



النساجون الشرقيون
Oriental Weavers

Earnings Release

2Q 2019

Strong Earnings Growth in 2Q

CAIRO, August 8, 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 1H 2019 today, ending June 30.

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

“As the second quarter of 2019 draws to a close, we would like to highlight the reasonable revenue growth, driven largely by export revenues, achieved during the quarter. While local revenues reported minor growth during the quarter, as a result of the inflationary pressures, export revenues grew 7% y-o-y in 2Q 2019 on the back of growing shipments to our key European customer in addition to strong revenue growth in the US market. EBITDA margin improved 132 bps in 2Q, driven by lower material cost, though much of the benefit has been offset by higher labor and energy costs. OW continued to invest in product development to meet the ever evolving demands of consumers with the addition of four state-of-the-art weaving looms, one yarn machine, three MAC tufting machines, digital printer, ultra sonic cutting machine and carpet tile cutting machine thus far in 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.”

2Q 2019 vs 2Q 2018

Sales (EGP million)	EBITDA (EGP million)	Net Income (EGP million)
2,634 ▲4%	317 ▲17%	214 ▲86%
Export Contribution	EBITDA Margin	Backlog of export rebates (EGP million)
62%	12% ▲132 bps	546



النساجون الشرقيون
Oriental Weavers

Revenue Performance Overview

The group recorded a 4% revenue growth totaling EGP 5,236 million in 1H 2019; compared to EGP 5,033 million in 1H 2018. Export revenues, 62% of total revenues, grew 3% in 1H 2019, while local sales grew 6% when compared to 1H 2018.

For the second quarter, the group recorded 4% revenue growth for a total of EGP 2,634 million. While local sales (38% of net sales) grew 1% during the quarter, export revenues grew by 7% y-o-y.

Revenue Contribution by Market
in 2Q 2019

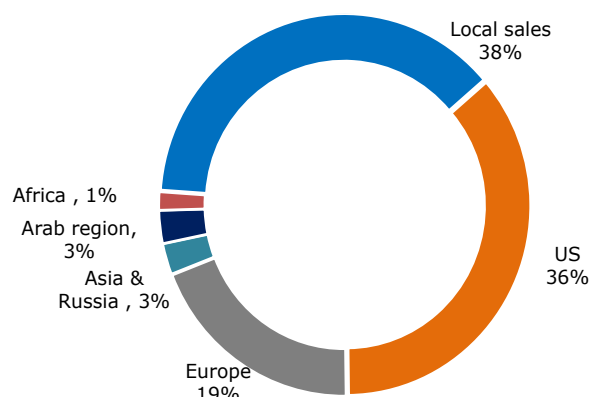


Table 1: Net Sales (Volume and Value) in 2Q 2019 vs. 2Q 2018

	Value (EGP million)		
	2Q 2019	2Q 2018	% Change
Woven- Egypt based	1,494	1,488	0%
OW USA	589	511	15%
OW China	21	30	-29%
Tufted	419	391	7%
Non-woven Felt	94	71	33%
Other	16.6	35.6	-53%
Total	2,634	2,526	4%

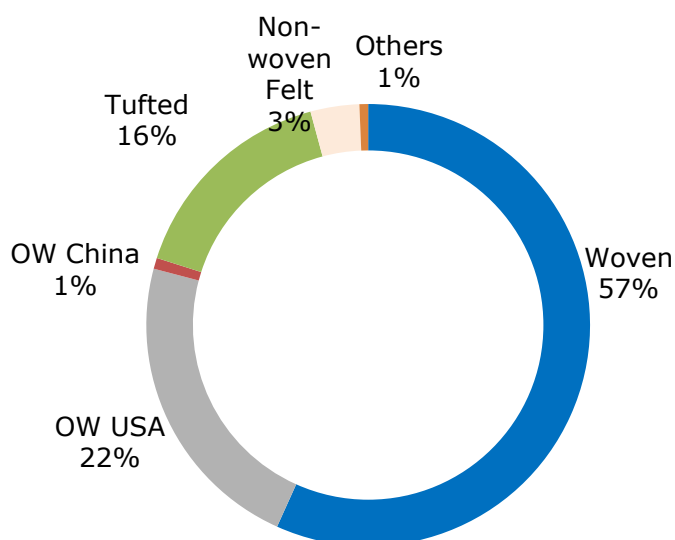
	Volume (sqm)		
	2Q 2019	2Q 2018	% Change
	14.0	13.9	1%
	3.7	2.7	35%
	0.2	0.4	-43%
	7.5	7.1	5%
	4.2	3.4	25%
Total	29.6	27.5	8%

