



النساجون الشرقيون
Oriental Weavers

Investor Presentation

1Q2017 Results

Global Macro Fundamentals

Egyptian Market

- Sustained economic growth
GDP is expected to record a growth ranging from 4 -5% annually up to 2021 as per the IMF.
- Healthy demographics
The demand for floor coverings is increasing as almost 50% of the Egyptian population are near the marriage with around 800,000 marriages taking place annually.
- Housing gap
The market gap for housing is about 3 million units which creates potential for the development of new private and social housing projects.

International Markets

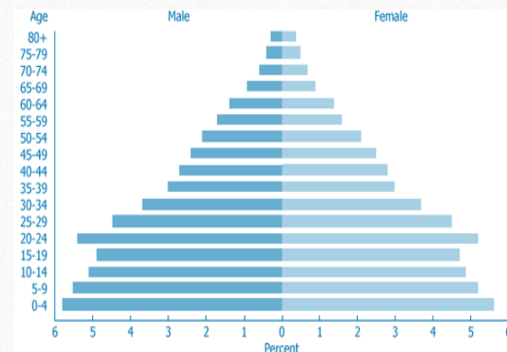
- US fundamentals are strong.
- Strong potential in African beside East Asian markets.
- European markets start to recover.



Demand Triggers in Egypt

- Strong growth in the real estate market driven by economic growth, increasing interest in gated-urban communities and increasing government social housing.
- Sizeable youth population with 50% below the age of 25.
- Increasing stringent procedures on imports of rugs starting March 2016.

Sizeable youth bracket



Strong US fundamentals

- Expected steady gradual recovery in the housing market.
- Further growth in new home sales is expected throughout the year, spurred on by employment gains and a rise in household formations.
- As the supply of existing homes remains tight, more consumers will turn to new construction, according to National Association of Home Builders chief economist



