

3Q 2021 Earnings Release

Cairo 14th November 2021



النساجون الشرقيون
Oriental Weavers

Oriental Weavers Carpet Releases 3Q 2021 Earnings Results

Oriental Weavers Carpet Company [ORWE EY; ORWE.CA], successfully reported another solid quarter with revenues up 7.5% y-o-y, with impressive GP margins reaching 15.29% and EBITDA Margin of 16.4%. On 9M basis, the figures continue to be exceptional, with revenues up 26% y-o-y and GP margins of 16.76%

Key Highlights of 3Q 2021

EGP 2,782 mn in Revenues	EGP 425 mn in Gross Profit	15.29% Gross Profit Margin	EGP 295 mn in Operating Income
EGP 457 mn EBITDA	16.4% EBITDA Margin	EGP 290.7 mn in Net Income	EGP 259.7 mn in Attributable Net Income

Key Highlights of 9M 2021

EGP 8,397 mn in Revenues	EGP 1,408 mn in Gross Profit	16.76% Gross Profit Margin	EGP 1,028 mn in Operating Income
EGP 1,514 mn EBITDA	18% EBITDA Margin	EGP 960.2 mn in Net Income	EGP 858.7 mn in Attributable Net Income

3Q 2021 Financial Highlights

- **Revenues:** The group reported an increase of 7.5% y-o-y in its 3Q 2021 revenues reaching EGP 2,782 million. Export revenue, 68% of total revenues, increased by 10% y-o-y during the quarter, while local sales increased by 2% y-o-y.
- **Gross Profit:** recorded EGP 425 million in 3Q 2021, up 11% y-o-y with an associated margin of 15.29% versus 14.82% in 3Q 2020. Improved gross profitability was supported by strong topline growth for the quarter, and the subsequent economies of scales related to some of the fixed costs.
- **Operating Profit:** grew by 7.9% y-o-y to EGP 295 million in 3Q 2021. Solid operating profit growth was a direct result of strong gross profitability for the quarter.
- **EBITDA:** recorded EGP 457million for 3Q 2021, up 13% y-o-y. EBITDA margin recorded 16.4% in 3Q 2021 from 15.6% in 3Q 2020 due to consistent top-line growth.
- **Net Attributable Profit:** decreased 14% y-o-y to EGP 260 million in 3Q 2021 due to lower export rebates when compared to 3Q 2020. Net profit margin stood at 10.45% for the quarter versus 13.2% in 3Q 2020.

Operational Highlights:

- **Export revenues** increased by 10% y-o-y in 3Q 2021 reaching EGP 1,895 million, with a corresponding 10% y-o-y increase in volumes. In terms of 9M, export revenues recorded an increse of 34% y-o-y, with 35% y-o-y increase in volume.

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- **Local revenues** reported a 2% increase in 3Q 2021 to EGP 886 million, compared to EGP 871 million in 3Q 2020, while volumes declined by 7% on y-o-y basis in 3Q 2021. On a 9M basis, local sales increased 11% and volumes increased 5% y-o-y.
- **Export Rebates** collected for the quarter were EGP 57.7 million, compared to EGP 91.6 million in 3Q 2020.
- **New York Showroom:** Oriental Weavers opened a new 12,000 square foot (1,115 M²) showroom located in New York City's famous textile and garment district which caters to the United States' largest national retail chains. The showroom is located at 260 5th Avenue, which is the latest textile-focused building in the district. The showroom encompasses the entire 11th floor and the Penthouse above it. Both floors will be exclusively focused on the scatter and area rug categories and feature the most current color and design trends in the marketplace for B2B clients.
- **A New Showroom Outlet in 10th of Ramadan in Egypt.** Bringing the total number of showrooms across Egypt to 258.
- **Local Events:** Oriental Weavers participated in *Le Marche*, which is one of the biggest local exhibitions for furniture. In addition to participating in *Art D'Egypte*, which was the first international art exhibition to take place at the Giza Pyramids.
- **Arab countries** contribution to the group total revenue increased to 6% in 3Q 2021 compared to 3% in 3Q 2020.

