



النساجون الشرقيون
Oriental Weavers

Earnings Release 1Q 2021

C AIRO, May 30th, 2021 — 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 2021 today, ending March 31.

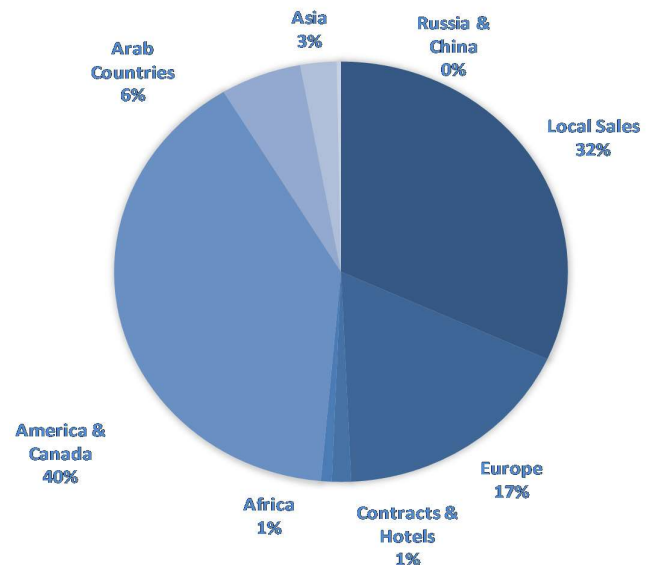
1Q 2021 vs. 1Q 2020

Sales (EGP million)	EBITDA (EGP million)	Net Income (EGP million)
2,763 ▲ 22%	489 ▲ 70%	300 ▲ 72%
Export Contribution	EBITDA Margin	Gross Profit Margin
67%	17.7% ▲ 502 bps	17.4%

1Q 2021 Overview

Income increased primarily due to higher volume and productivity. Orders remain strong, with a backlog higher than normal. OW is maximizing operational outputs to address the increased demand. The group recorded a 22% growth in revenue reaching EGP 2,763 million in 1Q 2021; the comparable quarter of 2020 saw EGP 2,268 million in revenue. Export revenues (67% of total revenues) increased 31% y-o-y during the quarter, while local sales grew 6% y-o-y.

Revenue Contribution by Market
in 1Q2021





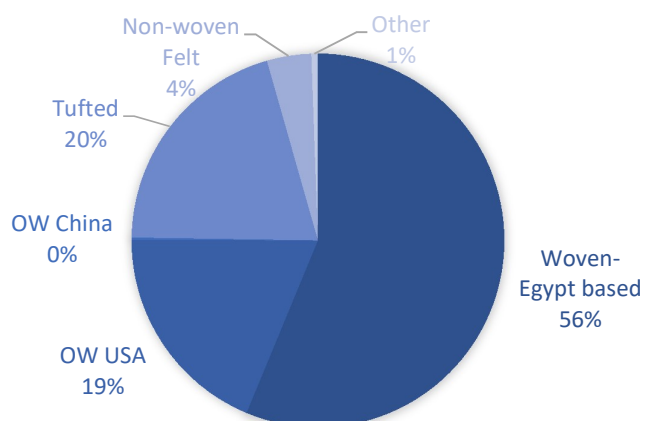
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Table 1: Net Sales (Volume and Value) in 1Q 2021 vs. 1Q 2020

