



النساجون الشرقيون
Oriental Weavers

Earnings Release 3Q 2019

CAIRO, November 11th, 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 today, for 9M 2019, ending September 30st.

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

"I am pleased to share with you that our diversified revenue base continues to support our top line performance. The increase in local sales in 9M 2019 have offset the impact of the local currency appreciation on export sales in EGP equivalent terms. Anticipating, and reacting to, the recent global downturn in demand, our team's expansion strategy of attracting new clients continues especially in the US market where the recent trade barriers imposed on Chinese imports has created a number of new opportunities. In spite of the lower raw material costs, our EBITDA margin remained almost constant on higher expenses related to new showroom expansions. We continue to be selective in our expansion strategy to match our client needs. As we coordinate our expansion strategy with market development and growth, we continue to seamlessly integrate into the green economy - building upon our first forty years of history and expanding our foundations for the future. Accordingly, I must congratulate all members of the group for the success we share today, and will share tomorrow."

3Q 2019 vs 3Q 2018

Sales (EGP million)	EBITDA (EGP million)	Net Income (EGP million)
2,347 ▼9%	258 ▼5%	120 ▲25%
Export Contribution	EBITDA Margin	Unrecognized Backlog of Export Rebates
61%	11% ▲42 bps	EGP 585 million



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Revenue Performance Overview

The group reported a decrease of 9% in its 3Q 2019 revenues reaching EGP 2,347 million. Export revenues (61% of total revenues) declined by 14% YOY during the quarter, while local sales grew by 2% when compared to 3Q 2018.

In 9M 2019, top line remained flat at EGP 7,583 million, compared to EGP 7,600 million recorded in 9M 2018.

Revenue Contribution by Market
in 3Q 2019

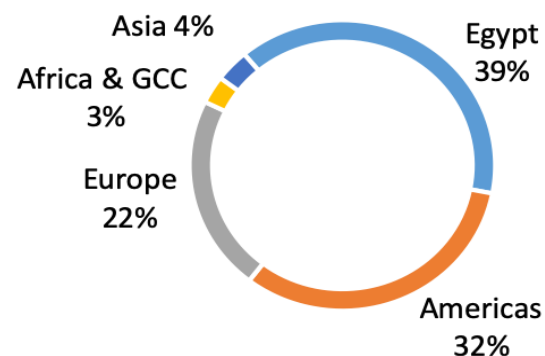


Table 1: Net Sales (Volume and Value) in 3Q 2019 vs. 3Q 2018

	Value (EGP million)		
	3Q 2019	3Q 2018	% Change
Woven- Egypt based	1,351	1,439	-6%
OW USA	436	535	-18%
OW China	15	13	13%
Tufted	436	472	-8%
Non-woven Felt	87	64	37%
Other	21.4	44.2	-52%
Total	2,347	2,567	-9%

	Volume (sqm)		
	3Q 2019	3Q 2018	% Change
Woven- Egypt based	12.3	13.5	-9%
OW USA	2.8	2.6	5%
OW China	0.2	0.2	1%
Tufted	7.9	7.8	1%
Non-woven Felt	3.7	2.9	31%
Other			
Total	26.8	27.0	0%

Table 2: Net Sales (Volume and Value) in 9M 2019 vs. 9M 2018

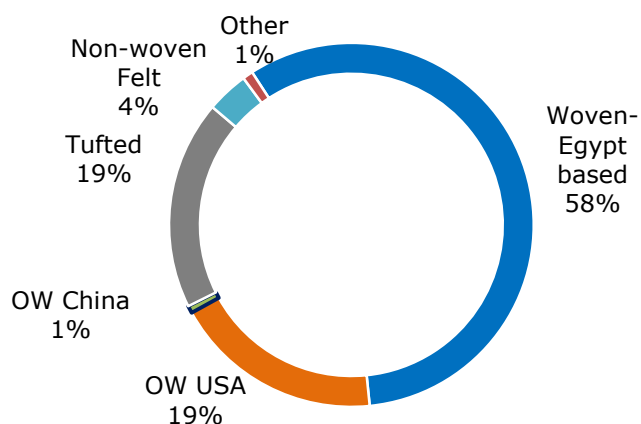
	Value (EGP million)		
	9M 2019	9M 2018	% Change
Woven- Egypt based	4,255	4,391	-3%
OW USA	1,631	1,567	4%
OW China	51	59	-13%
Tufted	1,292	1,290	0%
Non-woven Felt	275	207	33%
Other	78	86	-8%
Total	7,583	7,600	0%