Revenue Contribution by Market 3Q 2021 Vs 3Q 2020

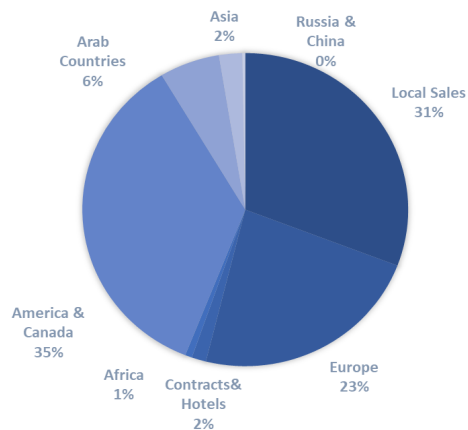


Figure 1: Revenue contribution 3Q 2021

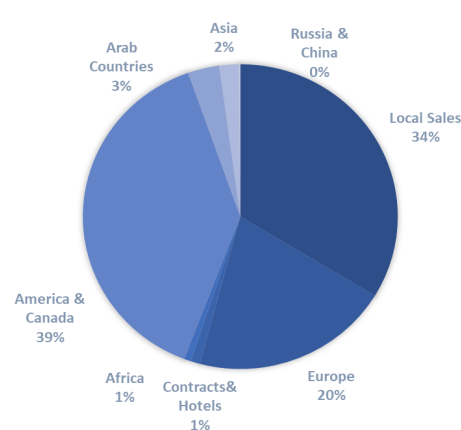


Figure 2: Revenue contribution 3Q 2020

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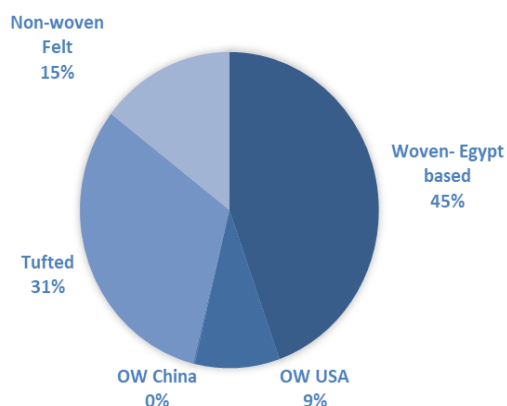
Table 1: Net Sales (Volume and Value) in 3Q 2021 vs. 3Q 2020

Value (EGP million)				Volume (mn sqm)		
	3Q 2021	3Q 2020	% Change	3Q 2021	3Q 2020	% Change
Woven- Egypt based	1,667.9	1,481.0	12.6%	14.65	14.66	-0.1%
OW USA	407.5	488.6	-16.6%	3.02	3.09	-2.3%
OW China	5.5	0.0		0.06	0.00	
Tufted	548.3	488.0	12.4%	10.37	9.30	11.5%
Non-woven Felt	130.9	107.6	21.7%	4.79	4.44	8.0%
Other	21.9	22.5	-2.9%			
Total	2,782	2,588	7.50%	32.9	31.5	4.4%

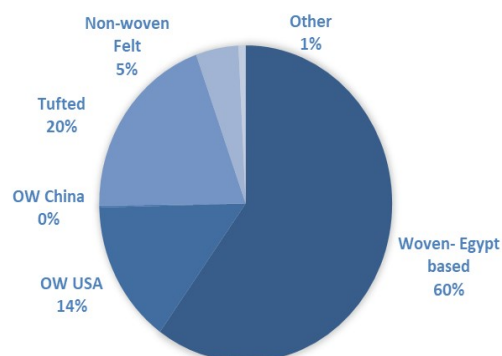
Table 2: Net Sales (Volume and Value) in 9M 2021 vs. 9M 2020