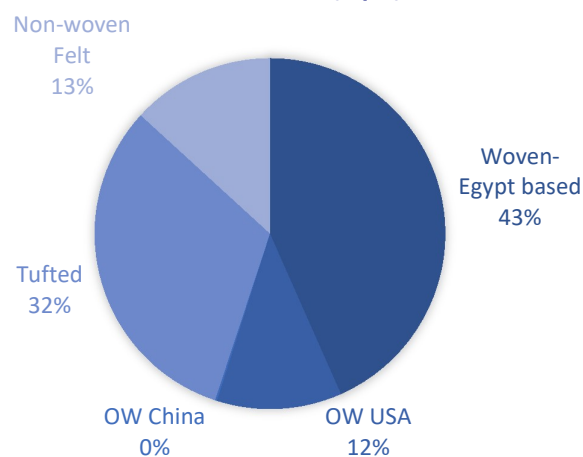
	Value (EGP million)		
	1Q 2021	1Q 2020	% Change
Woven- Egypt based	1,554.8	1,220.0	27.4%
OW USA	518.4	492.2	5.3%
OW China	6.0	4.2	44.4%
Tufted	562.0	451.5	24.5%
Non-woven Felt	106.3	97.5	9.0%
Other	15.9	2.9	453.2%
Total	2,763	2,268	21.83%

	Volume (million sqm)		
	1Q 2021	1Q 2020	% Change
Woven- Egypt based	15.49	12.28	26.1%
OW USA	4.12	4.01	2.7%
OW China	0.06	0.06	11.1%
Tufted	11.33	8.41	34.7%
Non-woven Felt	4.72	4.36	8.3%
Other			
Total	35.7	29.1	22.7%

Revenue Breakdown in 1Q 2021



Sales Volumes Breakdown (sqm) in 1Q 2021





Segment Reporting

Local Sales

The company's local **net sales** reported a 6% y-o-y increase in 1Q 2021 to EGP 907 million, compared to EGP 854 million in 1Q 2020. Volumes sold, increased by 4% y-o-y during the quarter.

Consumer demand revived during the quarter with **showroom sales** (54% of total local sales) growing by 3% y-o-y in 1Q 2021, While **wholesale revenues** grew by 12% y-o-y.

With regard to **local sales**, the woven segment increased by 3% y-o-y, due to demand tilted towards Grade A products (+12%) and Grade B products (+7%). The company is noticing that consumers are inclined to buy higher end products. The tufted segment increased by 28% y-o-y and non-woven declined by 5% y-o-y.

Sales volumes increased during the quarter by 4% y-o-y. The Woven segment volumes were down 4% y-o-y as Oriental Weavers focused on exports to meet the increased demand. The tufted segment outpaced all the segments, increasing 42% y-o-y with the opening of new sales channels through hyper-markets (namely Carrefour) which catalyzed the spike in sales. In the Non-woven segments, sales volumes increased by 8% y-o-y.

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

Percentage Change	Volume	Value	Average Price	Contribution to Local Revenues	
				1Q 2021	1Q 2020
Woven	▼ 4%	▲ 3%	▲ 7%	81%	84%
Tufted	▲ 42%	▲ 28%	▼ 10%	12%	10%
Non-woven	▲ 8%	▼ 5%	▼ 12%	5%	6%
Other (imported and yarn sales)		▲ 491%		2%	0%
Total	▲ 4%	▲ 6%		100%	100%

