



النساجون الشرقيون
OrientalWeavers

Earning Release 4Q 2020

CAIRO, February 28th, 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 today, for FY 2020, ending December 31st.

4Q 2020 vs. 4Q 2019

Gross Profit (EGP millions)	EBITDA Margin	Net Income (EGP millions)
482 +63%	17.4% +603 bps	408 +71%
Export Contribution	Proposed DPS	Total Other Revenues
67%	EGP 0.9	EGP 315 million

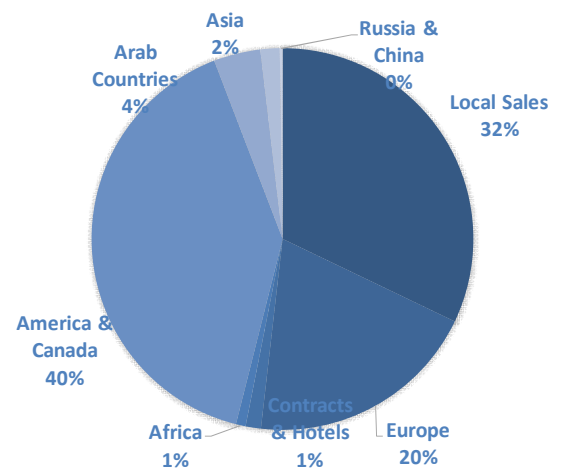
Revenue Performance Overview

The group reported an increase of 10.48% y-o-y in its 4Q 2020 revenues reaching EGP 2,818 million. Export revenues, 67% of total revenues, increased by 16% y-o-y during the quarter, while local sales were flat recording a nominal increase of 0.3% y-o-y. Sales and margins were strong in most categories and markets with most of our plants operating near capacity in the fourth quarter.

Our 2020 full year revenues declined by 6.4% y-o-y, reaching EGP 9,485 million, compared to EGP 10,134 million in 2019, as export revenues declined by 2% in EGP terms (taking into account appreciation in EGP); local sales declined by 13% y-o-y in 2020.

However, OW witnessed an increase in revenues in 2H 2020 as a result of Oriental Weavers exceptional reaction, and adaptation, to the dynamic markets, and changes to

Revenue Contribution by Market in 4Q 2020





consumers' needs and habits as influenced by the pandemic. For 2021, sales continue to gather momentum with secured orders received through 3Q 2021.

Table 1: Net Sales (Volume and Value) in 4Q 2020 vs. 4Q 2019

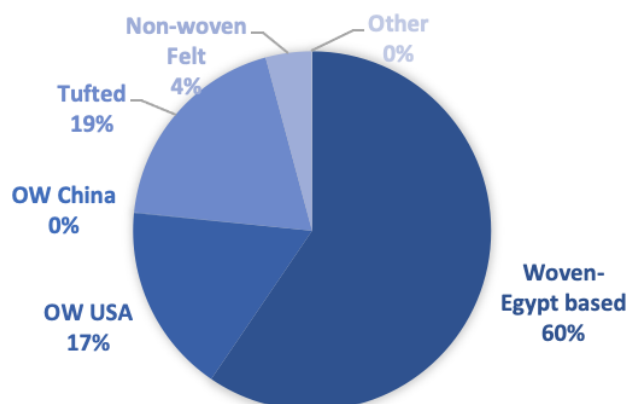
Value (EGP million)				Volume (mn sqm)		
	4Q 2020	4Q 2019	% Change	4Q 2020	4Q 2019	% Change
Woven- Egypt based	1,677.3	1,430.1	17.3%	17.01	13.76	23.6%
OW USA	480.8	504.7	-4.7%	2.97	3.43	-13.4%
OW China	1.8	15.4	-88.6%	0.02	0.20	-89.0%
Tufted	540.0	466.4	15.8%	10.70	8.31	28.8%
Non-w oven Felt	116.3	113.7	2.2%	4.88	4.92	-0.8%
Other	1.8	20.2	-91.2%			
Total	2,818	2,551	10.5%	35.6	30.6	16.2%