	Volume (sqm)		
	9M 2019	9M 2018	% Change
Woven- Egypt based	40	41	-4%
OW USA	10.1	8.2	23%
OW China	0.6	0.7	-23%
Tufted	23	22	5%
Non-woven Felt	12	10	20%
Other	0	0	
Total	86	83	4%

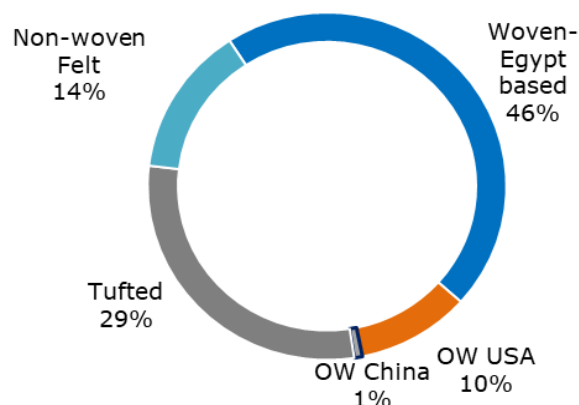


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Revenue Breakdown in 3Q 2019



Sales Volumes Breakdown (sqm) in 3Q 2019



Segment Reporting

Local Sales

Our local net sales increased by 2% in 3Q 2019 to EGP 920 million, compared to EGP 903 in the same quarter of 2018. This, despite the 1% lower volumes sold, was a result of a change in sales mix with a higher demand for Grade B items of the woven segment (compared to Grade C), and an increased focus on selling more expensive, mid- to high-qualities of the tufted division of MAC.

Showroom sales (52% of local sales) grew by 8% YOY in 3Q 2019, while wholesale revenues reported a 6% decline primarily from the low demand of Grade C products, and the increasing penetration of products from Turkey.

As we continue to manage our showroom network, 11 new showrooms were added during 9M 2019, while seven low-traffic showrooms were closed, bringing us to 251 showrooms as of October 2019. An additional three new showrooms are planned before the end of the year in the heavily populated areas in the Nile Delta governorates and Upper Egypt.

Overall, this brought our local revenues in 9M 2019 to EGP 2,898 million, 4% up YOY, while volumes came in 2% lower YOY.



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

Percentage Change	3Q 2019 Volume	3Q2019 Value	Average Price	Contribution to Local Revenues		9M 2019 Volume	9M2019 Value
				3Q 2019	3Q 2018		
Woven	▼4%	▲4%	▲8%	83%	82%	▲1%	▲5%
Tufted	▼11%	▲2%	▲15%	10%	10%	▼15%	▲2%
Non-woven Felt	▲15%	▲33%	▲16%	5%	4%	▼1%	▲19%
Others (yarn sales)		▼60%		2%	5%		▼19%
Total	▼1%	▲2%		100%	100%	▼2%	▲4%

Our local hospitality segment (3% of local revenues) continued its successful installations, recording a 29% YOY revenue growth. Among the projects installed during the third quarter were: VOX Cinemas at the new Almaza City Center, El Galalah resort - Ein El Sokhna, Le Méridien - Cairo Airport, and Blue Sky Nile Cruise - Luxor.

Egypt's economy is recovering, and management foresees enormous growth potential in this dynamic market. A constant supply of housing entering the market from major real estate developers, affordable housing for mid and low-income families, and our country's favorable demographic structure are all likely to drive a higher demand for our products in the near and distant future.