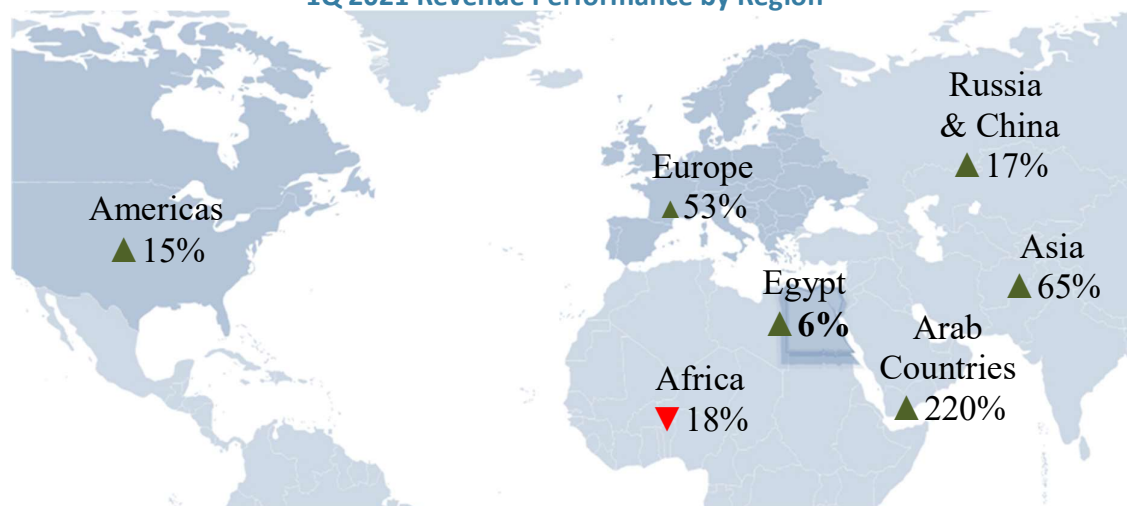


Export and Overseas Operations

Export revenues reached EGP 1,856 million in 1Q 2021, increasing by 31% y-o-y in value and 33% y-o-y in volume. Business continued to improve in the first quarter and did not reflect the industry's normal seasonality. Around the world, consumers are continuing to invest in their homes. Market demand strengthened as the period progressed, and our order backlog remains robust going into the second quarter.

Although COVID-19 cases surged in some markets, OW management anticipate continued strengthening of economies around the world. Government actions and monetary policies are stimulating higher economic growth rates and stronger housing markets, and vaccination program should reduce the risk of COVID-19 related disruptions. Recent U.S. stimulus actions as well as proposed infrastructure spending should further expand economic growth and employment level.

1Q 2021 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 Change	Volume	Value	Average Price	Contribution to Export Revenues	
				1Q 2021	1Q 2020
Woven	▲ 38%	▲ 34%	▼ 2%	73%	71%
Tufted	▲ 33%	▲ 24%	▼ 7%	24%	26%
Non-woven Felt	▲ 9%	▲ 24%	▲ 13%	3%	3%
Total	▲ 33%	▲ 31%	▼ 1%	100%	100%

U.S.-based subsidiary OW USA, recorded a 5% y-o-y revenue growth in 1Q 2021, on 3% higher volumes sold. OW managed to develop relationships, and growth with customers, which increased market share.

Our **exports from Egypt to North and South America experienced a 15% y-o-y** increase. Due to online demand and new promotions with Costco, Walmart, Home Depot and Lowes. In addition, some of the outdoor product ranges were shipped in 1Q 2021 instead of 4Q 2020 which influenced the price in 1Q 2021.

Our **European exports saw a 53% y-o-y increase** in 1Q 2021 as a result of the increased demand coming from the online sales and new promotions from Lidl and Aldi. In addition, OW is witnessing a surge in demand from Eastern Europe.

OW recorded strong **growth in the GCC region increasing 220% y-o-y**, mainly due to sales in Saudi Arabia, as we managed to increase our market share. Management expects this trend to continue for the foreseeable future.

All-time High Margins

In 1Q 2021, there was a **70% y-o-y increase in gross profit** (including depreciation expenses) to EGP 481 million, with the **gross margin reaching an all-time high of 17.4%** compared to 12.43% in 1Q 2020. This was a result of the decline of COGS/Sales ratio to 83% in 1Q 2021 from 88% in 1Q 2020.