Table 2: Net Volume and Value in 2020 vs. 2019

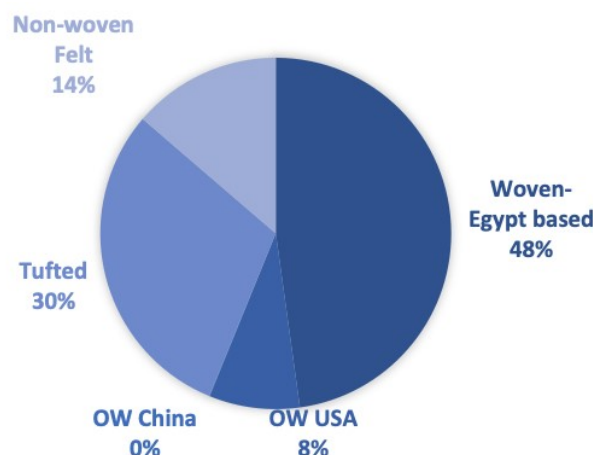
Value (EGP million)				Volume (mn sqm)		
	2020	2019	% Change	2020	2019	% Change
Woven- Egypt based	5,355.2	5,684.6	-5.8%	53.7	53.3	0.8%
OW USA	1,865.0	2,136.1	-12.7%	12.9	13.5	-5.0%
OW China	8.5	66.8	-87.2%	0.1	0.8	-88.4%
Tufted	1,821.6	1,758.4	3.6%	35.4	31.6	11.9%
Non-w oven Felt	396.9	389.1	2.0%	17.0	17.2	-1.2%
Other	37.4	98.6	-62.1%	0.0	0.0	
Total	9,484.6	10,133.6	-6.4%	119.0	116.4	2.3%



Revenue Breakdown in 4Q 2020



Sales Volumes Breakdown (sqm) in 4Q 2020



Segment Reporting

Local Sales

Locally, our net sales reported an increase of 0.3% in 4Q 2020 reaching EGP 933 million, compared to EGP 930 million in the same quarter of 2019. Sales were primarily Grade A and B woven carpets, increasing 17% and 10% respectively. In addition, tufted pieces sales increased by 59% y-o-y in 4Q. **Volumes** sold also increased by a 5.91% in 4Q 2020 compared to 4Q 2019. The local **tufted segment** experienced an improvement in volume and value due to sales to Carrefour in the “pieces segment,” with expected sales to continue in 2021. The local market in general started to witness a slowdown in December, mainly due to the pandemic preventing consumers from visiting showrooms.

Our retail outlet sales (62% of total local sales) grew by 7% y-o-y in 2020, while wholesale revenues declined by 10%. Our **showroom** expansion strategy remains on schedule with five new showrooms added during 2020 in diversified areas like Aswan, and eastern and western Egypt, in an attempt to reach a wide range of customers in the local market. For 2021, we are targeting to establish eight new showrooms across Egypt.

Local Online sales are still premature, improving gradually, given the culture of visiting showrooms and carefully examining our carpets, and the lack of internet availability at home among many customers. Our products are available on Carpets Online, Jumia, Souq, Homzmart, Manzzeli, Efreshli and FactoryToMe. Currently online sales contribute less than 1% of local sales.



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

Percentage Δ	Volume	Value	Average Price	Contribution to Local Revenues	
				4Q 2020	4Q 2019
Woven	▲ 6%	▲ 3%	▼ 3%	84%	82%
Tufted	▲ 30%	▲ 10%	▼ 13%	11%	10%
Non-woven Felt	▼ 7%	▼ 16%	▼ 10%	5%	6%
Others (yarn sales)		▲ 87%			2%
Total	▲ 6%	▲ 0.3%	▼ 0.3%	100%	100%

Our **local hospitality segment** continues to secure local projects with hotels and government projects. They have successfully completed several installations in hotels this year, including the Fairmont Nile City, Four Seasons San Stefano and Cairo branches, Hilton Nile Towers, and the Pyramids Golf Resort, among others. Hotels have been utilizing the decline in visitors, as a result of the pandemic, to renovate and/or upgrade facilities. Government projects include the Galala Resort - Ain el Sokhna, several projects in El Alamein, and in the new administration capital area. Heading into 2021 there are several projects in the pipeline in the New Administration Capital, Madinaty Mosques, and with several hotels and universities. The local hospitality segment sales increased 13% y-o-y in 2020, but declined 4% y-o-y in 4Q 2020

Export and Overseas Operations

Revenues in the export market were stronger than anticipated. In the second half, the residential demand recovered significantly faster than expected as people spent more time at home. Our inventory levels decreased in 3Q and 4Q as sales strengthened and production was already operating at capacity. We enhanced our market position with more aggressive sales initiatives and by providing more consistent service under difficult circumstances.

