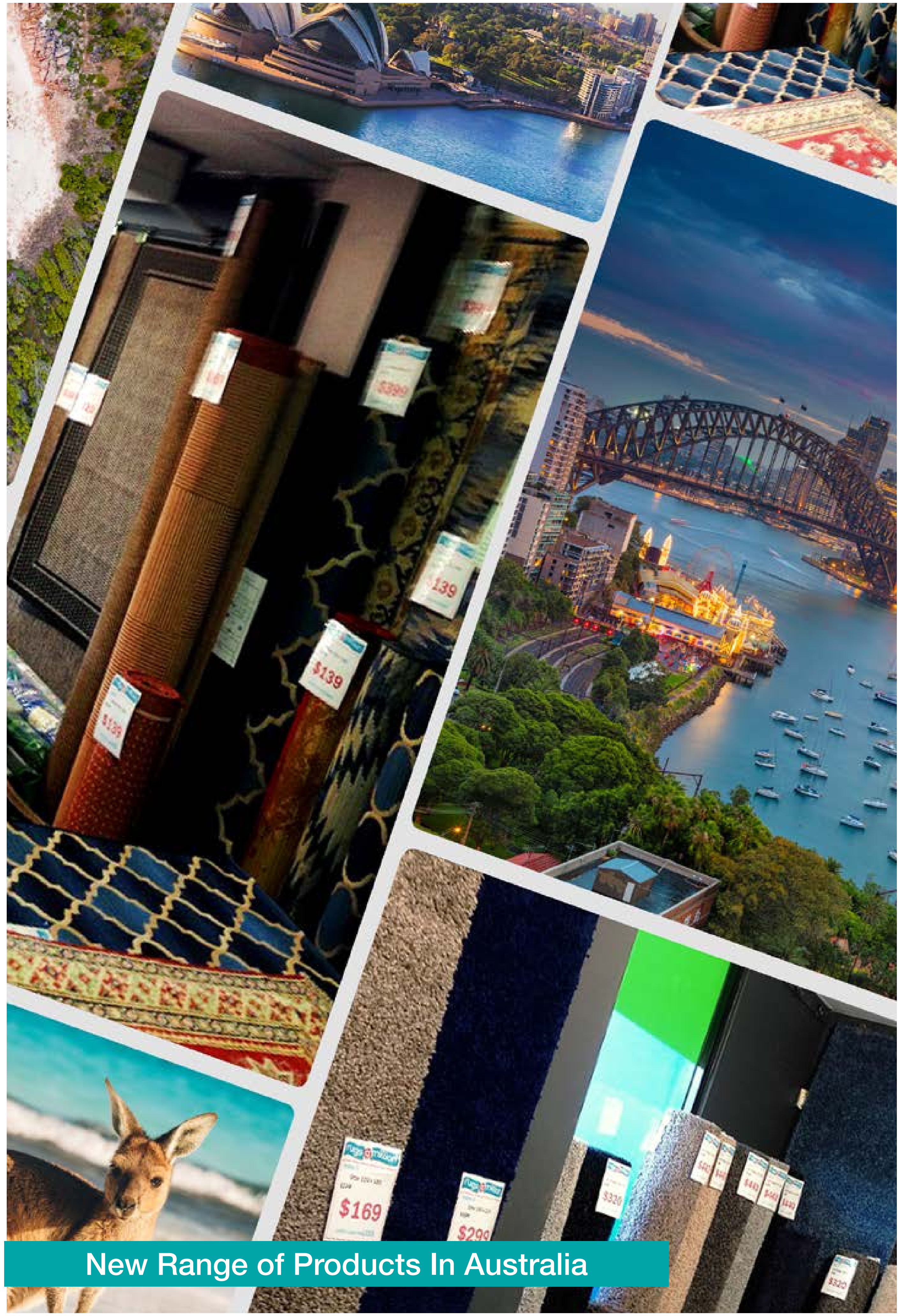
Excluding sales volumes of OW USA and OW China

International Premier Partners

American & Canadian Premier Partners

Premier Partners Hospitality Segment

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



New Range of Products In Australia

Our Vision

We are the global trendsetter of modern, contemporary, and custom-made rugs with a wide range of innovative and exclusive designs.

Our Mission

We strive to assure our leadership position in the industry through offering the most elegant, luxurious and exclusive designs worldwide.

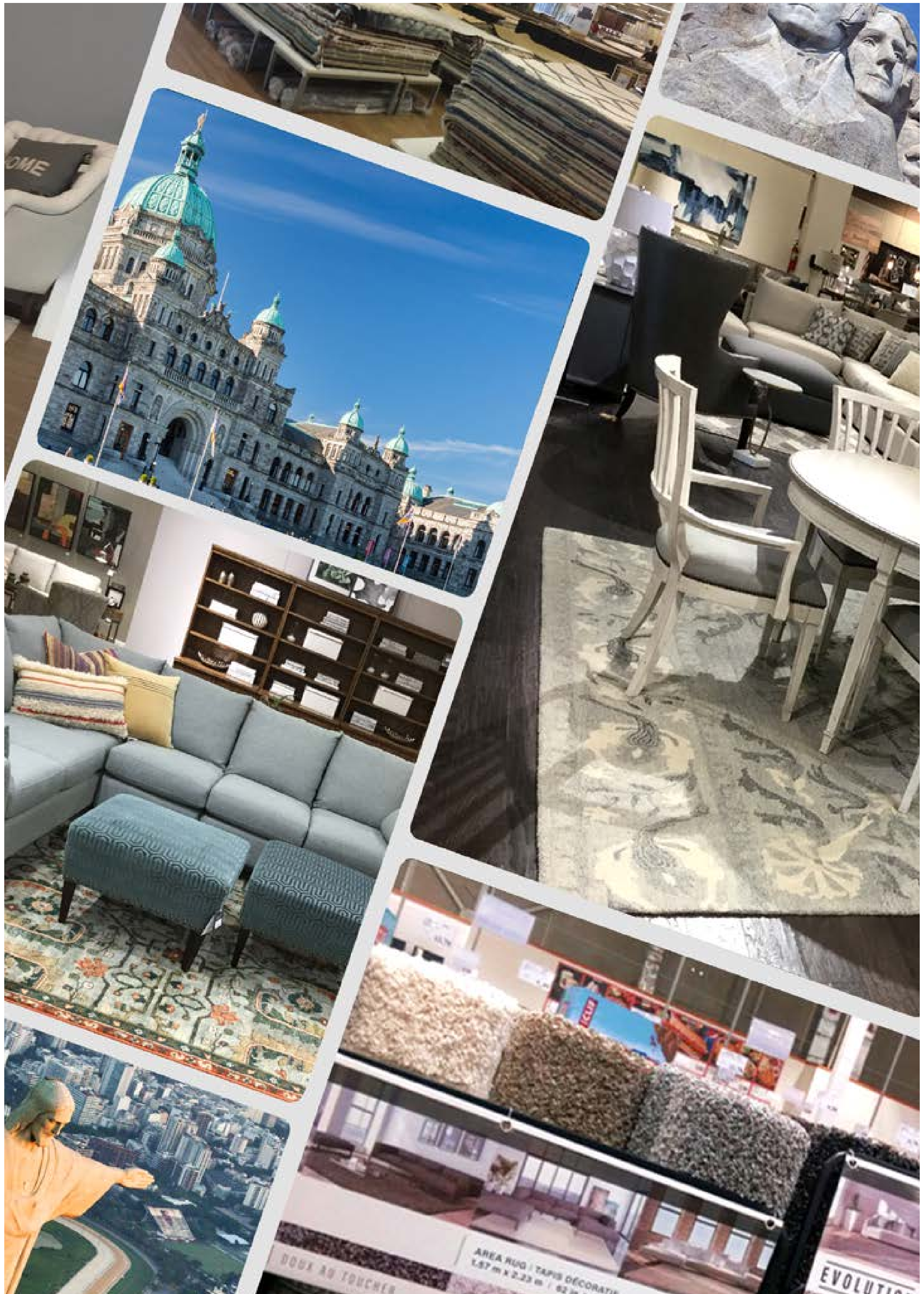
We dare to keep exceeding the expectations of our current and future customers and our shareholders alike.

Vertical Integration
A Guaranteed Source of Raw Materials

At Oriental Weavers, we control the entire manufacturing process, starting with sourcing the majority of our polypropylene granule needs, via The Egyptian Propylene and Polypropylene Company located in Port Said.

The integration of the multifaceted production processes secures the stability of the main feedstock and reduces the stocking period along with warehousing costs.

In a next stage, we convert the granules to yarn to produce rugs and carpets for sales through our retail outlets in the local market and via our international agents.



Wide Penetration to the US, Canada & South America

Strong Presence in the Growing Egyptian Market

The OW Group is the leading carpets and rugs provider in the Egyptian market with local sales accounting for 34% of the Group's revenues in 2017. The top sales in Egypt have been supported by OW's ability to cater to all price points as well as through a wide network of showrooms and distribution channels across the country. There is a huge growth potential in the Egyptian market backed by the demographic factor, including a sizeable population of over 94 million inhabitants combined with a million marriages taking place annually. The growing middle class further contributes to positive outlooks for the company in the upcoming years.

Newly-wed couples drive more than 70% of the Egyptian demand. Concurrently, with the prevalent housing gap, the real estate is one of the fastest growing sectors in Egypt with a considerable number of new projects being launched by private real estate developers in the new satellite cities around Egypt. Furthermore, the Egyptian government plays a major role in the sector as it offers social housing to low-income classes, while it continuously supports the development of new urban communities.

