



النساجون الشرقيون
Oriental Weavers

Earnings Release

1Q 2017

Record quarterly results with doubled EBITDA and Earnings figures

CAIRO, May 14, 2017 — Oriental Weavers Carpet Company [ORWE EY; ORWE.CA], one of the world's largest machine-made rug and carpet manufacturers, reported today its financial results for 1Q 2017 ending March 31, 2017.

A message from our founder, Mr Mohamed Farid Khamis, to shareholders:

“In our first earnings note of the new year, one that I see as having strong potential and excellent prospects for growth, I would like to begin by reiterating, for the benefit of all stakeholders, that Oriental Weavers’ well-diversified operational base and strong position in the domestic market serve our ongoing mission to exceed market consensus. As anticipated, we successfully managed to record a recovering export performance (in US Dollars), and our successful response to the floating of the EGP helped us record the highest quarterly EBITDA margin since 1Q 2009. OW continues to attract new clients, pursue new opportunities, and expand traditional and online sales. Additionally, OW moves ahead with plans to add eight to ten state-of-the-art weaving looms to meet international demand and expand our product range. Looking ahead, our focus firmly remains on product innovation, operational excellence, and sales performance. We will continue investing in our business, in the OW brand, to support future growth and profitability, while consistently improving cost efficiency.

“In closing, I would like to express, on behalf of management, our gratitude, and sincerest appreciation, to our outstanding members of the group for their tireless dedication.”

1Q 2017 vs 1Q 2016 (Reported)

Sales (EGP mn)	EBITDA (EGP mn)	Net Income (EGP mn)
2,524 ▲73%	454 ▲97%	235 ▲128%
Export Contribution	EBITDA Margin	Net Margin
65%	18% ▲221 bps	9.3% ▲223 bps



For purposes of comparison, we have adjusted, in this earnings release, Oriental Weavers' income statement for 1Q2016 to account for the merger of Oriental Weavers Textiles (OWT) with Rosetex for Spinning and Weaving (an almost 100%-owned subsidiary of Oriental Weavers Carpets) that took place in 3Q 2016.

Revenue Performance Overview

The Group recorded a net sales figure of EGP 2,524 million in 1Q 2017, representing growth of 77% over the adjusted revenue figure of the comparable quarter of 2016. The primary driving factors were a 120% y-o-y growth in export sales, and 29% growth in local sales when compared to the adjusted figures of 1Q 2016.

Our 1Q 2017 revenue growth reflected the impact of the floatation of the EGP that took place in November 2016 on our foreign-currency based export revenues (an export contribution of 65%), and the successive price increases implemented in Egypt in 4Q 2016 and 1Q 2017 to pass on the higher US Dollar cost of our raw materials.

Revenue Contribution by Market in 1Q 2017

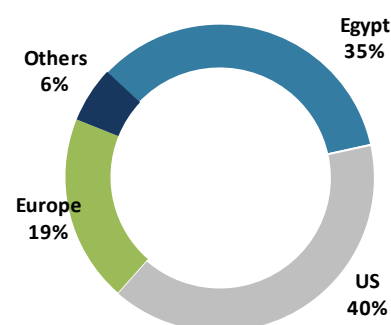
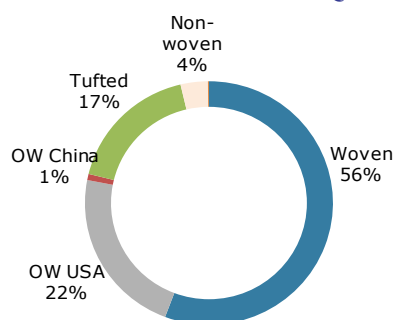