Export revenues reported a 16% y-o-y increase in 4Q 2020, reaching EGP 1,884 million compared to EGP 1,620 million in 4Q 2019. We are witnessing significant demand from our export markets especially from the U.S., with firm orders that will take us



comfortably into 3Q 2021. Grade A and B woven carpets recorded an increase in value by 51% and 61% respectively, in addition to a noticeable improvement in the tufted segment with sales up 17% y-o-y in 4Q.

Volumes increased by 22% y-o-y in the export market, largely Grade A and B products in the woven segment, increasing 150% and 64% respectively. Also, the tufted segment recorded an increase of 29% y-o-y in volumes in 4Q 2020. While, in USD terms, exports increased by 20% y-o-y in 4Q 2020 compared to 4Q 2019.

4Q 2020 Revenue Performance by Region

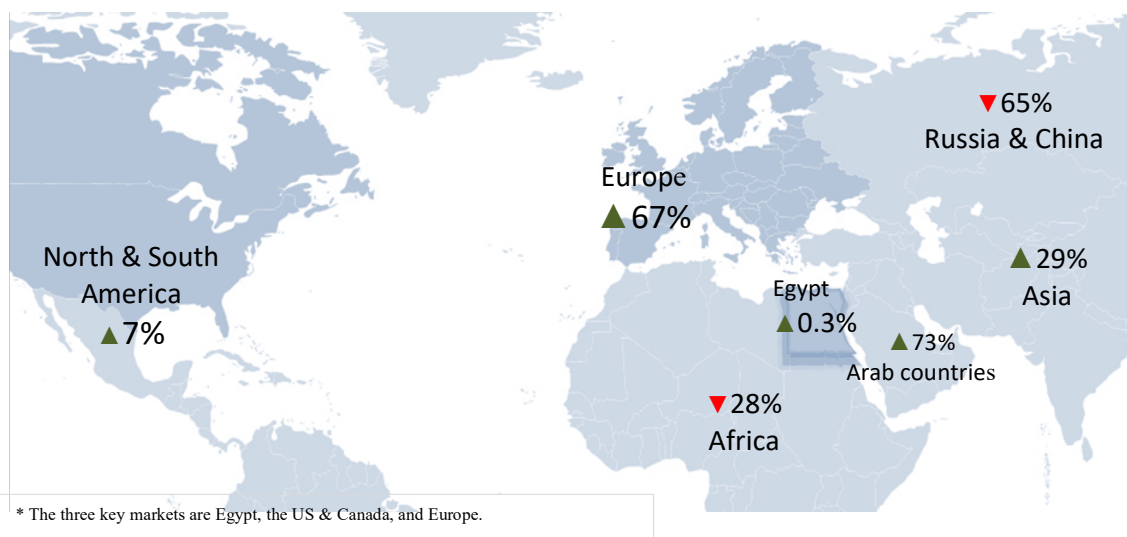


Table 4: Percentage Change Overseas Operations

Percentage Δ	Volume	Value	Average Price	Contribution to Export Revenues	
				4Q 2020	4Q 2019
Woven	▲20%	▲16	▼4%	73%	73%
Tufted	▲29%	▲17%	▼9%	23%	23%
Non-woven Felt	▲7%	▲20%	▲12%	4%	4%
Total	▲22%	▲16%	▼3%	100%	100%

Due to the current capacity shortage in the global carpet market, we have secured orders through 3Q 2021. Management's strategy for 2021 is to evaluate clients and products, based on better margins and profitability and then adapt activities accordingly.