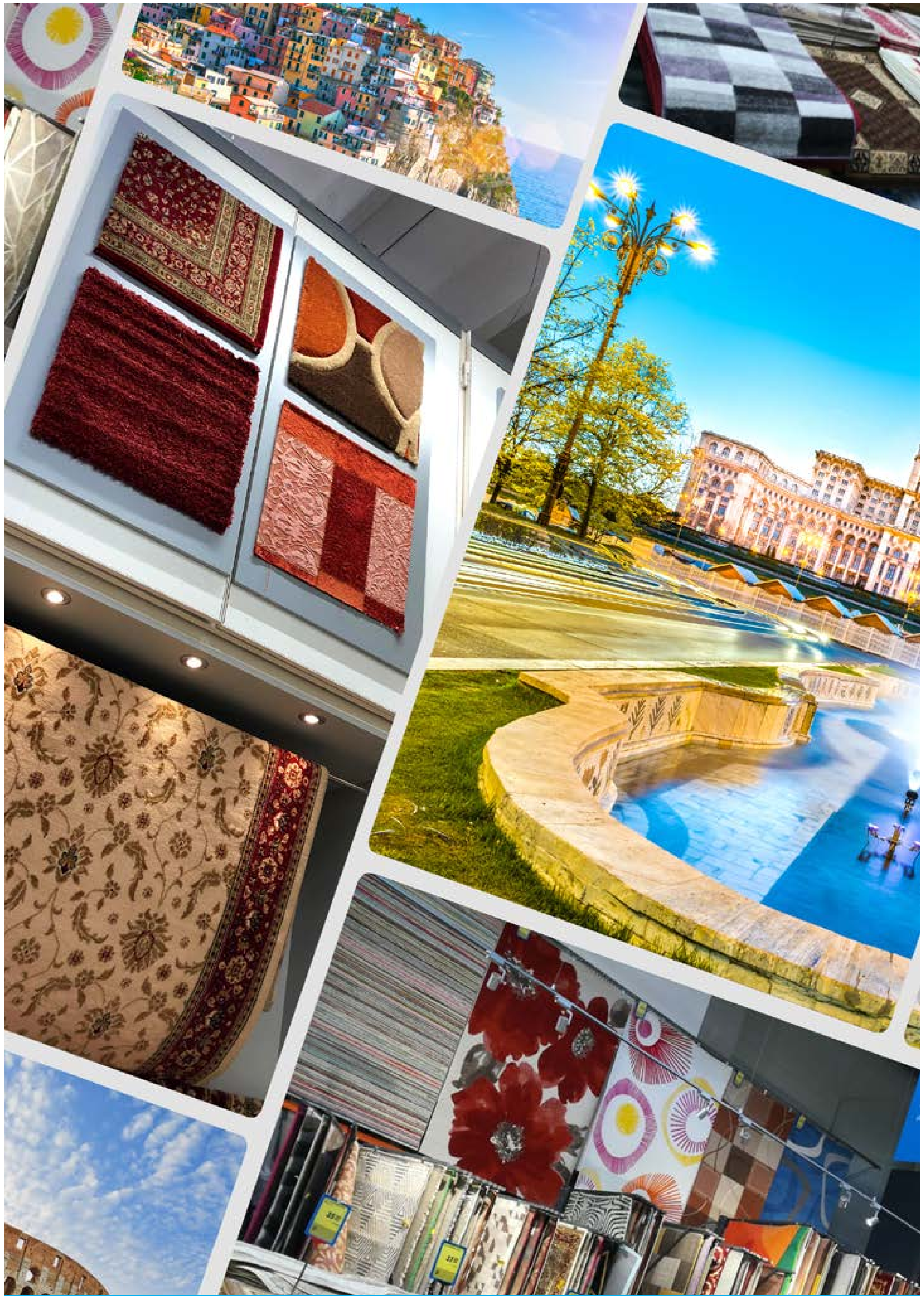
In Egypt, Oriental Weavers and MAC operate 242 showrooms, which comprise of 170 retail and 72 wholesale outlets, including the largest rug showroom in the region in the Sixth of October City with a total retail area of 12,000 m^2. Capitalizing on Egypt's healthy demographics, we are going to open eight new showrooms in 2018.

A Global Outreach

At the Group level, the international sales accounted for 66% of our total revenues in 2017, supported by manufacturing facilities in Egypt, the USA, and China, including the distribution hubs in Egypt and the USA. OW's rugs and carpets are sold in more than 130 countries across six continents.

Original Product Mix

The product diversification is an important cornerstone of Oriental Weavers' strategy, which allows the Group to stay on top of the market trends and achieve a sustainable and an organic growth story. Propelled by the growing demand for outdoor rugs in the USA, Oriental Weavers' outdoor product segment marked its upward trend during the last year.



New Partnership in Europe

In the same vein, Oriental Weavers showcases its newest ranges and designs, at Domotex Hannover Fair as well as the Atlanta International Area Rug Market and High Point Market annually which are positively received by audiences. The US subsidiary has extended its exclusive manufacturing agreement with the inspired designs of Tommy Bahama, while at the same time introduced new appealing products to better meet the customers’ needs.

In response to the boosting demand, we have recently added the 1,200 Reed Loom to our facilities to be able to produce machine-made rugs with more convincing hand-made looks that will further guarantee the company’s competitiveness in the international markets.

Growing Business for OW Hospitality

In the year 2000, OW launched its axminster line which represents an exclusive upgrade to our product range. The line was well received by the market worldwide. We successfully completed a number of installations in the US, Europe, the Middle East and Egypt.

In the US, we refurbished carpets at the Marriott Louisville, JW Marriott - San Francisco, Calder Casino, Autograph Manhattan Public Spaces, and Disney Yacht & Beach Convention Center. This in addition to Hilton Las Vegas, Blackstone Chicago, and Ritz Carlton Chicago.

In the UK, we refurbished carpets at the Odeon New Cinemas, Fountain View and Marriott Grosvenor Park Lane.

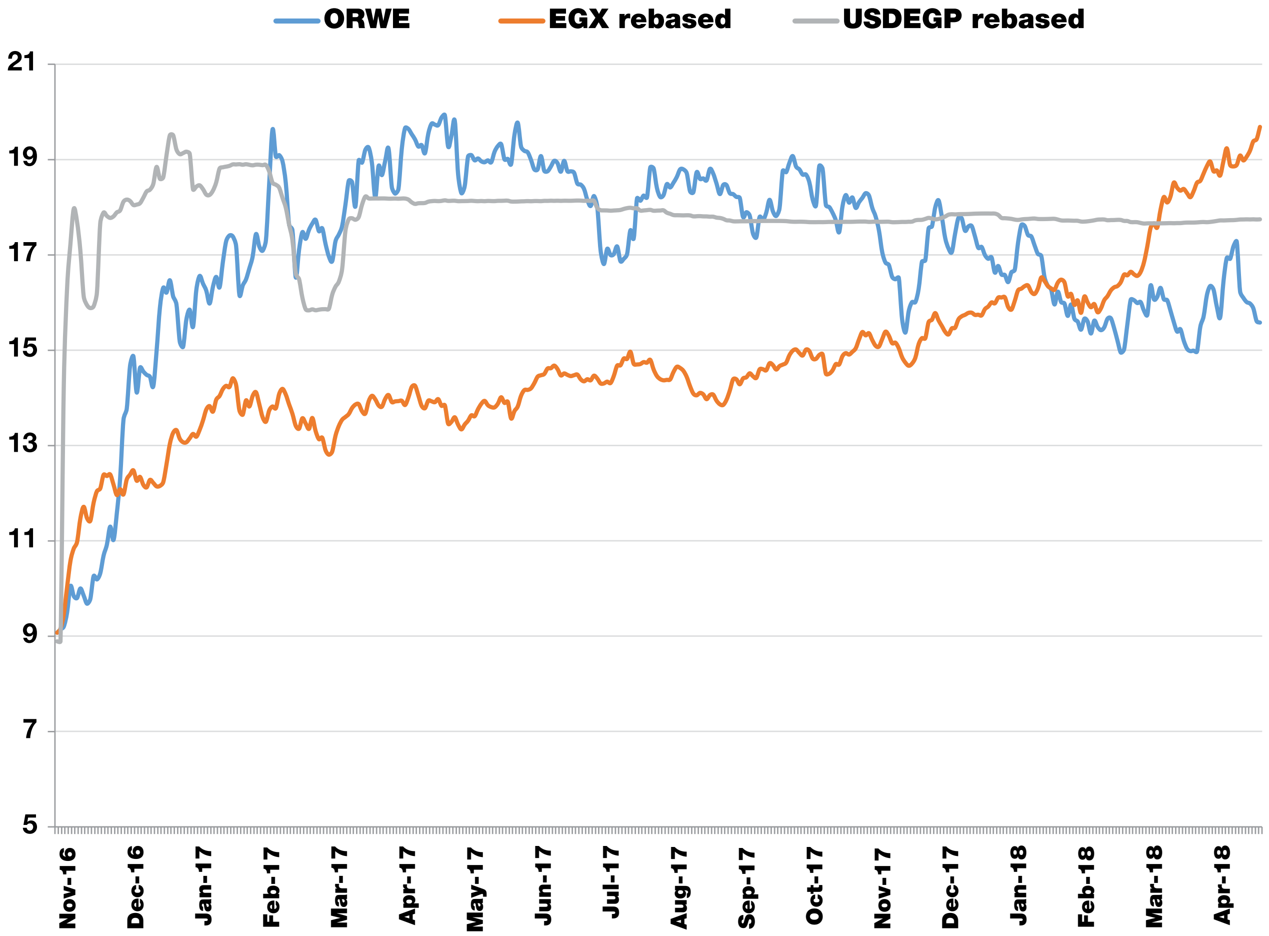
In Dubai, we worked on a large number of new projects, including the carpets installation at The Atlantis Hotel, Fountain View Towers 1, 2, 3 and 4, DAMAC Paramount Towers, The Address, and Westin Dubai - Al Habtoor.

In Saudi Arabia, we installed carpets at a number of five- and four-star hotels in Mekkah and Medinah, including the Four Points Sheraton Mekkah, Millenium Hotel Mekkah and Shaza Kempinski Hotel- Medinah.

In Egypt, we installed carpets at the Al-Masah Hotel in the New Administrative Capital, the new Shuwaifat Hotel in New Cairo, the Vox Cinemas in Alexandria, the Conference Center in Cairo as well as refurbished carpets at Al-Azhar Grand Mosque in Cairo.

