



النساجون الشرقيون
Oriental Weavers

Earnings Release

2Q 2017/1H2017

2Q 2017 Top Line and EBITDA Figures Strengthened by 50%+ y-o-y

CAIRO, July 26, 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 1H 2017 ending June 30, 2017.

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

“We finish the first half of 2017 with record results - a new benchmark for which we can be proud, with the top line and EBITDA figures increasing by more than 50% y-o-y in 2Q 2017, in line with market consensus. This is a result of a gradual recovery in exports, in dollar terms, while our response to the EGP floatation and diverse product range helped maintain our strong position in the local market, and overcome slow market demand. OW continues to explore every opportunity to overcome the inflationary pressures in the local market, while creating new, and expanding current, footholds in available markets. To meet international demand, and to expand our product range, OW has received three state-of-the-art looms, with an additional three looms to be installed in the second half of 2017. Through innovation and our commitment to excellence, OW remains dedicated to our clients, partners, and stakeholders alike. Our multifaceted approach will continue to ensure growth in the current dynamic economic environment.

With this, I offer my deepest appreciation to each of you - for it is your vision, your enthusiasm, and your loyalty that makes Oriental Weavers a local and a global leader”

2Q 2017 vs 2Q 2016 (Reported)

Sales (EGP mn)	EBITDA (EGP mn)	Net Income (EGP mn)
2,389 ▲54%	388 ▲55%	204 ▲28%
Export Contribution	EBITDA Margin	Net Margin
64%	16.2% ▲12 bps	8.5% ▼174 bps

The EGP Appreciation: What's in it for OW financial performance?

It is important for the OW management to highlight the potential impact of an EGP appreciation against the USD:

- In a 5% EGP appreciation scenario, OW will record better profitability margins on its local sales (36% of net sales). Though, margins on exports will be under pressure slightly, profitability margin, on aggregate, will remain stable;
- In an appreciation scenario of over 5%, selling price adjustments will be implemented in the local market, inflation of raw material costs will be hampered, leading to only minor changes in profitability margin on an aggregate basis.

Treasury Strategy continues to outperform:

With 15% local currency debt on hand, OW plans to gradually settle its EGP debt facilities to avoid the high finance charges while maintaining a naturally-hedged position on the balance sheet. Furthermore, OW signed forward contracts in March 2017 to sell the excess dollar proceeds and the resulting FX gains from these contracts should offset the high finance charges on the EGP debt facilities.

For purposes of comparison, we have adjusted, in this earnings release, Oriental Weavers' income statement for 2Q2016 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 4,913 million in 1H 2017, representing growth of 66% over the adjusted revenue figure of the comparable first six months of 2016. The primary driving factors were a 109% y-o-y growth in export sales, and 21% growth in local sales when compared to the adjusted figures of 1H 2016.

In 2Q 2017, OW recorded a 56% revenue growth y-o-y on an adjusted basis reflecting 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 64%), 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 2Q 2017

