النساجون الشرقيون
Oriental Weavers

Earnings Release
1Q 2018

Local Market Upticks - Higher Costs Weigh on Margins

CAIRO, May 14, 2018 — 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 2018, ending March 31.

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

"As 1Q 2018 ends, our diversified export and local presence continues to serve Oriental Weavers' sustainable growth model, to shareholders' benefit. It is with utmost pride that I announce the great success achieved by the Egypt-based woven export segment: exports of this division increased by 8% in USD terms, owing to the team's expansion strategy of attracting new clients and expanding both traditional and online sales, which helped offset the other business segments' lackluster performance. Our EBITDA margin maintained its 2H 2017 levels, owing to the 18% increase y-o-y in raw material prices and the impact of the devaluation currently settling. Management is currently assessing market conditions for cost passing possibilities. In addition, we are moving ahead with our plans to relieve the bottlenecks in yarn manufacturing by adding new yarn production lines, and to meet international demand we plan to add six to eight state-of-the-art weaving looms. Looking to the future, our focus remains firmly on product innovation and sales performance. We will continue to invest in our business, supporting future growth and profitability while consistently improving cost efficiency. On behalf of the management team, I would like to express both gratitude and sincerest appreciation to our outstanding group members for their tireless dedication."

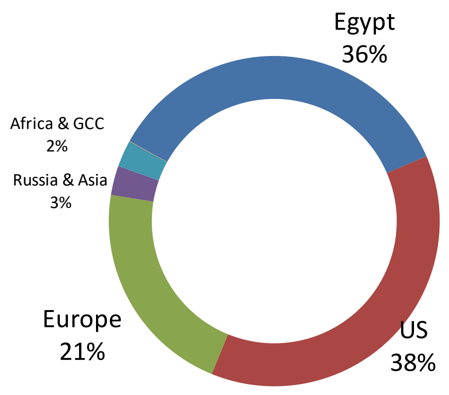
1Q 2018 vs 1Q 2017

Sales (EGP mn) 2,507 ▼1%	**EBITDA** (EGP mn) 315 ▼31%	**Net Income** (EGP mn) 189 ▼20%
Export Contribution 64%	**EBITDA Margin** 12.6% ▼542 bps	**A 50% stock dividend proposed** (One free share for every two shares)

Revenue Performance Overview

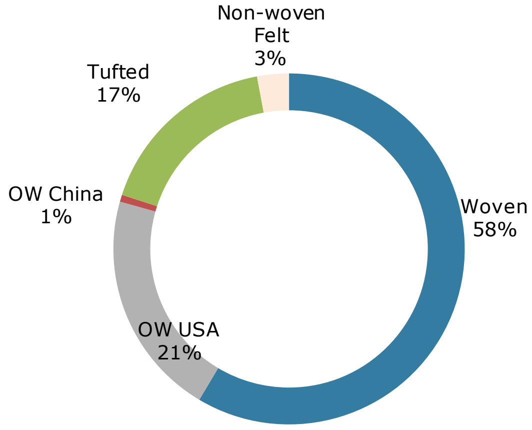
The group recorded an almost flat net sales figure of EGP 2,507 million in 1Q 2018; the comparable quarter of 2017 saw a revenue figure of EGP 2,524 million. Export revenues (64% of total revenues) declined 2% y-o-y during the quarter, while local sales grew 2% when compared to 1Q 2017.