Oriental Weavers in Numbers

38 years

In the global rugs
market

8

Manufacturing
companies

130

Export countries

230

Showrooms in
Egypt

117

mn sqm sold in
2016

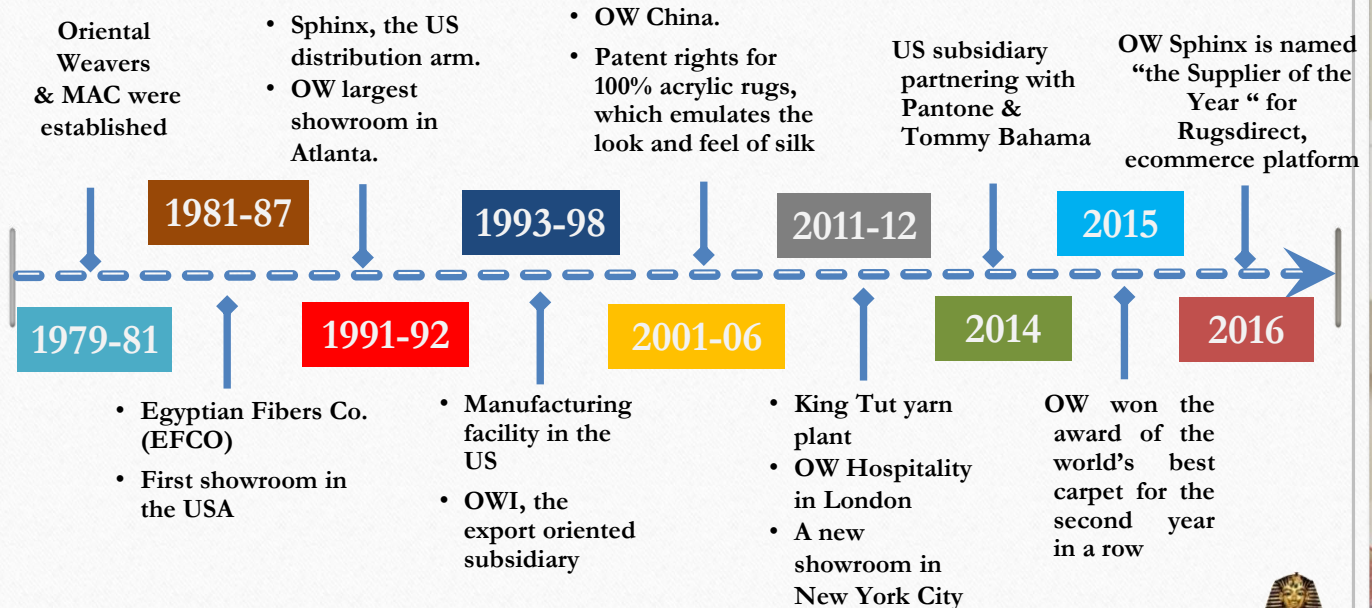
65%

Export
contribution in
1Q FY2017



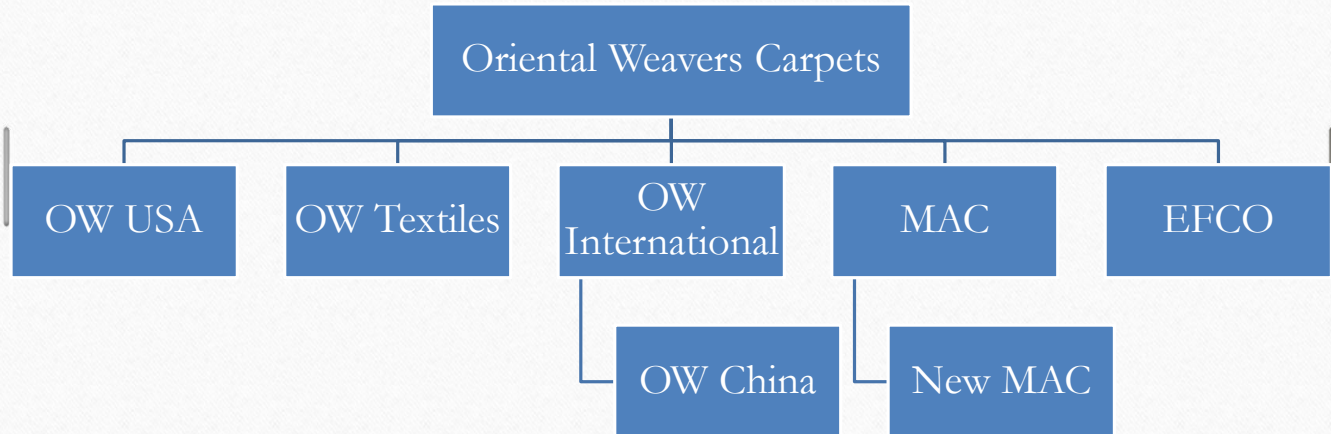
Group's key Milestones

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The Group's structure

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Main segments of OW

	Woven				Tufted		Non-woven
Description	Surface yarn is woven simultaneously with the backing. Then a latex compound is added.				The surface yarn is inserted into a polypropylene sheet		Fibers bonded together using chemicals and heat.
Subsidiaries	OWC	OWI & OWT	OWUSA	OW China	MAC	New MAC	EFCO
% of Revenues	35%	28%	17%	1%	15.5%		3.5%
Tax rate	22.5%	Exempted	34%	17%	22.5%	Exempted	22.5%
Capacity mn sqm	23	43	NA	3.4	56		18.5

A Vertically Integrated Business Model

Oriental Weavers has complete control over the manufacturing process.

- ❑ **Raw material procurement:** The wool is sourced from suppliers in Egypt, New Zealand and the UK; Polypropylene granules are sourced from local and regional suppliers.
- ❑ **Fiber extrusion:** Raw wool and PP granules are converted into fibers and then spun into yarn. OW produces internally 100% of its own polypropylene fibers and 60% of its nylon needs.
- ❑ **Weaving & Tufting:** The carpets are woven at one of our facilities in Egypt, China or the US, depending on the end user. The designs are determined by the customer needs; we offer more than 4 million copyrighted designs to choose from.
- ❑ **Retail & Distribution:** Locally, the rugs are sold through our +230 retail & wholesale outlets. Internationally, rugs are distributed worldwide through our list of prominent agents. In the US, rugs are distributed through OW USA.