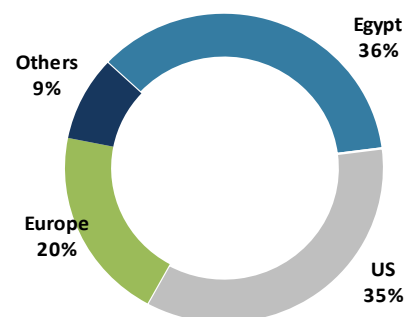




Table 1: Net Sales (Volume and Value) in 2Q 2017 vs. Adjusted 2Q 2016

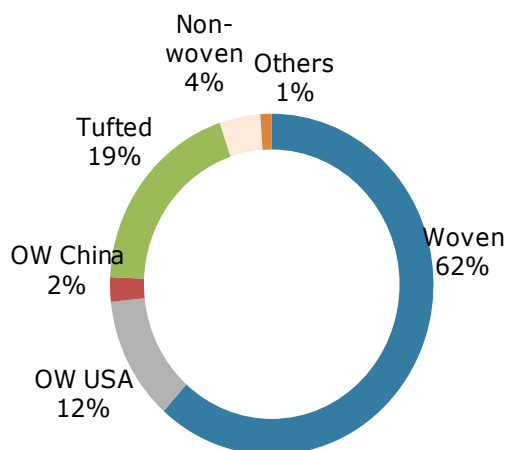
Value (EGP mn)				Volume (sqm)		
	2Q 2017 Reported	2Q 2016 Adjusted	Change vs. Adjusted	2Q 2017 Reported	2Q 2016 Adjusted	Change vs. Adjusted
Woven- Egypt based	1,351	811	67%	13	14	-10%
OW USA	454	224	103%	2.2	2.3	-1%
OW China	51	21	138%	0.5	0.6	-13%
Tufted	419	258	63%	8	7	4%
Non-woven Felt	89	53	69%	4	4	4%
Other	25	170	-85%			
Total	2,389	1,536	56%	27	28	-4%

* For purposes of comparison, adjusted figures of 2Q 2016 include sales value and volumes of OWT.

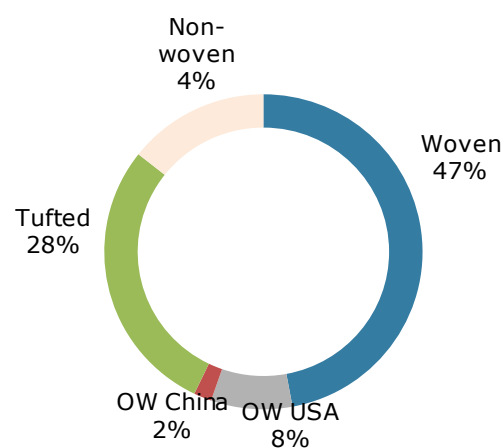
Table 2: Net Volume & Value in 1H 2017 vs. Adjusted 1H 2016

Value (EGP mn)				Volume (sqm)		
	1H 2017 Reported	1H 2016 Adjusted	Change vs. Adjusted	1H 2017 Reported	1H 2016 Adjusted	Change vs. Adjusted
Woven- Egypt based	2,758	1,604	72%	26	29	-11%
OW USA	1,016	480	112%	5	5	1%
OW China	71	35	102%	1	1	-24%
Tufted	860	439	96%	16	15	11%
Non-woven Felt	179	100	79%	8	7	8%
Other	28	304	-91%			
Total	4,913	2,961	66%	56	57	-2%

Revenue Breakdown in 2Q 2017



Sales Volumes Breakdown (sqm) in 2Q 2017





Segment Reporting

Local Sales

Our local sales reported a 13% net growth in 2Q 2017 compared to the same quarter in 2016, a total of EGP 860.4 million, resulting mostly from the implemented price increases. The inflationary pressures Egypt experienced, in addition to the slow demand during the second quarter as it coincided with the holy month of Ramadan, and final school exams, led to sales decreasing by 8% in volume. 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, the local sales of woven, tufted, and non-woven products showed 46%, 22% and 46% y-o-y growth in value respectively in 2Q 2017. In the woven segment, there was a 7% increase in sales volume of Grade A, and a 6% increase of Grade B, whereas volumes of low end products (Grade C, 75% of local woven volumes) declined by 20%. We believe lower sales volumes of Grade C products was a result of: i) A shift in demand, by small traders, from Grade C to MAC's (tufted division) local production given its relatively lower price points, and ii) slow demand during the quarter. Meanwhile, volumes of Grade A and B grew during the quarter as traders were stockpiling merchandise in an anticipation of price increases to take place with the 1% increase in VAT implemented early July 2017 and the gradual phasing out of energy subsidies. Currently, we have seen a relative pick up in local demand coinciding with the regular increase of marriages during the summer months.