Revenue Contribution by Market in 1Q2018

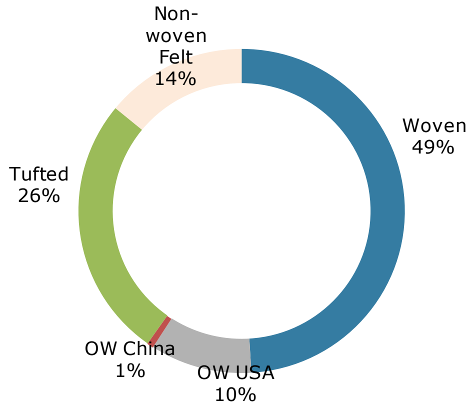


	Value (EGP mn)			Volume (sqm)		
	1Q 2018	1Q 2017	% Change	1Q 2018	1Q 2017	% Change
Woven- Egypt based	1,464	1,407	4%	13.9	13.1	6%
OW USA	521	562	-7%	2.9	3.1	-6%
OW China	16	21	-22%	0.2	0.2	-9%
Tufted	428	441	-3%	7.4	8.7	-15%
Non-woven Felt	73	90	-19%	4.0	4.0	-1%
Other	6	3	80%			
Total	**2,507**	**2,524**	**-1%**	**28.3**	**29.1**	**-3%**

Revenue Breakdown in 1Q 2018

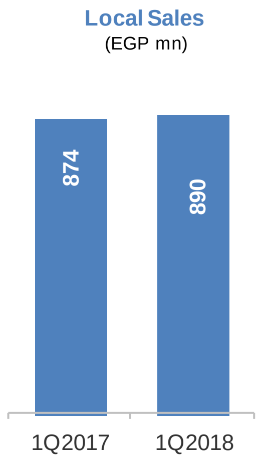


Sales Volumes Breakdown (sqm) in 1Q 2018



Segment Reporting

Local Sales



Our local net sales increased by 2% in 1Q 2018 to EGP 890.5 million, compared to EGP 873.5 in the same quarter of 2017. Volumes sold, however, came in 1% lower.

Though inflationary pressures weighed down on our volumes throughout 2017 and early 2018, we have started to see a relative increase in demand during March 2018 with showroom sales (54% of total local sales) growing by 16%. Meanwhile, our wholesale revenues declined by 11% on traders' stock availability at the beginning of the year for woven products. 1Q 2018 saw the volume sold of the tufted segment decline by 30% compared to 1Q 2017. It was brought down mainly by wholesale revenues, as MAC in 1Q 2017 managed to sell most of its old accumulated low-priced stock after the devaluation of the Egyptian pound, being more affordable to the low income segment.

MAC ran out of its low-priced stock in 2017 and is now focusing on introducing medium to higher qualities. This was reflected in a 47% increase in MAC average selling prices in 1Q 2018. Yet, average selling prices of the woven segment came in slightly lower on promotions offered during 1Q 2018, which helped increase local sales volumes by 3%.

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

Percentage Δ	Volume	Value	Average Price	Contribution to Local Revenues	
				1Q 2018	1Q 2017
Woven	▲3%	▲1%	▼2%	83%	84%
Tufted	▼30%	▲3%	▲47%	12%	12%
Non-woven Felt	▲16%	▲16%	-	4%	3%
Others (imported & yarn sales)		▼56%		1%	1%
Total	▼1%	▲2%		100%	100%

Our showroom network continues to grow: in 2018, six new showrooms were added in Aswan, Delta, and Ismailia. We plan to open eight to ten more showrooms in heavily populated areas in the Nile Delta governorates and Eastern Cairo.