Fiber extrusion

Weaving & Tufting

Retail & Distribution



OW: A large player in the Egyptian market

- Capturing a strong market share in the local market.
- Sells directly through a network of 230 showrooms.
- 80k sqm of retail and wholesale selling area.



LOCAL MARKET DEVELOPMENT

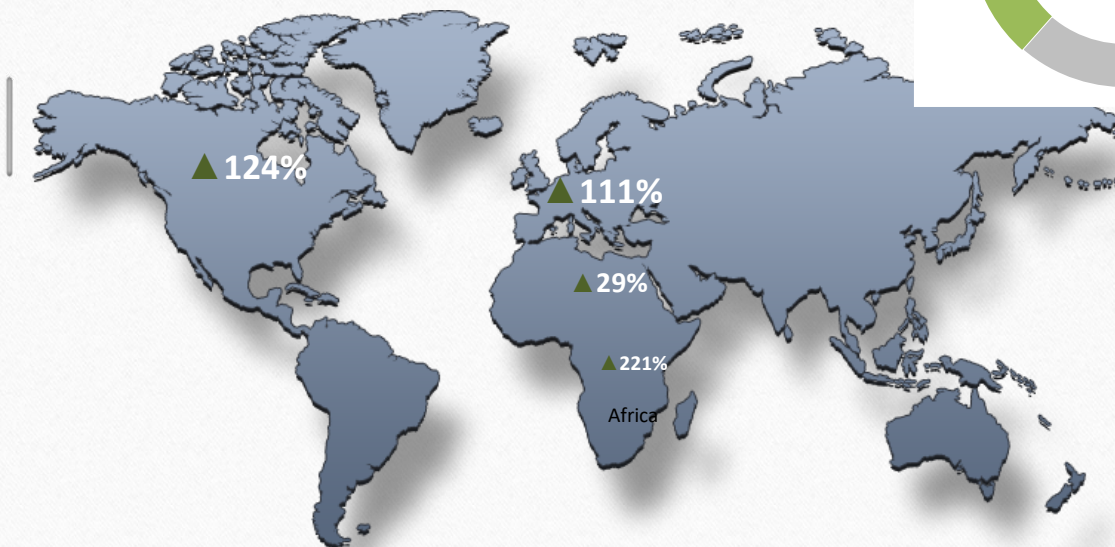
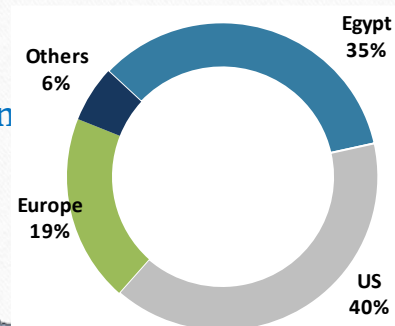
Percentage Change vs. 1Q 2016	Volume	Value	Average price	Contribution to local revenues	
				1Q 2017	1Q2016
Woven	▼ 17%	▲ 61%	▲ 93%	84%	67%
Tufted	▲ 7%	▲ 66%	▲ 56%	12%	9%
Non-woven felt	▲ 3%	▲ 49%	▲ 45%	4%	4%
Others (imported rugs & yarn sales)		▼ 98%		0%	20%
Total	▼ 9%	▲ 29%		100%	100%



EXPORT MARKET DEVELOPMENT

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Revenue contribution & performance by region in 1Q 2017



International Premier Partners

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Relationships count – Oriental Weavers' enduring relationships with the world's best retailers, clients, resorts and other lifestyle centers ensure continued market leadership.