Local and Foreign fund managers site visit, January 2018

OW's Stock Performance in 2017



Stock Performance

Since the floatation of the Egyptian pound in November 2016, Oriental Weavers was one of the EGX top picks in 2017, given its USD hedge position on a wide export exposure of more than 60% of revenues. This together with its leading position in the local market, OW's share performance was up 83% vs. EGX's of 70% during the period from November 3rd 2016 to December 31st 2017. During 2017, Oriental Weavers' Investor Relations department took part in national and international investor conferences in Cape Town, Cairo, Dubai, New York, and London, with the participation of the senior management, meeting over 100 international and local investment funds. In 2017, Oriental Weavers ensured that its senior management and the investors' community are brought together regularly via quarterly conference calls, one-on-one meetings, and site visits.

The shareholders' structure of Oriental Weavers is divided into Khamis Family, with a 55.7% ownership, while the institutional investors own a~39% stake (foreign institutions own 27% i.e. – GCC 8%, North America 8.2%, South Africa 2.6%, the UK and Ireland 1%, and the rest of the world 7%, and local institutions own 12%). The retail investors own 4% of the shares and the treasury shares amount to 1.5% of total shares.

Oriental Weavers provides a pro-active, timely, and accurate dissemination of performance-and finance-related information to the market. The senior management, along with the Investor Relations team, work tirelessly to ensure the investors are informed of the company's current programs and its vision for the future at all times. This exchange of information through conferences, meetings, press releases, and presentations, guarantees that the investors can confidently make informed decisions in a timely manner. In addition to an updated well maintained website and a yearly annual report.

Equity Analysts' Ratings

Oriental Weavers is widely covered by the leading research houses both domestically and internationally. Currently, nine institutions regularly have issued research reports on Oriental Weavers. Five analysts have provided a 'buy' recommendation, whereas the remainder of analysts have issued a 'hold' recommendation on the Oriental Weavers' stock.

Reuters Code	Outstanding No. of Shares	Par Value	Market Cap*	EPS
ORWE	450 million	EGP 1	EGP 7.4 billion	EGP 1.08

**as of December 31, 2017*

Healthy Demand in Egypt

Operational Highlights of 2017

Oriental Weavers recorded in 2017 the highest turnover figure in the company's history of EGP 10 billion, 50% higher than 2016 figure of EGP 6.8 billion.This was a result of an 80% growth in export sales, driven primarily by the devaluation of the EGP against the USD and a 14% growth in the local sales.

Local Sales

In the Egyptian market our sales grew 14% y-o-y from EGP 3 billion to EGP 3.4 billion in the 12-month period. The increase was driven by the implemented selling price increase to pass on the higher USD cost following the floatation of the Egyptian pound. The prevalent inflationary pressures throughout the year took its toll on sales volumes going down by 15%.
In 2017, the Group added 12 new showrooms in the Delta, East Cairo, and Upper Egypt,bringing our total number of showrooms to 242.

Export Sales

Our exports grew by 80% y-o-y in FY 2017 to EGP 6.7 billion. This reflects the impact of the floatation of the Egyptian pound on our foreign currency-based export revenues, in addition to the 9% growth in export volumes.

Our sales in the American and Canadian markets (either through our US-based subsidiary OW USA or through direct exports from Egypt) grew by 2% in USD terms in 2017 despite the consolidation of several of our US retail accounts during the year. This came after the large seasonal promotions and a pick up in the market share with our existing customers, alongside the growth in the online business. In 2017, we recorded USD 212 million in net sales to this region, which contributed 56% to the Group's exports' revenues.

Furthermore, we recorded a 5% growth in our exports to Europe (22% of the Group's total exports) in Euro terms in 2017. This was mainly a result of launching a new program with our primary European customer along with expanding of our exposure to the European customers in the Scandinavian region and in Southern Europe.

Given the extensive effort and the progressive vision of our export team, Oriental Weavers has also unlocked growth opportunities in the Japanese market throughout 2017. Based on a solid partnership with major retailers, our exports to Japan grew 2.5 times in the USD terms in 2017.

OW's senior management intends to continue cultivating the company's position in the key markets. It also aims for leveraging the significant growth opportunities offered by OW Hospitality, which already accounts for 5% of the woven export sales and recorded a 2% y-o-y growth in USD terms in 2017.

British University in Egypt site visit

Helwan University Site Visit

Mansoura school site visit,
November 2017

Strong Operational Performance

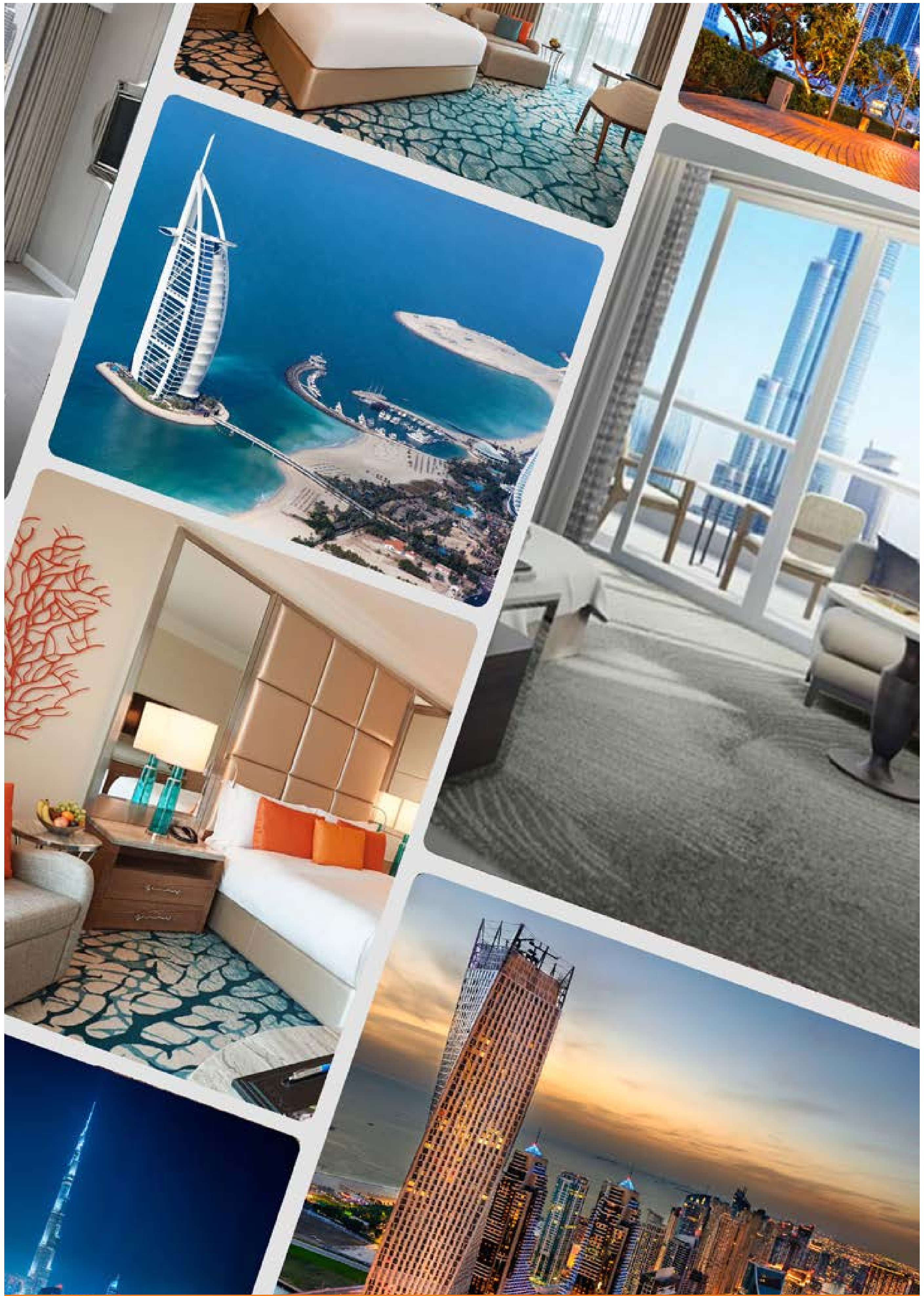
In FY 2017, the OW's net operating income grew by 30% to EGP 963 million. However, the operating margin dropped 147 bps to 9.5%, as a result of i) the inflation in raw material costs as average polypropylene prices went up by 14% in 2017; ii) the 48% higher electricity tariffs resulting from the gradual phasing-out of the Egyptian energy subsidies; iii) the sizeable volumes under the new program with our relatively lower margin European customer, and iv) the increase in fees according to the new investment law related to production from the free zone areas which amounted to USD 3.9 million starting in 2017 (compared to USD 1.4 million in 2016). For the above-stated reasons, in 2017, EBIT margin across our three business segments witnessed a decline of 200 bps down to 12% in our woven segment (representing 79% of the total revenues), 300 bps down to 14% in our tufted segment (17% of the total revenues), and 600 bps down to 22% in our non-woven segment (4% of the total revenues).

Following the floatation of the Egyptian Pound, OW has introduced a solid treasury policy that allowed us to settle EGP 368 million of our Egyptian Pound debt in 2017 and thereby avoid high finance charges on the EGP debt facilities. On December 31st 2017, the breakdown of our debt consisted of 74.5% in USD, 25% in EUR, and 0.5% in EGP compared to 72% in USD, 13% in EUR, and 15% in EGP at the beginning of the year. The Group maintains a healthy debt/equity ratio of 0.49 times compared to 0.45 times a year ago and a net debt/EBITDA reaching 0.7 times versus 1.17 times in 2016. The efficient utilization of our cash balance through investments in high-yield treasury bills and the tax-exempted high-interest current account led to a 28% decline in net interest expense to EGP 44 million.

OW recorded provisions of EGP 83 million, out of which EGP 40 million were allocated for goodwill impairment and the balance for tax settlement. We collected export incentives of EGP 91 million (recorded on a cash basis as other revenues below the EBIT) compared to EGP 214 million in FY 2016. Until April 30th 2018 the current outstanding backlog was almost EGP 350 million (calculated based on a subsidy rate of 4.5% on export revenues of private free zone subsidiaries and 6% on export revenues of non-free zone subsidiaries).

The company incurred EGP 23 million in FX losses, resulting mainly from the impact of the appreciation of the EUR against the USD and the EGP on our EUR-based liabilities, in comparison to EGP 107 million in FY 2016.

OW held a General Assembly meeting on March 28th 2018, at which it approved a per share dividend of EGP 1.5, yielding almost 9% at the closing of the trading session of April 16th, 2018.