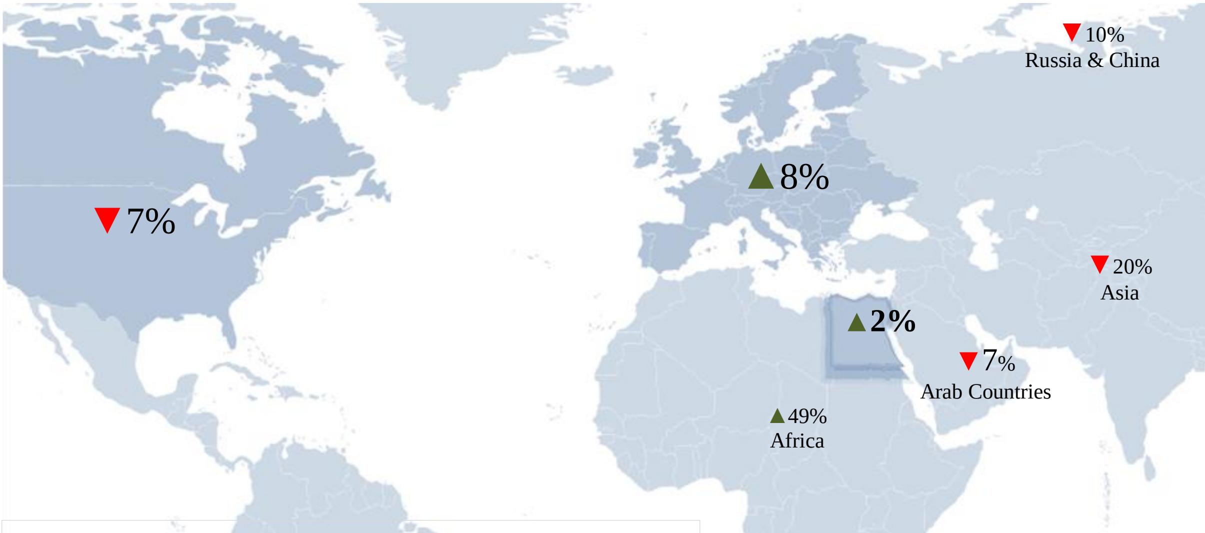
Our hospitality segment is embarking on ventures in the new administrative capital, and is working on major projects currently being established by the government. Of these projects being undertaken, perhaps the most exciting is OW's production of axminister carpets for the new capital's 10,000 sqm mosque, which is to be the largest mosque in Africa. OW Hospitality has now also brought to completion several projects, including the Galala Coastal Resort in the Suez governorate, Downtown Cairo's Semiramis InterContinental, the City Center Alexandria VOX cinema, Al-Azhar Grand Mosque, and various Egyptian Endowment Authority mosques.

We believe that the housing gap, real estate development projects, and favorable local population demographics will create positive conditions for future demand growth in Egypt.

Export & Overseas Operations

Export revenues, at EGP 1,617 million, declined by 2% in 1Q 2018 and by 1% in USD terms from 1Q 2017 figures, on 4% y-o-y lower volumes. Exports from our Egypt-based woven subsidiaries recorded 9% growth y-o-y due to our continuous efforts to expand our exposure with existing customers, approach new clients in existing markets, and penetrate new markets. However, this growth was offset by a decline in sales of our subsidiaries OW USA, MAC, and EFCO, with some promotions delayed, and the strong one-off orders placed in 1Q 2017.

1Q 2018 Revenue Performance by Region



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

Percentage ∆	Volume	Value	Average Price	Contribution to Export Revenues 1Q 2018	Contribution to Export Revenues 1Q2017
Woven	▲4%	0%	▼3%	78%	76%
Tufted	▼9%	▼5%	▲4%	20%	21%
Non-woven Felt	▼32%	▼42%	▼15%	2%	3%
Total	▼4%	▼2%	▲2%	100%	100%

Looking to the US market, our Egypt-based woven factories saw a 13% increase in exports in 1Q 2018, thanks to new online customers, novel product launches, and growing orders from existing customers. However, our group exports to North and South America declined by almost 7% y-o-y. This was primarily due to a decline in exports to Canada as a result of its recent free trade agreement with the EU, which allowed free access to Belgian products, while a 10% duties tax was levied on Egyptian products. Our US subsidiary, OW USA, witnessed a 7% decline in its revenues in USD terms, mainly due to delayed seasonal promotions from March to the second and third quarters of the year, as well as cold weather reducing demand for outdoor products.

However, it is certainly worth noting that March 2017 saw the largest monthly shipment in OW USA history. Indeed, we continue to see the US arm's growth potential, given our recent agreements with leading home-furnishing stores for indoor and outdoor rugs, online business growth, and continued product development. In addition, OW USA is also developing original products for several new programs targeting mass merchants, discount warehouse clubs, and home centers.

