

1Q 2023 Earnings Release

Cairo 15th May 2023



Oriental Weavers Carpet Releases 1Q 2023 Earnings Results

Oriental Weavers Carpet Company [ORWE EY; ORWE.CA], reported 1Q 2023 results showing double digit revenues growth reaching 27% y-o-y, with GP margins reaching 13.6% and EBITDA Margin of 14.9%.

Key Highlights of 1Q 2023

EGP 4,142 mn in Revenues ▲ 27% y-o-y ▲ 39% local Revenues ▲ 21% Export Revenues	EGP 562 mn in Gross Profit ▲ 57% y-o-y 13.6% GP margin EGP 619 mn EBITDA ▲ 67% y-o-y 14.9% margin	EGP 277mn OW China Divestment EGP 411 mn in Attributable Net Income ▲ 74% y-o-y
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1Q 2023 Financial Highlights

- **Revenues** increased by 27% y-o-y (+10% q-o-q) in 1Q 2023 reaching EGP 4,142 million. Export revenue (63% of total revenues), increased by 21% y-o-y (+19% q-o-q). While local sales increased by 39% y-o-y (-2% q-o-q).
- **Volumes** declined by 22% y-o-y (-2% q-o-q) in 1Q 2023. The drop was attributed to export volumes decline by 33% y-o-y (+5% q-o-q). While local volumes were flat (-11% q-o-q).
- **Gross Profit** recorded EGP 562 million, an increase of 57% y-o-y (+114% q-o-q) with an associated margin of 13.6% versus 10.9% in 1Q 2022. Margin improvement was a result of COGS rising at a slower pace than the group's top line figure, as a result of lower priced raw material (in dollar terms) during the quarter and increase in selling prices. As COGS/Sales reached 86% in Q1 2023 compared to 89% in Q1 2022.
- **EBITDA** ⁽¹⁾ recorded EGP 619 million in 1Q 2023, representing an increase of 67% y-o-y, with EBITDA margin of 14.9% compared to EBITDA margin of 11.3% in 1Q 2022. The year-on-year improvement comes on the back of higher gross profitability trickling down impact.
- **Net Attributable Profit** increased by 74% y-o-y (+30% q-o-q) to EGP 411 million compared to EGP 236 million in 1Q 2022.
- **Finalizing OW China divestment**, financials recorded EGP 277 million as a result of complete sale of OW China facility
- OW opened 1 **new showrooms** 1Q 2023, bringing the total number of showrooms on a group level to 260 showrooms.

(1) EBITDA is calculated as operating profit plus depreciation

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Revenue Contribution by Market 1Q 2023 Vs 1Q 2022

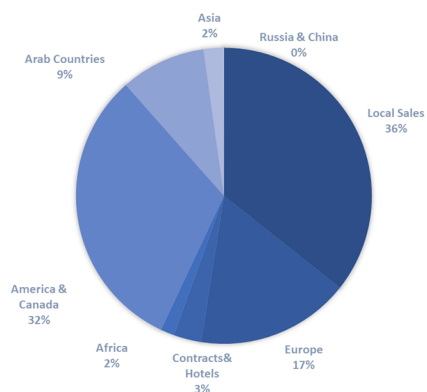


Figure 1: Revenue contribution 1Q 2023

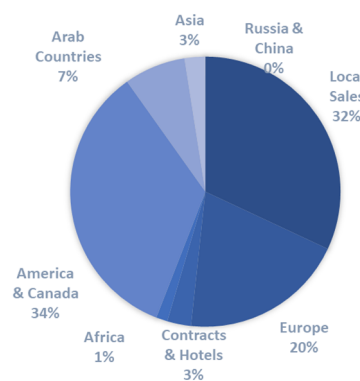
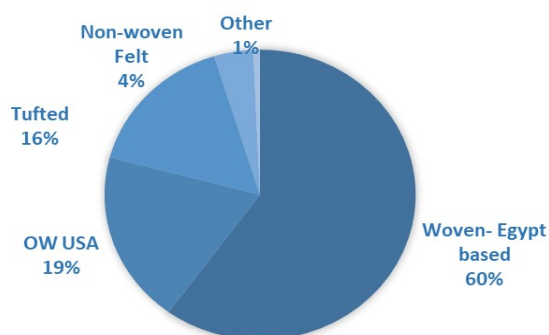