	Value (EGP million)		
	1H 2019	1H 2018	% Change
Woven- Egypt based	2,904	2,952	-2%
OW USA	1,195	1,032	16%
OW China	36	46	-21%
Tufted	856	818	5%
Non-woven Felt	188	144	31%
Other	57	41	38%
Total	5,236	5,033	4%

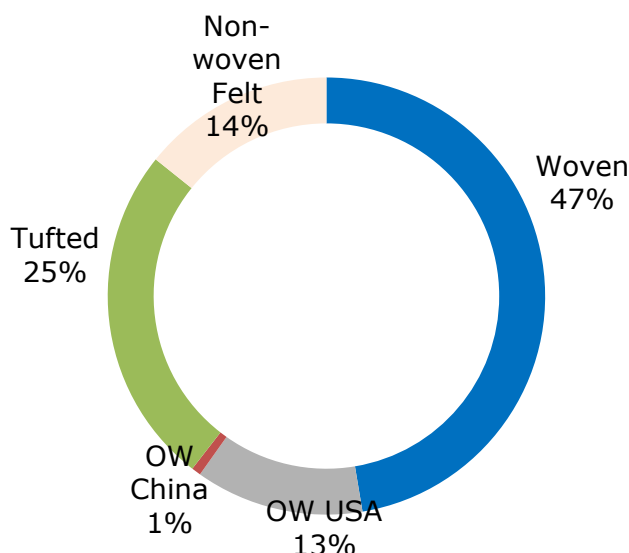
	Volume (sqm)		
	1H 2019	1H 2018	% Change
	27	28	-2%
	7.4	5.6	31%
	0.4	0.5	-32%
	15	15	6%
	9	7	16%
	0	0	
Total	59	56	6%



Revenue Breakdown in 2Q 2019
(By Value)



Revenue Breakdown in 2Q 2019
(By Volume)



Segment Reporting

Local Sales

Our local net sales value reported a 1% increase in 2Q 2019 to EGP 990 million, compared to EGP 983 million in the same quarter of 2018 on flat volumes sold. This together with the 11% growth reported in 1Q 2019 local sales brought our 1H 2019 revenues up 6% y-o-y.

Consumer demand was under pressure in the second quarter especially during the holy month of Ramadan. This negatively affected retail revenues (49% of total local sales) which declined by 1%. However, the launch of new, medium-quality, products, which were well received by middle-income consumers, drove wholesale revenues up 2% during the quarter.

Sales volumes remained almost flat y-o-y in 2Q 2019. While woven volumes (64% of sales volumes) grew by 2% and Non-Woven volumes (23% of total volumes) grew by 19%, Tufted volumes (13% of sales volumes) declined by 26%. This decline in tufted volumes resulted from a change in MAC's strategy to focus on medium to higher qualities which resulted in a 27% higher tufted average selling price during the quarter.



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

Percentage Δ	2Q Volume	2Q Value	Average Price	Contribution to Local Revenues		1H Volume	1H Value
				2Q 2019	2Q 2018		
Woven	▲2%	▲3%	▲1%	83%	82%	▲4%	▲5%
Tufted	▼26%	▼6%	▲27%	11%	11%	▼16%	▲1%
Non-woven Felt	▲19%	▲25%	▲5%	5%	4%	▼6%	▲13%
Other (yarn sales)		▼63%		1%	3%		▲31%
Total	▲0.4%	▲1%	▲2%	100%	100%	▼2%	▲6%

As we continue to manage our showroom network, nine new showrooms were added during 1H 2019, while five low-traffic showrooms were closed, bringing us to 251 showrooms. We continue with our plans to expand, with a target to open another five showrooms before year-end, in the heavily populated areas of the Nile Delta governorates and Eastern Cairo.