American & Canadian Premier Partners

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TJ-maxx®



STANTON
BED BATH & BEYOND



Zellers



ETHAN ALLEN



OW's long standing position in the US

- Extended partnership agreement with Tommy Bahama.
- America's most magnificent rug award in Atlanta Floor covering exhibition.
- Opened corporate showrooms in 2012 in Fifth Avenue, New York and Las Vegas
- Growing online business with Target, Kohl's, Amazon, and Wayfair in addition to more focused sites such as Rugsdirect.com and rugsusa.com



EXPORT MARKET DEVELOPMENT

A. New orders in the US Market	B. New Orders in the European Market
<ul style="list-style-type: none"> -Home Depot in 2017 -Mohawk -QVC -Growing online business 	<ul style="list-style-type: none"> -IKEA. -French retailers such as <ul style="list-style-type: none"> -St. Mclau, -Gifi, -Amazon France -Italy retailers such as Natotci and OBI
C. African Market	D. GCC Market
<ul style="list-style-type: none"> -OW is targeting to double its market share in Kenya and Tanzania to 60-70%. 	<ul style="list-style-type: none"> - Growing exposure in Qatar, Dubai and KSA



Premier Partners: Hospitality Segment

- OW Hospitality, the London-based hospitality carpeting arm, is the preferred supplier for the Four Seasons and several other major hotel chains.
- We continue to see solid and continuous growth in the US and the KSA.



The Ritz-Carlton®



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OW Hospitality: Recently delivered Projects

In Egypt: 112% growth in 1Q FY2017

- ❑ El-Masah Hotel, New Administrative Capital
- ❑ New Capital Airport , New Administrative Capital
- ❑ Conference center, New Administrative Capital
- ❑ Al-Sahaba Mosque, Sharm El Sheikh,
- ❑ The Military Judgment House, New Cairo,
- ❑ Cairo Marriott Hotel,
- ❑ M.S. Mayfair in Luxor



Export Incentive Program:



Export cash
proceeds

Documents
submitted to
Export
Subsidy Fund

EGP4.5 bn
allocated to
FY16/17 budget



Exports

Export
subsidies

(% of exports
in EGP)

OW recorded
EGP39 mn as of
1Q 2017.

Sources: Company

EXPORT INCENTIVE PROGRAM

- The program includes only very minor changes to incentive rates, but does offer exporters extra incentives in growing USD exports from 10%–25%, exporting to Africa and opening new markets (such as Russia, China, Latin America, CIS).
- These amendments should be implemented retroactively on export shipments starting July 1, 2016.

Program	Non-free Zone area (NFZ)		100% imported material	Free Zone area (FZ)		100% imported material	Average rate based on 70% of exports from FZ
	Local materials	Imported materials		Local materials	Imported materials		
Old	10%	6%	6%	9%	5.0%	5.0%	5.3%
New*	12%	6%	6%	9%	4.5%	4.5%	5.0%



OW'S POLICY TOWARDS EGP FLOATATION

- ❑ Revising local selling prices

- ❑ Increasing focus on export exposure (65% as of 1Q 2017)
 - to secure foreign currency,
 - ensure better profitability, and
 - increase our receipts from export subsidies.



Recent and Future Expansions

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	2015	2016	2017
Woven	13 looms added increasing production capacity by 6%	4 new goblin looms 9 new looms 2 yarn production lines	8-10 looms to be added (pending market conditions).
Tufted	MAC penetrated the artificial turf segment following the addition of two new machines		2017: Digital Printing Machine
Non-woven	Two new machines added	Two new machines added	2-3 machines added

1Q2017 KPIs VS 1Q2016 REPORTED.

Sales

(EGP mn)

2,524

▲73%

EBITDA

(EGP mn)

454

▲97%

Net Income

(EGP mn)