Figure 2: Revenue contribution 1Q 2022

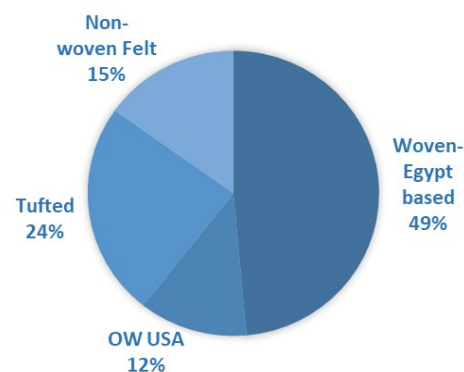
Table 1: Net Sales (Volume and Value) in 1Q 2023 vs. 1Q 2022

	Value (EGP million)			Volume (mn sqm)		
	1Q 2023	1Q 2022	% Change	1Q 2023	1Q 2022	% Change
Woven- Egypt based	2,485.4	2,061.4	20.6%	13.32	17.47	-23.7%
OW USA	792.4	521.6	51.9%	3.31	3.88	-14.7%
Tufted	667.0	523.4	27.4%	6.66	9.09	-26.8%
Non-woven Felt	168.0	135.7	23.8%	4.15	4.91	-15.4%
Other	29.5	21.7	36.2%			
Total	4,142	3,264	26.92%	27.4	35.4	-22.4%

Revenue Breakdown 1Q 2023



Sales Volume Breakdown (sqm) 1Q 2023



Segment Reporting

Local Sales Local Sales (37% of Revenues Including local hospitality)

OW local revenues reported an impressive 39% increase in 1Q 2023 to EGP 1,530 million, compared to EGP 1,102 million in 1Q 2022, (-2% q-o-q), driven primarily by price adjustments in the local market. Meanwhile, local volumes were flat on y-o-y basis (-11% q-o-q).

In the first quarter, **woven products** experienced a remarkable 44% y-o-y increase in revenues, driven by an 11% increase in volumes and a 30% increase in prices. This growth was fueled by local consumers' purchasing momentum, who made early purchasing decisions due to inflationary dynamics and the anticipation of further price increases. Moreover, **Tufted products** showed sales recovery of 19% y-o-y, with strong figures from the wall-to-wall segments in particular. However, the tufted segment's volumes declined by 24% y-o-y in 1Q 2023, due to a worker's strike that lasted for ten days. Operations resumed promptly after the strike and have been ongoing in 2Q 2023

In the first quarter of 2023, **showroom sales**, which constitute 56% of local sales, showed an impressive 32% y-o-y increase (+0.6% q-o-q), driven by OW's marketing initiatives. Meanwhile, **wholesale revenues** reported a 55% y-o-y increase (-6.7% q-o-q) due to wholesalers stocking up on inventory in anticipation of further price increases.

Export & Overseas Operations (63% of revenues)

In the first quarter of 2023, export revenues grew by 21% y-o-y (+19% q-o-q) to reach EGP 2,612 million, supported by local currency devaluation. However, volumes declined by 33% y-o-y (+5% q-o-q), mainly due to two factors. Firstly, the high base effect, as 1Q 2022 was one of the best performing quarters in the company's history. Secondly, 1Q 2023 sales figures represented orders that were placed in 4Q 2022, which were impacted by the global slowdown in discretionary products