Table 2: Percentage Change in 2Q 2017 & 1H2017 Local Sales (Volume and Value)

Percentage Change 2Q 2017 vs 2Q 2016	Volume	Value	Avg. Price	Contribution to Local Revenues	
				2Q 2017	2Q 2016
Woven	▼15%	▲46%	▲71%	83%	65%
Tufted	▲14%	▲22%	▲8%	11%	10%
Non-woven felt	▼1%	▲46%	▲47%	4%	3%
Others (imported rugs & yarn sales)		▼92%		2%	22%
Total	▼8%	▲13%		100%	100%

Percentage Change 1H 2017 vs 1H 2016	Volume	Value
Woven	▼16%	▲53%
Tufted	▲10%	▲42%
Non-woven felt	▲1%	▲48%
Others (imported rugs & yarn sales)		▼95%
Total	▼8%	▲21%



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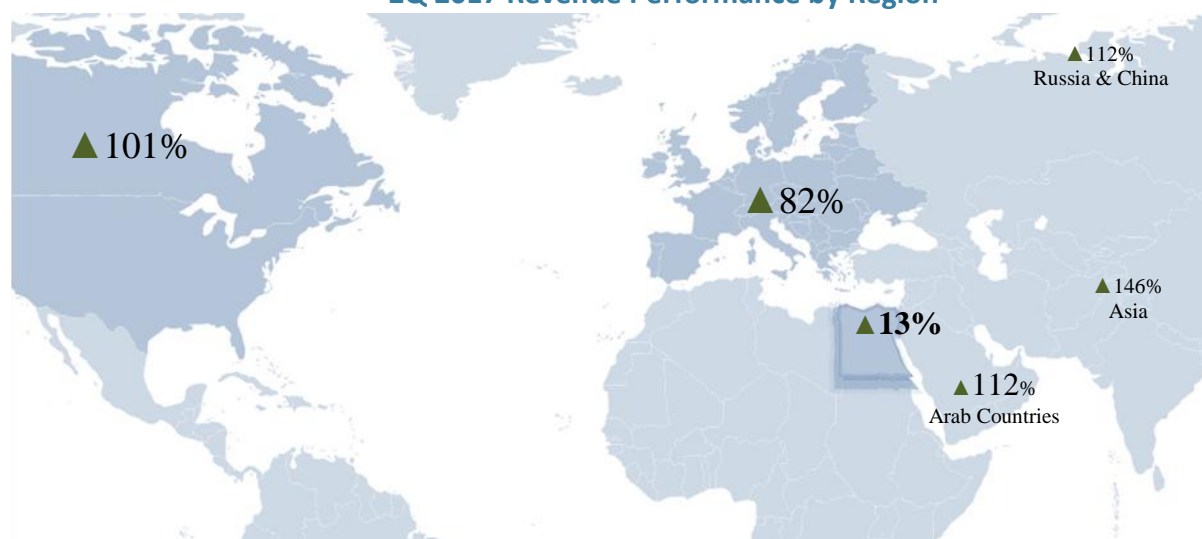
Showroom sales grew by 31% y-o-y, with wholesale figures remaining flat. Approximately 47% of 2Q 2017 local revenue came from our network of 230 stores across Egypt. Our showroom network continues to expand with the addition of five new showrooms in Upper Egypt and the Nile Delta. OW opened three new showrooms in Luxor, Rasheed (Delta) and East Cairo thus far, while MAC, OW's 58.3%-owned subsidiary, opened two new showrooms - one in the Fayoum Governorate and another in Dakahlia. OW and MAC plan to open a total of five additional showrooms in the heavily populated areas of the Nile Delta Governorates and Eastern Cairo.

Despite current setbacks in demand, by volume, we are confident that Egypt has strong growth potential based on the continuing housing gap and favorable local population demographics that fuel real estate development projects, thereby creating encouraging conditions for future growth in product demand.

Export & Overseas Operations

Export revenues grew 98% in 2Q 2017 versus adjusted 2Q 2016 figures to reach EGP 1,528 million. This growth reflects the impact of the floatation of the Egyptian Pound, with export volumes remaining almost flat. Our total exports in dollar terms during the quarter declined by only 3% despite a steep decline reported in exports to our top European customer. This came after 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 almost 20% increase in the Euro value of business with this customer in the second half of 2017.