The current major trend is online shopping, caused by consumer demand for home improvement. Amongst all our export countries, the U.S. market is the strongest player in the online shopping segment, driven by the young population. **Online Sales Represent 20% of total Export sales, mainly from U.S. and Europe**, with 35% of U.S. total sales from online purchase.

Europe:

- Sales to our key European customer is included in the overall European sales figure, pushing it higher. Due to increased shipments in 4Q 2020, Sales to our key European customer increased by 84% y-o-y in 4Q 2020.
- We are witnessing significant demand from Germany to cater to online portals. In addition to several new orders with retailers in Germany.
- In 2021 management is focusing on approaching online merchants specifically. We expect better numbers in 2021, as consumers adapt their shopping habits during, and likely after, the pandemic.
- On a y-o-y basis Europe sales declined by 8%, figures were not as impressive as the U.S. region, this mainly due to the nature of the demographics, an older population, with different shopping habits. The implemented lockdowns and the closure of non-essential shops also played a role.

U.S.:

U.S. figures were impressive in 2020, and we expect this trend to continue into 2021 with orders that take us comfortably to 3Q 2021. The market is witnessing a pickup in demand, while manufactures are trying to keep up. The reason for the increase in sales in the U.S. from Oriental Weavers perspective:

- Our online exposure assisted us in securing our market share. Online merchants require large inventories and thus they continue to secure sufficient stocks of goods which led to consistently solid sales for OW. We continue to see increased sales from our core online clients.
- Our market positioning in big boxes, Costco for example, that sell essentials, has played a major role in securing sales. Consumers tend to buy household items when shopping for their essentials.

Arab Region Market:

- 2020 was a remarkable year for the Saudi market with recorded sales of \$11.7m, and management expects this number to double in 2021. Due to capacity constraints, we are prioritizing clients based on profitability, in addition to increasing prices by 3% -5%.
- We are experiencing an increase in sales from the Gulf region, generally coming from the online sales and, specifically, of high end products.
- We are working on opening new channels in Dubai to expand our market in the Arab region.



Others:

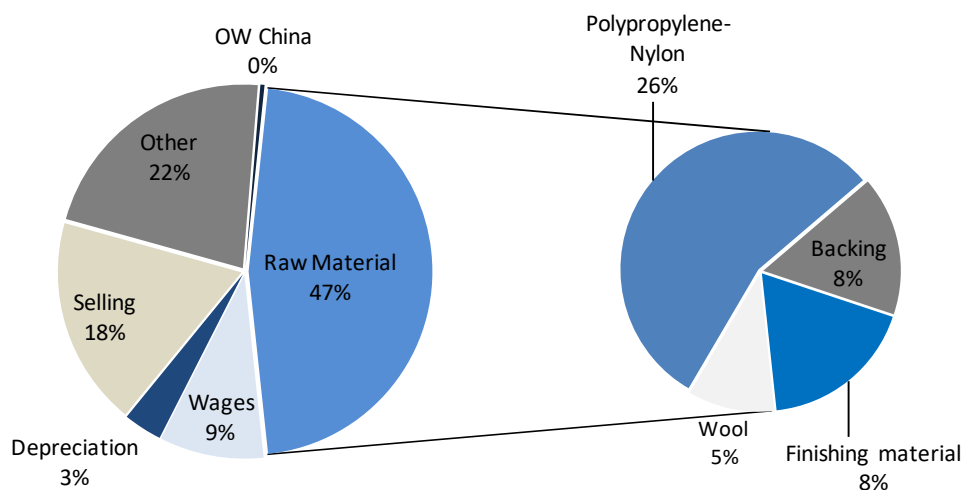
- We have witnessed an increase in sales in Japan, as lockdowns have been minimal and due to increase in online sales. The state of their economy remains robust despite the pandemic, and thus, consumer habits have only been marginally hampered.
- Secured new clients in Russia, Brazil and South Africa.
- India and Pakistan sales are improving as the younger and more mobile generation increasingly utilize online sales platforms.
- Increase in sales in Australia also as a result of internet shopping.