Export & Overseas Operations

Export revenues, at EGP 1,427 million, declined by 14% in 3Q 2019, mainly on 8% appreciation of the EGP vs. USD and lower sales mix. There was a temporal uncertainty in the US market on the woven side during the quarter and some agents delayed their orders which drove exports to the US market down. Now, export orders from key US clients resumed the normal pattern in 4Q with several new programs awarded during the quarter with shipments to begin shortly which will be reflected in positive figures next year.

Hence the 18% YOY decline witnessed in 3Q 2019 revenues of OW USA, after the strong growth achieved in 2Q 2019, is a result of lower sales mix and also majority of the new programs initiated to replace Chinese manufacturers were delivered in the first and second quarters of 2019. Moreover, direct woven exports from Egypt-based factories to North America declined by 28% because of demand uncertainty during the quarter.



The new tariffs imposed on Chinese products drove our Tufted and Non-Woven exports to the US to record levels of 14% and 162% growth, respectively in 9M 2019.

3Q 2019 Revenue Performance by Region

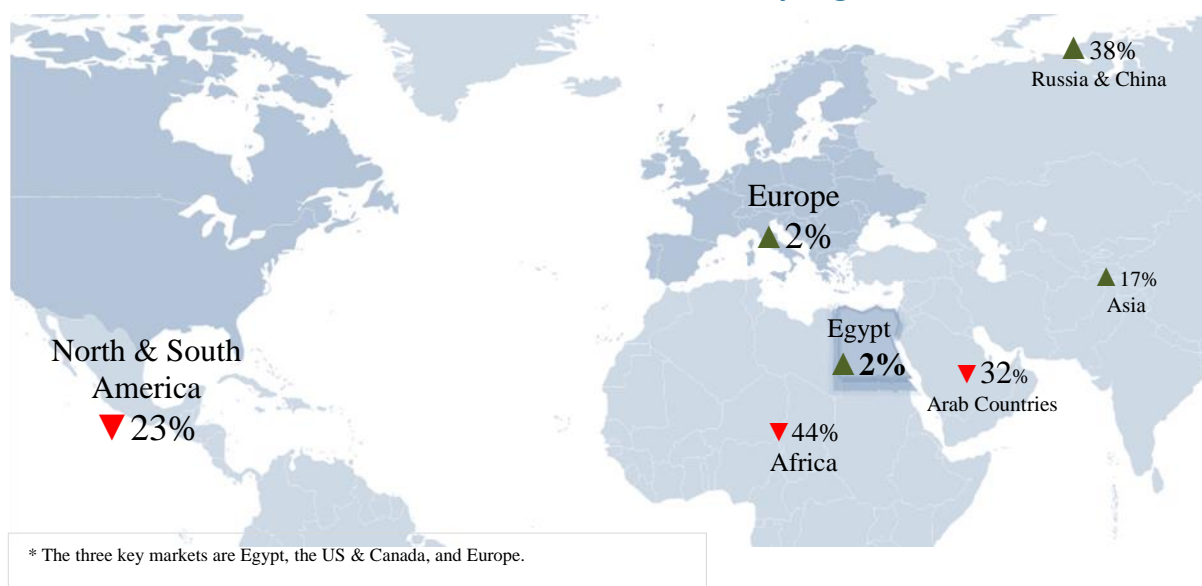


Table 4: Percentage Change in Export Sales (Volume and Value)

Percentage Change	3Q 2019	3Q2019	Average Price	Contribution to		9M 2019	9M2019
	Volume	Value		Export	Volume	Value	
				Revenues			
				3Q 2019	3Q 2018		
Woven	▼9%	▼17	▼9%	73%	75%	▼2%	▼5%
Tufted	▲4%	▼10%	▼14%	24%	23%	▲11%	0%
Non-woven Felt	▲61%	▲42%	▼12%	3%	2%	▲73%	▲51%
Total	0%	▼14%	▼14%	100%	100%	▲7%	▼3%
USDEGP		▼8%					▼4%



We remain confident of our position in the US market and we continue to exploit new opportunities and develop products for several new programs targeting mass merchants, discount warehouse clubs, and home centers. Our recent agreements with leading home-furnishing stores for indoor and outdoor rugs, along with e-commerce business growth will continue to drive our growth potential.