Revenues of local hospitality segment remained flat y-o-y in 2Q 2019. We worked on the refurbishment of a number of hotels including the main ballrooms of Cairo Sheraton Hotel, Kempinski Royal Maxim Palace, and JW Marriott, in addition to a number of mosques in 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

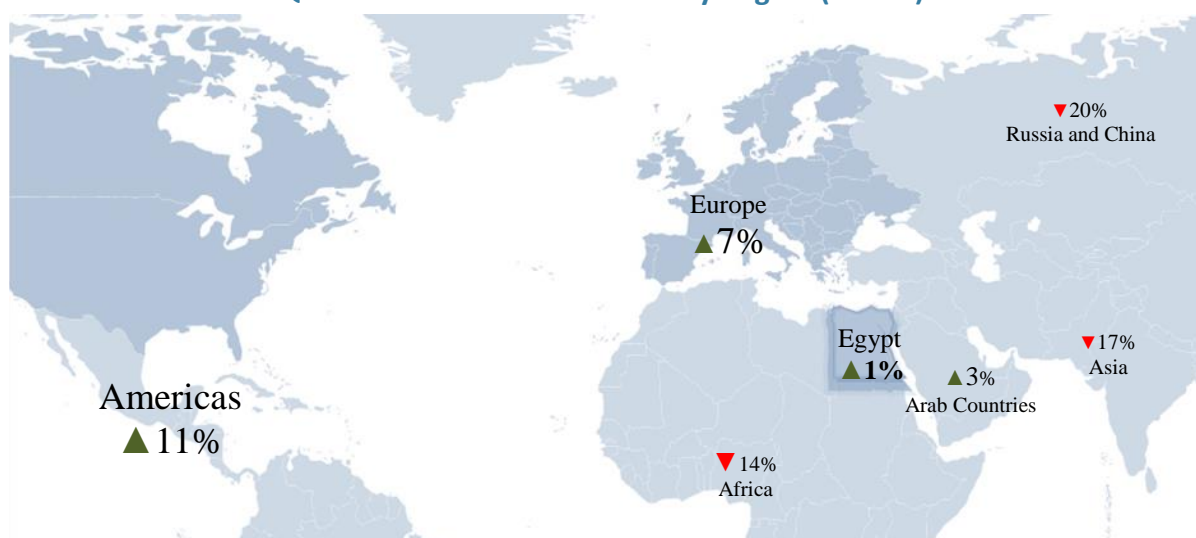
Export revenues grew 7% in 2Q 2019 reaching EGP 1,644 million. The 5% y-o-y currency appreciation of the Egyptian Pound vs USD in 2Q partially muted the 14% y-o-y higher export volumes.



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

Percentage Δ	Volume	Value	Average Price in EGP	Contribution to Export Revenues		1H Volume	1H Value
				2Q 2019	2Q 2018		
Woven	▲9%	▲4%	▼4%	78%	80%	▲2%	▼1%
Tufted	▲18%	▲12%	▼5%	19%	18%	▲15%	▲6%
Non-woven Felt	▲43%	▲44%	▲1%	3%	2%	▲79%	▲55%
Total	▲14%	▲7%	▼6%	100%	100%	▲11%	▲3%

2Q 2019 Revenue Performance by Region (in EGP)



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

Despite lower consumer demand in the US, and the unfavorable retail climate, our U.S.-based subsidiary OW USA, recorded a 15% y-o-y revenue growth in 2Q 2019, on 35% higher volumes sold. Though a number of our key US-based clients reported lower sales performances, 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.

Our net exports from Egypt to North and South America, excluding sales of OW USA, grew 4% in 2Q 2019. This resulted principally from new accounts secured in the US on the woven level in addition to the new business received in the Tufted and Non-woven segments following the higher tariffs imposed on Chinese imports.



Export revenues of the Tufted and Non-woven segments to the US & Canada in 1H 2019 grew by 22% and 162%, respectively. We need to note that the Tufted division secured a new program with Walmart which should be reflected on our numbers in 4Q 2019.

