



النساجون الشرقيون
Oriental Weavers

Earnings Release 1Q 2019

Sustained Performance Despite Global Softer Demand

CAIRO, May 13, 2019 — Oriental Weavers Carpet Company [ORWE EY; ORWE.CA], one of the world's largest machine-made rug and carpet manufacturers, reported its financial results for 1Q 2019 today, ending March 31.

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

“As 1Q 2019 ends, our geographically diversified business model remains resilient to the softer global economy. To highlight the strength of our business model, I must congratulate our US colleagues with OW USA reporting a 16% y-o-y growth in shipments during the first quarter. This, together with the 11% y-o-y growth achieved in the local market as a result of new product launches, helped offset the effects of delayed shipments to some of our key clients affected by softer demand. And while our EBITDA margin declined in 1Q 2019 with increasing competition, OW continued to invest in product development to meet the ever evolving demands of consumers with the addition of three state-of-the-art weaving looms and one yarn machine in 1Q 2019. Our consistent investments to diversify our portfolio to ensure sustainable growth and profitability are matched by our dedication to improve the efficiency of our activities. 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 2019 vs 1Q 2018

Sales (EGP million)	EBITDA (EGP million)	Net Income (EGP million)
2,603 ▲4%	257 ▼18%	201 ▲7%
Export Contribution	EBITDA Margin	Backlog of export rebates (EGP million)
62%	9.9% ▼268 bps	528



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Revenue Performance Overview

The group recorded a 4% revenue growth reaching EGP 2,603 million in 1Q 2019; the comparable quarter of 2018 saw EGP 2,507 million in revenue. Export revenues (62% of total revenues) remained flat during the quarter, while local sales grew 11% when compared to 1Q 2018.

Revenue Contribution by Market in 1Q2019

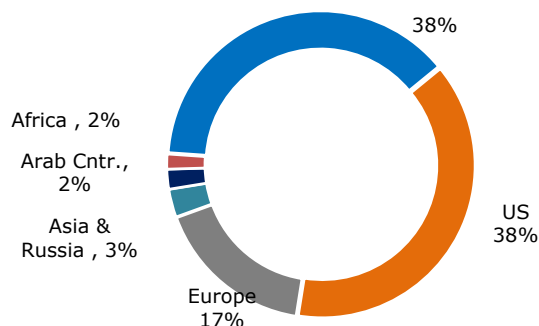
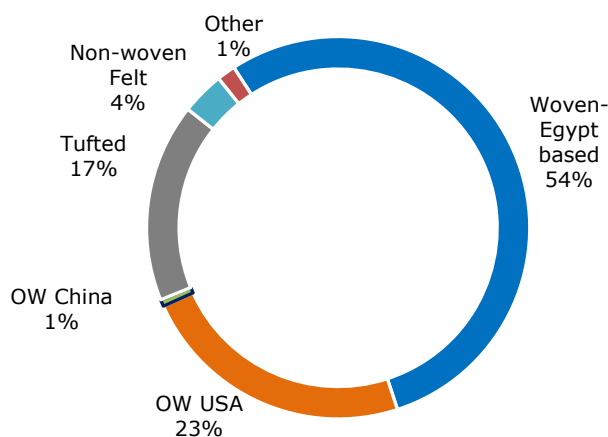


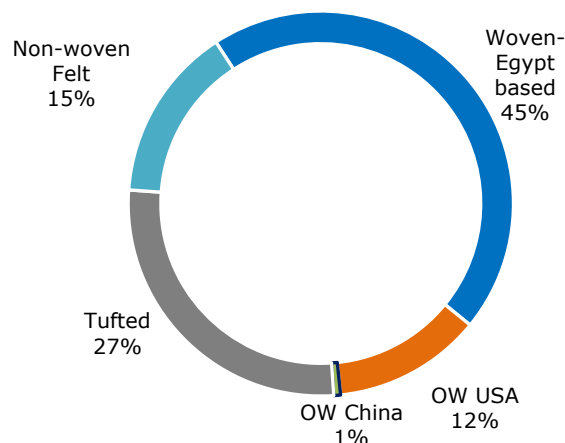
Table 1: Net Sales (Volume and Value) in 1Q 2019 vs. 1Q 2018