Table 1: Net sales (Volume & Value) in 1Q 2017 vs. Adjusted 1Q 2016

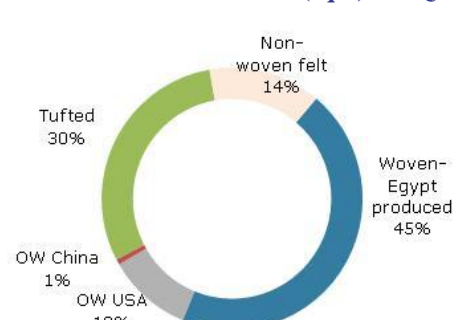
	Value (EGP mn)				Volume (sqm)		
	1Q2017 Reported	1Q2016 Adjusted	Change vs. Adjusted		1Q2017 Reported	1Q2016 Adjusted	Change vs. Adjusted
Woven- Egypt based	1,407	794	77%		13,117	14,848	-12%
OW USA	562	256	119%		3,050	2,990	2%
OW China	20.5	14	46%		200	342	-41%
Tufted	441	181	144%		8,710	7,437	17%
Non-woven Felt	89.8	47	90%		4,040	3,581	13%
Other	3.3	134	-98%		-	-	-
Total	2,524	1,426	77%		29,117	29,198	0%

* For purposes of comparison, adjusted figures of 1Q 2016 include sales value and volumes of OWT.

Revenue Breakdown in 1Q 2017



Sales Volumes Breakdown (sqm) in 1Q 2017





Segment Reporting

Local Sales

As a result of the implemented price increases, our local net sales reported 29% growth in 1Q 2017 compared to the same quarter of 2016, a total of EGP 873 million. The inflationary pressures Egypt experienced was reflected in 9% lower sales volumes. Furthermore, due to imposed import regulations, we have reported a decline in sales of imported hand-made products, and imported machine-made rugs particularly those produced at OW China that were previously sold locally.

On a segment basis, our local sales value of woven, tufted, and non-woven products showed 61%, 66% and 49% y-o-y growth, respectively in 1Q 2017. In the woven segment, there was a 15% increase in sales volume of Grade A, and a 9% increase of Grade B, despite a 24% decline in volumes of low end products (Grade C). We believe lower sales volumes of Grade C products was a result of: i) A shift in demand from small traders from Grade C to MAC's (tufted division) local production given its relatively lower price points, and ii) Traders' stock availability at the beginning of the year. Meanwhile, volumes of Grade A and B grew in early January as traders chose to stockpile merchandise ahead of anticipated price increases.

Local Sales
(EGP mn)

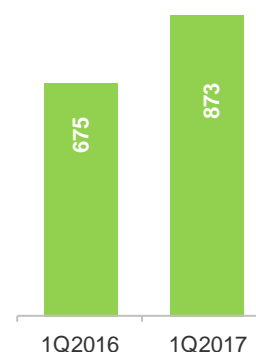


Table 2: Percentage Change in 1Q 2017 Local Sales (Volume & Value)

Percentage Change vs. 1Q 2016	Volume	Value	Average price	Contribution to local revenues	
				1Q 2017	1Q2016
Woven	▼17%	▲61%	▲93%	84%	67%
Tufted	▲7%	▲66%	▲56%	12%	9%
Non-woven felt	▲3%	▲49%	▲45%	4%	4%
Others (imported rugs & yarn sales)		▼98%		0%	20%
Total	▼9%	▲29%		100%	100%

Showroom sales grew by 32% y-o-y, with wholesale figures growing by 23%. Approximately 48% of 1Q 2017 local revenue came from our network of 230 stores across Egypt. Our showroom network continues to expand with the addition of two new showrooms in Luxor and Rasheed. Five additional showrooms are planned for the heavily populated areas of the Nile Delta Governorates and Eastern Cairo.