Our European exports saw an 8% increase in 1Q 2018 in EGP terms; neutralizing the currency effect, our exports to Europe were 5% lower in Euro terms. Exports to our top European customer, which represent 9% of total net sales, from our three main divisions (woven, tufted, and non-woven) witnessed a 4% y-o-y decline in EUR terms (+10% in EGP terms), owing to the discontinuation of some products developed and produced at MAC (tufted) and EFCO (non-woven). Our woven exports to the customer, on the other hand, grew by 22% in EUR terms (+40% in EGP terms). Currently, we are developing new products for the customer at the tufted and non-woven factories that should be gradually reflected in our sales figure in the second half of the year.

We are continuing to expand our initiatives by reaching out to smaller retail furniture stores, whilst also branching into e-commerce. France will be the initial focus, and we are currently seeking new partners both here and in Southern Europe. We are promoting further exposure to the German market via online agents, which made our sales to Germany 2.5x higher this quarter, and are also aiming to increase our presence in the English online market.

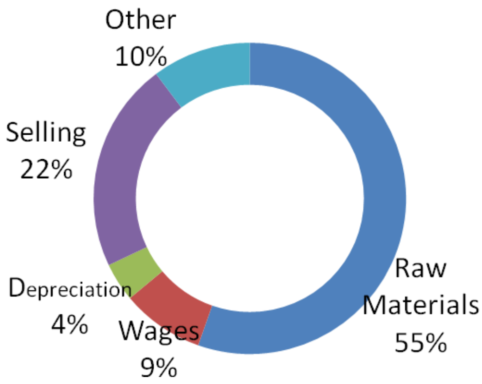
Regarding the African market, we see strong growth potential. Our exports to this region grew by 47% y-o-y in 1Q 2018, having expanded our reach to Kenya, Tanzania, and Mauritius.

We should also like to shed light on the strong growth achieved this quarter in the hospitality segment in the export market, which grew 83% y-o-y. We installed the carpets at a number of projects in the UAE including Fountain View Towers 1, 2, and 3, Phase 2 of the Atlantis Hotel, and Waldorf Astoria, in addition to installations in Mövenpick Anwar Al Madinah, KSA, and the Hilton hotels in Muscat and Salalah.

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

High Raw Material Costs Weigh on Profitability Margins

1Q 2018 COGS Breakdown



In 1Q 2018 there was a 29% y-o-y decline in gross profit (including depreciation expenses) to EGP281 million, with the gross margin declining by 448 bps y-o-y to 11.2%, versus 15.7% in 1Q 2017 and 10.9% in 4Q 2017. It is important to highlight, however, that the margins for 1Q 2017 were exceptionally high, mainly due to the sale of low cost inventory at higher prices after the floatation of the Egyptian pound; their associated costs were based on pre-floatation prices. Raw material prices were inflated this quarter. Average polypropylene prices were 18% higher at USD 1,271/ton compared to USD 1,082/ton in 1Q 2017; electricity tariffs were 48% higher as energy subsidies are gradually being phased out. Expense fees, applied to production from the free zone areas for which the company started to account for in 3Q 2017, totaled EGP 18 million in 1Q 2018, compared to EGP 3.5 million in 1Q 2017.

EBITDA for 1Q 2018 came in at EGP 315 million – a 31% decline compared to 454 million in 1Q 2017 – while the EBITDA margin declined by 542 bps to 12.6%. Selling, general, and administrative expenses as a percentage of sales increased by 50bps y-o-y to 4.1%, accounting for inflation and the increase in fees related to the annual fairs in which the company participated during the first quarter.

Our interest expense declined 33% y-o-y this quarter, having settled all our EGP debt in 2017. A 13% growth y-o-y has been seen in our interest and treasury income, as a result of the efficient utilization of our cash balance through investments in high yield treasury bills and interest-bearing current accounts. The company recorded an overall net interest income of EGP 13 million, compared to 1Q 2017's EGP 3 million net interest expense. On March 31, 2018, our debt breakdown was 80% USD, 19.5% Euro, and 0.5% EGP compared to 74.5% USD, 25% Euro, and 0.5% EGP on December 31, 2017.