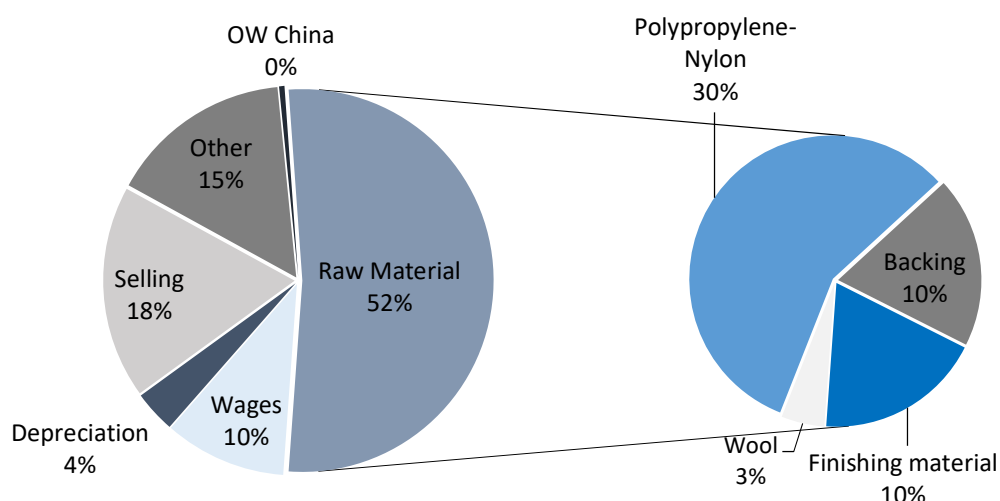
- Lower raw materials prices seen in 4Q 2020 positively impacted the COGS in 1Q 2021.
- Due to COVID-19, international exhibitions and client meetings have been principally virtual. This has lowered our marketing costs and travel expenses while maintaining high sales figures.



- Slow-moving stock (impaired), were sold during 1Q 2021.
- The tufted segment managed to increase the local sales contributions. The local tufted market has a higher margin than that of the export market.

Accordingly, **EBITDA for 1Q 2021 came in at EGP 489 million – a 70% y-o-y increase compared to EGP 288 million in 1Q 2020 – while the EBITDA margin increased by 502bps to 17.7%.**

1Q 2021 COGS Breakdown



The company recorded an overall net interest income of EGP 14 million in 1Q 2021, compared to EGP 12 million in 1Q 2020. OW recorded a 74% y-o-y increase in interest and treasury income as a result of the efficient utilization of our cash balance. On March 31 2021, our debt balance of 3,016 million breakdown was 45% USD, 14% Euro, and 41% EGP. OW increased borrowing in EGP to benefit from the CBE's initiative that allows companies to borrow EGP at a rate below corridor rate.

Due to the decline in Euro/USD from 1.22 to 1.17, OW recorded **FX loss** EGP 3.15 million, on our European customer receivables, which is accounted for in the selling price. **Other revenues** recorded EGP 10 million through the sales of scrap and production leftovers.

Accordingly, our pre-tax earnings grew 74% y-o-y in 1Q 2021 to EGP 379 million. Our effective tax rates came in at 9.6%, compared to 9.4% in 1Q 2020. **Consequently, Oriental Weavers has seen a 72% y-o-y growth in its attributed earnings in 1Q 2021, reaching EGP 300 million compared to 1Q 2020 earnings of EGP 174 million.**



Polypropylene update:

Polypropylene prices witnessed an expected hike in 1Q2021 due to global supply constraints which will impact 2Q 2021 results. Polypropylene prices reached an average of \$1,382/ton in 1Q 2021, compared to \$1,038/ton in 4Q 2020. Accordingly, in May global polypropylene prices began to decrease due to improved availability and lower global demand. OW management expect this trend to continue until year's end.

Latest Corporate Developments

Believing that sustainability is a key role in leadership, Oriental Weavers Carpet has recently hired a new Corporate Governance and CSR Director Mrs. Walaa El Hussein. Mrs. El Hussein has over 20 years of professional experience, both at national and international level, in the field of public and development management with particular emphasis on corporate governance, regulatory affairs, business development, sustainability and CSR. Mrs. El Hussein, as well, is the Executive Director of Global Compact Network Egypt, a Global initiative that is focused on Governance & Sustainability.

Giving a special focus to customers and their needs, OW also hired a new Marketing Director Mrs. Randa Hagag. Mrs Hagag has over 24 years of experience with a strong background in growing brands within leading multinational and regional corporations across the Middle East. Mrs Hagag deployed consumer centric research teams to create brand identity, product commercial designs, advertising concepts and increased media appearance.