Our exports to Europe reported minor growth of 2% in 3Q 2019. The Tufted division faced high competition in addition to lower European demand which offset the 28% growth in sales during the quarter to our top European customer in USD terms (9% of sales). Shipments to our key customer should slow in 4Q as we are in the development phase of replacing some of the existing product range with expected shipments mid 2020.

Our expansion initiatives in Europe remain intact, our exports to Southern Europe and France reported 6% growth in USD terms mainly on the new partnership agreement with French-based distributor, NK Sales.

Our exports to the Asian markets saw a 17% increase as a result of our increased exposure in Japan. Meanwhile, our exports to Africa declined 44%, mainly on low demand from Kenya and Tanzania, but we expect increased demand during the last quarter of the year. We continue to secure new orders from Morocco, Algeria, and South Africa.

Our hospitality segment declined 27% YOY during the quarter with fewer installations in some regions. OW completed a number of projects in the US, including: the Grand Bohemian Hotel Charlotte, the Disney Imagine Hotel, the Wink Hotel, and the Joule and Renaissance Battle House.

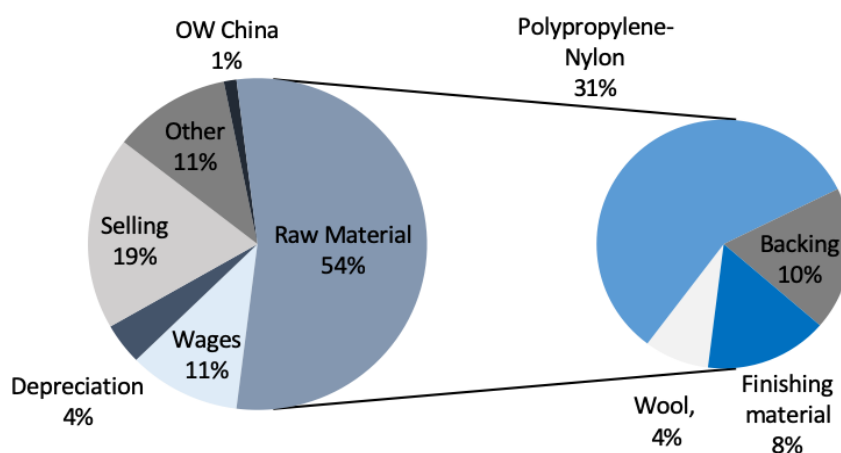
We remain committed to solidifying and expanding our existing client base through marketing campaigns, the development of new products, and our ongoing dedication to produce products of notable quality and value. Given our strong, reputable brand, and diverse, high-quality product range, we are confident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

Margins improve on deflated raw material costs

Despite the 9% YOY decline in revenues in 3Q 2019, gross profit increased 9% to EGP 255 million, mainly on lower raw material prices with polypropylene prices (down 12% YTD) with the gross margin growing 171 bps YOY to 10.8%, versus 9.1% in 3Q 2018 and 10.5% in 2Q 2019 (adjusted for the EGP 13.8 million reversed free-zone fees). This offset the higher wage inflation and higher electricity tariffs.



3Q 2019 COGS Breakdown



Meanwhile, EBITDA margin recorded a 42 bps increase to 11%, due to higher Selling, General, & Administrative expenses – principally from higher rent expenses related to the new showroom expansions. EBITDA for 3Q 2019 came in at EGP 258 million – a 5% decline YOY.