Value (EGP million)				Volume (mn sqm)		
	9M 2021	9M 2020	% Change	9M 2021	9M 2020	% Change
Woven- Egypt based	4,857.9	3,677.8	32.1%	45.70	36.70	24.5%
OW USA	1,490.8	1,384.2	7.7%	11.68	9.88	18.2%
OW China	19.4	6.8	186.6%	0.21	0.07	210.8%
Tufted	1,607.3	1,281.7	25.4%	31.92	24.70	29.2%
Non-woven Felt	369.9	280.7	31.8%	14.21	12.12	17.3%
Other	51.9	35.6	45.8%	0.00	0.00	
Total	8,397.3	6,666.7	26.0%	103.7	83.5	24.3%

Sales Volume Breakdown (sqm) 3Q 2021



Revenue Breakdown 3Q 2021



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Segment Reporting

Local Sales (32% of Revenues)

OW local revenues reported a 2% increase in 3Q 2021 to EGP 886 million, compared to EGP 871 million in 3Q 2020, while volumes declined by 6.8% on y-o-y basis in 3Q 2021. On a 9M basis, local sales increased 11% and volumes increased 5% y-o-y.

In 3Q, Grade A & B woven products recorded 16% and 19% increases y-o-y, respectively, and Grade C declined 18% y-o-y. This reflects the management's direction to focus on high margin products. The tufted products sales increased 11% y-o-y, mainly coming from increased sales in the Wall-to-Wall segment by 30% y-o-y.

Showroom sales (54% of local sales) declined by 3% y-o-y in 3Q 2021, while wholesale revenues reported a 10% y-o-y increase. The recovery in the wholesale market is directly related to the anti-dumping fees that the Egyptian government imposed on imported Turkish carpets in June 2021.

A New Showroom (Outlet) in 10th of Ramadan opened in 3Q 2021, bringing the total number of showrooms across Egypt to 258. Management strategy is to increase the number of showrooms across Egypt for the coming 3 years, in order to maintain OW leading market share. In addition to expanding OW's online platform through "Carpets Online" and growing its social media presence.

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

	3Q 2021 Volume	3Q 2021 Value	Average Price	Contribution to Local Revenues		9M 2021 Volume	9M 2021 Value
				3Q 2021	3Q 2020		
Woven	▼13%	▲1%	▲17%	83%	83%	▼3%	▲8%
Tufted	▲12%	▲11%	▼1%	10%	9%	▲35%	▲34%
Non-woven Felt	▲2%	▼4%	▼5%	5%	6%	▲12%	▲14%
Others (yarn sales)		▼4%		2%	3%		▲34%
Total	▼7%	▲2%	▲9%	100%	100%	▲5%	▲11%

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Export & Overseas Operations (68% of revenues)

Home sales were robust across most markets and consumers continued remodeling investments at a strong pace. This translated into export revenues increasing by 10% y-o-y in 3Q 2021 reaching EGP 1,895 million, with a corresponding 10% y-o-y increase in volumes. In terms of 9M, revenues recorded an increase of 34% y-o-y, with 35% y-o-y increase in volume.

3Q 2021 Revenue Performance by Region



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

	3Q 2021 Volume	3Q2021 Value	Average Price	Contribution to Export Revenues		9M 2021 Volume	9M2021 Value
				3Q 2021	3Q 2020		
Woven	▲8%	▲8%	Flat	71%	73%	▲41%	▲37%
Tufted	▲11%	▲13%	▲1%	24%	24%	▲28%	▲24%
Non-woven Felt	▲15%	▲42%	▲23%	4%	3%	▲24%	▲48%
Total	▲10%	▲10%	▲0.6%	100%	100%	▲35%	▲34%
USDEGP		▼1%					

OW **U.S.-based subsidiary** recorded a drop of 16% y-o-y in revenue 3Q 2021, and a 2% decline in volumes due to the distributive environment resulted from the global supply chain bottleneck that impacted the US market severely. Many of OW's traditional 4Q holiday promotional shipments were delayed due to disruptions with the ocean vessels and port delays. Orders were not canceled but shifted to 4Q vs. their initial expectation of 3Q delivery.