235

▲128%

**Export
Contribution**

65%

**EBITDA
Margin**

18%

▲221 bps

Net Margin

9.3%

▲223 bps

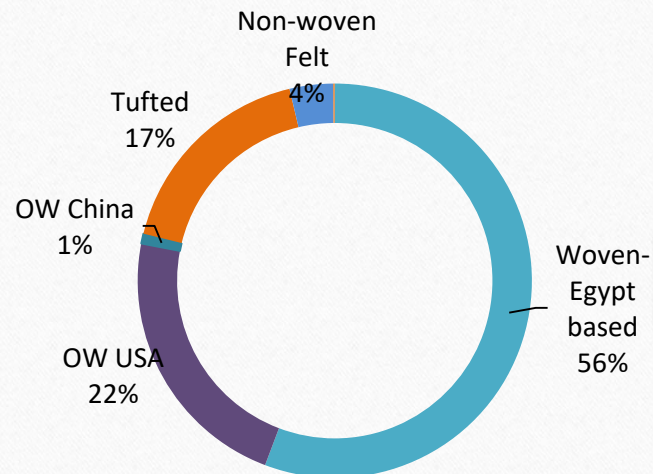
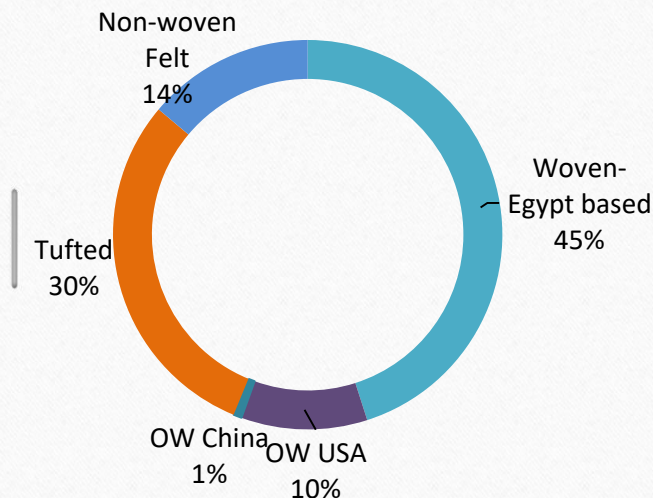


Diversified Product Mix

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1Q 2017 Revenue Mix (by volume)

1Q 2017 Revenue Mix (by value)



Woven-Grade A		EGP319/sqm
Woven-Grade B		EGP138/sqm
Woven-Grade C		EGP71/sqm

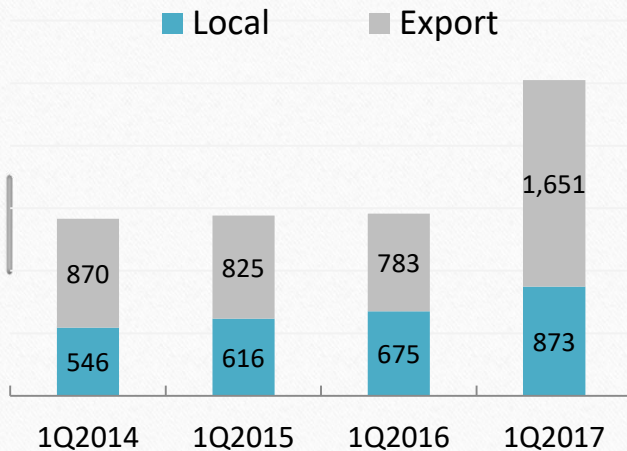
Tufted wall-to-wall		EGP48/sqm
Tufted pieces		EGP51/sqm
Non-woven (EFCO)		EGP22/sqm



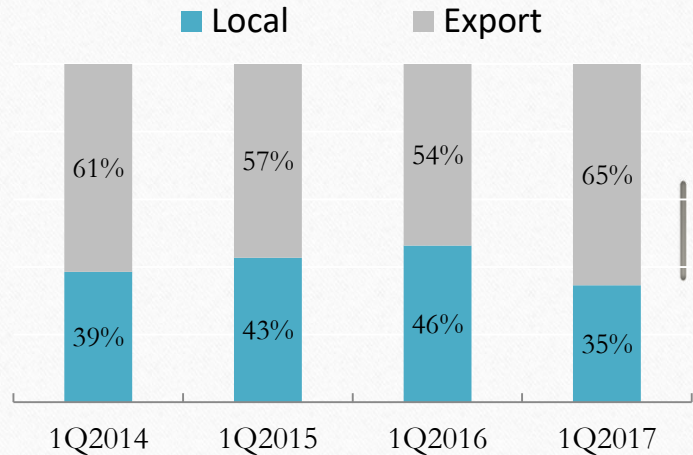
1Q 2017 Financial summary

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1Q Revenue Performance (EGP mn)