We recorded an export rebate collection of EGP 26 million in 1Q 2018 versus EGP 39 million in 1Q 2017. The backlog is almost EGP 350 million, until April 30, 2018.

The factors outlined above caused our pre-tax earnings to decline in 1Q 2018 by 29% to EGP 225 million. Our effective tax rates declined to 9.2%, compared to 18.6% in 1Q 2017, due to increasing earnings contributions from non-taxable entities such as Oriental Weavers International and Oriental Weavers Textiles, as well as the lower effective tax rates in OW USA owing to recent tax cuts imposed in the US. .

Consequently, Oriental Weavers has seen a 20% decline in its attributed earnings 1Q 2018, reaching EGP 189 million. By comparison, the attributable earnings figure for 1Q 2017 was EGP 235 million.

Latest Corporate Developments

1. BoD proposes a 50% stock dividend

The Board of Directors will call for an EGM to approve a 50% stock dividend distribution (one free share for every two shares). This will increase our paid-in capital from EGP 450 million to EGP 675 million. The company is also taking the necessary regulatory procedures to write off the 6,595,155 treasury shares based on the EGM decision dated September 10, 2017.

2. EGM approved an increase in authorized capital

On May 3, 2018, EGM approved the increase in the company's authorized capital from EGP 500 million to EGP 1 billion.

3. Expansions

Management is optimistic about the company's future prospects. The increasing reliance 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.

Expansions of Egypt-based Facilities

OW’s 2018 expansion plan is to be maintained: six to eight new looms will be added, in addition to five yarn machinery to relieve the bottlenecks in the intermediate products. Packaging equipment will also be added, with a total estimated capital expenditure of almost EUR 15 million. As a result, 2% should be added to our total production capacity. Four of these looms will enable the company to penetrate the prayer mats segment and to target the strong demand from Muslim communities in Africa, the Gulf, and Asia. We continue to allocate new looms (five looms planned in 2018) in non-free zone areas, targeting the local market. The reasoning behind this is to move production for the local market into non-free zone areas, thereby avoiding avoid the high 2% fees levied on revenues from local sales produced at free zone areas according to the new investment law. Thus far, OW has installed four looms, with the remainder to be received in the second half of 2018.

INVESTOR RELATIONS CONTACTS

For further information, please contact:

Farida Khamis
Vice President
Oriental Weavers Carpet Company
E-mail: fkhamis@orientalweavers.com

Ingy El Diwany, CFA
Investor Relations Manager
Oriental Weavers Carpet Company
E-mail: ieldiwany@orientalweavers.com
Tel (Direct): +2 (02) 2268 5166

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
55.7%	Khamis Family
37.8%	Institutions
1.5%	Treasury shares
5%	Retail

Income Statement (EGP mn)

	Three Months Ended March 31		
	2018	2017	Change
Net Sales	2,507	2,524	-0.7%
Less:			
COGS	2,226	2,128	5%
Gross Profit	281	396	-29%
*Gross Profit Margin**	11.2%	15.7%	-448bps
Less:			
Selling & Distribution Expenses	19	16	25%
General & Administrative Expenses	83	71	16%
Sum	**102**	**87**	**17%**
Net Income from Operation Activities	179	309	-42%
Operation Activities Margin	7.1%	12.2%	-510bps
Add / Less:			
Provisions & impairment	0	-29	-100%
Investment Income			
Interest Income	38	34	13%
Treasury Income			
Other Revenues	26	39	-34%
Capital Gain	0	0	-100%
Financing Expenses	-25	-37	-33%
Foreign Exchange gain (loss)	7	1	1187%
Sum	46	8	503%
Net Profit for the Period before Income Tax	225	317	-29%
EBT Margin	9%	13%	-356bps
Add / Less:			
Current Income Tax	-22	-60	-64%
Deferred Tax	1	1	15%
Income Tax for the Period	-21	(59)	-65%
Net Profit for the Period	204	258	-21%
Net Profit Margin	8%	10%	-205bps
Attributable to:			
Equity Holders of the Parent	189	235	-20%
Non-controlling interest	16	22	-30%
Earnings Per Share (EPS)	0.42	0.52	-20%