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Freight costs to the U.S. increased 5x since the beginning of the year. This impacted raw material availability and shipping of goods from OW's local facility.

Shipments to our **key European customer** experienced a hike in sales of 17% y-o-y as new product ranges have been agreed upon, in addition to "free range" products which provide better margins. Overall, European sales increased by 21% y-o-y in 3Q 2021. Management expects this trend to continue in 4Q 21 given the holiday season. New clients have been added from France and Spain while new cotton products are capturing consumers attention and creating demand in the region.

The **Arab region** witnessed better than expected boom in sales, primarily from OW's presence in the Saudi Arabian market, with sales increasing 98% y-o-y in 3Q 2021. Arab markets contribution to total revenues doubled in the last year from 3% to 6%. OW is witnessing demand in the region that is surpassing capacity, validating management's foresight to increase capacity in the area. Going forward, OW will focus on expanding its presence in Dubai, Jordan, Kuwait, Algeria and Morocco.

Export revenues of the **Tufted Segments** grew by 13% y-o-y in 3Q 2021 and 11% y-o-y in volume, this was due to secured orders, from OW's North American customers.

The export team has participated in several face-to-face exhibitions this year, namely - World Market, Las Vegas, New York Home Fashions Market, and Highpoint, North Carolina. This, in addition, to increased customer visits to the OW Egypt head office, indicate a return to pre-COVID-19 pandemic market activity.

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

Cost of Goods Sold

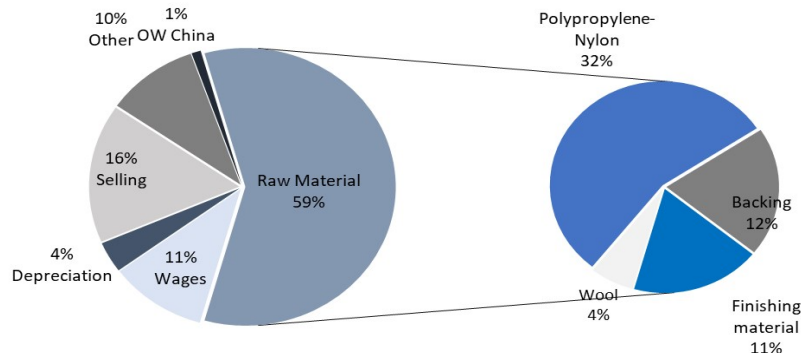
OW's COGS increased by 7% y-o-y to EGP 2,357 million in Q3 2021. Strong top-line growth supported a 11% y-o-y increase in gross profit to EGP 425 million for the quarter, with associated margins of 15.29% verses 14.82% in Q3 2020.

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Raw material costs, which include wool, Polypropylene, backing and finishing materials, reached EGP 1.3 million in 3Q 2021, compared to EGP 1.1 million Q3 2020, which is a 35% y-o-y increase. As a percentage of revenue, raw material costs reached 85% in 3Q 2021.

Interest Income / Expense

OW's recorded net interest expense of EGP 10.3 million in 3Q 2021, compared to net interest income of EGP 6 million in Q3 2020. Interest income declined 46%, driven by an increase in total net debt to finance capacity expansion. Interest expense increased 75% on the back of lease liabilities to account IFRS 49. Lease liabilities amounted to EGP 7.5 million in 3Q 2021

Other Revenues

OW recorded other revenues of EGP 57.7 million compared to EGP 92 million a decline of 37% y-o-y, this is on the back of less export rebates collected during the quarter.

Foreign Exchange

OW recorded a foreign exchange loss of EGP 8 million in 3Q 2021 compared to foreign exchange gain of EGP 16 million in 3Q 2020. The figure reflects FX losses on the back of Euro/USD depreciation relating to our proceeds from OW European clients. This impact is offset in the sales figure, attributable to an increase in the selling price mechanism.