	Value (EGP million)			Volume (sqm)		
	1Q 2019	1Q 2018	% Change	1Q 2019	1Q 2018	% Change
Woven- Egypt based	1,409	1,464	-4%	13.2	13.9	-5%
OW USA	606	521	16%	3.7	2.9	28%
OW China	15	16	-6%	0.2	0.2	-9%
Tufted	437	428	2%	8.0	7.4	8%
Non-woven Felt	94	73	29%	4.3	4.0	8%
Other	40.4	6	583%			
Total	2,603	2,507	4%	29.3	28.3	3%

Revenue Breakdown in 1Q 2019



Sales Volumes Breakdown (sqm) in 1Q 2019





Segment Reporting

Local Sales

Our local net sales reported an 11% increase in 1Q 2019 to EGP 988 million, compared to EGP 890 million in the same quarter of 2018. Volumes sold, however, declined by 4% during the quarter.

Consumer demand revived during the quarter with showroom sales (56% of total local sales) growing by 13% in 1Q 2019. Furthermore, wholesale revenues grew by 10% y-o-y with the launch of new, medium-quality, products which were well received by middle-income consumers.

Sales volumes declined during the quarter with a decrease in the Tufted and the Non-woven segments which outpaced the 6% volume growth achieved in the Woven segment (66% of sales volumes). The strategy of the Tufted division of focusing on medium to higher qualities was reflected in the 15% higher average selling price, while volumes came in 6% lower for the quarter. Furthermore, Non-woven volumes declined by 26% as a reoccurring order from the Ministry of Irrigation for 524,000 sqm in 1Q 2018 was not received until the second quarter of this year, and also as a result of diverting some of the Non-woven capacity to support the export market.

Table 2: Percentage Change in Local Sales (Volume and Value)

Percentage Δ	Volume	Value	Average Price	Contribution to Local Revenues	
				1Q 2019	1Q 2018
Woven	▲ 6%	▲ 8%	▲ 2%	81%	82%
Tufted	▼ 6%	▲ 9%	▲ 15%	12%	12%
Non-woven Felt	▼ 26%	▲ 3%	▲ 39%	4%	5%
Other (imported and yarn sales)		▲ 552%		3%	1%
Total	▼ 4%	▲ 11%		100%	100%

As we continue to manage our showroom network, three new showrooms were added during the quarter, while four low-traffic showrooms were closed, bringing us to 247 showrooms. We continue with our plans to expand, with a target to open ten to twelve showrooms before year-end, in the heavily populated areas of the Nile Delta governorates and Eastern Cairo.