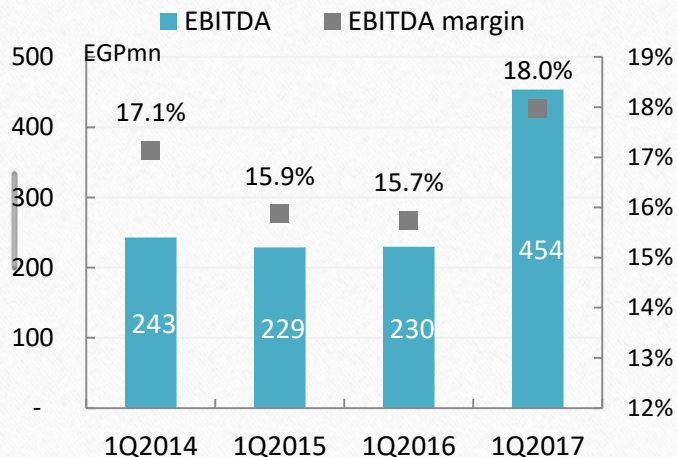
Revenue Contribution (%)



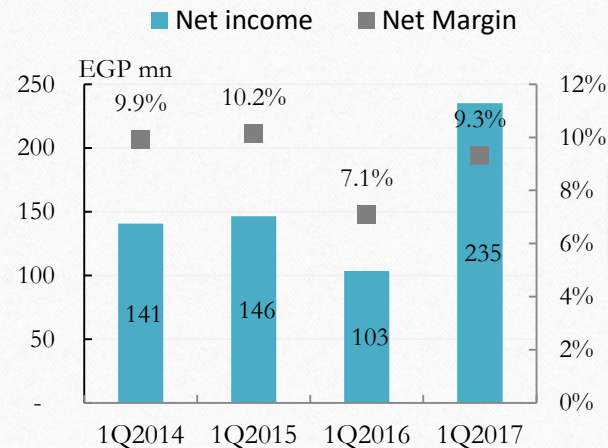
1Q 2017 Financial summary

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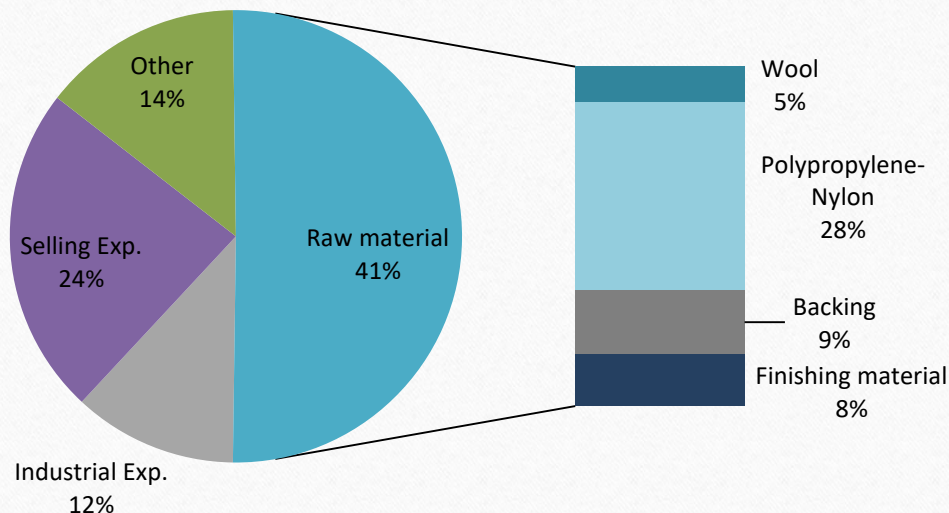
1Q EBITDA Performance (EGP mn)



1Q Net Income (EGP mn)



1Q 2017 Cost Breakdown



■ Almost 65% of costs are dollar based.