Expansions of Egypt-based Facilities

Management has decided to undergo an expansion plan with expected CAPEX for 2021 **in the range of \$26 million**. For the woven segment, nine new looms, with two having already arrived, and four Goblines machines to satisfy the intense increase in demand. A state-of-the-art extrusion machine will also be added which will elevate efficiency and production to our vertically integrated system. On the tufted side, MAC installed an additional printing machine, and for non-woven segment, a new digital machine. This will address the impressive demand OW is witnessing and which management anticipate will continue.



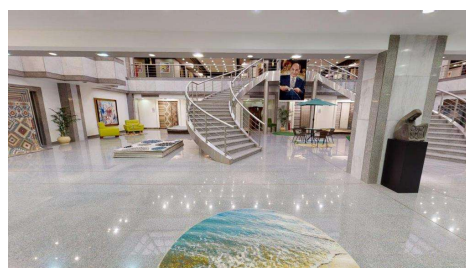
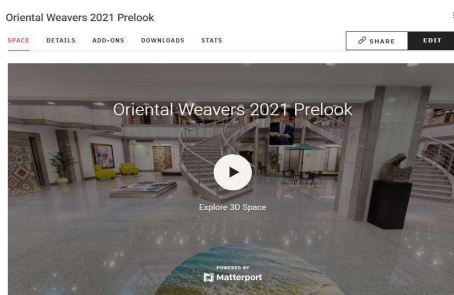
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OW Featured

- Oriental Weavers was featured in "**Carpet Home magazine**" https://www.snfachpresse.com/lesen/issues/cxl/2021/02_en/#p=46 "Oriental Weavers just doesn't do small scale: Everyone who has been to Domotex knows and remembers the company's impressive trade fair palaces and manifold collection". The magazine held an interview with Chairwoman Yasmine Khamis and Export Director Hani Amin on expansion plans and consumer focus.
- The Orientals Group made the Top 100 Arab Family Businesses 2021 list in **Forbes Middle East**. <https://www.forbesmiddleeast.com/lists/the-middle-east-power-businesswomen-2021/yasmine-farida-mohamed-farid-khamis/>
- In regards to our digital transformation, OW was featured on **Fortinet website**. "One of the World's Largest carpet producer rolls out SD-WAN in record time for elevated customer service levels and reduced operating costs up to 80%"

Digital Transformation:

As part of OW digital transformation plan, and with a dedicated focus on adapting technological tools to uplift our customer experience, we utilized VR techniques to provide a state of the art experience to OW customers. One of our most impressive projects is our "Virtual Showroom," which caters to our export clients, enabling them to browse our collection and place their orders more efficiently.





Income Statement (EGP million)

Three Months Ended March 31 2021

	2021	2020	Change
Net Sales	2,763	2,268	21.8%
Less:			
COGS	2,282	1,986	14.9%
Gross Profit	481	282	70.6%
<i>Gross Profit Margin*</i>	17.4%	12.4%	497bps
Less:			
Selling and Distribution Expenses	38	34	10%
General and Administrative Expenses	88	95	-8%
Sum	125	129	-2.9%
Net Income from Operation Activities	355	153	133%
Operation Activities Margin	12.86%	6.74%	613bps
Add / Less:			
Provisions and impairment	-2.6	-28.6	NA
Investment Income	1.51	0	NA
Interest Income	3.17	5.18	-39%
Treasury Income	58.5	30.7	93%
Other Revenues	10.28	54	-81%
Capital Gain	4	0.3	NA
Financing Expenses	-48	-23	105%
Foreign Exchange gain (loss)	-3.15	27	-112%
Sum	24	66	-64%
Net Profit for the Period before Income Tax	379	218	74%
EBT Margin	13.7%	9.6%	409bps
Add / Less:			
Current Income Tax	-37	-20	83%
Deferred Tax	1	0.2	-510%
Income Tax for the Period	-36	-21	76%
Net Profit for the Period	343	197	73%
Net Profit Margin	12%	8.7%	369bps
Attributable to:			
Equity Holders of the Parent	300	174	72%
Non-controlling interest	43	24	81%