Our European exports recovered in 2Q 2019, recording 7% y-o-y growth. Shipments to our key European customer, 10% of net sales in 2Q 2019, witnessed 37% growth during the quarter. In 1H 2019, our exports to the top European customer grew 7% y-o-y and based on the shipment schedule, we believe this trend should last.

We continue to record growth in the Arab region, with exports in 2Q 2019 growing by 3%. This is a direct result of new orders from Saudi Arabia. Though our exports within Africa declined by 14% in 2Q mainly on delayed shipments, we expect a recovery in the second half of the year. We continue to secure new orders from Morocco, Algeria, South Africa, Kenya and Tanzania.

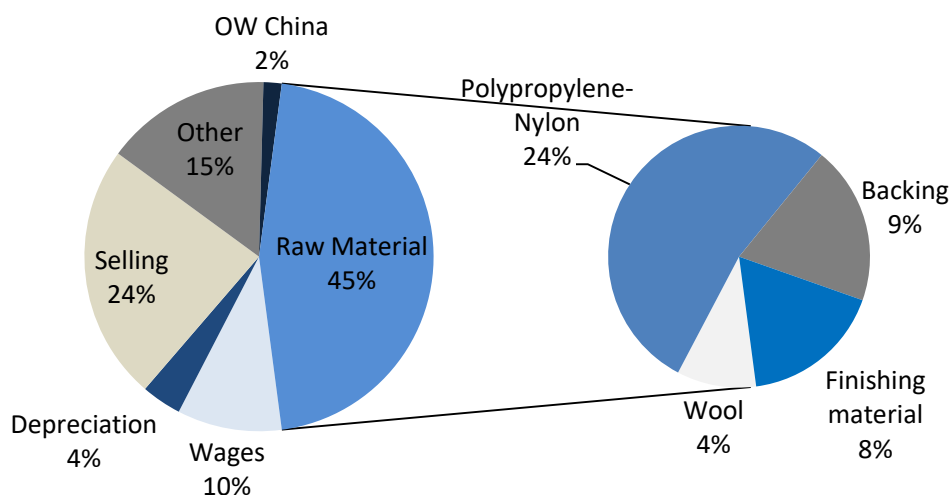
Our hospitality segment declined 16% y-o-y during the quarter with fewer installations in some regions. OW completed a number of projects in the US including Renaissance Montgomery, Inn at Spanish Bay- Pebble Beach, Hotel Roanoke Conference Center, The Abbey Resort, and also Fairmont Royal York, Canada.

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.

Operating margin reflect lower raw material costs

In 2Q 2019, there was a 17% y-o-y growth in EBITDA to EGP 317 million, with EBITDA margin improving by 132 bps y-o-y to 12%, against 10.7% in 2Q 2018 and 9.9% in 1Q 2019. This was a result of the overall decline in raw material prices with average polypropylene prices 11% lower at USD 1,156/ton in 1H 2019 compared to USD 1,301/ton in 1H 2018. Also, EGP 13.8 million of free zone fees related to 1Q 2019 were reversed in 2Q 2019 COGS. Savings in raw materials costs, along with the reversed fees, have been partially offset by higher labor and energy costs during the quarter.

2Q 2019 COGS Breakdown



The company recorded a net interest expense of EGP 12 million compared to a net interest income of EGP 3 million in 2Q 2018. Our finance costs grew 34%, whereas interest and treasury income declined by 23%. On June 30, 2019, our debt balance of EGP 2,587 million is denominated into 79.3% in USD, 20% in Euro, and 0.7% in EGP.

An amount of EGP 115 million was recorded in other revenues compared to EGP 44 million, which included the following accounts:

- Export rebate collection of EGP 37 million in 2Q 2019 versus EGP 44 million in 2Q 2018. Our export rebate backlog, as of July 31, 2019, stands at EGP 546 million.
- An amount of EGP 78.2 million, out of the total EGP 92 million, of GAFI (General Authority For Investments) reversed free zone fees, which was accrued from prior years. An accrued amount in 1Q 2019 of EGP 13.8 million was reversed in 2Q 2019 COGS.