Arab Countries: Wide Market to Hospitality

Latest Developments

New Fees Imposed on Free Zone Production Facilities

According to the new investment law, manufacturing facilities located in free zone areas will be subject to a 2% fee on local revenues and a 1% fee on export revenues generated from these areas. Previously, these free zone companies were subject to a 1% fee on local and export value added (calculated as net sales excluding raw material costs).

Expansion Plan

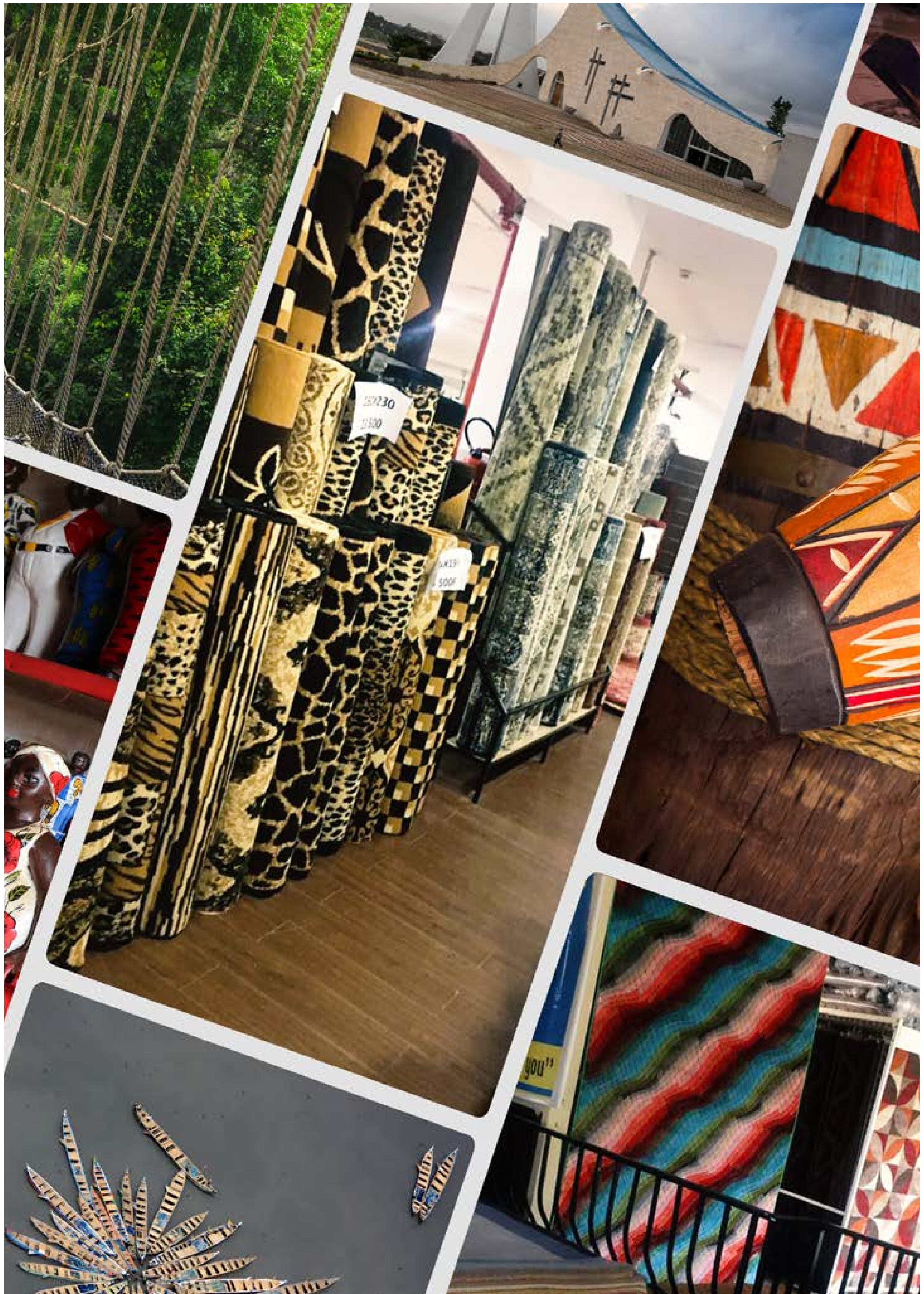
In 2017, OW added ten new looms, one digital printer, three yarn machinery, and packing and coloring machinery to its Egypt-based facilities with a total CAPEX figure of EUR 20 million. The newly added looms are predominately located in non-free zone areas, targeting a shift of production for the local market into the non-free zone areas. It is estimated that this machinery added almost 2% to our total production capacity in 2017.

A EUR 9 million MTL Signed to Finance Part of this Expansion Plan

OW signed a EUR 9 million medium-term loan (MTL) or its equivalent in the USD terms with the Qatar National Bank (QNB) in 2017. Part of the funding for the MTL comes under the Green Economy Financing Facility (GEFF) program of the European Bank for Reconstruction and Development (EBRD) seeking to support energy efficiency development of private companies in Egypt.

OW's BoD Approved the Acquisition of Related Party Assets

At a meeting of March 1st 2018, the Board of Directors (BoD) signed the following related party agreements, later approved by the AGM:



Strong Potential in Africa

1- The acquisition of assets of the Tenth of Ramadan Spinning & Weaving company (a sister company) for a total value of EGP 69.3 million. The valuation was conducted by an independent third party.

OW seeks to acquire these assets due to the following: i) this sister company is currently under liquidation; ii) its buildings are currently utilized by OW Hand-Tuft segment; iii) the proximity of this company to the premises of OW; and iv) the owned sizeable land and buildings can be utilized for the Group's future expansions. The size of the land of this company is almost 21k sqm, valued at the current market price of EGP 1,500/sqm.

2- The acquisition of assets of the Modern Carpet Company (MCC) with a total value of EGP 78.2 million. The valuation was performed by an independent third party. OW seeks to acquire these assets due to the following: i) OW has been renting MCC's buildings for a long time; ii) the proximity of this company to OW; and iii) the owned sizeable land and buildings can be utilized for the Group's future expansions. The size of the land of this company is almost 11k sqm, valued at the current market price of EGP 1,450/sqm.

Oriental Weavers USA's Capital Increase

In line with the OW's board meeting decision on September 10th 2017 regarding the USD 12 million capital increase of OW USA (100% owned by Oriental Weavers), Mr Farid Khamis, the Founder and the main shareholder of Oriental Weavers Egypt, partially subscribed to the capital increase in January 2018 with an amount of USD 6 million. The OW USA's Board sought other financial alternatives as Oriental Weavers did not subscribe to the capital increase of Oriental Weavers USA, because of the ongoing expansions of the Egypt-based subsidiaries. The subscription stake was done based on an independent third party valuation. Consequently, this has reduced the stake of Oriental Weavers Carpets in OW USA to 82%.

Sustainable Business

OW has always an eye on the environmental impact of its business. We focused on saving the energy, water consumption and waste disposal. We implement an efficient business model throughout our production process in compliance with the local and international standards. Our belief in a clean environment led OW to work extensively and set measures towards strategies that limits pollution and raising awareness which could help minimize the causes of air pollution in Egypt.
OW uses adaptable air pollution solutions to enhance our health and improve air quality especially at the industrial zone in the Tenth of Ramadan city. Some of the solutions and practices are as follows:

Main practices:

* Selling the waste of the polypropylene yarn to the sister company "EFCO" to produce the rug underlay.
* Treatment of solution of space dye before entering the main governmental sewage system.
* All dangerous wastes (such as florescent lamps, batteries....etc.) are sent to the Central Dump Site in Alexandria Governorate.
* Selling the used latex barrels to a local chemical paint company.
* Recycling the residuals, damaged and useless polyethylene products.
* Selling piles of carton and waste of paper.
* Selling used oil/lubricants to MOBIL.

We obtained OEKO-Tex Certificate Standard 100 in 2005, accordingly our carpets meet the Human - Ecological requirements. We also obtained the certificate No. ZHGO 050760 issued from Testex , AG Swiss Textile Testing Institute which is re-newed annually.

Since we have obtained the ISO 14001 in 1999, our emission levels of air pollution from the examined boilers at Oriental Weavers International have been within the limits of the Egyptian Environmental Law NO. 4/1994.

Air Pollution Compliance Statistics

Pollutant	Boilers	Law # 4/1994 standard
Carbon Monoxide, mg	23.4	250
Carbon dioxide, %	12.6	0
Sulphur dioxide, mg	0.52	1,600
Nitrogen oxide, mg	68	300
Fly ash, mg	17.3	100
Smokes, mg	5.4	50

Corporate Social Responsibility

Let's beat the triangle of poverty, ignorance and disease

Health Support

Oriental Weavers supported a number of activities of several nonprofit organizations in Egypt such as various medical institutions and governmental hospitals.

OW strongly believes that the most vulnerable people have the right to equal opportunities including the access to suitable healthcare to break the vicious circle of poverty, ignorance and disease. OW is, therefore, convinced that the private sector must step in to turn the at-risk population to be healthy, empowered and viable community.

Education Development

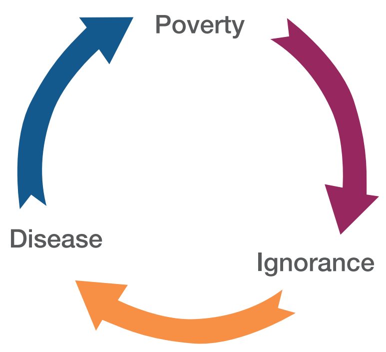
Owing to the strong and continuous belief, Oriental Weavers recognizes the importance of high quality education. OW Sponsored ENACTUS, one of the leading programs worldwide that helps university students to start up their own small development projects.

Community Support

Oriental Weavers donated a substantial amount to the Tahya Masr Fund which supports community development programs across Egypt by facilitating large projects initiated by the government. This in addition to OW's donations to a number of orphanages & NGO's in different governorates.

Social Support

OW donated blankets, food boxes and Ramadan iftar meals directly and through many societies and organizations. In addition, the company provided transportation services for students from the Tenth of Ramadan City commuting each day to their universities in Cairo and surrounding cities in different governorates.