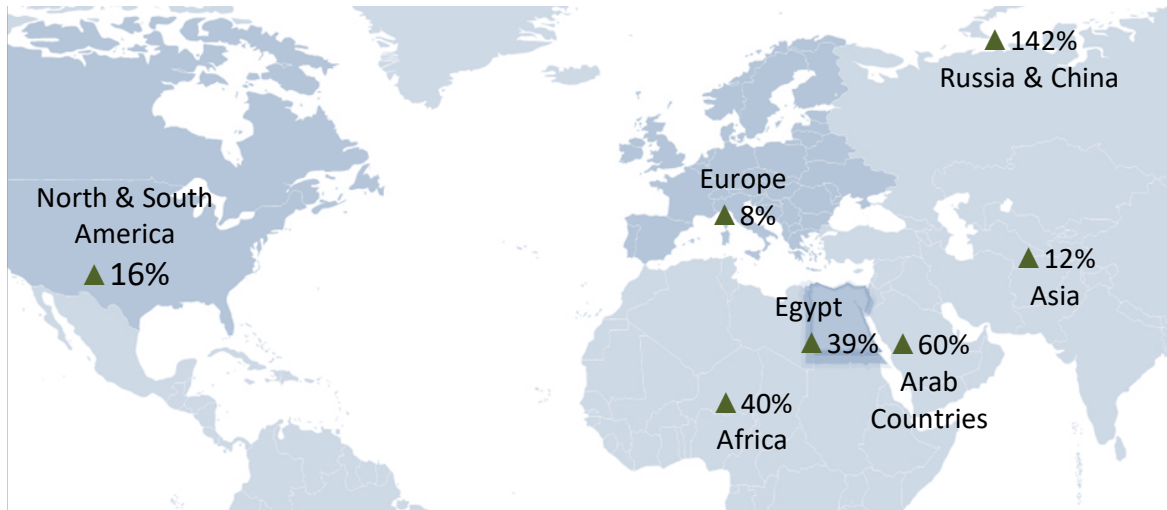
In January 2023, OW participated in DOMOTEX, a renowned flooring industry platform held in Hanover, Germany, which paved the way for sales in the year ahead. The OW export team managed to establish business with 25 new active clients in 1Q 2023, primarily in France, Germany, and Brazil, indicating a gradual recovery heading into 2Q and beyond. Overall, management is focused on increasing market share and building long-term customer relationships

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1Q 2023 Revenue Performance by Region



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

In the first quarter of 2023, **European sales** grew by 8% y-o-y (+17% q-o-q), benefiting from a weaker EGP. Sales dropped in dollar terms due to macroeconomic conditions which played a role on consumer's discretionary spending.

In the first quarter of 2023, the **US region** experienced a 16% y-o-y increase in sales (+14% q-o-q), benefiting from a weaker EGP. Despite the challenging economic conditions in the US market, there is a slight recovery in demand compared to the trend seen in 2H 2022, which is expected to continue throughout the year.

The **GCC region** remains one of the strongest performing markets for OW, with sales in Saudi Arabia and the UAE increasing by 60% y-o-y in 1Q 2023. This is mainly because OW export team started exporting Tufted and Non-woven products to the region, previously the Woven products were the main contributor. The contribution of GCC markets to total revenues reached 9% in 1Q 2023, compared to 7% in 2022 and 6% in 2021, indicating a growth in OW's market share in the region. OW export team is also experiencing significant demand from Africa, particularly Libya, Kenya and Tanzania, with sales increasing by 40% y-o-y in 1Q 2023.

In the **Tufted Segments**, export revenues increased by 31% y-o-y (+55% q-o-q) in 1Q 2023, while volumes declined by 28% y-o-y (+16% q-o-q) due to a worker's strike during the quarter. However, a change in trend is noticeable in the q-o-q figures, which is expected to continue throughout the year.