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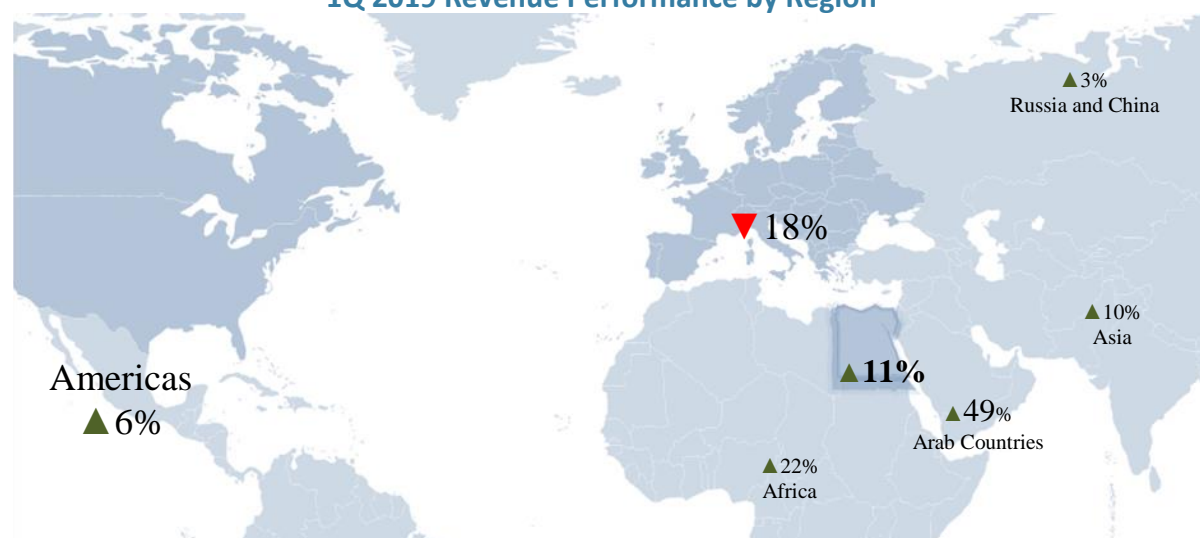
Our local hospitality segment reported 3% y-o-y growth in 1Q 2019 as we worked on the refurbishment of a number of mosques in Cairo and Alexandria along with the renovations of the Helnan Palestine Hotel, Alexandria, and the Hilton Ramses Hotel, Cairo.

We believe that the local population demographics, and the gaps in housing, which in turn fuel the numerous real estate development projects, will continue to ensure future demand and growth in Egypt.

Export and Overseas Operations

Export revenues remained flat at EGP 1,615 million in 1Q 2019, despite 9% y-o-y higher volumes, on price adjustments and product changes to our major export markets. Our US-based subsidiary recorded 16% growth in 1Q 2019; having received new orders from major US retailers. This in, addition to the 66% growth achieved in exports of the Non-woven segment, helped offset the impact of the shipment delays to our key European customer which lowered the export figures of our Egypt-based woven subsidiaries by 16% y-o-y.

1Q 2019 Revenue Performance by Region



* The three key markets areas are Egypt, the USA and Canada, and Europe.



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

Percentage Δ	Volume	Value	Average Price	Contribution to Export Revenues	
				1Q 2019	1Q2018
Woven	▼ 4%	▼ 2%	▲ 2%	77%	78%
Tufted	▲ 13%	0%	▼ 11%	20%	20%
Non-woven Felt	▲ 111%	▲ 66%	▼ 21%	3%	2%
Total	▲ 9%	0%	▼ 9%	100%	100%

Despite lower consumer demand in the US, and the unfavorable retail climate, our U.S.-based subsidiary OW USA, recorded a 16% y-o-y revenue growth in 1Q 2019, on 28% higher volumes sold. Though a number of our key US-based clients reported lower sales performance, OW managed to develop relationships, and growth, with these customers, and thus increased our market share. Furthermore, we received new orders from nationwide home center chains, and secured new contracts producing exclusive private brand collections for furniture manufacturers, along with our growth in the e-commerce segment. Accordingly, we managed to outperform the overall market.

However, our exports from Egypt to North and South America experienced a 6% decline because of the overstocking by major retailers in 4Q 2018, and lower exports to Canada as one of our agents closed. Overall, our export sales in North and South America, including sales of our US subsidiary, grew 6% y-o-y. We believe the new tariffs imposed on Chinese imports to the US should add further growth to our Tufted and Non-woven segments.

Our European exports saw an 18% decline in 1Q 2019 as a result of delayed shipments to our key European customer, 6% of net sales in 1Q 2019, on relative slow demand witnessed in its international showrooms. Shipments are expected to pick up in the second half of the year.

We continue to record strong growth in Africa and the GCC region, with exports in 1Q 2019 growing by 22% and 49% y-o-y, respectively. This is a direct result of our expanding activities in Morocco, Kenya, Tanzania, and Mauritius, reinvigorated demand from Libya, and new orders from Saudi Arabia.