ORIENTAL WEAVERS COMPANY FOR CARPETS

(An Egyptian Joint Stock Company)

Consolidated Financial Statements
For The Financial Year ended December 31, 2017

Together With Auditor`s Report

BAKER TILLY
WAHID ABDEL GHAFFAR & CO.

Accouantants & Consultants
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Translation from Arabic

AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ORIENTAL WEAVERS COMPANY FOR CARPETS

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Oriental Weavers Company For Carpets (S.A.E) which comprise of the consolidated statement of financial position as of December 31, 2017 and the statements of income,comprehensive income ,changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes. We did not audit the financial statements of Oriental Weavers Company - United States of America and Oriental Weavers Company – China. Which statements reflect total assets and revenues for these companies constituting 15.55% and 20.70% respectively, of the related to consolidated totals. The financial statements of Oriental Weavers Company-United States of America and Oriental Weavers Company – China were audited by other auditors whom issued unqualified audit reports dated February 25, 2018 and February 1, 2018 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.

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An independent member of Baker Tilly International

BAKER TILLY
WAHID ABDEL GHAFFAR & CO.

Opinion

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Oriental Weavers Company For Carpets (S.A.E) as of December 31, 2017 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 1, 2018.

Wahid Abdel Ghaffar

BAKER TILLY
WAHID ABDEL GHAFFAR & CO.
PUBLIC ACCOUNTANTS & CONSULTANTS

B.T. Wahid Abdel Ghaffar&Co.

Public Accountants & Consultants

Oriental Weavers Company for Carpets

(An Egyptian Joint Stock Company)

Consolidated Statement of Financial Position
As of December 31, 2017

	Note No	31/12/2017 LE	31/12/2016 LE
Non Current Assets			
Fixed assets (net)	(6)	4 847 694 633	5 051 525 310
Projects in progress	(7)	196 308 618	256 118 299
Available for sale investments	(8)	128 431 394	132 223 131
Goodwill	(9)	246 239 174	286 239 174
Total non current assets		5 418 673 819	5 726 105 914
Current Assets			
Inventory	(10)	3 456 418 303	3 041 520 516
Trades & notes receivable	(11)	306 551 828	2 195 325 684
Debitors and other debit accounts	(12)	306 551 828	335 796 427
Treasury Bills	(13)	70 921 177	652 697 091
Cash at Banks and on Hand	(14)	1 110 416 977	336 231 158
Total current assets		6 908 913 209	6 561 570 876
Total Assets		12 327 587 028	12 287 676 790
Equity			
Issued and paid up capital	(15)	450 000 000	450 000 000
Reserves	(16)	1 625 403 458	1 610 848 607
Retained earnings		673 531 684	907 255 467
Net profit for the year		683 322 305	484 207 848
Exchange differences arising on translation of financial statements		4 177 214 282	4 359 002 703
Treasury shares	(17)	(43 276 473)	(14 596 505)
Total equity attributable to the parent company		7 566 195 256	7 796 718 120
Non controlling interest	(18)	723 900 646	700 129 675
Total equity		8 290 095 902	8 496 847 795
Non Current liabilities			
Long term loans	(19)	316 521 265	197 483 980
Housing and Development Bank loan	(20)	245 625	288 411
Deferred tax liabilities	(22)	125 036 998	116 705 797
Total Non Current liabilities		441 803 888	314 478 188
Current Liabilities			
Provisions	(23)	76 921 671	49 149 018
Banks-Credit accounts	(24)	1 871 557 084	1 997 577 251
Long term liabilities-Current portions	(21)	78 641 729	104 589 545
Suppliers & notes payable	(25)	1 069 686 503	915 834 260
Dividends payable		23 212 365	10 991 402
Creditors & other credit accounts	(26)	354 027 711	252 110 633
Tax payable		121 640 175	146 098 698
Total Current Liabilities		3 595 687 238	3 476 350 807
Total equity and liabilities		12 327 587 028	12 287 676 790

The accompanying notes from No.(1) to No. (31) 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

النساجون الشرقيون
Oriental Weavers

Oriental Weavers Company for Carpets

(An Egyptian Joint Stock Company)

Consolidated Statement of Income
For The Financial year ended December 31, 2017

	Note No	31/12/2017 LE	31/12/2016 LE
Net sales		10 173 935 413	6 779 175 801
Less			
Cost of sales		8 887 138 963	5 779 923 256
Gross profit		1 286 796 450	999 252 545
Add / (Less):			
Financial investments revenues		--	150 000
Capital Gain		16 457 209	4 809 059
Other revenues		91 190 058	214 013 805
Treasury Bills returns		49 935 185	32 224 356
Interest Income		41 600 847	18 892 298
Distribution expenses		(67 628 753)	(56 405 759)
General & Administrative expenses		(256 637 336)	(201 966 337)
Formed provisions & Impairment		(82 541 681)	(99 868 551)
Financing expenses		(135 044 784)	(111 223 835)
Foreign exchange differences		(22 551 226)	(106 731 839)
Net profit for the year before income tax		921 575 969	693 145 742
Add / (Less):			
Current income tax		(172 260 608)	(168 248 972)
Deferred tax		(7 564 270)	4 050 291
Income tax for the year		(179 824 878)	(164 198 681)
Net profit for the year after income tax		741 751 091	528 947 061
Attributable to:			
The parent company		683 322 305	484 207 848
Non controlling interest		58 428 786	44 739 213
		741 751 091	528 947 061
Basic earnings per share in the separate financial statements	(27)	1.75	1.39

The accompanying notes from No.(1) to No. (31) form an integral part of these consolidated financial statements.

Chairman & CEO
Salah Abdel Aziz Abdel Moteleb

CFO & Board Member
Mohamed Kattary Abdallah

Oriental Weavers Company for Carpets

(An Egyptian Joint Stock Company)

Consolidated Statement of Comperhensive Income
For The Financial year ended December 31, 2017

	31/12/2017	31/12/2016
	LE	LE
Net profit for the year	741 751 091	528 947 061
Other Comprehensive Income		
Foreign exchange differences loss from revaluation of monetary items	--	(12 687 214)
Foreign exchange differences loss transferred to retained earnings	--	12 687 214
Changes in fair value of available for sale investments	55 935	515 683
Translation exchange differences	(196 032 904)	3 824 579 041
Total Other Comprehensive Income after deduction Tax	(195 976 969)	3 825 094 724
Total Comprehensive Income for the year	545 774 122	4 354 041 785
Attributable to:		
The parent company	501 589 819	4 126 270 954
Non controlling interest	44 184 303	227 770 831
	545 774 122	4 354 041 785

The accompanying notes from No.(1) to No. (31) form an integral part of these consolidated financial statements.

Chairman & CEO	CFO & Board Member
Salah Abdel Aziz Abdel Moteleb	Mohamed Kattary Abdallah

Oriental Weavers Company for Carpets

(An Egyptian Joint Stock Company)

Consolidated Statement of Changes in Equity
For The Financial year ended December 31, 2017

	Issued and Paid up capital LE	Reserves LE	Retained earnings LE	Net profit LE	Translation differences LE	Treasury shares LE	Equity holders of the parent LE	Non controlling interest LE	Total equity LE
Balance at 1/1/2016	450 000 000	1 525 324 322	823 478 382	356 302 735	717 455 280	(14 596 505)	3 857 964 214	380 633 138	4 238 597 352
Transferred to reserves	--	19 241 145	--	(19 241 145)	--	--	--	--	--
Dividends	--	--	(10 475 715)	(280 810 260)	--	--	(291 285 975)	(13 545 763)	(304 831 738)
Transferred to retained earnings	--	--	56 251 330	(56 251 330)	--	--	--	--	--
Adjustments related to consolidated statements	--	65 767 457	45 396 677	--	--	--	111 164 134	110 563 476	221 727 610
Foreign exchange differences loss from revaluation of monetary items	--	--	(7 395 207)	--	--	--	(7 395 207)	(5 292 007)	(12 687 214)
Total Comprensive income for the year	--	515,683	--	484 207 848	3 641 547 423	--	4 126 270 954	227 770 831	4 354 041 785
Balance at 31/12/2016	450 000 000	1 610 848 607	907 255 467	484 207 848	4 359 002 703	(14 596 505)	7 796 718 120	700 129 675	8 496 847 795
Balance at 1/1/2017	450 000 000	1 610 848 607	907 255 467	484 207 848	4 359 002 703	(14 596 505)	7 796 718 120	700 129 675	8 496 847 795
Transferred to reserves	--	15 626 926	--	(15 626 926)	--	--	--	--	--
Transferred to retained earning	--	--	468 580 922	(468 580 922)	--	--	--	--	--
Dividends	--	--	(701 846 347)	--	--	--	(701 846 347)	(20 532 585)	(722 378 932)
Adjustments related to consolidated statements	--	(1 128 010)	(458 358)	--	--	(28 679 968)	(30 266 336)	119 253	(30 147 083)
Total Comprensive income for the year	--	55,935	--	683 322 305	(181 788 421)	--	501 589 819	44 184 303	545 774 122
Balance at 31/12/2017	450 000 000	1 625 403 458	673 531 684	683 322 305	4 177 214 282	(43 276 473)	7 566 195 256	723 900 646	8 290 095 902

The accompanying notes from No.(1) to No. (31) form an integral part of these consolidated financial statements.