COGS in Focus:

In 4Q 2020, there was a 63% y-o-y increase in gross profit (including depreciation expenses) to EGP 482 million, with the gross margin reaching 17.10% compared to 11.5% in 4Q 2019. **This is the highest margin witnessed in the company's history**, mainly due to the drop in raw material costs. Raw material costs began to rise in many of our product categories in 1Q 2021, and we're taking pricing actions to respond to the increases.

In FY 2020, gross profit margin reached 13.8% compared to 10.6% in FY 2019.

4Q 2020 COGS Breakdown



EBITDA for 4Q 2020 came in at EGP 489 million – a 69% increase compared to EGP 289 million in 4Q 2019 – while the EBITDA margin improved with higher productivity, increasing the figure by 603 bps to 17.4% compared to 11.3% in 4Q 2019.



In 4Q 2020, **impairment and provisions** of EGP 135 million were recorded. Out of which EGP 120 million for goodwill impairment, according to the goodwill impairment test, this marks the end of the goodwill impairment charges.

The company recorded an overall **net interest income** of EGP 51 million in 4Q 2020, compared to a net interest income of EGP 25 million in 4Q 2019. OW recorded a 106% increase in interest income as a result of the efficient utilization of our cash balance.

SG&A/ sales has witnessed an improvement in 4Q 2020 reaching 4.5% compared to 5.2% in 4Q 2019. The lower SG&A percent was driven by stronger productivity.

OW recorded the following additional revenues in 2020:

- EGP 482 million export rebate collection in accordance with the government's latest initiative.
- A grant with a value of EGP 73 million, received by our U.S. facility from the U.S. Government. This was part of U.S. Government initiative to support companies to retain their workforce.
- A grant from GEFF (Green Economy Financing Facility) for achieving energy saving standards with a value of EGP 6 million.

Our debt balance reached EGP 2,772 million versus EGP 2,227 million in 2019. On December 31st, 2020, our debt breakdown was 52% USD, 13% Euro and 35% EGP. We increased borrowing in EGP to benefit from the CBE's initiative that allows companies to borrow EGP at a rate below corridor rate.

The factors outlined above caused our pre-tax earnings to increase by 99% in 4Q 2020 to EGP 566 million. Our effective tax rates recorded 11% in 4Q 2020, compared to 9.6% in 4Q 2019, due to higher earnings contributions from taxable subsidiaries.

Consequently, Oriental Weavers has seen a 71% increase in its attributed earnings in 4Q 2020, reaching EGP 408 million. By comparison, the attributable earnings figure for 4Q 2019 was EGP 239 million. In addition, FY 2020 attributed earnings increased 21% y-o-y to EGP 937 million from EGP 775 million in FY 2019.

Polypropylene:

Global polypropylene prices have witnessed a hike starting 2021, mainly due to: 1) higher upstream cost; 2) Tight Supply, and several facilities were subjected to force majeure, mainly in Europe and U.S. 3) Strong export/demand especially from the U.S. 4) freight challenges. We expect prices to continue to climb until April and then normalize for the rest of the year, given that 9.7million tons are expected to enter the market in 2021.



CapEx:

The carpet global market is witnessing a capacity challenge. This is mainly due to pent up demand, especially in the U.S. In addition to change in consumer behavior, as people are spending more time at home, therefor spending more on renovating their household. This has caused management to focus on increasing capacity in 2021, spending Capex in the range of **\$20 million**, which translates to a capacity increase of 3%.

For the woven production, Oriental Weavers plans to add five weaving looms, targeting mid- to high-quality products for the export markets, one yarn machine, two automatic rolling machine, and two tying machine. **For our tufted production**, MAC plans to add one digital machine to meet demand. **For the non-woven Segment**, EFCO plans to add one digital machine. In 2020, total Capex was \$11.2m.

Export rebates:

For the Period FY 2018/2019	We received a total of EGP 482m 2020. EGP 235m out of which were under the government initiative, with a 15% discount for early settlement
For the Period FY 2019/2020	<p>The program will be as follows:</p> <ul style="list-style-type: none">- 70% Cash Portion- 30% Fright Cost, Sales from International Expeditions. <p>The government recently announced that they will pay export rebates for that period, with a 15% discount on early settlement. Payment for this phase will be paid in April/June. We are expecting to receive around EGP 100 million (after applying the 15% discount).</p>
For the Period FY 2020/2021	We have not yet received an update regarding this period.