* Reported figures include depreciation expenses



Balance Sheet (EGP million)

	1Q 2021	FY 2020
Long-Term Assets		
Fixed Assets (Net)	4079	4216
Projects in Progress	202	141
Investments - Available for Sale	336	116
Beneficial interest in assets	351	-
Total Long-Term Assets	4,969	4,473
Current Assets		
Inventory	3 266	3 195
Trades and Notes Receivable	1 819	1 724
Debtors and Other Debit Accounts	341	346
Treasury Bills	2 088	2 022
Cash on Hand and at Banks	1 174	904
Total Current Assets	6,689	8,191
Current Liabilities		
Provisions	90	90
Banks - Credit Accounts	2 762	2 466
Long Term Liabilities - Current Portion	91	99
Suppliers and Notes Payable	898	847
Dividends Payable	978	10
Due within one year of rental contract obligations	81	-
Creditors and Other Credit Accounts	643	742
Deferred Tax Liability	147	128
Total Current Liabilities	5,689	4,383
Working Capital	3,000	3,808
Total Investment	7,968	8,282
Financed as Follows:		
Shareholder's Equity		
Issued and Paid Capital	665	665
Reserves	1 627	1 487
Retained Earnings	400	348
Net Profit for the Period	300	937
Exchange Differences Arising on Translation of Foreign Currency	3 531	3 546
Total Equity Attributable to Equity Holders of the Parent	6 523	6 983
Non-controlling Interest	860	947
Total Equity	7 383	7 931
Long - Term Liabilities		
Long-Term Loans	163	207
Housing and Development Bank Loan	-	0.04
Lease contract obligations	279	-
Deferred Taxes Liabilities	143	144
Total Long-Term Liabilities	586	351
Total Shareholder's Equity and Long-Term Liabilities	7968	8282



Statement of Cash Flows (EGP million)

	Three Months Ended March 31	
	2021	2020
Cash flows from Operating Activities:		
Net Profit for the Period before Income Tax	379	219
Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities		
Fixed Assets Depreciation	134	135
Provisions other than Deprecations	3	29
Interest Income	-3	-5
Depreciation of usufruct assets	21	-
Financing Expenses	48	23
Investment Income	-2	-
Capital gain	-4	-
Operating Profits before Changes in Working Capital	576	400
Change in Working Capital		
(Increase) in Inventory	-77	34
Decrease (Increase) in Trades and Notes Receivable and other Debit Accounts	-114	-86
Decrease (Increase) in Suppliers and Notes Payable and other Credit Accounts	-50	-30
Cash Flows Provided by Operating Activities	335	318
Interest Income	3	5
Paid Financing Expenses	-48	-23
Paid income Tax Expense	-2	-5
Net Cash Flows Provided by Operating Activities	288	295
Cash Flows from Investing Activities		
Payments for Purchase of Fixed Assets and Projects in Progress	-80	-57
Buying investments available for Sale	-123	-
Proceeds from Investments available for sale	2	-
Proceeds from the Sale of Fixed Assets	17	1
Proceeds from Sale of Treasury Bills	-73	10
Net Cash Flows (used in) Investing Activities	-257	-46
Cash Flows from Financing Activities:		
Proceeds (Payment) from Banks - Credit Accounts	299	48
Dividends Paid	-2	-1
Translation Differences of Financial Statements	1	-1
Paid for Lease obligations	-12	-
Increase in paid-in capital of subsidiary	-	-
(Payment) Proceeds in Long Term Liabilities	-52	-28
Net Cash Flows (used in) Provided by Financing Activities	234	17
Net Change in Cash and Cash Equivalents During the Period	266	266
Cash and cash equivalents at beginning of the period	1470	1196
Translation Differences Related to Cash and Cash Equivalents	-2	-5
Cash and Cash Equivalents at End of the Period	1734	1457



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STOCK SYMBOL ORWE.CA

CAPITAL

Issued and Paid-in Capital: 665 million EGP
Number of Shares: 665 million shares
Par Value: 1 EGP per share

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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