Taxation

Income tax recorded in 3Q 2021 were EGP 35 million compared to EGP 39 million in the same quarter of last year. The effective tax rate stood at 10.7% in the quarter versus 10.3% in 3Q 2020. The tax rate is a function of earnings contributions from taxable subsidiaries verses non-taxable subsidiaries, such as Oriental Weavers International and Oriental Weavers Textiles.

Net Profit

OW's attributable net profit was EGP 260 million in 3Q 2021, a decline of 14% y-o-y. Net profit margin stood at 10.45% in 3Q 2021, compared to 13.2% in 3Q 2020. In Terms of 9m 2021,

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attributable net profit increased an impressive 62% y-o-y, recording EGP 859 million compared to EGP 529 million in 9m 2020.

Debt

On September 30, 2021, OW debt breakdown was 61.7% USD, 8.3% Euro and 30% EGP, compared to 63% USD, 13.2% Euro and 23.2% EGP on September 30, 2020.

Latest Company Developments

Operational Excellence:

“Kaizen”

Since the beginning of 2021 Oriental Weavers has adopted the “Kaizen” approach. It is a Japanese business philosophy based on continuously improving operations by involving all employees. “Kaizen” sees improvement in productivity as a gradual and methodical process. Management holds a quarter event to honor the factory workers with the best ideas, that are implemented in the factory operations. A total of 1,709 ideas were submitted by the factory workers and were implemented, that resulted in better efficiency and quality improvement.

Cost Saving Projects

OW management has set a target “EGP 100 million cost saving” by the end of 2021. This initiative will be attained through a series of cost saving projects, that include energy saving projects and reducing machine stoppage for coloring changeover. A total of 96 projects aiming to maximizing productivity by improving efficiency, time management and minimizing waste within a manufacturing operation. Until 3Q 2021, a total of EGP 75 million has been saved due to this initiative.

INVESTOR RELATIONS CONTACTS

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Income Statement (EGP million)

	Third Quarter ending September 30			9M ended September 30 2021		
	2021	2020	Change	2021	2020	Change
Net Sales	2,782	2,587	7.5%	8,397	6,667	26%
Less:						
COGS	2,357	2,204	7%	6,990	5,841	20%
Gross Profit	425	383	11%	1,408	826	70%
<i>Gross Profit Margin*</i>	15.29%	14.82%	48bps	17%	12.4%	437bps
Less:						
Selling & Distribution Expenses	41	37	11%	114	99	15%
General & Administrative Expenses	90	73	22%	266	243	10%
Sum	131	110	19%	380	342	11%
Net Income from Operation Activities	295	273	8%	1,028	484	112%
Operation Activities Margin	10.59%	10.56%	4bps	12.2%	7.2%	498bps
Add / Less:						
Provisions & Impairment	-8.5	-9	-5%	-15	-90	-83%
Investment Income	0	0		8.5	0	
Interest Income	3.96	7	-46%	12.15	22	-46%
Treasury Income	34	27	28%	132	80	65%
Other Revenues	58	92	-37%	84	248	-66%
Capital Gain	0.2	2.3		11	4	NA
Financing Expenses	-49	-28	75%	-146	-69	112%
Foreign Exchange Differences	-8	16	-151%	-12	24	NA
Sum	32	107	-71%	75	219	-66%
Net Profit for the Period before Income Tax	326	380	-71%	1,103	703	57%
EBT Margin	12%	14.7%	-300bps	13.14%	10.5%	259bps
Add / Less:						
Current Income Tax	-30	-39	-23%	-141	-97	45%
Deferred Tax	-4	0	NA	-2	-2	NA
Income Tax for the Period	-35	-39	-10%	-143	-95	50%
Net Profit for the Period	291	341	-15%	960	608	58%
Net Profit Margin	10.45%	13%	-275bps	11.4%	9%	232bps
Equity Holders of the Parent	260	302	-14%	859	529	62%
Minority Interest	31	40	-22%	101	79	29%