Latest Corporate Developments

The Board of Directors (BoD) proposes a DPS of EGP 0.90, pending AGM approval which will be held on the 31st of March 2020.



Corporate Sustainability

Our stakeholders, both internal and external, are increasingly interested in working with a company that puts social and environmental purpose on equal footing with economic profit. By working to make products with more sustainable inputs; to make our products more environmentally friendly, and to make investments in the people that define, and secure, our success

- In 2019, Oriental Weavers won Best Energy Performers Corporate Award under Green Economy Financing Facility (GEFF) initiative, the company has been recognized for their contribution to significant reductions of greenhouse gas emissions and the transition to a green economy. Through this initiative Oriental Weavers managed to save 42,000 MWh/year and 7,600 tons of CO₂.
- Based on our related targets in 2020 OW had achieved energy saving of 26,000 Mw/hr. and 12,000 ton CO₂ representing 13 % of our energy consumption.
- Oriental Weavers is now using solar powered lights for better efficiency and these lights are enhanced with movement sensor capabilities.
- A new department for energy efficiency and environmental sustainability has been established.
- As part of our environmental and social responsibility, Waste Management was applied in Oriental weavers using the 3 R's methodology (Reduce – Reuse – Recycle) and up to 30 % of the generated solid waste are recycled internally.
- Responsible water consumption and zero liquid discharge are also carefully monitored.
- In cooperation with OUD (oriental holding real-estate arm), Oriental Weavers adopted tree planting to offset Carbon Dioxide emissions.

Sustainability Achievements:

CO₂ reduction:

12,000 tons

Offset CO₂:

8,770 tons

Total carbon reduction:

20,770 tons

Energy saving:

26,000 MW/h

Number of trees planted:

402,290



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INVESTOR RELATIONS CONTACTS

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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



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Income Statement (EGP millions)

	4Q 2020			FY 2020		
	2020	2019	Change	2020	2019	Change
Net Sales	2,818	2,551	10.48%	9,485	10,134	-6.4%
Less:						
COGS	2,336	2,256	3.56%	8,177	9,057	-9.7%
Gross Profit	482	295	63%	1,308	1,077	21.5%
<i>Gross Profit Margin*</i>	17%	11.56%	554bps	13.8%	10.63%	127bps
Less:						
Selling and Distribution Expenses	42	36	17%	142	125	13%
General and Administrative Expenses	84	96	-13%	326	339	-4%
Sum	126	133	-4.6%	468	465	0.7%
Net Income from Operation Activities	355	162	119%	840	612	37%
Operation Activities Margin	12.6%	6.36%	625bps	8.9%	6.04%	282bps
Add / Less:						
Provisions and Impairment	-135	-13.05	NA	-226	-121	87%
Reversed Provisions	0	0	NA	0	0	NA
Investment Income	0	0	NA	0	8	NA
Interest Income	0.88	13	-107%	21.5	59.7	-64%
Treasury Income	51.43	12	341%	131	54.07	143%
Other Revenues	315	107	196%	563	316	78%
Capital Gain	2.7	10	-74%	6.3	15.13	-58%
Financing Expenses	-35	-28.56	23%	-104	-128	-19%
Foreign Exchange Differences	13	23	NA	37	146.11	NA
Sum	211	122.75	NA	430	350	23%
Net Profit for the Period before Income Tax	566	285	99%	1,270	962	32%
EBT Margin	20%	11.2%	892bps	13.4%	9.5%	389bps
Add / Less:						
Current Income Tax	-57	-25.1	129%	-155	-103	50%
Deferred Tax	4.7	-2.26	106%	-3	-3.7	-19%
Income Tax for the Period	(62)	(27.37)	128%	(158)	(107)	47%
Net Profit for the Period	504	258	96%	1,112	855	30%
Net Profit Margin	17.9%	10.10%	778bps	11.7%	8.44%	329bps
Attributable to:						
Equity Holders of the Parent	408	239	71%	937	775	21%
Minority Interest	95.7	18	328%	174	80.31	117%
Earnings Per Share (EPS)				0.75	0.99	