Chairman & CEO

Salah Abdel Aziz Abdel Moteleb

CFO & Board Member

Mohamed Kattary Abdallah

النساجون الشرقيون
Oriental Weavers

Oriental Weavers Company for Carpets

(An Egyptian Joint Stock Company)

Consolidated Statement of Cash flow

For The Financial year ended December 31, 2017

	Note No	31/12/2017 LE	31/12/2016 LE
Cash flows from operating activities			
Net profit for the year before income tax		921 575 969	693 145 742
Adjustments to reconcile net profit to net cash provided by operating activities			
Fixed assets depreciation		559 990 932	620 284 360
Formed provisions & Impairment		82 541 681	99 868 551
Interest income		(41 600 847)	(18 892 298)
Financing expenses		135 044 784	111 223 835
Financial investments revenues		--	(150 000)
Capital (gain)		(16 457 209)	(4 809 059)
Exchange differences arising from translation of financial statements		(37 436 986)	33 893 255
Operating profits before changes in working capital		1 603 658 324	1 534 564 386
Change in working capital			
(Increase) in inventory		(488 029 833)	(163 324 083)
Decrease in trades & notes receivable and debit accounts		175 575 381	355 031 120
Increase (Decrease) in suppliers & notes payable and credit accounts		228 759 412	(98 116 903)
Cash flows provided by operating activities		1 519 963 284	1 628 154 520
Proceeds from interest income		41 600 847	20 839 369
Financing expenses paid		(135 044 784)	(110 484 439)
Income tax paid		(137 552 081)	(116 090 454)
Net cash flows provided by operating activities		1 288 967 266	1 422 418 996
Cash flows from investing activities			
(Payments) for purchase of fixed assets and projects in progress		(434 219 233)	(529 021 016)
(Payments) under purchase of available for sale investments		--	(114 607 230)
Proceeds from selling of fixed assets		27 030 945	19 415 053
Proceeds from Treasury Bills		98 027 589	17 513 163
		(309 160 699)	(606 700 030)
Cash flows from financing activities			
(Payments) Proceeds for banks-credit accounts		(78 240 028)	(56 653 170)
Dividends paid and payments for non controlling interest		(710 157 969)	(308 161 511)
Proceeds (Payments) for long term liabilities		103 186 664	(230 307 344)
Net cash flows (used in) financing activities		(685 211 333)	(595 122 025)
Net change in cash and cash equivalents during the year		294 595 234	220 596 941
Cash and cash equivalents at the beginning of the year		890 061 388	431 042 515
Cash transferred from the acquired company at the beginning of the Period		--	11 978 582
Translation exchange differences related to cash and cash equivalents		(3 379 234)	226 443 350
Cash and cash equivalents at end of the year		1 181 277 388	890 061 388
Cash & Cash equivalent	(14)	1 110 356 211	336 176 939
Treasury Bills	(13)	70 921 177	652 697 091
Treasury Bills due more than three months		--	(98 812 642)
Cash & Cash equivalent		1 181 277 388	890 061 388

The amounts of LE (118,448,278) of the working capital items, LE (123,736,139) of the investment activities and LE 87,734,648 of the financing activities have been eliminated against the amount of LE (154,449,769) of the translation differences.

The accompanying notes from No.(1) to No. (31) form an integral part of these consolidated financial statements.

Chairman & CEO	CFO & Board Member
Salah Abdel Aziz Abdel Moteleb	Mohamed Kattary Abdallah

1 - BACK GROUND 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.

1-2 **Commercial Register**
Commercial Register No 44139 dated November 16, 1981.

1-3 **Company's objective**
Producing, selling and exporting machine – made carpets and importing related production supplies, equipment, machinery, or materials.

According to the Extraordinary General Assembly held on April 2, 2017, amendments to the company's objectives were approved to become as follows:

Production of machine – made rugs and semi hand-woven carpets (Hand-Tuft), marketing and selling them domestically, export and import the machinery and equipment and raw materials necessary for the production.

- Toll manufacturing for other parties and at other parties.
- Supplying, installing and maintaining of all types of woven carpets and rugs, and purchasing, importing and supplying all installation and maintenance supplies.
- Importing all types of carpets, woven and non-woven semi finished materials from the country or abroad, complete their production, processing, and then re-market and sell them domestically and aboard.
- Manufacturing, selling and exporting all kinds of natural and industrial raw materials which are necessary for the manufacturing of carpets, whether in the form of yarn or in the form of materials needed to produce the yarn, as well as importing all the necessary needs to achieve this purpose.
- Importing all machine-made and hand-made rugs and the accessories complementary to its product mix from Egypt or from outside the country for the purpose of marketing and selling them domestically.
- The Company's objective was amended in the Commercial Register on November 16th, 2017.

1-4 Company Life time is 25 years starting November 15, 2006 to November 14, 2031.

1-5 The Company is listed on the Egyptian exchanges.

1-6 **Company's Headquarter**
The Company located at Tenth of Ramadan city – Industrial zone – Sharkia.

2 - BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

2-1 **Statement of compliance**

- The consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards and in the light of Egyptian laws and regulations.
- 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.

2-2 **Basis of measurement**

- The consolidated financial statements 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 as shown in the accounting policies mentioned below.

3 - USE OF JUDGMENTS AND ESTIMATES

- The preparation of consolidated 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. (5) 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.

3-1 **Fair Value Measurement**

- The fair value of the financial instruments is determined based on the quoted price for the financial instrument or similar instruments at the financial statement date. The financial assets value are determined based on current purchase price for these assets; while the financial liabilities value are determined based on current prices for which these liabilities settled.
- In the absence of an active market, the fair value is determined using various valuation techniques taking into consideration the transactions recent prices, current fair value for the other similar instruments substantially, discounted cash flows or any other valuation technique which results in reliable values.

3-1 **Fair Value Measurement**

- When using the discounted cash flow method as a valuation technique, the future cash flows are estimated based on management's best estimates. The discount rate used is determined in the light of the prevailing market price at the date of the financial statements of financial instruments are similar in nature and terms.

4 - SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

- Consolidated Financial Statements include companies in which Oriental Weavers Company for Carpets participates in their capital and has control thereon.

- Subsidiaries included in the consolidated financial statements are as follows:-

Subsidiary name	Percentage of participation 31/12/2017
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
Oriental Weavers Textile *	71.44

* On September 29, 2016 Rosetex Modern Factories for Spinning and Weaving Company (which was 99.99% owned by Oriental Weavers Company for Carpets & classified as subsidiary company) had been merged into Oriental Weavers Textile Company (which was 45% owned by Oriental Weavers Company for Carpets & classified as investments available for sale). Accordingly, Oriental Weavers Company for Carpets' stake of new textile entity (after the merge) represents 71.44%. It is worth mentioning that December 31, 2013 was the valuation date of assets and liabilities of both merger and merged companies.

5 -SIGNIFICANT ACCOUNTING POLICIES

5-1 **Basis of consolidation**

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

5-1 **Basis of consolidation**

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

A - **Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

B - **Non-controlling interest**

Non-controlling interest are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

C - **Loss of control**

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in profit or loss, any interest retained in the former subsidiary is measured at fair value when control is lost.

D - **Transactions eliminated in 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.

5-2 **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 year.

5-2 **Basis of consolidation**

C - **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.
Foreign currency differences are recognized in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interest.

5-3 **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-if exist.

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	25-50
Machinery & Equipments	10
Vehicles	5-8
Tools & Supplies	5
Show-room Fixture	3
Furniture & office equipment	5-10
Computers & programs	3

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.

5-4 **Projects in Progress**
Projects in progress are recognized initially at cost. Cost includes all expenditures directly attributable to bringing the asset to a working condition for its intended use.
Projects in progress are transferred to property, plant and equipment caption when they are completed and are ready for their intended use.

5-5 **Financial assets Available for sale**
Financial assets available for sale are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value (Except for the investments that do not have a quoted price in an active market, which shall be measured at cost less impairment loss) and changes therein, other than impairment losses and foreign currency differences on debt instrument, are recognized in other comprehensive income and accumulated in the fair value reserve. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Impairment losses on available for sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to profit or losses. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment losses previously recognized in profit or loss. If the fair value of an impaired available for sale debt security subsequently increase and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss.

The impairment loss that recognized in profit or loss for the equity instruments classified as available for sale is not reversed to profit or loss.

5-6 **Goodwill**
Goodwill is measured as the excess of the consideration transferred and the amount of any non-controlling interest in the acquire and the acquisition date fair value of the acquirer's previously held equity interest in the acquire in a business combination achieved in stages over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

The carrying amount of goodwill is reviewed on regular basis, an impairment loss of goodwill is recognized if the carrying amount of the asset or its cash generating unit exceeds its recoverable amount.

5-7 **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.

5-7 **Inventory**

- 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 has been reached.

- Cost of finished products at which is lower of cost or net realizable value includes all the direct and indirect industrial expenses.

5-8 **Borrowing Cost**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset shall be capitalized. Capitalization of interest and commission should be ceased when the assets are substantially ready for intended use.

Other borrowing costs shall be recognized as an expense in the period in which it incurs them in the finance expenses account using the effective interest rate method.

Capitalization of borrowing costs should be suspended during extended periods in which it suspends active development of a qualifying asset. Capitalization of borrowing costs should be ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Debtors and other debit accounts

5-9 Debtors and other debit accounts are stated at amortization cost using the effective interest rate 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 non-current assets.

Treasury Bills

5-10 Treasury Bills are recorded at face value, where the unearned revenue is recorded in the liabilities, accordingly the net treasury bills presented after deducting the unearned revenue.

Provisions

5-11 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

Revenue Recognition

5-12 Revenue is recognized when it is probable that the economic benefits associated with the transaction will inflow to the entity and the amount of revenue can be measured reliably. Revenue shall be measured at the fair value of the consideration received or receivable less the amount of any trade discounts, volume rebates by the entity, sales tax or fees.

5-12 **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.

5-13 **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.

5-14 **Treasury shares**

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

5-15 **Impairment**

A - **Financial assets**

The financial assets is impaired if there is objective evidence indicates that there is one or more event which has a negative impact on the estimated future cash flows from using of the asset.

The amount of the impairment loss of the financial assets carried at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the impairment loss of the financial assets available for sale is measured using the prevailing fair value.

All individually significant financial assets are individually assessed for impairment and for other financial assets that are in groups in the light of credit risk characteristics are collectively assessed for impairment, collective assessment is carried out by grouping together assets with similar credit risk characteristics.

All impairment losses are recognized in income statement, impairment loss on available for sale investment are recognized by reclassifying the losses accumulated in the equity to income statement if the decline in value indicates the occurrence of impairment.

A- The impairment loss is reversed if it is can be related objectively to an event occurring after the impairment loss was recognized. For the financial assets carried at amortized cost and the financial assets which considered debt instruments the impairment is reversed in the income statement and for the financial assets available for sale which is considered equity instruments the impairment is reversed directly in equity.

B - **Non-Financial assets**

At each financial statement date, the company reviews the carrying amounts of its non-financial assets other than the investment properties, inventory and deferred tax assets, if any to determine whether there is any indication of impairment.