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OW USA

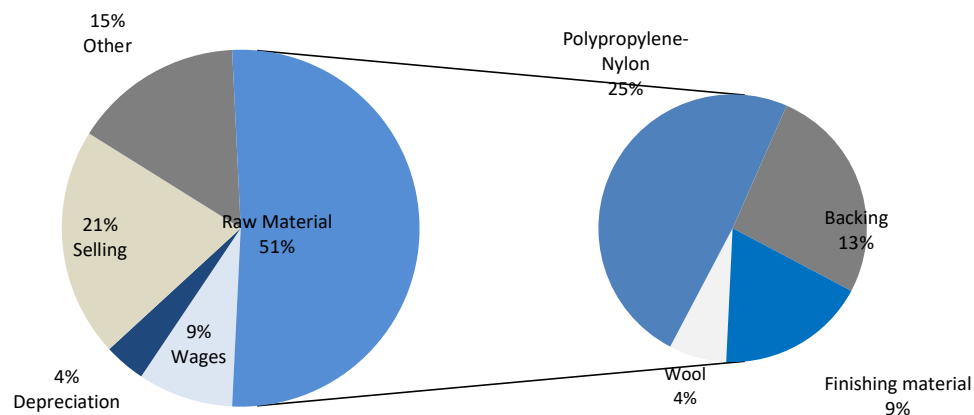
OW's U.S.-based subsidiary reported a 52% y-o-y increase in sales and a 15% y-o-y decline in volumes (+79% q-o-q). The decline in volumes was attributed to lower sales orders from the preceding quarter due to macro-specific reasons in the U.S. market

OW Hospitality (3% of Revenues)

Oriental Weavers' hospitality segment serves many prominent global names, in addition to its local presence. In the local segment, sales declined by approximately 10% y-o-y in 1Q 2023 (+2.5% q-o-q). OW completed several installation projects, including hotels, mosques, universities, and projects related to the new administrative capital. One of the most noteworthy projects in the quarter was the "Egypt Mosque" in the new administrative capital, which is the third-largest mosque in the Middle East. In the export segment, sales increased by 171% y-o-y in 1Q 2023, mainly in global chain hotels, particularly in the United States, United Kingdom, and Saudi Arabia

Cost of Goods Sold

OW's COGS increased by 23% y-o-y to EGP 3,581 million in 1Q 2023, rising at a slower pace than the group's top line figure, as a result of lower priced raw material during the quarter and increase in selling prices. Polypropylene prices declined by 33% y-o-y in USD. This resulted in, gross profit for 1Q 2023 increasing by 57% y-o-y (114% q-o-q), with associated margins of 13.6% versus 10.9% in 1Q 2022.



Raw material costs, which include wool, Polypropylene, backing and finishing materials, reached EGP 1.8 million in 1Q 2023, compared to EGP 1.5 million 1Q 2022, which is a 18% y-o-y increase. While aggregate pricing increased by 63%, including the local currency devaluation, causing the improvement in margins.

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EBITDA ⁽¹⁾

OW EBITDA came in at EGP 619 million in 1Q 2023, up 67% y-o-y. EBITDA margin on consolidated revenue recorded 14.9% in 1Q 2023 versus 11.3% in 1Q 2022. The improvement in EBITDA level profitability comes on the back of higher gross profitability for the period.

Interest Income / Expense

Net interest expense reached EGP 26 million in 1Q 2023, compared to net interest expense of EGP 7 million in 1Q 2022. Interest expense recorded EGP 104 million in 1Q 2023, up 75% versus 1Q 2022. The increase is attributable to:

1. Increase in USD Libor rate
2. Local Currency depreciation, impacting the cost of foreign currency borrowing
3. Removal of the 8% government lending initiative

OW China Divestment

OW recorded EGP 277 million in 1Q 2023, a result of sale of OW China facility. Due to operational difficulties caused by the pandemic in 2020, management made the decision to sell the asset, after it was fully impaired on the company's financials. Currently management are exploring alternative investment options.

Foreign Exchange

OW recorded a foreign exchange loss of EGP 169 million in 1Q 2023 compared to foreign exchange loss of EGP 65 million in 1Q 2022, owing to foreign currency dominated debt in non-free zone entities, on the back of the Egyptian pound devaluation.

Taxation

Income tax recorded in 1Q 2023 were EGP 53 million compared to EGP 50 million in the same quarter of last year. The effective tax rate stood at 11.7% in the quarter versus 16.1% in 1Q 2022. The tax rate is a function of earnings contributions from taxable subsidiaries versus non-taxable free zone subsidiaries, such as Oriental Weavers International and Oriental Weavers Textiles.