2Q 2017 Revenue Performance by Region



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

** We adjusted 2Q 2016 revenue figures by including Oriental Weavers Textiles' exports by region



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

Percentage Change 2Q 2017 vs 2Q 2016	Volume	Value	Avg. Price	Contribution to Export Revenues		Percentage Change vs. 1H 2017 vs 1H 2016	Volume	Value
				2Q2017	2Q2016			
Woven	▼4%	▲102%	▲106%	76%	73%	Woven	▼4%	▲105%
Tufted	▲1%	▲79%	▲78%	16%	24%	Tufted	▲11%	▲120%
Non-woven felt	▲15%	▲90%	▲65%	4%	3%	Non-woven felt	▲25%	▲110%
Others	-	-	-	4%	0%			
Total	▼0.5%	▲98%		100%	100%	Total	▲3%	▲109%

* For purposes of comparison, adjusted 2Q 2016 figures include exports of Oriental Weavers Textiles and the elimination of intercompany transactions between OW and OWT.

On the U.S. front, revenues of OW USA remained almost flat in dollar terms. We continue to believe in the growth potential of the U.S. 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 and has helped offset the steeper decline reported in our exports to our top European customer, as our exports to Europe decreased by only 8% (in USD).

The exports of the tufted segment (16% of the group's exports) demonstrated 79% y-o-y growth during 2Q 2017. We remain confident that the MAC export business will grow, with new customers in Africa and Australia having been approached, as well as the introduction of new product varieties, including PVC products and artificial grass. In 1H 2017, exports of artificial grass grew eleven fold, reaching EGP 44 million, representing 6% of MAC's exports sales. Furthermore, MAC is currently ordering a new digital printing machine, which should catalyze consumer interest particularly from new customers in South Africa and Tanzania.

Our hospitality division installed several new projects in 1H 2017 such as Hilton Las Vegas, Blackstone Chicago, Caesars Palace, JW Marriott San Francisco, and Ritz Carlton Chicago.

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.

Continuous Strong Growth in EBITDA

EBITDA for the quarter came in at EGP 388 million, a 46% growth compared to the 2Q 2016 adjusted figure of EGP 265 million, whilst EBITDA margin declined 104 bps to 16.3%. The decline resulted mostly from the inflation in raw material costs in addition to the maintenance shutdown for some looms and machinery at OW and MAC for regular maintenance during the quarter, respectively. SG&A expenses, as a percentage of sales, remained almost flat at 3.8%.

In 1H 2017, EBITDA margin of the woven segment (76% of revenues) grew 100 basis points (bps) y-o-y, and the EBITDA margin of the tufted segment (20% of revenues) strengthened by 400 bps. However, the EBITDA margin of the non-woven segment (4% of revenues) declined by 190 bps largely due to higher US Dollar costs. The strong improvement in the EBITDA margin achieved in the tufted segment came after a combination of: i) the impact of EGP floatation and the resulting dollar surplus of cash flow (USD export revenues exceed the US Dollar cost components), and ii) lower depreciation rates encountered on full depreciation of several items of equipment.

The Treasury Department excelled in the first half of 2017 establishing an interest and treasury income growth of 190% y-o-y on an adjusted basis through the efficient utilization of our cash balance by way of investments in high yield treasury bills. On the second quarter level, financing expenses grew by 40% y-o-y on 500 bps average increase in corridor rates, and EGP devaluation. Overall, net interest expenses, on an adjusted basis, increased by 14% during the quarter compared to 2Q 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 281 million in 1H 2017 compared to December 2016 debt level.

Driven by the factors outlined above, pre-tax earnings grew 7% y-o-y compared to adjusted 2Q 2016 to stand at EGP 246 million in 2Q 2017. Owing to our efficient tax planning, effective tax rates declined 434 bps to 12% when compared to adjusted figures of 2Q 2016.

Consequently, Oriental Weavers' attributable earnings grew 20% in 2Q 2017 to reach EGP 204 million versus the EGP 170 million adjusted attributable earnings of 2Q 2016.

