

4Q 2021 Earnings Release

Cairo 23rd February 2022



Oriental Weavers Carpet Releases 4Q 2021 Earnings Results

Oriental Weavers Carpet Company [ORWE EY; ORWE.CA], successfully reported another solid quarter with revenues up 6.68% y-o-y, with impressive GP margins reaching 14.18% and EBITDA Margin of 14%. For the record-breaking full year figures, Oriental Weavers business improved significantly with revenues up 20.23% y-o-y. Gross profit margin for the year rose dramatically to unprecedented level of 16.08%. 2021 operating income reached EGP1.3 billion with EBITDA exceeding EGP1.8 billion.

Key Highlights of 4Q 2021

EGP 3,006 mn in Revenues	EGP 426 mn in Gross Profit	14.18% Gross Profit Margin	EGP 287 mn in Operating Income
EGP 419 mn EBITDA	14.0% EBITDA Margin	EGP 250 mm in Net Income	EGP 227 mm in Attributable Net Income

Key Highlights of Full Year 2021

EGP 11,403 mn in Revenues	EGP 1,834 mn in Gross Profit	16.08% Gross Profit Margin	EGP 1,315 mn in Operating Income
EGP 1,932 mn EBITDA	16.9% EBITDA Margin	EGP 1,211 mm in Net Income	EGP 1,085 mm in Attributable Net Income

Full Year 2021 Financial Highlights

- **Revenues** increased by an impressive 20.23% y-o-y in 2021 reaching EGP 11,403 million, which is the highest figure recorded in the company's history, as a result of demand-pull dynamics witnessed in the global carpet market. Export revenue, 68% of total revenues, increased by 25.7% y-o-y during the year, while local sales increased by 10.4% y-o-y.
- **Gross Profit** recorded EGP 1,834 million, an increase of 40.2% y-o-y with an associated margin of 16.08% versus 13.79% in 2020. Gross profit increase was due to improvement in the product mix and selling at a higher price point. In addition to, the subsequent economies of scales, as the company was operating near full capacity.
- Management implemented two rounds of **price increase** during the year. The woven segment increased prices in April, the tufted segment applied price increase in August, which reflected positively on the group margins
- **Net Attributable Profit** increased by 15.78% y-o-y to an unprecedented figure of EGP 1,085 million compared to EGP 937 million, on the back of higher top line figure.
- The Board of Directors (BoD) **proposes a DPS of EGP 1**, pending AGM approval which will be held on the 31st of March 2022.

4Q 2021 Financial Highlights

- **Revenues:** The group reported an increase of 6.68% y-o-y in its 4Q 2021 revenues reaching EGP 3,006 million, which is the highest quarterly figure witnessed during the year. Export revenue, 67% of total revenues, increased by 6.8% y-o-y during the quarter, while local sales increased by 6.5% y-o-y.
- **Gross Profit:** recorded EGP 426 million in 4Q 2021, decline of 11.5% y-o-y with an associated margin of 14.18% versus 17.10% in 4Q 2020. Gross profit decline was due to increase in raw material prices. Polypropylene prices recorded \$1,673/ton in 4Q 2021 compared to \$1,048/ton in 4Q 2020, which is a 60% increase.
- **Operating Profit:** dropped by 19.2% y-o-y to EGP 287 million in 4Q 2021. Due to rise in raw material cost.
- **Net Attributable Profit:** decreased 44% y-o-y to EGP 227 million in 4Q 2021 due to lower export rebates collected when compared to 4Q 2020, as the company received a one-off payment from the government to clear the company's rebate backlog. Net profit margin stood at 8.33% for the quarter versus 17.89% in 4Q 2021.