Our hospitality segment grew 5% y-o-y during the quarter as OW completed a number of projects in the US and Canada including installations at the Fairmont Royal York Hotel, the Encore Macau, and the Marriott Odessa. Installations were also completed in the UAE - Paramount Towers A, B, and D, Phase 2 of the

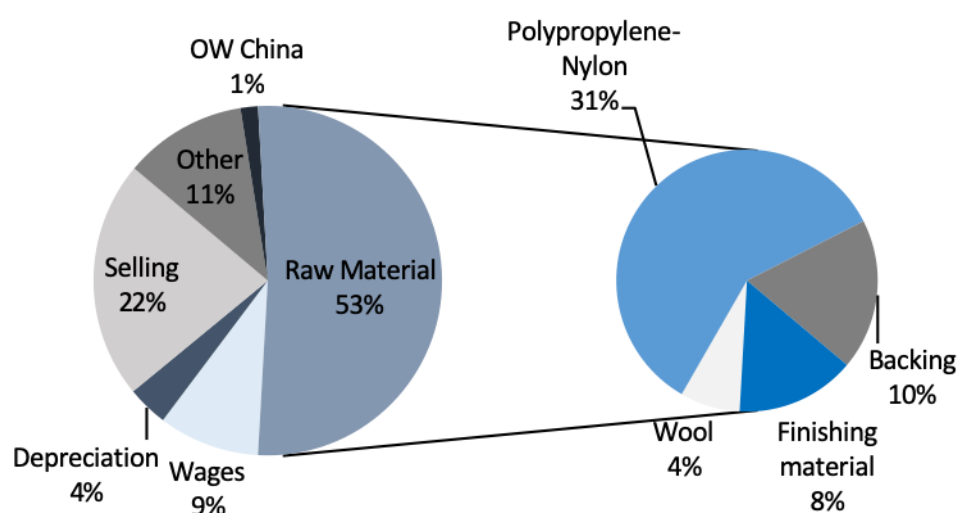
Atlantis Hotel, and Hilton & Metropolitan Al-Habtoor; in Saudi Arabia – Midan Hotel; in Bahrain - Swiss Bell Hotel; and in the Democratic Republic of Congo – Serena Goma.

Building relationships and experiences with current and potential clients are essential components to Oriental Weavers' hospitality segment, and integral to our development of products and services of renowned value for all our clients.

Intense Competition Weighs on Profitability Margins

In 1Q 2019, there was a 19% y-o-y decline in gross profit (including depreciation expenses) to EGP 229 million, with the gross margin declining by 242 bps y-o-y to ~9%, versus 11.2% in 1Q 2018 and 7.7% in 4Q 2018. This was a result of the growing competitive environment and the relatively soft global economy. This offset the overall decline in raw material prices with average polypropylene prices 11% lower at USD 1,125/ton compared to USD 1,271/ton in 1Q 2018. Accordingly, EBITDA for 1Q 2019 came in at EGP 257 million – an 18% decline compared to 315 million in 1Q 2018 – while the EBITDA margin declined by 268bps to 9.9%.

1Q 2019 COGS Breakdown



The company recorded an overall net interest income of EGP 14 million in 1Q 2019, compared to EGP 13 million in 1Q 2018. We recorded a 25% increase in 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 which outpaced the 32% growth in our interest expense during the quarter. On March 31, 2019, our debt balance of EGP 2,452 million was similar to that of 1Q 2018, and our debt breakdown was 80% USD, 19.5% Euro, and 0.5% EGP.

We recorded an export rebate collection of EGP 61 million in 1Q 2019 versus EGP 26 million in 1Q 2018. Our export rebate backlog, as of April 30, 2019, stands at EGP 528 million.