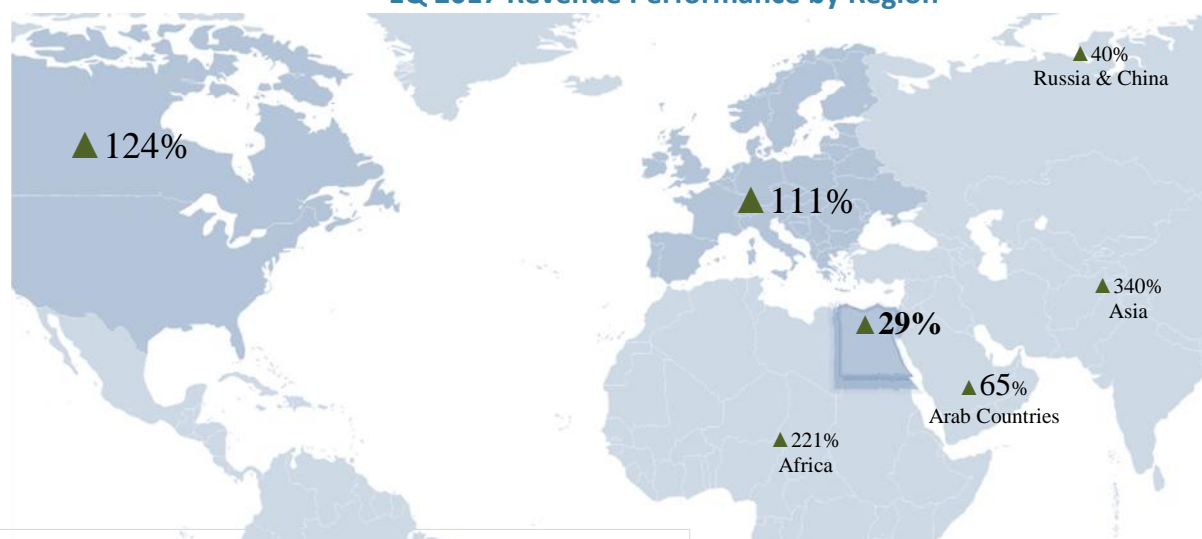
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As in previous quarters, the hospitality segment continues to display strong growth - 112% y-o-y in 1Q 2017. OW Hospitality has now completed several projects in the New Administrative Capital - at the El Masah Hotel, and at the new capital airport and conference center. Additional installations were completed at the Al-Sahaba Mosque in Sharm El Sheikh and at the Military Judgment House in New Cairo, while renovations at the Cairo Marriott Hotel, and on the luxury Nile River cruise boat the M.S. Mayfair in Luxor, among others, were also finalized.

Despite current setbacks in demand, in terms of volume, we are confident that Egypt has strong potential for growth backed by the housing gap, real estate development projects, and favorable local population demographics, which should create favorable conditions for future growth in product demand.

Export & Overseas Operations

1Q 2017 Revenue Performance by Region



* The three key markets are Egypt, the US & Canada, and Europe.

** We adjusted 1Q 2016 revenue figures by including Oriental Weavers Textiles' exports by region

Export revenues grew 120% in 1Q 2017 versus adjusted 1Q 2016 figures to reach EGP 1,651 million. This reflects the floatation of the Egyptian Pound in addition to a 7% y-o-y growth in export volumes. Our US Dollar exports during the quarter remained flat despite the decline reported in our exports to our top European customer. This came after achieving strong growth in the exports of MAC (tufted division), and our continuous efforts to establish new clients in existing and unexplored markets. As previously mentioned, we are currently working on new product development for our top European customer, which could see at least a 20% increase in the Euro value of business with this customer in the second half of 2017.



Table 3: Percentage Change in Export Sales (Volume & Value)

Percentage Change vs. Adjusted 1Q2016	Volume	Value	Average Price	Contribution to Export Revenues	
				1Q 2017	1Q 2016
Woven	▼4%	▲107%	▲110%	76%	81%
Tufted	▲22%	▲183%	▲132%	21%	16%
Non-woven felt	▲36%	▲134%	▲72%	3%	3%
Total	▲7%	▲120%	▲104%	100%	100%

* For purposes of comparison, adjusted 1Q 2016 figures include exports of Oriental Weavers Textiles, and intercompany transactions between OW and OWT were eliminated.

On the US front, revenues of OW USA edged almost 1% higher in dollar terms with record sales achieved in March. We continue to believe in the growth potential of the US arm given the recent agreements with leading home-furnishing stores for indoor and outdoor rugs, online business growth, and continued product development. OW Sphinx is also developing new products for several new programs targeting mass merchants, discount warehouse clubs, and home centers.

In the European markets, we are developing initiatives to expand our presence in smaller retail furniture stores, whilst also branching into e-commerce, with an initial focus on France. The approach has proven successful in that our exports to Europe have decreased by only 3% (in USD) despite a decline in exports to our top European customer.