2Q 2017 COGS Breakdown

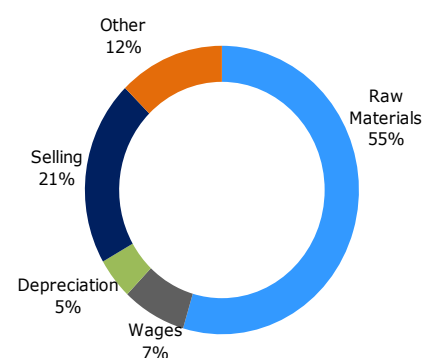




Table 4: Reported 2Q 2017 vs. Adjusted 2Q 2016 Income Statement

	Reported 2Q	Adjusted 2Q	% Change
In (EGP, mn)	2017	2016	y-o-y
Net Sales	2,389	1,536	56%
Gross Profit	339	250	35%
Gross Profit Margin	14.17%	16.30%	-212bps
EBITDA	388	265	47%
EBITDA Margin	16%	17%	-99bps
Pretax Earnings	246	229	7%
Net Profit After tax	217	193	13%
Net Profit Margin	9.10%	12.55%	-345bps
<u>Attributable to:</u>			
Equity Holders for OWC	204	170	20%
Non-controlling interest	14	23	-40%
EPS	0.45	0.38	20%

* 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 in 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:

This year, OW plans to add between six to eight new looms in addition to new packaging line, one digital printer, and new machinery in its Egypt based facilities in 2017 with a planned Capex figure of almost EUR 12 million. Three looms were installed in 1H 2017, and the remaining looms should be received in the second half of 2017. It is estimated that they will add 2% to our total production capacity. Several 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.

BoD Approved Retiring 6.5 mn Treasury Shares

On June 20, 2017, OW USA, a 100% owned subsidiary of Oriental Weavers, transferred the ownership of 6,595,155 Oriental Weavers shares to OW in order to write them off. Currently, OW is finalizing the procedures to retire these shares and reduce the paid-in capital to EGP 443,404,845 from EGP 450,000,000.



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INVESTOR RELATIONS CONTACTS

For further information, please contact:

Farida Khamis

Vice President

Oriental Weavers Carpet Company

E-mail : fkhams@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

57% Khamis Family & other related entities

38% Institutions

5% Retail



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Reported Income Statement (EGP mn)

	Three months ended June 30			First Half ended June		
	2017	2016	Change	2017	2016	Change
Net Sales	2,389	1,549	54%	4,913	3,006	63%
Less:						
COGS	2,050	1,312	56%	4,175	2,579	62%
Gross Profit	339	237	43%	738	427	73%
<i>Gross Profit Margin*</i>	14.17%	15.29%	-111bps	15.02%	14.20%	82bps
Less:						
Selling & Distribution Expenses	14	12	18%	29	24	21%
General & Administrative Expenses	78	48	62%	153	83	85%
Provisions & impairment	0	12	-100%	29	32	-9%
Sum	91	71	28%	211	139	52%
Net Income from Operation Activities	247	166	49%	527	288	83%
Operation Activities Margin	10.35%	10.69%	-34bps	10.73%	9.60%	113bps
Add / Less:						
Investment Income	0	0	-	0	0	33%
Interest Income	4	5	-18%	6	10	-42%
Treasury Income	12	4	218%	44	8	481%
Other Revenues	21	59	-65%	60	116	-49%
Capital Gain	1	4	-88%	1	4	-81%
Financing Expenses	-35	-24	48%	-72	-46	57%
Foreign Exchange Differences	-3	1	-395%	-2	-49	-95%
Sum	-1	49	-102%	36	43	-17%
Net Profit for the Period before Income Tax	246	215	15%	563	331	70%
EBT Margin	10%	14%	-356bps	11%	11%	43bps
Add / Less:						
Current Income Tax	-30	-37	-19%	-89	-62	44%
Deferred Tax	1	0	-1917%	2	3	-34%
Income Tax for the Period	-29	-37	-22%	-88	-59	48%
Net Profit for the Period	217	178	22%	475	272	75%
Net Profit Margin	9%	11%	-239bps	10%	9%	62bps
Attributable to:						
Equity Holders of the Parent	204	159	28%	439	262	67%
Minority Interest	14	19	-28%	36	10	268%