Net Profit

OW's attributable net profit was EGP 411 million in 1Q 2023, an increase of 74% y-o-y. This increase is attributed to higher gross profitability and China divestment. Net profit margin stood at 9.74% in 1Q 2023, compared to 8% in 1Q 2022.

Debt

On March 31st, 2023, OW debt breakdown was 66% USD, 18% Euro and 16% EGP, compared to 58% USD, 15% Euro and 27% EGP on December 31st, 2022.

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Cash

Cash and Treasury bills recorded EGP 3.5 billion in 1Q 2023 compared to EGP 3.2 billion on December 31st 2022. Cash breakdown is as follows 10% Euro, 60% EGP and 31% in dollars.

INVESTOR RELATIONS CONTACTS

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Forward-Looking Statements

This communication contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, and can be identified by the use of such words and phrases as “according to estimates”, “aims”, “anticipates”, “assumes”, “believes”, “could”, “estimates”, “expects”, “forecasts”, “intends”, “is of the opinion”, “may”, “plans”, “potential”, “predicts”, “projects”, “should”, “to the knowledge of”, “will”, “would” or, in each case their negatives or other similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements containing information on future financial results, plans, or expectations regarding business and management, future growth or profitability and general economic and regulatory conditions and other matters affecting the Company.

Forward-looking statements reflect the current views of the Company’s management (“Management”) on future events, which are based on the assumptions of the Management and involve known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The occurrence or non-occurrence of an assumption could cause the Company’s actual financial condition and results of operations to differ materially from, or fail to meet expectations expressed or implied by, such forward-looking statements.

The Company’s business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate or prediction to differ materially from those expressed or implied by the forward-looking statements contained in this prospectus. The information, opinions and forward-looking statements contained in this communication speak only as at its date and are subject to change without notice. The Company does not undertake any obligation to review, update, confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise in relation to the content of this communication.

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Income Statement (EGP million)

Three Months Ended March 31 2022

	2023	2022	Change
Net Sales	4,142	3,264	27%
Less:			
COGS	3,581	2,908	23%
Gross Profit	562	357	57%
<i>Gross Profit Margin*</i>	13.6%	10.93%	
Less:			
Selling and Distribution Expenses	47	41	14%
General and Administrative Expenses	150	110	36%
Sum	198	152	30%
Net Income from Operation Activities	364	205	78%
Operation Activities Margin	8.8%	6.28%	
Add / Less:			
ECL	10.85	12.88	
Provisions and impairment	-11.5	-	
Investment Income	0.11	-	
Interest Income	17.86	7	
Treasury Income	59.83	45	
Other Revenues	3.2	165	
Capital Gain	9.10	-0.99	
Financing Expenses	-104.19	-59	
Foreign Exchange gain (loss)	-169.19	-65	
Profit from available for sale asset	276.95		
Sum	93.01	105	
Net Profit for the Period before Income Tax	457.13	310	47.55%
EBT Margin	11.04%	9.5%	
Add / Less:			
Current Income Tax	-55	-51	7%
Deferred Tax	1.36	1.51	-10%
Income Tax for the Period	-53.61	-49	
Net Profit for the Period	403	260	55%
Net Profit Margin	9.74%	8%	
Attributable to:			
Equity Holders of the Parent	411	236	74%
Non-controlling interest	-7	24	-130%

* Reported figures include depreciation expenses

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Balance Sheet (EGP million)