Our interest expense grew by 1% YOY this quarter. We recorded 40% lower interest income mainly on lower interest rates on EGP time deposits and interest-bearing current accounts. The company recorded an overall net interest expense of EGP 13 million, compared to a net interest income of EGP 1 million in 3Q 2018. On September 30, 2019, our debt breakdown was 76.5% USD, 21% Euro and 2.5% EGP, compared to 73% USD, 26.5% Euro and 0.5% EGP on September 30, 2018.

We recorded an export rebate collection of EGP 34 million in 3Q 2019 versus EGP 19 million in 3Q 2018. The backlog is almost EGP 585 million, as of October 31, 2019, which is not recognized on our balance sheet. We recorded provisions of EGP 26 million mainly on goodwill impairment.

The factors outlined above caused our pre-tax earnings to increase by 18% in 3Q 2019 to EGP 160 million. Our effective tax rates were reduced to 15.5% in 3Q 2019, compared to 18.8% in 3Q 2018, due to lower earnings contributions from taxable subsidiaries, as well as the higher earnings contribution from our non-taxable subsidiaries such as Oriental Weavers International and Oriental Weavers Textiles.

Consequently, Oriental Weavers has seen a 25% increase in its attributed earnings in 3Q 2019, reaching EGP 120 million. By comparison, the attributable earnings figure for 3Q 2018 was EGP 96 million. Also, 9M 2019 attributed earnings grew 34% YoY to EGP 535 million.



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Latest Corporate Developments

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 seven 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 digital printing machine, three new tuft machines, an ultra-sonic cutting machine, and a Carpet Tiles press cutting machine in addition to packaging machines. For the first three quarters of the year, total capital expenditure equaled EGP 299 million.

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RELATIONS

STOCK SYMBOL ORWE.CA

CAPITAL

Issued and Paid-in Capital: EGP 443.4mn
Number of Shares: 443.4 million shares
Par Value: 1 EGP per share

SHAREHOLDER STRUCTURE

56.5% Khamis Family
37.9% Institutions
 24.8% Foreign Institutions
 13.1% Local Institutions
5.4% Retail



Income Statement (EGP million)

	Three months ended September 30			9M 2019 ended September 30		
	2019	2018	Change	2019	2018	Change
Net Sales	2,347	2,567	-8.6%	7,583	7,600	-0.2%
Less:						
COGS	2,092	2,332	-10%	6,801	6,849	-1%
Gross Profit	255	234	9%	782	750	4%
<i>Gross Profit Margin*</i>	10.8%	9.1%	171bps	10.3%	9.9%	44bps
Less:						
Selling & Distribution Expenses	30	25	23%	89	74	20%
General & Administrative Expenses	87	77	13%	243	234	4%
Sum	117	102	16%	332	308	8%
Net Income from Operation Activities	137	133	3%	450	443	2%
Operation Activities Margin	5.8%	5.2%	66bps	5.9%	5.8%	10bps
Add / Less:						
Provisions & Impairment	-26	-21	22%	-108	-41	160%
Investment Income	0	7	-102%	8	7	10%
Interest Income	16	28	-43%	47	90	-48%
Treasury Income	3	4	-25%	42	10	336%
Other Revenues	34	19	78%	209	89	136%
Capital Gain	0	1	-79%	5	-11	NA
Financing Expenses	-32	-32	1%	-100	-82	21%
Foreign Exchange Differences	28	-3	-962%	123	-1	NA
Sum	23	3	727%	227	58	275%
Net Profit for the Period before Income Tax	160	136	18%	677	503	34%
EBT Margin	7%	5%	155bps	9%	7%	230bps
Add / Less:						
Current Income Tax	-23	-26	-12%	-78	-68	15%
Deferred Tax	-2	0	NA	-1	1	NA
Income Tax for the Period	-25	-26	-3%	-80	-67	-45%
Net Profit for the Period	136	110	23%	597	436	37%
Net Profit Margin	6%	4%	148bps	8%	6%	213bps
Attributable to:						
Equity Holders of the Parent	120	96	25%	535	400	34%
Minority Interest	16	14	11%	62	36	70%
Earnings Per Share (EPS)	0.27	0.22	25%	1.21	0.90	34%