The new investment law issued in mid 2017¹ stipulated that, manufacturing facilities located in free zone areas were subject to a 2% fee on local revenues, and a 1% fee on export revenues generated from these areas. Following the appeal of some Egyptian companies operating in Free Zone areas to this article in the investment law, the article was rescinded and companies will continue to be subject to the old law rates of 1% fee on local and export value added (calculated as net sales excluding raw material costs) as in the previous investment law.

¹<http://ir.orientalweavers.com/wp-content/uploads/Results%20Center/Earnings%20Release/2017/ORWE%203Q%202017%20Earnings%20release.pdf>



النساجون الشرقيون
Oriental Weavers

In 2Q 2019, provisions of EGP 69 million were recorded, mainly on doubtful receivables and contingent liabilities. The appreciation of the EGP against the USD in 2Q 2019 was reflected in an FX gain of EGP 39 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 87% in 2Q 2019 to EGP 267 million. Our effective tax rates came in at 10%, compared to 14.5% in 2Q 2018, mainly from the growing earnings contributions of tax-exempted free zone entities. Consequently, Oriental Weavers has seen an 86% growth in its attributed earnings in 2Q 2019, reaching EGP 214 million compared to 2Q 2018 earnings of EGP 115 million.

Latest Corporate Developments

Appointment of a new Group CFO

Oriental Weavers appointed Tamer Abd El-Aziz, as the Group CFO, replacing Madani Hozayen. Mr Abd El-Aziz is a senior level executive with more than 30 years' experience in finance, business development and consulting, turnaround, and reorganization, and IT and ERP implementations. He has worked for a number multinational companies in diversified business sectors across several locations: North Africa, Middle East and GCC, Canada, and Afghanistan.

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 four 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, three new tuft machines, ultra sonic cutting machine, and a Carpet Tiles press cutting machine in addition to packaging machines. Till 1H 2019, total capital expenditure reached EGP 191 million.



النساجون الشرقيون
OrientalWeavers

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: EGP 443.4 million

Number of Shares: 443.4 million shares

Par Value: 1 EGP per share

SHAREHOLDER STRUCTURE

56.5% Khamis Family

23.6% Foreign Institutions

13.4% Local Institutions

6.5% Retail



النساجون الشرقيون
Oriental Weavers

Income Statement (EGP million)

	2Q 2019			1H 2019		
	2019	2018	Change	2019	2018	Change
Net Sales	2,634	2,526	4%	5,236	5,033	4%
Less:						
COGS	2,342	2,297	2%	4,709	4,517	4%
Gross Profit	292	229	27%	527	516	2%
<i>Gross Profit Margin*</i>	11.1%	9.1%	201bps	10.1%	10.3%	-18bps
Less:						
Selling & Distribution Expenses	28	24	19%	59	49	19%
General & Administrative Expenses	73	74	-2%	156	157	-0.4%
Sum	101	98	3%	215	206	4%
Net Income from Operation Activities	190	131	46%	312	310	0.9%
Operation Activities Margin	7.2%	5.2%	205bps	6.0%	6.2%	-19bps
Add / Less:						
Provisions & Impairment	-69	-20	244%	(82)	(20)	308%
Investment Income	0	0	0%	8	(0)	NA
Interest Income	17	26	-37%	31	62	-50%
Treasury Income	6	3	102%	39	5	639%
Other Revenues	115	44	161%	176	70	152%
Capital Gain	4	-11	NA	5	(11)	NA
Financing Expenses	-35	-26	34%	(68)	(51)	33%
Foreign Exchange Differences	39	-5	NA	95	3	3390%
Sum	77	12	560%	204	58	253%
Net Profit for the Period before Income Tax	267	142	87%	517	368	41%
EBT Margin	10%	6%	450bps	10%	7%	256bps
Add / Less:						
Current Income Tax	-26	-21	25%	(56)	-42	31%
Deferred Tax	0	0	-	1	1	-24%
Income Tax for the Period	-26	-21	24%	-55	-41	32%
Net Profit for the Period	242	122	98%	462	326	42%
Net Profit Margin	9%	5%	435bps	9%	6%	234bps
Attributable to:						
Equity Holders of the Parent	214	115	86%	416	304	37%
Minority Interest	27	7	298%	46	22	106%