An impairment loss is recognized if the carrying amount of an asset or cash generating unit exceeds its recoverable amount, cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, impairment loss are recognized in income statement.

The recoverable amount of an assets or cash generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets or cash generating unit.

Impairment losses of the other assets that are recognized in the previous periods are reviewed at the financial statements date to determine whether there is any indication of impairment.

An impairment loss is reversed if there is change in estimates used in determining of the recoverable value. An impairment loss is reversed only to extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

5-16 **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 outside profit or loss which is recorded whether in other comprehensive income or recorded directly 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 be realized.

5-17 **Employees' pension**

A - **Social Insurance and 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.

B - **Employees' profit share**

The Company contributes an employees' profit share of 10% from net profit for the year after deducting the legal reserve and the accumulated losses, if any, not to exceed the total salaries for the year and the employees' profit share is recognized as liabilities when it is approved by the general assembly.

5-18 **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.

5-19 **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.

5-20 **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, time deposits for a year not more than three months and treasury bills for a period not more than three months.

5-21 **Comparative Figures**

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

6 - Fixed assets (net)

	Land	Buildings Constructions	Machinery Equipments	Vehicles	Tools Supplies	Showrooms Fixture	Furniture Office Equipments	Computers and Programs	Total
	LE	LE	LE	LE	LE	LE	LE	LE	LE
Cost as of 1/1/2016	316 823 335	1 460 084 771	3 960 745 355	143 254 017	71 328 413	41 851 692	73 703 883	78 150 146	6 145 941 612
Additions	--	123 781 181	382 487 264	16 671 366	5 849 690	4 506 969	3 121 841	6 547 558	542 965 869
Disposals	(1 043 398)	(3 578 076)	(40 213 901)	(2 588 385)	(688 288)	--	(24 530)	(40 450)	(48 177 028)
Adjustments *	254 321 626	298 890 888	178 090 320	7 733 475	7 056 896	--	3 746 506	3 140 901	752 980 612
Translation exchange differences	134 024 305	971 135 332	4 195 949 955	108 166 780	32 926 352	--	38 001 931	65 256 955	5 545 461 610
Cost as of 31/12/2016	704 125 868	2 850 314 096	8 677 058 993	273 237 253	116 473 063	46 358 661	118 549 631	153 055 110	12 939 172 675
Additions	--	109 519 085	326 985 653	3 842 543	9 604 434	8 808 704	18 903 749	14 727 495	492 391 663
Disposals	--	(2 768 681)	(52 461 188)	(1 723 310)	(2 489 068)	--	(4 681)	--	(59 446 928)
Translation exchange differences	(16 531 599)	(65 718 093)	(237 078 711)	(6 810 598)	(2 155 141)	--	(2 306 126)	(3 953 429)	(334 553 697)
Cost as of 31/12/2017	687 594 269	2 891 346 407	8 714 504 747	268 545 888	121 433 288	55 167 365	135 142 573	163 829 176	13 037 563 713
Accumulated Depreciation and impairment as of 1/1/2016	--	452 037 185	2 794 020 075	109 662 332	56 478 954	31 421 575	57 425 724	67 593 179	3 568 639 024
Depreciation of year	--	96 591 466	477 467 862	20 594 676	6 628 996	4 828 185	5 139 613	9 033 562	620 284 360
Disposals of Accumulated Depreciation	--	(889 385)	(21 490 900)	(2 245 968)	(593 675)	--	(5 508)	--	(25 225 436)
Adjustments *	--	66 138 406	58 198 398	5 975 483	27 663 985	--	3 432 749	3 118 753	141 597 795
Translation exchange differences	--	349 903 547	3 040 528 271	73 537 811	73 537 811	--	34 179 351	56 538 657	3 582 351 622
Accumulated Depreciation and impairment as of 31/12/2016	--	963 781 219	6 348 723 706	207 524 334	94 912 266	36 249 760	100 171 929	136 284 151	7 887 647 365
Depreciation of year	--	102 676 878	414 145 926	16 703 186	6 793 852	6 066 989	5 283 031	8 321 070	559 990 932
Impairment losses	--	--	--	--	--	--	--	2 955 642	2 955 642
Disposals of Accumulated Depreciation	--	(1 824 514)	(44 643 784)	(1 664 923)	(1 366 163)	--	(2 458)	--	(49 501 842)
Translation exchange differences	--	(23 547 178)	(175 319 999)	(4 894 460)	(1 778 004)	--	(2 147 510)	(3 535 866)	(211 223 017)
Accumulated Depreciation and impairment as of 31/12/2017	--	1 041 086 405	6 542 905 849	217 668 137	98 561 951	42 316 749	103 304 992	144 024 997	8 189 869 080
Net book value as of 31/12/2017	687 594 269	1 850 260 002	2 171 598 898	50 877 751	22 871 337	12 850 616	31 837 581	19 804 179	4 847 694 633
Net book value as of 31/12/2016	704 125 868	1 886 532 877	2 328 335 287	65 712 919	21 560 797	10 108 901	18 377 702	16 770 959	5 051 525 310

Adjustments represents the cost and accumulated depreciation of Oriental Weavers Textile Company due to the merge with Rosetex Modern Factories for Spinning and Weaving Company (Note no. 5).

7 - PROJECTS IN PROGRESS

	31/12/2017 LE	31/12/2016 LE
Buildings under Construction	27 745 506	122 349 829
Machinery & Equipment under installation	75 486 345	66 179 516
Development of computer system	39 722 185	32 578 940
Letters of Credit for assets purchases	1 374 685	2 316 618
Advance payment for purchasing Fixed assets	57 215 763	32 693 396
	201 544 484	256 118 299
Less : Impairment in projects in progress	5 235 866	--
	196 308 618	256 118 299

8 - AVAILABLE FOR SALE INVESTMENTS

Unlisted investments at Egyptian Exchange	Acquisition cost LE	Accumulated Impairment (losses) LE	Fair value reserve of available for sale investments LE	Balance as of 31/12/2017 LE	Balance as of 31/12/2016 LE
Egyptian Propylene & Polypropylene Company "E.P.P"	110 759 558	--	--	110 759 558	114 607 230
Alahli Bank of Kuwait- Egypt	12 188 193	--	451 625	12 639 818	12 639 818
Orientals for Industrial Development	4 200 000	--	--	4 200 000	4 200 000
Cambridge Weavers	3 750	--	--	3 750	3 750
Trading for Development Export	10 000	(10 000)	--	--	--
10th of Ramadan for Spinning Industries	5 304 365	(5 304 365)	--	--	--
Modern Spinning Company	1 433 607	(1 433 607)	--	--	--
Egyptian for Trade and Marketing	402 000	(402 000)	--	--	--
Prudential company – U.S.A	--	--	828.268	828 268	772 333
	134 301 473	(7 149 972)	1 279 893	128 431 394	132 223 131

9 - GOODWILL

	Investment cost LE	Company's share of the fair value for Net assets LE	Goodwill Impairment LE	31/12/2017 LE	31/12/2016 LE
Oriental weavers international (OWI)	728 049 443	676 790 531	--	51 258 912	51 258 912
MAC Carpet Mills (MAC)	750 697 752	400 022 873	160 000 000	190 674 879	230 674 879
Oriental weavers Co.- U.S.A (OW U.S.A)	127 127 706	122 822 323	--	4 305 383	4 305 383
	1 605 874 901	1 199 635 727	160 000 000	246 239 174	286 239 174

10 - INVENTORY

	31/12/2017 LE	31/12/2016 LE
Raw materials	1 291 083 726	1 151 043 369
Spare parts & materials	300 018 998	313 580 091
Work in process	145 967 468	155 061 980
Finished products	1 649 149 051	1 376 888 308
Letter of credit for purchasing of raw materials	72 215 898	47 033 669
	3 458 435 141	3 043 607 417
Less : Impairment in inventory	2 016 838	2 086 901
	3 456 418 303	3 041 520 516

11 - TRADES & NOTES RECEIVABLE

	31/12/2017 LE	31/12/2016 LE
Trades receivables	1 739 401 840	1 938 704 067
Less : Impairment in Trades receivables	134 126 723	132 514 647
	1 605 275 117	1 806 189 420
Notes Receivable	359 329 807	389 136 264
	1 964 604 924	2 195 325 684

- Trades & Notes Receivable include amount of 20 662 868 LE due from Related Parties at December 31, 2017 result from sales carpets.

12 - DEBTORS AND OTHER DEBIT ACCOUNTS

	31/12/2017 LE	31/12/2016 LE
Prepaid expenses	30 714 405	36 907 733
Tax authority – debit accounts	103 220 200	53 666 371
Deposits with others	30 519 855	23 582 189
Debit balances – related parties	17 468 279	9 271 770
Accrued revenues	8 269 098	39 805 282
Letter of guarantee & Letter of credit – cash margin	13 382 617	7 690 847
Petty cash & advance to employees	8 153 693	7 921 317
Suppliers – advance payment	31 475 198	97 752 201
Orientals for Building materials (Orocom)	5 000 000	5 000 000
Other debit accounts	64 948 563	60 798 797
Less :	313 151 908	342 396 507
Impairment in debtors and other debit accounts	6 600 080	6 600 080
	306 551 828	335 796 427

13 - TREASURY BILLS

	31/12/2017 LE	31/12/2016 LE
Treasury bills (mature in 90 days)	72 900 000	571 851 807
Treasury bills (mature in more than 90 days)	--	100 000 000
	72 900 000	671 851 807
Less: Unearned revenue	1 978 823	19 154 716
	70 921 177	652 697 091

14 - CASH AND CASH EQUIVALENT

	31/12/2017 LE	31/12/2016 LE
Banks – Time Deposits	110 779 656	96 449 715
Banks – Current Accounts	995 062 485	234 627 178
Checks under collection	16 000	1 300 266
Cash on hand	4 558 836	3 853 999
Cash at banks and on hand	1 110 416 977	336 231 158
Less:		
Time deposits blocked as guarantee to the facilities which granted to the group	60 766	54 219
Cash & cash equivalent for cash flows statement purposes	1 110 356 211	336 176 939

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 450 000 000 shares which LE 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 1 each.