Operational Highlights:

- **Export revenues** increased by 6.8% y-o-y in 4Q 2021 reaching EGP 2,012 million, with flat volumes. In terms of full year results, export revenues recorded an unprecedented remarkable increase of 25.7% y-o-y, with 22% y-o-y increase in volume, as demand-pull market dynamics played an impact.
- **Local revenues** reported a 6.5% increase in 4Q 2021 to EGP 994 million, compared to EGP 933 million in 4Q 2020, while volumes declined by 4.8% on y-o-y basis. On a full year basis, local sales increased 10% and flat volumes.
- **Export Rebates** collected for the quarter were EGP 5.8 million, bringing the total export rebate collected for the full year 2021 to EGP 75.5m. This is compared to EGP 241 million in 4Q 2020 and full year EGP 482 million, due to government initiative implemented in 2020 to clear the backlog. Current Backlog stands at EGP 456 million as of 31st Jan 2022.
- Oriental Weavers was **awarded "Best Rug Supplier"** title from Furniture Today's inaugural Reader Rankings; a publication specialized in floor coverings and carpets in the US. This recognition program was initiated to acknowledge companies that are accomplishing outstanding work across the furniture industry. At a time where conversations are centered on supply chain issues, delivery problems and other challenges that complicate today's buyer-seller relationships, OW emerges as the winner of "The Best Rug Supplier" award.
- OW opened a **new Showroom** in Fayoum governate in Egypt in 4Q 2021. Bringing the total number of showrooms on a group level to 254 showrooms. Currently there are 5 showrooms in the pipeline that will commence during the first half of 2022.

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Revenue Contribution by Market 4Q 2021 Vs 4Q 2020

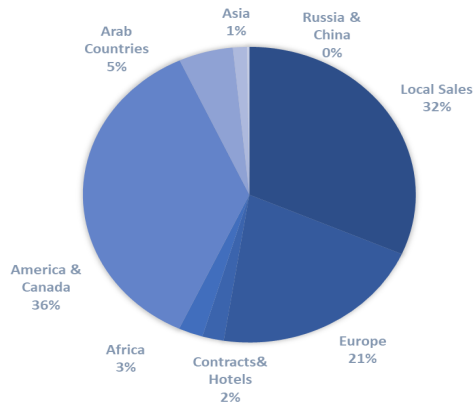


Figure 1: Revenue contribution 4Q 2021

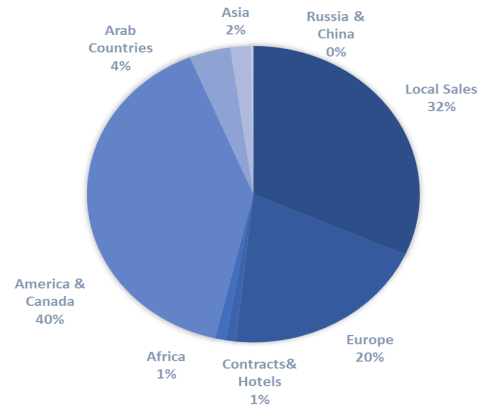


Figure 2: Revenue contribution 4Q 2020

Table 1: Net Sales (Volume and Value) in 4Q 2021 vs. 4Q 2020

Value (EGP million)			
	4Q 2021	4Q 2020	% Change
Woven- Egypt based	1,827.5	1,677.3	9.0%
OW USA	458.8	480.8	-4.6%
OW China	2.9	1.8	64.6%
Tufted	530.9	540.0	-1.7%
Non-woven Felt	152.3	116.3	31.0%
Other	33.6	1.8	1789.2%
Total	3,006	2,818	6.68%

Volume (mn sqm)		
4Q 2021	4Q 2020	% Change
16.77	17.01	-1.4%
2.76	2.97	-7.1%
0.02	0.02	-11.0%
9.80	10.70	-8.4%
5.67	4.88	16.3%
35.0	35.6	-1.6%

Table 2: Net Sales (Volume and Value) in Full Year 2021 vs. 2020

Value (EGP million)			
	2021	2020	% Change
Woven- Egypt based	6,685.5	5,355.2	24.8%
OW USA	1,949.6	1,865.0	4.5%
OW China	22.3	8.5	161.5%
Tufted	2,138.2	1,821.6	17.4%
Non-woven Felt	522.3	396.9	31.6%
Other	85.5	37.4	128.9%
Total	11,403.4	9,484.6	20.2%