The exports of the tufted segment (21% of the group's exports) demonstrated 183% y-o-y growth during 1Q 2017. This was a result of new orders from long-standing US customers, in addition to securing new customers in Africa and Australia, as well as the introduction of new product varieties, including PVC products and artificial grass. Furthermore, MAC is currently ordering a new digital printing machine, which should catalyze consumer interest particularly from new customers in South Africa and Tanzania.

We are committed to solidifying and expanding our existing client base through marketing campaigns, the development of fresh niche-products, and our ongoing dedication to produce products of notable quality and value. Given our strong and reputable brand, and our diverse, high quality product range, we feel confident that we will experience increased growth in the periods ahead.

Strong Improvement in Profitability levels

Gross profit (including depreciation expenses) grew by 95% in 1Q 2017 implying a 144 bps gross margin improvement reaching 15.8% versus the adjusted figure of 14.4% in 1Q 2016. This arose mainly through the sale of our remaining stock of finished goods at the new higher prices as their associated costs were based on the pre-floatation USD:EGP exchange rate. This comes in addition to new high-margin mixes, higher utilization rates at MAC compared to the same period a year ago, and more efficient utilization of raw materials at EFCO (our non-woven subsidiary).

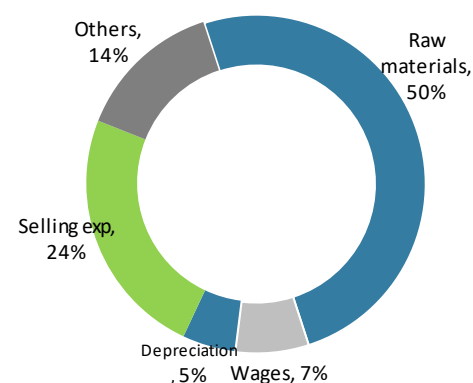
In 1Q 2017, while the gross profit margin declined 0.40% in the woven segment (79% of revenues) largely due to higher US Dollar costs, and lower produced volumes, gross margins of the tufted segment (17% of revenues) and the non-woven segment (4% of revenues) strengthened by 17 percentage points (pp) and 7 pp respectively. The strong improvement in the gross profit margin achieved in the tufted segment came after a combination of: i) higher utilization rates, ii) the impact of EGP floatation and the resulting dollar surplus of cash flow (USD export revenues exceed the US Dollar cost components), iii) low depreciation rates encountered on full depreciation of several items of equipment, and iv) 360% growth in sales of high-margin artificial turf reaching 6% of total MAC sales up from 4% of MAC sales in 1Q 2016.

EBITDA for the quarter came in at EGP 454 million - 85% growth compared to the 1Q 2016 adjusted figure of EGP 245 million, whilst EBITDA margin grew 80 bps to 18%. SG&A expenses, as a percentage of sales, grew 12bps y-o-y to 3.6% in light of the inflationary environment in Egypt and tax settlements related to previous periods.

The efforts of the treasury team gave rise to an interest and treasury income growth of 281% y-o-y on an adjusted basis resulting from an efficient utilization of our cash balance through investments in high yield treasury bills. Financing expenses grew by 62% y-o-y in 1Q 2017 on 500 bps average increase in corridor rates, and EGP devaluation. Overall, net interest expenses, on an adjusted basis, declined by 76% during the quarter compared to 1Q 2016. We worked diligently to manage working capital during the quarter whereby excess cash was used to settle working capital facilities and the total debt decreased by EGP 318 million in 1Q 2017.

We recorded EGP 28 million provisions, mostly on EGP 15 million provisions for tax settlements, and EGP 10 million for contingent liabilities.

1Q 2017 COGS Breakdown





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Driven by the factors outlined above, pre-tax earnings grew 143% y-o-y compared to adjusted 1Q 2016 to stand at EGP 317 million in 1Q 2017. However, effective tax rates grew slightly when compared to adjusted figures of 1Q 2016 to 18.6% due to increasing earning contributions from taxable subsidiaries such as MAC and EFCO.