	1Q 2023	FY 2022
Long-Term Assets		
Fixed Assets (Net)	6,395	5,583
Projects in Progress	459.24	354.80
Investments -Fair value	799.84	644.58
Beneficial interest in assets	372.20	371.45
Available for sale asset	-	45.907
Total Long-Term Assets	8,026.33	7,001.19
Current Assets		
Inventory	6,746.38	6,030.83
Trades and Notes Receivable	3,091.81	2,427.73
Debtors and Other Debit Accounts	736.61	482.45
Treasury Bills	1,601.44	1,813.06
Cash on Hand and at Banks	1,948.23	1,419.84
Total Current Assets	14,124.49	12,183.94
Current Liabilities		
Provisions	165.16	156.59
Banks - Credit Accounts	4,229.61	4,610.03
Long Term Liabilities - Current Portion	294.42	275.54
Suppliers and Notes Payable	1,804.42	1,016.63
Dividends Payable	90.65	31.76
Due within one year of rental contract obligations	113.18	111.12
Creditors and Other Credit Accounts	887.31	672.87
Deferred Tax Liability	163.15	171.02
Total Current Liabilities	7,748.24	7,045.60
Working Capital	6,376	5,174
Total Investment	14,403	12,130
Financed as Follows:		
Shareholder's Equity		
Issued and Paid Capital	665.10	665.10
Reserves	1,971.92	1,871.38
Retained Earnings	1,261.43	453.33
Net Profit for the Period	410.61	842.88
Exchange Differences Arising on Translation of Foreign Currency	7,937.73	6,258.36
Total Equity Attributable to Equity Holders of the Parent	12,246.81	10,091.07
Non-controlling Interest	1,261.70	1,164.17
Total Equity	13,508.52	11,255.25
Long - Term Liabilities		
Long-Term Loans	443.10	391.64
Lease contract obligations	304.57	302.92
Deferred Taxes Liabilities	146.38	155.60
Total Long-Term Liabilities	894.06	850.17
Total Shareholder's Equity and Long-Term Liabilities	14,403	12,105

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Statement of Cash Flows (EGP million)

	1Q 2023	1Q 2022
Cash flows from Operating Activities:		
Net Profit for the Period before Income Tax	457.12	309.81
Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities		
Fixed Assets Depreciation	225.07	142.81
Provisions other than Deprecations	11.51	-
Interest Income	-17.86	-7.02
Depreciation of usufruct assets	29.9	22.69
Provision ECL	-10.84	-12.88
Financing Expenses	104.19	59.45
Asset sale profit	-276.94	-
Treasury Income	-59.83	-45.35
Investment Income	-0.113	-
Capital gain	-9.09	0.98
Operating Profits before Changes in Working Capital	453.11	470.49
Change in Working Capital		
(Increase) in Inventory	343.94	-230.75
Decrease (Increase) in Trades and Notes Receivable and other Debit Accounts	-101.48	-118.86
Decrease (Increase) in Suppliers and Notes Payable and other Credit Accounts	459.27	85.91
Cash Flows Provided by Operating Activities	1,154.85	206.8
Interest Income	17.86	7.02
Paid Financing Expenses	-104.19	-59.45
Paid income Tax Expense	-62.83	-10.37
Net Cash Flows Provided by Operating Activities	1,005.69	143.99
Cash Flows from Investing Activities		
Payments for Purchase of Fixed Assets and Projects in Progress	-98.30	-164.57
Buying investments available for Sale	0.113	-
Proceeds from Investments available for sale	296.03	-
Proceeds from the Sale of Fixed Assets	18.95	3.01
Proceeds from Sale of Treasury Bills	609.12	1,397.19
Buying treasury shares	-600.61	-656.97
Net Cash Flows (used in) Investing Activities	225.3	539.65
Cash Flows from Financing Activities:		
Proceeds (Payment) from Banks - Credit Accounts	-1,130.02	704
Dividends Paid	-55.80	-18.92
Translation Differences of Financial Statements	6.58	40.09
Paid for Lease obligations	-42.82	-53.79
Increase in paid-in capital of subsidiary	-	-
(Payment) Proceeds in Long Term Liabilities	-25.84	54.89
Net Cash Flows (used in) Provided by Financing Activities	-1,247.91	726.28
Net Change in Cash and Cash Equivalents During the Period	-16.91	1,410
Cash and cash equivalents at beginning of the period	2,195	1,369
Translation Differences Related to Cash and Cash Equivalents	151.87	107.43
Cash and Cash Equivalents at End of the Period	2,330	2,886

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