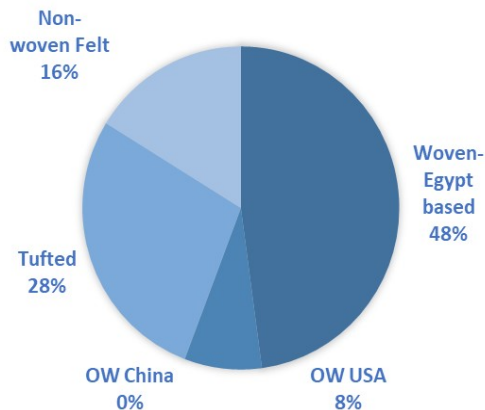
Volume (mn sqm)		
2021	2020	% Change
62.47	53.71	16.3%
14.44	12.85	12.4%
0.23	0.09	156.6%
41.72	35.40	17.9%
19.88	16.99	17.0%
0.00	0.00	
138.7	119.0	16.6%

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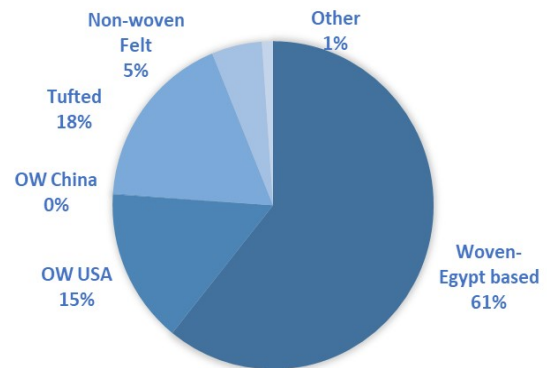
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Sales Volume Breakdown (sqm) 4Q 2021



Revenue Breakdown 4Q 2021



Segment Reporting

Local Sales (33% of Revenues)

OW local revenues reported a 6.5% increase in 4Q 2021 to EGP 994 million, compared to EGP 933 million in 4Q 2020, while volumes declined by 4.8% on y-o-y basis. On a full year basis, local sales increased 10% and volumes were flat.

In 4Q, **woven products** recorded flat sales and decline in volume by 15% y-o-y. This was mainly due management decision to direct capacity to the export markets and expand OW's reach globally. But we witnessed a q-o-q increase as the new capacity added during the year, catered the local market, resulting in an increase in sales of 7% q-o-q. The **tufted products** witnessed a recovery in sales, due to diversifying the distribution channels including big local retailers. Sales increased by 19% y-o-y, mainly coming from increased sales in "the pieces segment" by 28% y-o-y. While volumes in the tufted segment increased 4.8% y-o-y in 4Q 2021. The **non-woven segment** was likewise an outperformer, as sales increased by 19% y-o-y and volume increased by 15% y-o-y.

Showroom sales (55% of local sales) increased by 4% y-o-y in 4Q 2021, while wholesale revenues reported a 7% y-o-y increase. The recovery in the wholesale market is mainly due to the low base impact, as wholesalers' sales was sluggish back in 2020.

Average Pricing during the quarter increased 11% y-o-y in the local segment, which was primarily due to selling an improved product mix, as the collection appealing to the consumer was at a higher price point.

A **New Showroom** in Fayoum governate opened in 4Q 2021. Bringing the total number of showrooms on a group level to 254 showrooms. Management strategy is to increase the

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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. Currently there are 5 showrooms in the pipeline that are expected to start operating during the first half of 2022.