Consequently, Oriental Weavers' attributed earnings grew 108% in 1Q 2017 to reach EGP 235 million versus the EGP 113 million adjusted attributable earnings of 1Q 2016.

Table 4: Reported 1Q 2017 vs. Adjusted 1Q 2016 Income Statement

	Reported 1Q	Adjusted 1Q	% Change
In (EGP, mn)	2017	2016	y-o-y
Net Sales	2,524	1,426	77%
Gross Profit	399	205	95%
Gross Profit Margin	15.8%	14.4%	144 bps
EBITDA	454	245	85%
EBITDA Margin	18%	17.2%	77bps
Pretax Earnings	317	130	143%
Net Profit After tax	258	108	140%
Net Profit Margin	10.2%	7.5%	266bps
<u>Attributable to:</u>			
Equity Holders for OWC	235	113	108%
Non-controlling interest	22	(5)	-
EPS	0.52	0.25	108%

* For purposes of comparison, adjusted figures include Oriental Weavers Textiles income statement.

Latest Corporate Developments

Expansions

Management remains optimistic about the company's prospects and potential. Our confidence on new, more advanced manufacturing technology is expected to help increase productivity, enhance quality, and reduce waste, in turn contributing to profitability and margin improvement.



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Expansions of Egypt-based Facilities:

This year, OW plans to add between eight and ten new looms in addition to one digital printer in its Egypt based facilities in 2017 with a planned Capex figure of almost EUR 9-10 million. One of these looms was installed in March 2017, and the remaining looms should be received in the second half of 2017. It is estimated that they will add 2-3% to our total production capacity. Five of these looms will enable the company to penetrate the prayer mats segment and to target the strong demand from Muslim communities in Africa, GCC and Asia.

INVESTOR RELATIONS CONTACTS

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STOCK SYMBOL

ORWE.CA

CAPITAL

Issued and Paid-In Capital: 450mn EGP

Number of Shares: 450 million shares

Par Value: 1 EGP per share

SHAREHOLDER STRUCTURE

57% Khamis Family & other related entities

38% Institutions

5% Retail



Reported Income Statement (EGP mn)

	Three months ended March 31		
	2017	2016	Change
Net Sales	2,524	1,458	73%
<u>Less:</u>			
COGS	2,125	1,267	68%
Gross Profit	399	190	110%
<i>Gross Profit Margin*</i>	15.8%	13.1%	277bps
<u>Less:</u>			
Selling & Distribution Expenses	16	13	24.5%
General & Administrative Expenses	75	35	115%
Provisions & impairment	29	20	45%
Sum	119	67	77%
Net Income from Operation Activities	280	123	128%
Operation Activities Margin	11.1%	8.4%	265bps
<u>Add / (Less):</u>			
Investment Income	0	0	0%
Interest Income	2	5	(67%)
Treasury Income	32	4	738%
Other Revenues	39	57	(32%)
Capital Gain	0	0	-
Financing Expenses	(37)	(22)	68%
Foreign Exchange Differences	1	(50)	-
Sum	37	(6)	-
Net Profit for the Period before Income Tax	317	117	171%
EBT Margin	13%	8%	452bps
<u>Add / (Less):</u>			
Current Income Tax	(60)	(25)	135%
Deferred Tax	1	3	(70%)
Income Tax for the Period	(59)	(23)	161%
Net Profit for the Period	258	94	174%
Net Profit Margin	10%	6%	374.5bps
<u>Attributable to:</u>			
Equity Holders of the Parent	235	103	128%
Non-Controlling interest	22	(9)	-
Earnings Per Share (EPS)	0.52	0.23	128%

* Reported figures include depreciation expenses



Balance Sheet (EGP mn)