* Reported figures include depreciation expenses

Balance Sheet (EGP million)



	1H 2019	FY 2018
<u>Long Term Assets</u>		
Fixed Assets (Net)	4 523	4 961
Projects in Progress	368	247
Investments - Available for Sale	122	129
Goodwill	202	202
Total Long Term Assets	5,214	5,540
<u>Current Assets</u>		
Inventory	3 573	3 681
Trades and Notes Receivable	1 861	1 942
Debtors and Other Debit Accounts	289	330
Treasury Bills	75	764
Cash on Hand and at Banks	868	624
Total Current Assets	6,666	7,341
<u>Current Liabilities</u>		
Provisions	77	79
Banks - Credit Accounts	2 145	2 164
Long Term Liabilities - Current Portion	133	123
Suppliers and Notes Payable	1 016	1 219
Dividends Payable	34	19
Creditors and Other Credit Accounts	607	516
Deferred Tax Liability	45	89
Total Current Liabilities	4,057	4,210
Working Capital	2,609	3,132
Total Investment	7,823	8,671
Financed as Follows:		
<u>Shareholder's Equity</u>		
Issued and Paid Capital	443	443
Reserves	1,665	1,627
Retained Earnings	210	514
Net Profit for the Period	416	504
Exchange Differences Arising on Translation of Foreign Currency	3,836	4,225
Total Equity Attributable to Equity Holders of the Parent	6,571	7,313
Non-controlling Interest	807	846
Total Equity	7,378	8,159
<u>Long - Term Liabilities</u>		
Long Term Loans	309	376
Housing and Development Bank Loan	0	0
Deferred Taxes Liabilities	136	136
Total Long Term Liabilities	445	512
Total Shareholder's Equity and Long Term Liabilities	7,823	8,672



Statement of Cash Flows (EGP million)

	1 H 2019	
	2019	2018
<u>Cash flows from Operating Activities:</u>		
Net Profit for the Period before Income Tax	517	368
<u>Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities</u>		
Fixed Assets Depreciation	261	275
Provisions other than Deprecation	82	20
Interest Income	(31)	(62)
Financing Expenses	68	51
Investment Income	(8)	-
Capital gain	(5)	11
Operating Profits before Changes in Working Capital	883	663
<u>Change in Working Capital</u>		
(Increase) in Inventory	(55)	(131)
Decrease (Increase) in Trades and Notes Receivable and other Debit Accounts	(124)	19
Decrease (Increase) in Suppliers and Notes Payable and other Credit Accounts	(21)	257
Cash Flows Provided by Operating Activities	683	808
Interest Income	31	62
Paid Financing Expenses	(68)	(51)
Paid Income Tax Expense	(76)	(113)
Net Cash Flows Provided by Operating Activities	570	706
<u>Cash Flows from Investing Activities</u>		
Payments for Purchase of Fixed Assets and Projects in Progress	(191)	(449)
Proceeds from the Sale of Fixed Assets	5	18
Proceeds from Treasury Bills	17	-
Net Cash Flows (used in) Investing Activities	(169)	(431)
<u>Cash Flows from Financing Activities:</u>		
Proceeds (Payment) from Banks - Credit Accounts	75	190
Dividends Paid	(829)	(817)
Translation Differences of Financial Statements	(6)	-
Increase in paid-in capital of subsidiary	-	107
(Payment) Proceeds in Long Term Liabilities	(31)	19
Net Cash Flows (used in) Provided by Financing Activities	(792)	(501)
Net Change in Cash and Cash Equivalents During the Period	(391)	(225)
Cash and cash equivalents at beginning of the period	1,322	1,181
Translation Differences Related to Cash and Cash Equivalents	(33)	3
Cash and Cash Equivalents at End of the Period	898	959



النساجون الشرقيون
Oriental Weavers

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.

###