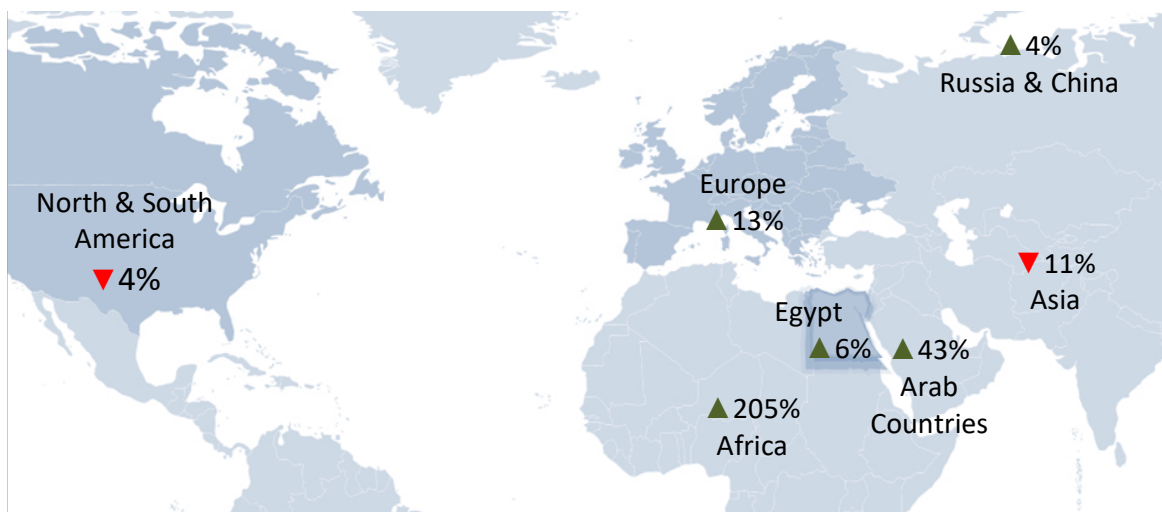
Table 3: Percentage Change in Local Sales (Volume and Value)

	4Q 2021 Volume	4Q 2021 Value	Average Price	Contribution to Local Revenues		2021 Volume	2021 Value
				4Q 2021	4Q 2020		
Woven	▼15%	▼0.1%	▲17%	79%	84%	▼6%	▲6%
Tufted	▲4.8%	▲19%	▲14%	12%	11%	▲11%	▲29%
Non-woven Felt	▲15%	▲19%	▲3%	6%	5%	▲13%	▲15%
Others (yarn sales)				3%	0%		▲128%
Total	▼4.8%	▲6.5%	▲11%	100%	100%	▲0.1%	▲10%

Export & Overseas Operations (67% of revenues)

Fourth quarter sales remained strong, driven by a robust residential new construction and remodeling environment. This translated into export revenues increasing by 6.8% y-o-y in 4Q 2021 reaching EGP 2,012 million, with flat volumes. This figure is muted by the global supply chain disruption that the company witnessed during the quarter. In terms of full year, OW revenues improved significantly, recording an increase of 25.7% y-o-y, with 22% y-o-y increase in volume.

4Q 2021 Revenue Performance by Region



* The three key markets are Egypt, the US & Canada, and Europe.

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

	4Q 2021 Volume	4Q2021 Value	Average Price	Contribution to Export Revenues		2021 Volume	2021 Value
				4Q 2021	4Q 2020		
Woven	▲4%	▲9%	▲5%	75%	73%	▲29%	▲28%
Tufted	▼11%	▼7%	▲5%	20%	23%	▲11%	▲15%
Non-woven Felt	▲17%	▲39%	▲19%	5%	4%	▲22%	▲45%
Total	▼0.1%	▲6.8%	▲9.6%	100%	100%	▲22%	▲26%
USDEGP		Flat					

OW **U.S.-based subsidiary** recorded a drop of 4.6% y-o-y in revenue 4Q 2021, and a 7.1% y-o-y decline in volumes. The drop was mainly due to the hospitality segment, as the rug segment recorded flat sales. In addition to the distributive environment resulted from the global supply chain bottleneck that impacted the US market severely.

Shipments to OW **key European customer** experienced a hike in sales of 8.4% y-o-y in 4Q 2021, as new product ranges have been agreed upon, in addition to “free range” products which provide better margins. Overall, European sales increased by 13% y-o-y in 4Q 2021, reinforced by demand from the region; in addition to securing new clients, especially from Germany, France and Spain. Management has been working on diversifying the product mix to target higher margin products to benefit from the demand-pull market dynamics.