15-3 According to the Extraordinary General Assembly meeting held on September 10, 2017 it was unanimously approved to decrease the authorized capital from L.E 450 000 000 to L.E 443 404 845 through the disposing of treasury shares with a par value of L.E 6 595 155. Accordingly the issued capital of the company after that reduction will be L.E 443 404 845 with a par value of 1 pound per share. The company is currently taking the necessary procedures regarding the reduction of the issued capital.

15-4 The company's shares are centrally kept at Misr for Central Clearing, Depositary and Registry Co. and those shares are traded in Egyptian exchange.

16 - Reserves

	31/12/2017 LE	31/12/2016 LE
Legal reserve	1 067 598 903	1 052 795 408
General reserve	323 492 270	324 620 280
Special reserve	59 973 828	59 973 828
Net assets revaluation reserve	65 767 457	65 767 457
Capital reserve	107 291 107	106 467 676
Unrealized gain from available for sale investments	1 279 893	1 223 958
	1 625 403 458	1 610 848 607

17 - TREASURY SHARES

	No. Of Shares	31/12/2017 LE	31/12/2016 LE
Treasury shares	6 595 155	43 276 473	14 596 505

- On June 20, 2017 Oriental Weavers USA (Subsidiary Co.) transferred ownership of Oriental Weavers Carpets shares to Oriental Weavers Carpets, in order to comply with the Egyptian Financial Supervisory Authority Board of Directors decision no. 83, dated July 26, 2016. This decision states that companies, which previously purchased their shares through a subsidiary or companies under their control, should keep the treasury shares on its books for a maximum period of one year ended March 23, 2017.(Note No 15-3)

18 - Non-Controlling interest

	Non controlling interest in Equity LE	Non controlling interest in comprehensive income LE	Balance as of 31/12/2017 LE	Balance as of 31/12/2016 LE
Orientals Weavers international Co (O.W.I)	269 170	(5 289)	263 881	285 710
MAC Carpet Mills	338 839 928	22 667 601	361 507 529	348 948 653
Egyptian fibres Co. EFCO	88 202 107	16 730 478	104 932 585	97 012 937
Oriental Weavers – China	833 467	(122 788)	710 679	833 467
New MAC	3 937 716	98 195	4 035 911	4 623 092
Oriental Weavers Textile	247 633 955	4 816 106	252 450 061	248 425 816
	679 716 343	44 184 303	723 900 646	700 129 675

Translation from arabic

19 - LONG TERM LOANS

BANK	Loan Currency	Principal of the loan in original Currency	Balance of the loan as of 31/12/2017 L.E	Balance as of 31/12/2017 current portion due in one year L.E	Balance as of 31/12/2017 long term installments L.E	Balance as of 31/12/2016 current portion due in one year L.E	Balance as of 31/12/2016 long term installments L.E	Terms of Payment
Qatar National Bank Alahli (1)	EUR	9 000 000	75 515 293	9 439 412	66 075 881	--	--	The principal of the loan shall be settled over 48 equal monthly starting from 27/7/2018 till 27/7/2022,the interest and commission shall be computed and paid upon its due date.
Qatar National Bank Alahli (2)	EUR	10 000 000	99 347 533	20 297 343	79 050 190	--	--	The principal of the loan shall be settled over 48 unequal monthly starting from 6/10/2017 till 6/9/2021,the interest and commission shall be computed and paid upon its due date.
Qatar National Bank Alahli (3)	USD	4 500 000	--	--	--	18 490 684	--	The principal of the loan shall be settled over 41 equal monthly starting from 31/3/2015 till 31/7/2018,the interest and commission shall be computed and paid upon its due date.
			174 862 826	29 736 755	145 126 071	18 490 684	--	
Alex. Bank	EUR	6 500 000	86 828 376	28 942 798	57 885 578	26 094 879	78 284 692	The principal of the loan shall be settled over 9 equal half annualy installments starting from 4/10/2016 till 4/10/2020 , the interest and commission shall be computed and paid upon its due date.
Audi Bank	USD	35 000 000	--	--	--	32 218 900	--	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.
Loans from Other Banks	USD	19 868 663	133 429 006	19 919 390	113 509 616	27 742 296	119 199 288	Other loans in US dollar granted to Oriental Weavers Co. U.S.A
			395 120 208	78 598 943	316 521 265	104 546 759	197 483 980	

20 - HOUSING AND DEVELOPMENT BANK LOAN

	Note No	31/12/2017 LE	31/12/2016 LE
Balance of this item represents the remaining amount due to Housing and Development Bank against purchasing housing units for employees in 10th of Ramadan city. Payment shall be made on equal monthly instalments for 27 years.		288 411	331 197
Instalments due within one year were classified as part of current liabilities under the item of long term liabilities – current portion.	(21)	(42 786)	(42 786)
		245 625	288 411

21 - LONG TERM LIABILITIES – CURRENT PORTIONS

	Note No	31/12/2017 LE	31/12/2016 LE
Long-term loan instalment	(19)	78 598 943	104 546 759
Housing and Development Bank loan	(20)	42 786	42 786
		78 641 729	104 589 545

22 - DEFERRED TAX LIABILITIES

Deferred tax Assets and liabilities	31/12/2017		31/12/2016	
	Assets LE	(Liabilities) LE	Assets LE	(Liabilities) LE
Temporary tax differences – O.W. (USA)	19 370 023	--	23 317 536	--
Fixed assets	--	(144 407 021)	--	(140 023 333)
Total deferred tax assets / (liabilities)	19 370 023	(144 407 021)	23 317 536	(140 023 333)
Net deferred tax (liabilities)		(125 036 998)		(116 705 797)

23 - Provisions

	Balance as of 1/1/2017 LE	Formed during The Year LE	Used during The Year LE	Balance as of 31/12/2017 LE
Provisions for claims	49 149 018	31 500 000	(3 727 347)	76 921 671
	49 149 018	31 500 000	(3 727 347)	76 921 671

24 - BANKS – CREDIT ACCOUNTS

Banks – credit accounts amounting to L.E 1 871 557 084 as of December 31,2017 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.

25 - SUPPLIERS & NOTES PAYABLE

	31/12/2017 LE	31/12/2016 LE
Suppliers	963 679 732	836 260 817
Notes Payable	106 006 771	79 573 443
	1 069 686 503	915 834 260

- Suppliers and notes payable includes the amount of 125 931 468 LE is the value of balances due to related parties at December 31, 2017 resulting from the purchase and operation of the raw materials.

26 - CREDITORS AND OTHER CREDIT ACCOUNTS

	31/12/2017 LE	31/12/2016 LE
Accrued expenses	64 228 751	23 689 565
Tax authority	12 286 103	25 782 137
Social insurance authority	14 674 420	10 784 116
Trade receivable – advance payment	166 462 517	89 153 290
Creditors – purchases of fixed assets	2 972 425	3 353 091
Shareholders – credit balances	--	5 697 016
Credit balances - related parties	15 214 680	15 738 877
Deposits from others	39 993 785	40 108 700
Other credit accounts	38 195 030	37 803 841
	354 027 711	252 110 633

27 - Basic earnings per share in the separate financial statements

The basic earnings per share in the separate financial statements were determined as follows:

	31/12/2017 LE	31/12/2016 LE
Net profit for the year in the separate financial statements	813 991 548	659 112 790
Less:		
Employees share in distributions	30 000 000	30 000 000
Board members remuneration	2 000 000	2 000 000
	781 991 548	627 112 790
Average of shares number available during the year	446 494 630	450 000 000
Basic earnings per share in the separate financial statements	1.75	1.39

28 - CONTINGENT LIABILITIES

L.G'S Issued By Banks in favour of the company and its subsidiaries to third parties as of December 31, 2017 amounted to L.E 43 442 507 Also Contingent liabilities from L.C'S in that date amounted to L.E 337 377 416.

29 - CAPITAL COMMITMENTS

The capital commitments as of December 31, 2017 amounted to L.E 58 892 990 represents the value of new extension related to showrooms and completion of construction in progress.

30 - TAX POSITION

30-1 **Corporate Tax**

- The company has been inspected till December 31, 2013 and the assessed tax differences were paid.
- Years 2014-2016 has been inspected and the Company has not been informed with any forms yet.
- The company submits its annual tax return regularly on legal dates.

30-2 **Salaries & Wages Tax**

- The company has been inspected till December 31, 2012 and the assessed tax differences were paid.
- The company submits its tax return on the legal dates.

30-3 **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.

30-4 **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.

30-5 **Real estate Tax**

- The tax has been assessed and paid till December 31, 2016.

31 - FINANCIAL INSTRUMENTS AND RISK MANAGMENT

A - **Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the company's receivables from customers and all kind of receivables. The company's management has established a credit policy under which each customer is analysed individually for creditworthiness and these limits are reviewed on an on-going basis.
The maximum exposure to credit risk at the date of the consolidated financial statements as follows:

	Note No	31/12/2017 LE	31/12/2016 LE
Trades & notes receivable	(11)	1 964 604 924	2 195 325 684
Debtors and other debit accounts	(12)	306 551 792	335 796 427
		2 271 156 716	2 531 122 111

B - **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.
The company confirmed it is acquired enough amount of cash to meet operating expenses. In addition, the company to preserve the credit facility granted to it by banks.

C - **Market risk**

The risk of market price changes that arise from changes in exchange rates and interest rates of securities that may affect the Group's income or the cost of retaining financial instruments - if any.

Exchange rate risk

This risk is in the fluctuations in the value of financial instruments as a result of fluctuations in foreign currency exchange rates and that of financial assets and liabilities denominated in foreign currencies resident.
This risk is considered acceptable because of the assets in foreign currency correspond to the company's obligations in foreign currencies.

Interest rate risk

Interest rate risk is the risk that changes in interest rate on the banks facility granted to the company; to minimize these risks, the Company obtains the available best condition in the banking market for the credit facilities and reviews the prevailing interest rate in banking market on on-going basis which is resulted in minimizing the risk of changes in interest rate.

D - **Capital Management**

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders and other beneficiaries who are using the financial statements through the optimal use of equity. Management seeks the best alternatives to maintain a better capital structure for the group through either dividend payment to shareholders, capital reduction, issuance of new shares, and or debt settlement.

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