* Reported figures include depreciation expenses



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Balance Sheet (EGP million)

	9M 2019	FY 2018
<u>Long Term Assets</u>		
Fixed Assets (Net)	4 369	4 961
Projects in Progress	414	247
Investments - Available for Sale	119	129
Goodwill	202	202
Total Long-Term Assets	5,104	5,540
<u>Current Assets</u>		
Inventory	3 552	3 681
Trades & Notes Receivable	1 665	1 942
Debtors & Other Debit Accounts	310	330
Treasury Bills	443	764
Cash on Hand & at Banks	789	624
Total Current Assets	6,758	7,341
<u>Current Liabilities</u>		
Provisions	97	79
Banks - Credit Accounts	2 208	2 164
Long Term Liabilities - Current Portion	112	123
Suppliers & Notes Payable	987	1 219
Dividends Payable	8	19
Creditors & Other Credit Accounts	591	516
Deferred Tax Liability	71	89
Total Current Liabilities	4,075	4,210
Working Capital	2,684	3,132
Total Investment	7,788	8,671
Financed as Follows		
<u>Shareholder's Equity</u>		
Issued & Paid Capital	443	443
Reserves	1,665	1,627
Retained Earnings	210	514
Net Profit for the Period	535	504
Exchange Differences Arising on Translation of Foreign Currency	3,704	4,225
Treasury Stocks	0	0
Total Equity Attributable to Equity Holders of the Parent	6,558	7,313
Non-controlling Interest	811	846
Total Equity	7,370	8,159
<u>Long - Term Liabilities</u>		
Long Term Loans	279	376
Housing & Development Bank Loan	0	0
Deferred Taxes Liabilities	139	136
Total Long-Term Liabilities	418	512
Total Shareholder's Equity & Long-Term Liabilities	7,788	8,672



Statement of Cash Flows (EGP million)

	Nine Months Ended September 30	
	2019	2018
Cash flows from Operating Activities:		
Net Profit for the Period before Income Tax	677	503
Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities		
Fixed Assets Depreciation	382	414
Provisions other than Deprecation	108	41
Reversed Provisions		(3)
Interest Income	(47)	(90)
Financing Expenses	100	82
Investment Income	(8)	(7)
Capital Gain	(5)	11
Operating Profits before Changes in Working Capital	1,207	955
Change in Working Capital		
(Increase) in Inventory	(96)	(283)
Decrease (Increase) in Trades & Notes Receivable and other Debit Accounts	(10)	(14)
Decrease (Increase) in Suppliers & Notes Payable and other Credit Accounts	(33)	250
Cash Flows Provided by Operating Activities	1,068	909
Interest Income	47	90
Paid Financing Expenses	(100)	(82)
Income Tax Expense	(76)	(113)
Cash Flows Provided by Operating Activities	938	803
Cash Flows from Investing Activities		
Payments for Purchase of Fixed Assets and Projects in Progress	(299)	(642)
Proceeds from Sale of fixed assets	7	17
Proceeds from Financial Investments	8	-
Proceeds from Sale of Treasury Bills	1	0
Net Cash Flows (used in) Investing Activities	(283)	(625)
Cash Flows from Financing Activities		
Proceeds (Payment) from Banks - Credit Accounts	171	437
Dividends Paid	(856)	(841)
Translation Differences of Financial Statements	(3)	4
Increase in paid-in capital of subsidiary	-	107
(Payment) Proceeds in Long Term Liabilities	(72)	34
Net Cash Flows (used in) Provided by Financing Activities	(760)	(260)
Net Change in Cash & Cash Equivalents During the Period	(104)	(83)
Cash & cash equivalents at beginning of the period	1,322	1,181
Translation Differences Related to Cash & Cash Equivalents	(44)	2
Cash & Cash Equivalents at End of the Period	1,173	1,100



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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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