The **Arab region** witnessed better-than-anticipated increase in sales, primarily from OW’s increasing presence in the Saudi Arabian market, with sales increasing 43% y-o-y in 4Q 2021. Arab markets contribution to total revenues doubled in the last year from 3% in 2020 to 6% in 2021. 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.

We are starting to witness impressive demand from **Brazil**, due to the preferential Mercosur free trade agreement, which designated a drop of 50% in Egyptian products’ customs duty. This will enable OW to expand its market share across Argentina, Brazil, Paraguay, and Uruguay.

Export revenues of the **Tufted Segments** dropped by 6.6% y-o-y in 4Q 2021 and 11% y-o-y in volume, this drop was compensated by an increased in demand by the local market by 19% y-o-y in sales, as management is directing the capacity to a more profitable distribution channel.

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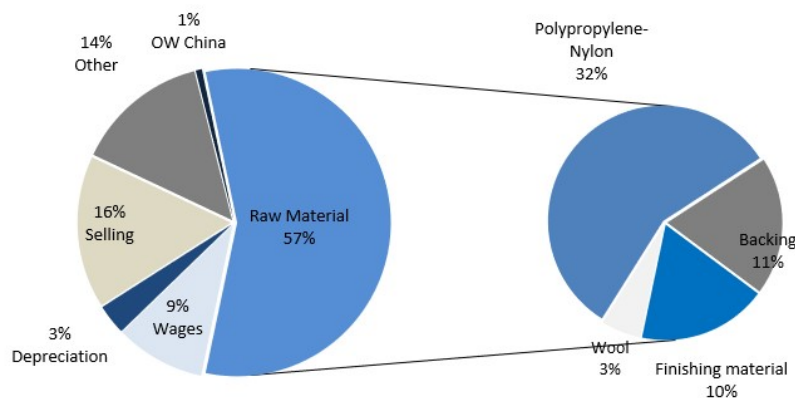
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OW remains committed to solidifying and expanding existing client base through marketing campaigns, the development of new products, and ongoing dedication to produce products of notable quality and value. Given OW's strong, reputable brand, and diverse,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

Cost of Goods Sold

OW's COGS increased by 10.43% y-o-y to EGP 2,580 million in 4Q 2021, rising at a higher pace than the group's top line figure, as a result of surging raw material costs during the year. Polypropylene price recorded \$1,673/ton in 4Q 2021 compared to \$1,048/ton in 4Q 2020, which is a 60% increase. As such, gross profit for 4Q 2021 decreased by 11.5% y-o-y, with associated margins of 14.18% versus 17.10% in 4Q 2020. Throughout the year two rounds of price increase occurred, the woven segment applied a price increase in April, and the tufted segment applied price increase in August, which impacted margins positively.



Raw material costs, which include wool, Polypropylene, backing and finishing materials, reached EGP 1.4 million in 4Q 2021, compared to EGP 1.1 million 4Q 2020, which is a 33% y-o-y increase.

Interest Income / Expense

OW's recorded net interest expense of EGP 11.6 million in 4Q 2021, compared to net interest income of EGP 15.4 million in 4Q 2020. Driven by an increase in total net debt to finance capacity expansion. In addition to a drop in CBE T-bills rates compared to 4Q 2020 rates.

Other Revenues

OW recorded other revenues of EGP 16.9 million compared to EGP 315 million. Export rebates collected for 4Q 2021 EGP 5.8 million compared to EGP 241 million in 4Q 2020, due to

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government initiatives implemented in 2020 to clear the company backlog. Currently, Export rebate backlog stands at EGP 456 million as of 31st Jan 2022

Foreign Exchange

OW recorded a foreign exchange loss of EGP 8.8 million in 4Q 2021 compared to foreign exchange gain of EGP 13 million in 4Q 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.

Investment Income

The company received dividends of \$1.5m from the Egyptian Propylene & Polypropylene company (EPP) in 4Q 2021.