* Reported figures include depreciation expenses



Balance Sheet (EGP mn)

	1H 2017	FY 2016
<u>Long Term Assets</u>		
Fixed Assets (Net)	4 861	5 052
Projects in Progress	271	256
Investments - Available for Sale	130	131
Goodwill	286	286
Total Long Term Assets	5,548	5,725
<u>Current Assets</u>		
Inventory	3 277	3 042
Trades & Notes Receivable	2 206	2 195
Debtors and Other Debit Accounts	279	336
Treasury Bills	101	653
Cash on Hand & at Banks	398	336
Total Current Assets	6,260	6,562
<u>Current Liabilities</u>		
Provisions	72	49
Banks - Credit Accounts	1 779	1 998
Long Term Liabilities - Current Portion	56	105
Suppliers & Notes Payable	984	916
Dividends Payable	37	11
Creditors & Other Credit Accounts	379	252
Deferred Tax Liability	59	146
Total Current Liabilities	3,366	3,476
Working Capital	2,894	3,085
Total Investment	8,442	8,811
Financed as Follows:		
<u>Shareholder's Equity</u>		
Issued and Paid Capital	450	450
Reserves	1,625	1,610
Retained Earnings	674	907
Net Profit for the Period	439	484
Exchange Differences Arising on Translation of Foreign Currency	4,291	4,359
Treasury Stocks	-43	-15
Total Equity Attributable to Equity Holders of the Parent	7,435	7,796
Non-controlling interest	708	700
Total Equity	8,143	8,496
<u>Long - Term Liabilities</u>		
Long Term loans	184	197
Housing and Development Bank Loan	0	0
Deferred Taxes Liabilities	115	117
Total Long Term Liabilities	299	314
Total Shareholder's Equity & Long Term Liabilities	8,442	8,811



Statement of Cash Flows (EGP mn)

	Six months ended June	
	2017	2016
<u>Cash flows from Operating Activities:</u>		
Net Profit for the Period before Income Tax	563	331
<u>Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities</u>		
Fixed Assets Depreciation	286	159
Provisions other than Deprecations	29	32
Interest Income	(6)	(10)
Financing Expenses	72	46
Investment Income	(0)	(0)
Capital Gain	(1)	(4)
Fx Translation	(21)	128
Operating Profits before Changes in Working Capital	922	682
<u>Change in Working Capital</u>		
(Increase) in Inventory	(269)	(75)
Decrease (Increase) in Trades & Notes Receivable and other Debit Accounts	11	(198)
Decrease (Increase) in Suppliers & Notes Payable and other Credit Accounts	170	88
Cash Flows Provided by Operating Activities	835	497
Interest Income	6	8
Paid Financing Expenses	(72)	(46)
Income Tax paid	(137)	(75)
Net Cash Flows Provided by Operating Activities	631	384
<u>Cash Flows from Investing Activities</u>		
Payments for Purchase of Fixed Assets and Projects in Progress	(171)	(84)
Proceeds from Sale of Fixed Assets	3	5
Proceeds from Sale of Treasury Bills	99	116
Net Cash Flows (used in) Investing Activities	(68)	38
<u>Cash Flows from Financing Activities:</u>		
Proceeds (Payment) from Banks-Credit Accounts	(198)	74
Dividends Paid	(697)	(244)
(Payment) Proceeds in Long Term Liabilities	(58)	(117)
Net Cash Flows (used in) Provided by Financing Activities	(953)	(287)
Net Change in Cash and Cash Equivalents During the Period	(390)	135
Cash and cash equivalents at beginning of the period	890	431
Translation Differences related to Cash & Cash equivalents	(2)	23
Cash and Cash Equivalents at End of the Period	498	589



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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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