In 1Q 2019, provisions of EGP 13 million were recorded primarily from a tax settlement. The appreciation of the EGP against the USD during the quarter was reflected in an FX gain of EGP 56 million, primarily from the EGP-denominated receivables of Oriental Weavers International (our free-zone entity with USD as the reporting currency).

Accordingly, our pre-tax earnings grew 11% in 1Q 2019 to EGP 250 million. Our effective tax rates came in at 12%, compared to 9.2% in 1Q 2018. Consequently, Oriental Weavers has seen a 7% growth in its attributed earnings in 1Q 2019, reaching EGP 201 million compared to 1Q 2018 earnings of EGP 189 million.

Latest Corporate Developments

New Managing Director appointed to the Board of Directors

During the BoD meeting held on May 12, two of the existing board members, Maha Bent Ahmed Bin Hassan Faitiahi, non-executive board member and Alaa El-Din Mahmoud Shehata Hassan, executive board member submitted their resignations to the board of directors.

Engineer Medhat Hussein was appointed to the board, and to comply with the Corporate Governance codes, Engineer Hussein was designated as a Managing Director. During his 30-year tenure in the company, Eng. Hussein occupied a number of key managerial positions within the group including the Head of Quality, Health, Safety and Environmental Department, the Group Procurement Director, and the Head of the Design and Engineering departments. “We’d like to welcome Eng Hussein to the board. He will be a great addition given his proven track record and dynamic experience within the Group. We look forward to his valuable contributions,” according to Mr. Farid Khamis, founder and non-executive board member.



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EGM approved a 50% stock dividend

Following the EGM approval on April 17, the company is currently taking the necessary regulatory procedures to approve the assembly.

Expansions of Egypt-based Facilities

Management is being selective with investments for 2019, primarily focusing on meeting market demand. Thus far, on the woven side, Oriental Weavers installed three new looms and a yarn machinery in its factories in Egypt to relieve the bottlenecks in our “intermediate product” production. On the tufted side, MAC upgraded one of its ChromoJet machines to digital printing machine, and installed an additional printing machine, one new tuft machine, and a Carpet Tiles press cutting machine. Total capex for 2019 is planned to be within the range of EUR 10 million.

INVESTOR RELATIONS CONTACTS

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STOCK SYMBOL ORWE.CA

CAPITAL

Issued and Paid-in Capital: EGP 443.4 million

Number of Shares: 443.4 million shares
Par Value: 1 EGP per share

SHAREHOLDER STRUCTURE

56.5% Khamis Family
24.7% Foreign Institutions
13.3% Local Institutions
5.5% Retail



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Income Statement (EGP million)

Three Months Ended March 31

	2019	2018	Change
Net Sales	2,603	2,507	3.8%
<u>Less:</u>			
COGS	2,374	2,226	6.6%
Gross Profit	229	281	-18.6%
<i>Gross Profit Margin*</i>	8.8%	11.2%	-242bps
<u>Less:</u>			
Selling and Distribution Expenses	23	19	19.9%
General and Administrative Expenses	83	83	1.1%
Sum	107	102	4.7%
Net Income from Operation Activities	122	179	-31.8%
Operation Activities Margin	4.7%	7.1%	-245bps
<u>Add / Less:</u>			
Provisions and impairment	-13	0	NA
Investment Income	8	0	NA
Interest Income	14	35.5	-60%
Treasury Income	33	2.4	1280%
Other Revenues	61	25.8	136%
Capital Gain	1	0.0	NA
Financing Expenses	-33	-24.9	32.5%
Foreign Exchange gain (loss)	56	7	651%
Sum	46	8	503%
Net Profit for the Period before Income Tax	250	225	11%
EBT Margin	10%	9%	61bps
<u>Add / Less:</u>			
Current Income Tax	-30	-22	36%
Deferred Tax	0	1	-67.4%
Income Tax for the Period	-29	-21	41%
Net Profit for the Period	220	204	7.8%
Net Profit Margin	8%	8%	31bps
<u>Attributable to:</u>			
Equity Holders of the Parent	201	189	6.6%
Non-controlling interest	19	16	22.1%