Taxation

Income tax recorded in 4Q 2021 were EGP 40 million compared to EGP 62 million in the same quarter of last year. The effective tax rate stood at 13.8% in the quarter versus 11% in 4Q 2020. The tax rate is a function of earnings contributions from taxable subsidiaries verses non-taxable free zone subsidiaries, such as Oriental Weavers International and Oriental Weavers Textiles. Full year Effective tax rate stands at 13.2%

Net Profit

OW's attributable net profit was EGP 227 million in 4Q 2021, a decline of 44% y-o-y. This drop is attributed to lower collected export rebates, as the company received a one-off payment in 4Q 2020 to clear the company's rebate backlog. Excluding the one-off item, net attributable earnings recorded EGP 221 million in 4Q 2021 compared to EGP 167 million in 4Q 2020, which translates into 32% y-o-y increase. Net profit margin stood at 8.33% in 4Q 2021, compared to 17.89% in 4Q 2020. In Terms of Full year 2021, attributable net profit increased an impressive 16% y-o-y, breaking the EGP 1 billion mark for the first time, recording EGP 1,085 million compared to EGP 937 million in 2020.

Debt

On December 31st, 2021, OW debt breakdown was 53.1% USD, 9.4% Euro and 37.5% EGP, compared to 52% USD, 13% Euro and 35% EGP on December 31st, 2020.

Proposed Dividends

The Board of Directors (BoD) proposes a DPS of EGP 1, pending AGM approval which will be held on the 31st of March 2022, which is a payout ratio 61%

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INVESTOR RELATIONS CONTACTS

For further information, please contact:

Yasmine El Gohary
Investor Relations Manager
Oriental Weavers Carpet Company
E-mail: yelgohary@orientalweavers.com
Tel (Direct): +2 (02) 2268 5166

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Income Statement (EGP million)

	Fourth Quarter			Full Year 2021		
	2021	2020	Change	2021	2020	Change
Net Sales	3,006	2,818	6.68%	11,406	9,485	20%
Less:						
COGS	2,580	2,336	10.43%	9,569	8,177	17%
Gross Profit	426	482	-11%	1,834	1,308	40%
<i>Gross Profit Margin*</i>	14.18%	13.79%	39bps	16%	13.8%	229bps
Less:						
Selling & Distribution Expenses	42	42	-1%	156	142	10%
General & Administrative Expenses	97	84	16%	363	326	11%
Sum	139	126	10%	519	468	11%
Net Income from Operation Activities	287	355	-19%	1,315	840	56%
Operation Activities Margin	9.55%	12.62%	-306bps	11.54%	8.86%	268bps
Add / Less:						
Provisions & Impairment	-21.8	-135.5	-84%	-37	-226	-84%
Investment Income	15.3	0		23.85	0	
Interest Income	4.5	-0.8	-620%	16.7	21.5	-22%
Treasury Income	35.1	51.4	-32%	167	131	27%
Other Revenues	16.9	315	-95%	101	563	-82%
Capital Gain	4.96	2.68	85%	16.3	6.4	156
Financing Expenses	-51	-35	46%	-197	-104	89%
Foreign Exchange Differences	-9	13.1	-167%	-21	37.2	-156
Reversed provisions	3.72	-	NA	3.72	-	NA
Expected Credit Loss (IFRS 9) *	4.75	-	NA	4.75	-	NA
Sum	3.39	211	-98%	78	430	-82%
Net Profit for the Period before Income Tax	291	566	-49%	1,394	1,270	10%
EBT Margin	9.67%	20.1%		12.23%	13.39%	
Add / Less:						
Current Income Tax	-21.5	-58	-63%	-163	-155	5%
Deferred Tax	-19	4.6	298	-20.75	-3.01	NA
Income Tax for the Period	-40.14	-62.27	-36%	-183.50	-157.69	16%
Net Profit for the Period	251	504	-50%	1,210.7	1,111.9	9%
Net Profit Margin	8.33%	17.89%	-956bps	10.62%	11.72%	-111bps
Equity Holders of the Parent	226.67	408.26	-44%	1,085	937.44	16%
Minority Interest	23.78	95.77	-75%	125.2	174.5	-28%