* Reported figures include depreciation expenses



Balance Sheet (EGP millions)

	FY 2020	FY 2019
<u>Long Term Assets</u>		
Fixed Assets (Net)	4 216	4,474
Projects in Progress	141	205
Investments - Available for Sale	116	118
Goodwill	--	160
Total Long-Term Assets	4,473	4,957
<u>Current Assets</u>		
Inventory	3 195	3,342
Trades and Notes Receivable	1 724	1,592
Debtors and Other Debit Accounts	346	288
Treasury Bills	2 022	845
Cash on Hand & at Banks	904	454
Total Current Assets	8,191	6,520
<u>Current Liabilities</u>		
Provisions	90	62
Banks - Credit Accounts	2 466	1,887
Long Term Liabilities - Current Portion	99	110
Suppliers and Notes Payable	847	833
Dividends Payable	10	8
Creditors and Other Credit Accounts	742	566
Deferred Tax Liability	128	88
Total Current Liabilities	4,383	3,553
Working Capital	3,808	2,967
Total Investment	8,282	7,924
Financed as Follows:		
<u>Shareholder's Equity</u>		
Issued and Paid Capital	665	443
Reserves	1,487	1,665
Retained Earnings	348	210
Net Profit for the Period	937	775
Exchange Differences Arising on Translation of Foreign Currency	3,546	3,635
Treasury Stocks	0	0
Total Equity Attributable to Equity Holders of the Parent	6,983	6,728
Non-controlling Interest	947	824
Total Equity	7,931	7,552
<u>Long - Term Liabilities</u>		
Long Term Loans	207	230
Housing and Development Bank Loan	0.04	0.06
Deferred Taxes Liabilities	144	141
Total Long-Term Liabilities	351	372
Total Shareholder's Equity & Long-Term Liabilities	8,282	7,924



Statement of Cash Flows (EGP million)

	4Q 2020	4Q 2019
<u>Cash flows from Operating Activities:</u>		
Net Profit for the Period before Income Tax	1,270	962
<u>Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities</u>		
Fixed Assets Depreciation	538	509
Provisions other than Deprecations	226	121
Reversed Provisions		0
Interest Income	(22)	(60)
Financing Expenses	104	128
Investment Income	0	(8)
Gain from Liquidation of available for sale investments	0	0
Capital Gain	(6)	(15)
Operating Profits before Changes in Working Capital	2,110	1,637
<u>Change in Working Capital</u>		
(Increase) in Inventory	109	84
Decrease (Increase) in Trades & Notes Receivable and other Debit Accounts	(273)	24
Decrease (Increase) in Suppliers & Notes Payable and other Credit Accounts	172	(185)
Cash Flows Provided by Operating Activities	2,118	1,560
Interest Income	22	60
Paid Financing Expenses	(104)	(128)
Income Tax Expense	(75)	(69)
Cash Flows Provided by Operating Activities	1,961	1,422
<u>Cash Flows from Investing Activities</u>		
Payments for Purchase of Fixed Assets and Projects in Progress	(275)	(368)
Payment for Acquisition of Available for Sale Investment	0	8
Proceeds/Payments from Sale/Purchase of Treasury Bills	(99)	(44)
Proceeds from Sale of fixed assets	10	18
Net Cash Flows (used in) Investing Activities	(364)	(387)
<u>Cash Flows from Financing Activities:</u>		
Proceeds (Payment) from Banks - Credit Accounts	602	(132)
Dividends Paid	(631)	(856)
Translation Differences of Financial Statements	(4)	(5)
Increase in paid-in capital of subsidiary	0	0
(Payment) Proceeds in Long Term Liabilities	(30)	(118)
Net Cash Flows (used in) Provided by Financing Activities	(62)	(1,111)
Net Change in Cash and Cash Equivalents During the Period	1,535	(75)
Cash and cash equivalents at beginning of the period	1,196	1,322
Translation Differences Related to Cash & Cash Equivalents	(5)	(51)
Cash and Cash Equivalents at End of the Period	2,726	1,196



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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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