Source: Company

Annual Financial and Operational Performance

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FY 2016 financial Summary

Net sales
(EGP bn)

6.8

+15% growth y-o-y

EBITDA
(EGP mn)

1,116

+39% y-o-y performance

Net Profit
(EGP mn)

484

+36% y-o-y

Net Cash
Flow from
Operations
EGP
1,422mn

Net debt
Paid off
EGP57 mn

Capex
EGP529
mn

Recorded
rebates
+EGP214
mn

EBITDA Margin

16.5%

+243 bps y-o-y

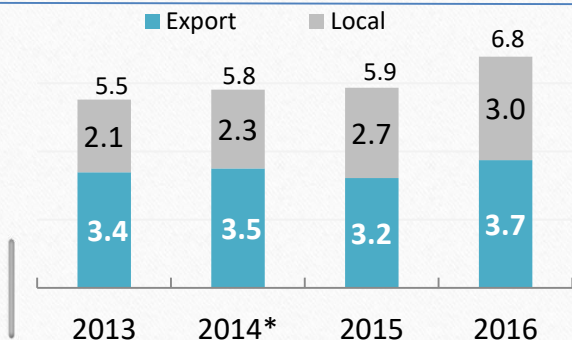


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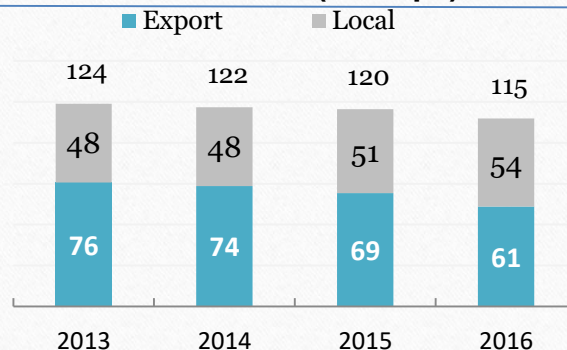
Annual Financial Overview

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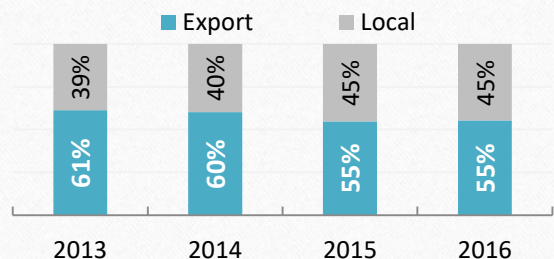
Growing revenue base (EGPbn)



Sales Volumes (mn sqm)



Export vs. Local Revenue Contribution



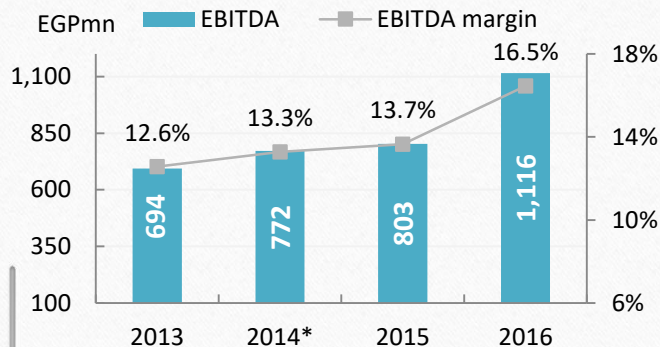
•On adjusted basis including sales of the merged Modern EFCO

** 2016 volumes include OW USA volumes sold and excludes OW China

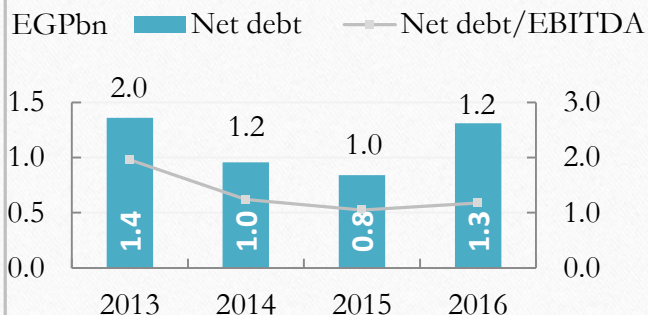
Financial Summary

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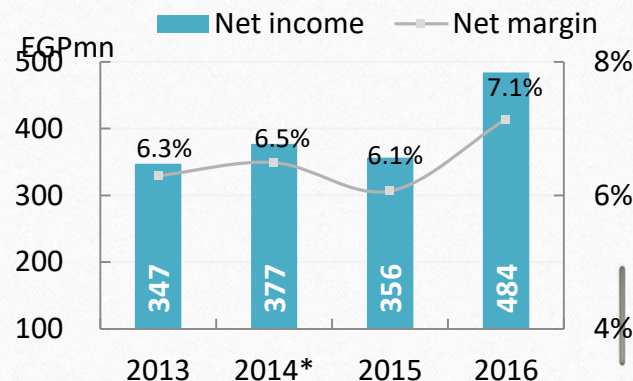
EBITDA Performance