* Reported figures include depreciation expenses



Balance Sheet (EGP million)

	1Q 2019	FY 2018
<u>Long Term Assets</u>		
Fixed Assets (Net)	4 729	4 961
Projects in Progress	345	247
Investments - Available for Sale	126	129
Goodwill	202	202
Total Long Term Assets	5,402	5,540
<u>Current Assets</u>		
Inventory	3 640	3 681
Trades and Notes Receivable	1 771	1 942
Debtors and Other Debit Accounts	332	330
Treasury Bills	1 035	764
Cash on Hand and at Banks	436	624
Total Current Assets	7,215	7,341
<u>Current Liabilities</u>		
Provisions	84	79
Banks - Credit Accounts	1 991	2 164
Long Term Liabilities - Current Portion	101	123
Suppliers and Notes Payable	1 194	1 219
Dividends Payable	146	19
Creditors and Other Credit Accounts	473	516
Deferred Tax Liability	84	89
Total Current Liabilities	4,073	4,210
Working Capital	3,141	3,132
Total Investment	8,543	8,671
Financed as Follows:		
<u>Shareholder's Equity</u>		
Issued and Paid Capital	443	443
Reserves	1,660	1,627
Retained Earnings	903	514
Net Profit for the Period	201	504
Exchange Differences Arising on Translation of Foreign Currency	4,045	4,225
Total Equity Attributable to Equity Holders of the Parent	7,253	7,313
Non-controlling Interest	795	846
Total Equity	8,048	8,159
<u>Long - Term Liabilities</u>		
Long Term Loans	359	376
Housing and Development Bank Loan	0	0
Deferred Taxes Liabilities	136	136
Total Long Term Liabilities	495	512
Total Shareholder's Equity and Long Term Liabilities	8,543	8,672



Statement of Cash Flows (EGP million)

	Three Months Ended March 31	
	2019	2018
<u>Cash flows from Operating Activities:</u>		
Net Profit for the Period before Income Tax	250	225
<u>Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities</u>		
Fixed Assets Depreciation	135	136
Provisions other than Deprecations	13	-
Interest Income	(14)	(35)
Financing Expenses	33	25
Investment Income	(8)	-
Capital gain	(1)	-
Operating Profits before Changes in Working Capital	407	350
<u>Change in Working Capital</u>		
(Increase) in Inventory	(37)	12
Decrease (Increase) in Trades and Notes Receivable and other Debit Accounts	67	3
Decrease (Increase) in Suppliers and Notes Payable and other Credit Accounts	(29)	(69)
Cash Flows Provided by Operating Activities	407	297
Interest Income	14	12
Paid Financing Expenses	(33)	(25)
Net Cash Flows Provided by Operating Activities	389	284
<u>Cash Flows from Investing Activities</u>		
Payments for Purchase of Fixed Assets and Projects in Progress	(119)	(152)
Proceeds from the Sale of Fixed Assets	1	-
Proceeds from Sale of Treasury Bills	22	-
Net Cash Flows (used in) Investing Activities	(96)	(152)
<u>Cash Flows from Financing Activities:</u>		
Proceeds (Payment) from Banks - Credit Accounts	(127)	42
Dividends Paid	(10)	(28)
Translation Differences of Financial Statements	(5)	(1)
Increase in paid-in capital of subsidiary	-	107
(Payment) Proceeds in Long Term Liabilities	(27)	1
Net Cash Flows (used in) Provided by Financing Activities	(169)	120
Net Change in Cash and Cash Equivalents During the Period	124	252
Cash and cash equivalents at beginning of the period	1,322	1,181
Translation Differences Related to Cash and Cash Equivalents	(18)	(1)
Cash and Cash Equivalents at End of the Period	1,428	1,432



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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 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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