	1Q 2017	FY 2016
<u>Long Term Assets</u>		
Fixed Assets (Net)	4 943	5,051
Projects in Progress	273	256
Investments - Available for Sale	130	131
Goodwill	286	286
Total Long Term Assets	5,633	5,725
<u>Current Assets</u>		
Inventory	3 043	3 042
Trades & Notes Receivable	2 259	2 195
Debtors and Other Debit Accounts	293	336
Treasury Bills	777	653
Cash on Hand & at Banks	302	336
Total Current Assets	6,674	6,562
<u>Current Liabilities</u>		
Provisions	74	49
Banks - Credit Accounts	1 738	1 998
Long Term Liabilities - Current Portion	50	105
Suppliers & Notes Payable	969	916
Dividends Payable	50	11
Creditors & Other Credit Accounts	424	252
Deferred Tax Liability	66	146
Total Current Liabilities	3,371	3,476
Working Capital	3,304	3,085
Total Investment	8,936	8,811
Financed as Follows:		
<u>Shareholder's Equity</u>		
Issued and Paid Capital	450	450
Reserves	1,626	1,610
Retained Earnings	1,334	907
Net Profit for the Period	235	484
Exchange Differences Arising on Translation of Foreign Currency	4,295	4,359
Treasury Stocks	-15	-15
Total Equity Attributable to Equity Holders of the Parent	7,926	7,796
Non-controlling interest	700	700
Total Equity	8,626	8,496
<u>Long - Term Liabilities</u>		
Long Term loans	194	197
Housing and Development Bank Loan	0	0
Deferred Taxes Liabilities	116	117
Total Long Term Liabilities	310	314
Total Shareholder's Equity & Long Term Liabilities	8,936	8,811



Statement of Cash Flows (EGP mn)

	Three months ended March 31	
	2017	2016
<u>Cash flows from Operating Activities:</u>		
Net Profit for the Period before Income Tax	317	117
<u>Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities</u>		
Fixed Assets Depreciation	145	87
Provisions other than Deprecations	29	20
Interest Income	(2)	(5)
Financing Expenses	37	22
Investment Income	-	(0)
Capital Gain	0	(0)
Fx Translation	(0)	125
Operating Profits before Changes in Working Capital	526	365
<u>Change in Working Capital</u>		
(Increase) in Inventory	(27)	(66)
Decrease (Increase) in Trades & Notes Receivable and other Debit Accounts	(49)	(139)
Decrease (Increase) in Suppliers & Notes Payable and other Credit Accounts	98	3
Cash Flows Provided by Operating Activities	547	163
Interest Income	2	6
Paid Financing Expenses	(37)	(22)
Net Cash Flows Provided by Operating Activities	512	147
<u>Cash Flows from Investing Activities</u>		
Payments for Purchase of Fixed Assets and Projects in Progress	(102)	(32)
Proceeds from Sale of Fixed Assets	2	0
Proceeds from Sale of Treasury Bills	99	(3)
Net Cash Flows (used in) Investing Activities	(2)	(35)
<u>Cash Flows from Financing Activities:</u>		
Proceeds (Payment) from Banks-Credit Accounts	(244)	97
Dividends Paid	(21)	-
(Payment) Proceeds in Long Term Liabilities	(55)	(65)
Net Cash Flows (used in) Provided by Financing Activities	(320)	32
Net Change in Cash and Cash Equivalents During the Period	191	144
Cash and cash equivalents at beginning of the period	890	431
Translation Differences related to Cash & Cash equivalents	(1)	23
Cash and Cash Equivalents at End of the Period	1,080	598



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ABOUT ORIENTAL WEAVERS CARPET COMPANY

Oriental Weavers is a global player in machine-woven rugs and carpets; the company is renowned for superior product design and quality, as well as technological innovation. Today, the company is one of the largest producers of machine-made woven rugs in the world. It is management's vision to build a state-of-the-art, internationally competitive carpet and home textile company characterized by a sharp focus on its customers, and driven by marketing- and export-oriented strategies. (www.orientalweavers.com)

FORWARD-LOOKING STATEMENTS

Certain information contained in this document consists of forward-looking statements reflecting the current view of the Company with respect to future events and is subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements, including worldwide economic trends, the economic and political climate of Egypt and the Middle East and changes in business strategy and various other factors. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in such forward-looking statements. Recipients of this document are cautioned not to place any reliance on these forward-looking statements. The Company undertakes no obligation to republish revised forward-looking statements to reflect changed events or circumstances.

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