* Reported figures include depreciation expenses

*Expected Credit Loss (ECL): the company implemented the ECL in 4Q21 according to the IFRS 9 accounting standards

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Balance Sheet (EGP million)

	2021	FY 2020
<u>Long Term Assets</u>		
Fixed Assets (Net)	4,123	4,216
Projects in Progress	252	141
Investments - Available for Sale	337	116
Beneficial interest in assets	331	
Total Long-Term Assets	5,043	4,473
<u>Current Assets</u>		
Inventory	4,215	3,195
Trades & Notes Receivable	1,965	1,724
Debtors & Other Debit Accounts	421	353
Treasury Bills	1,539	2,022
Cash on Hand & at Banks	984	904
Total Current Assets	9,123	8,198
<u>Current Liabilities</u>		
Provisions	101	90
Banks - Credit Accounts	3,029	2,466
Long Term Liabilities - Current Portion	122	99
Due within one year of rental contract obligations	87	
Suppliers & Notes Payable	1,105	847
Dividends Payable	16	10
Creditors & Other Credit Accounts	585	742
Deferred Tax Liability	125	136
Total Current Liabilities	5,171	4,390
Working Capital	3,953	3,808
Total Investment	8,996	8,282
Financed as Follows		
<u>Shareholder's Equity</u>		
Issued & Paid Capital	665	665
Reserves	1,627	1,487
Retained Earnings	398	348
Net Profit for the Period	1,085	937
Exchange Differences Arising on Translation of Foreign Currency	3,541	3,546
Total Equity Attributable to Equity Holders of the Parent	7,316	6,983
Non-controlling Interest	941	947
Total Equity	8,257	7,931
<u>Long - Term Liabilities</u>		
Long Term Loans	305	207
Housing & Development Bank Loan	0	0
Deferred Taxes Liabilities	165	144
Lease contract obligations	269	0
Total Long-Term Liabilities	739	351
Total Shareholder's Equity & Long-Term Liabilities	8,996	8,282

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Statement of Cash Flows (EGP million)

	2021	2020
Cash flows from Operating Activities:		
Net Profit for the Period before Income Tax	1,394	1,270
Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities		
Fixed Assets Depreciation	532	538
Depreciation of usufruct assets	85	
Provisions other than Deprecation	37	226
Provision for Expected Credit Loss (IFRS 9)	(5)	
Provisions for no use items	(4)	
Interest Income	(17)	(22)
Financing Expenses	197	104
Investment Income	(24)	
Capital Gain	(16)	(6)
Operating Profits before Changes in Working Capital	2,180	2,110
Change in Working Capital		
(Increase) in Inventory	(1,021)	109
Decrease (Increase) in Trades & Notes Receivable and other Debit Accounts	(366)	(273)
Decrease (Increase) in Suppliers & Notes Payable and other Credit Accounts	75	159
Cash Flows Provided by Operating Activities	867	2,105
Interest Income	17	22
Paid Financing Expenses	(197)	(104)
Income Tax Expense	(117)	(75)
Cash Flows Provided by Operating Activities	570	1,948
Cash Flows from Investing Activities		
Payments for Purchase of Fixed Assets and Projects in Progress	(566)	(275)
Buying investments available for Sale	(123)	
Proceeds from Sale of fixed assets	31	
Proceeds from Investments available for sale	24	10
Proceeds from Sale of Treasury Bills	288	(824)
Net Cash Flows (used in) Investing Activities	(346)	(1,088)
Cash Flows from Financing Activities		
Proceeds (Payment) from Banks - Credit Accounts	565	602
Dividends Paid	(964)	(631)
Translation Differences of Financial Statements	15	(4)
Paid for Lease obligations	(60)	-
(Payment) Proceeds in Long Term Liabilities	121	(30)
Net Cash Flows (used in) Provided by Financing Activities	(324)	(62)
Net Change in Cash & Cash Equivalents During the Period	(100)	774
Cash & cash equivalents at beginning of the period	1,470	677
Translation Differences Related to Cash & Cash Equivalents	(1)	(5)
Cash & Cash Equivalents at End of the Period	1,369	1,446

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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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