* Reported figures include depreciation expenses

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Balance Sheet (EGP million)

	9M 2021	FY 2020
<u>Long Term Assets</u>		
Fixed Assets (Net)	3,957	4 216
Projects in Progress	420	141
Investments - Available for Sale	337	116
Beneficial interest in assets	313	
Total Long-Term Assets	5,026	4,473
<u>Current Assets</u>		
Inventory	4,064	3,195
Trades & Notes Receivable	1,984	1,724
Debtors & Other Debit Accounts	352	346
Treasury Bills	1,125	2,022
Cash on Hand & at Banks	1,178	904
Total Current Assets	8,702	8,191
<u>Current Liabilities</u>		
Provisions	78	20
Banks - Credit Accounts	3,026	2,466
Long Term Liabilities - Current Portion	96	99
Due within one year of rental contract obligations	80	
Suppliers & Notes Payable	985	847
Dividends Payable	16	10
Creditors & Other Credit Accounts	647	742
Deferred Tax Liability	107	128
Total Current Liabilities	5,036	4,383
Working Capital	3,667	3,808
Total Investment	8,693	8,282
Financed as Follows		
<u>Shareholder's Equity</u>		
Issued & Paid Capital	665	665
Reserves	1,627	1,487
Retained Earnings	400	348
Net Profit for the Period	859	937
Exchange Differences Arising on Translation of Foreign Currency	3,540	3,546
Total Equity Attributable to Equity Holders of the Parent	7,091	6,983
Non-controlling Interest	919	947
Total Equity	8,010	7,931
<u>Long - Term Liabilities</u>		
Long Term Loans	285	207
Housing & Development Bank Loan	0	0
Deferred Taxes Liabilities	147	144
Lease contract obligations	252	0
Total Long-Term Liabilities	683	351
Total Shareholder's Equity & Long-Term Liabilities	8,693	8,282

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Statement of Cash Flows (EGP million)

	Nine Months Ended September 30	
	2021	2020
Cash flows from Operating Activities:		
Net Profit for the Period before Income Tax	1,104	703
Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities		
Fixed Assets Depreciation	399	405
Depreciation of usufruct assets	86	
Provisions other than Deprecation	15	90
Interest Income	(12)	(22)
Financing Expenses	146	69
Investment Income	(9)	
Capital Gain	(11)	(4)
Operating Profits before Changes in Working Capital	1,718	1,241
Change in Working Capital		
(Increase) in Inventory	(872)	(59)
Decrease (Increase) in Trades & Notes Receivable and other Debit Accounts	(323)	(156)
Decrease (Increase) in Suppliers & Notes Payable and other Credit Accounts	22	237
Cash Flows Provided by Operating Activities	546	1,264
Interest Income	12	22
Paid Financing Expenses	(146)	(69)
Income Tax Expense	(117)	(66)
Cash Flows Provided by Operating Activities	295	1,151
Cash Flows from Investing Activities		
Payments for Purchase of Fixed Assets and Projects in Progress	(430)	(131)
Buying investments available for Sale	(123)	
Proceeds from Sale of fixed assets	19	5
Proceeds from Investments available for sale	9	
Proceeds from Sale of Treasury Bills	(544)	(105)
Net Cash Flows (used in) Investing Activities	19	(231)
Cash Flows from Financing Activities		
Proceeds (Payment) from Banks - Credit Accounts	562	491
Dividends Paid	(964)	(630)
Translation Differences of Financial Statements	3	(1)
Paid for Lease obligations	(67)	-
(Payment) Proceeds in Long Term Liabilities	74	(6)
Net Cash Flows (used in) Provided by Financing Activities	(391)	(146)
Net Change in Cash & Cash Equivalents During the Period	(76)	774
Cash & cash equivalents at beginning of the period	1,470	1,196
Translation Differences Related to Cash & Cash Equivalents	(1)	(5)
Cash & Cash Equivalents at End of the Period	1,392	1,965

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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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