Net Debt (EGPbn)



Net Income Performance



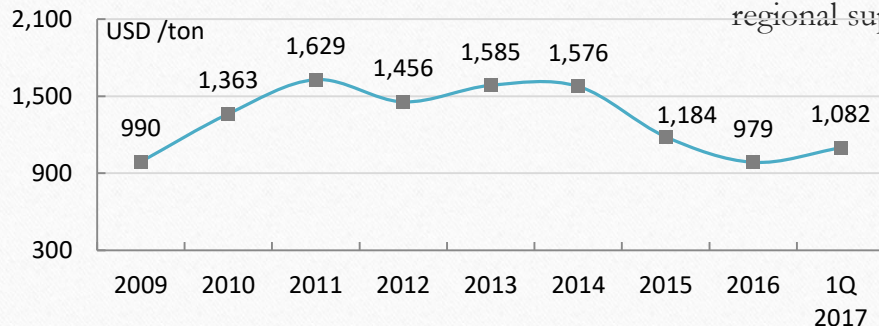
* On adjusted basis including sales of the merged Modern EFCO

Polypropylene is OW main raw material

Polypropylene — used in synthetic and blended rugs and carpets — is an oil derivative, representing around 28% of costs. Polypropylene prices are driven in large part by:

- i) Oil prices
- ii) Market demand for polypropylene

PP prices (in \$/ Metric Tons)



Sources: Company

➤ Polypropylene granules are carefully sourced after receiving monthly price quotations from different suppliers, taking into account other cost factors associated with importing the granules.

➤ Almost 50% of the polypropylene needs are sourced locally and the remaining needs are imported from regional suppliers.



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Impact of Energy Subsidy Reform on Costs

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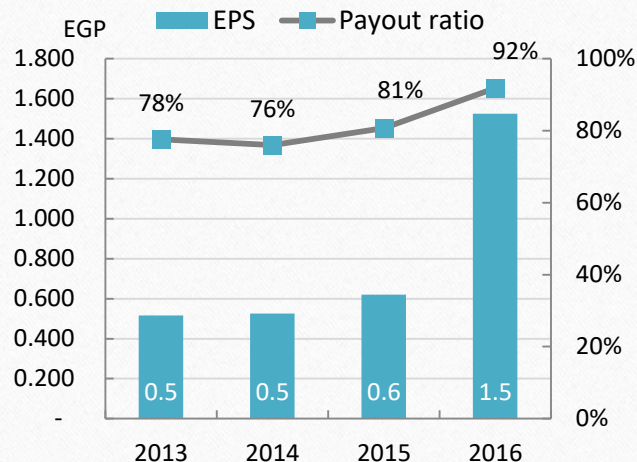
Energy cost	Jun-14	Jul-15	Jul-16	% Change
Natural gas (US\$/mmbtu)	2.25	5	5	-
% of costs				
Electricity (EGP/KW)	0.28	0.435	0.53	22%
% of costs				
Transportation costs (EGP Diesel/Liter)	1.1	1.80	2.35	31%
% of costs				
Total energy costs (EGP 000)				

* Energy cost represents less than 4% of the company's total cost

Share Data

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- 450 mn shares at par value of EGP 1 per share.
- Issued and Paid-in Capital EGP 450 mn.
- Listed in EGX since September 1997.
- 3 Month average daily value USD0.8mn.
- Market Cap USD480mn (as of May 2017).
- 2016 DPS of EGP1.4.
- Reuters; Bloomberg ORWE.CA; ORWE EY.



Shareholders' structure

Khamis Family & Related Entities	57%
Institutions	38%
Foreign Institution	24%
Local Institution	14%
Retail	5%

Sources: Company

Disclaimer

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