* Reported figures include depreciation expenses
** An amount of EGP 3.5 million was reclassified from the G&A in 1Q2017 to COGS

Balance Sheet (EGP mn)

	1Q 2018	FY 2017
Long Term Assets		
Fixed Assets (Net)	4 744	4 848
Projects in Progress	301	196
Investments - Available for Sale	128	128
Goodwill	246	246
Total Long Term Assets	**5,419**	**5,419**
Current Assets		
Inventory	3 435	3 456
Trades & Notes Receivable	1 960	1 965
Debtors & Other Debit Accounts	319	307
Treasury Bills	50	71
Cash on Hand & at Banks	1 383	1 110
Total Current Assets	**7,147**	**6,909**
Current Liabilities		
Provisions	72	77
Banks - Credit Accounts	1 907	1 872
Long Term Liabilities - Current Portion	71	79
Suppliers & Notes Payable	991	1 070
Dividends Payable	835	23
Creditors & Other Credit Accounts	458	354
Deferred Tax Liability	49	122
Total Current Liabilities	**4,383**	**3,596**
Working Capital	**2,764**	**3,313**
Total Investment	**8,183**	**8,732**
Financed as Follows:		
Shareholder's Equity		
Issued & Paid Capital	450	450
Reserves	1,664	1,625
Retained Earnings	514	674
Net Profit for the Period	189	683
Exchange Differences Arising on Translation of Foreign Currency	4,153	4,177
Treasury Stocks	-43	-43
Total Equity Attributable to Equity Holders of the Parent	**6,927**	**7,566**
Non-controlling Interest	808	724
Total Equity	**7,735**	**8,290**
Long - Term Liabilities		
Long Term Loans	324	317
Housing & Development Bank Loan	0	0
Deferred Taxes Liabilities	124	125
Total Long Term Liabilities	448	442
Total Shareholder's Equity & Long Term Liabilities	**8,183**	**8,732**

Statement of Cash Flows (EGP mn)

	Three Months Ended March 31	
	2018	**2017**
<u>Cash flows from Operating Activities:</u>		
Net Profit for the Period before Income Tax	225	317
<u>Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities</u>		
Fixed Assets Depreciation	136	145
Provisions other than Deprecations	-	29
Interest Income	(35)	(2)
Financing Expenses	25	37
Capital Gain	-	(0)
Fx Translation	(1)	(0)
Operating Profits before Changes in Working Capital	**349**	**525**
<u>Change in Working Capital</u>		
(Increase) in Inventory	12	(27)
Decrease (Increase) in Trades & Notes Receivable and other Debit Accounts	3	(49)
Decrease (Increase) in Suppliers & Notes Payable and other Credit Accounts	(69)	98
Cash Flows Provided by Operating Activities	**295**	**547**
Interest Income	12	2
Paid Financing Expenses	(25)	(37)
Net Cash Flows Provided by Operating Activities	**283**	**511**
<u>Cash Flows from Investing Activities</u>		
Payments for Purchase of Fixed Assets and Projects in Progress	(152)	(102)
Payment for Acquisition of Available for Sale Investment	-	2
Proceeds from Sale of Treasury Bills	-	99
Net Cash Flows (used in) Investing Activities	(152)	(2)
<u>Cash Flows from Financing Activities:</u>		
Proceeds (Payment) from Banks - Credit Accounts	42	(244)
Dividends Paid	(28)	(21)
Increase in paid-in capital of subsidiary	107	-
(Payment) Proceeds in Long Term Liabilities	1	(55)
Net Cash Flows (used in) Provided by Financing Activities	**121**	**(320)**
Net Change in Cash & Cash Equivalents During the Period	**252**	**190**
Cash & cash equivalents at beginning of the period	1,181	890
Translation Differences Related to Cash & Cash Equivalents	(1)	(1)
Cash & Cash Equivalents at End of the Period	**1,432**	**1,079**

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 therefore 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 as well as 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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