

2Q 2023 Earnings Release

Cairo 15th August 2023



OW records solid top and bottom line figures, despite softer volumes

Oriental Weavers Carpet Company [ORWE EY; ORWE.CA], reported another solid quarter with revenues up 31% y-o-y, with GP margins reaching 14% and an EBITDA Margin of 15.5%. On 1H basis, the figures continue to be exceptional, with revenues up 29% y-o-y and GP margins of 13.8%

Key Highlights of 2Q 2023

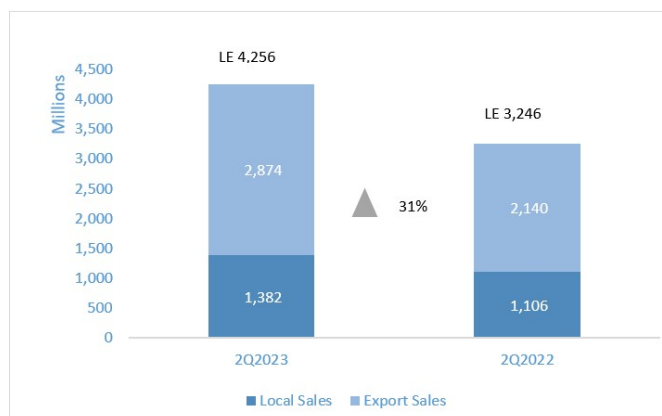
EGP 4,256 mn in Revenues ▲ 31% y-o-y ▲ 25% local Revenues ▲ 34% Export Revenues	EGP 594 mn in Gross Profit ▲ 55% y-o-y 14% GP margin EGP 673 mn EBITDA ▲ 66% y-o-y 15.8% margin	EGP 290 mn in Attributable Net Income ▲ 26% y-o-y
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Key Highlights of 1H 2023

EGP 8,399 mn in Revenues ▲ 29% y-o-y ▲ 32% local Revenues ▲ 28% Export Revenues	EGP 1,156 mn in Gross Profit ▲ 56% y-o-y 13.8% GP margin EGP 1,277 mn EBITDA ▲ 64% y-o-y 15.2% margin	EGP 700 mn in Attributable Net Income ▲ 56% y-o-y
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2Q 2023 Financial Highlights

- **Consolidated Revenues grew** by 31% y-o-y (3% q-o-q) in 2Q 2023 reaching EGP 4,256 million. Export revenue, 68% of total revenues, increased by 34% y-o-y (10% q-o-q). While local sales increased by 25% y-o-y (-10% q-o-q). Top line results benefited from higher average selling prices and devaluation impact.



2Q 2023 Earnings Release

Cairo 15th August 2023



- **Gross Profit** recorded EGP 594 million, an increase of 55% y-o-y (+6% q-o-q) with an associated margin of 14.0% versus 11.8% in 2Q 2022. Improvement in gross profit margin was due to an increase in average selling prices, that surpassed the increase in raw materials in EGP terms. As COGS/Sales ratio reached 86% in 2Q 2023 compared to 88% in 2Q 2022.
- **EBITDA** ⁽¹⁾ recorded EGP 658 million in 2Q 2023, representing an increase of 62% y-o-y, with EBITDA margin of 15.5% compared to EBITDA margin of 12.5% in 2Q 2022. The year-on-year improvement comes on the back of higher gross profitability trickling down impact.
- **Net Attributable Profit** increased by 37% y-o-y to EGP 290 million compared to EGP 211 million in 2Q 2022.
- **Export Rebates** collected in July 2023, as per the government's latest export initiative, will be recorded in 3Q 2023.
- OW opened 3 **new local showrooms** in 2Q 2023, bringing the total to 4 new showrooms since the beginning of 2023, and total 268 Showrooms across Egypt.

Revenue Contribution by Market 2Q 2023 Vs 2Q 2022

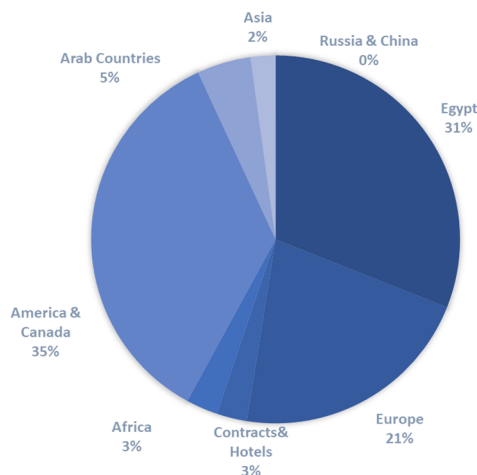


Figure 1: Revenue contribution 2Q 2023

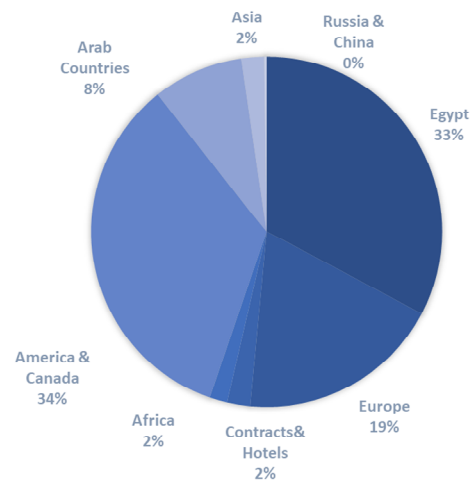


Figure 2: Revenue contribution 2Q 2022

2Q 2023 Earnings Release

Cairo 15th August 2023



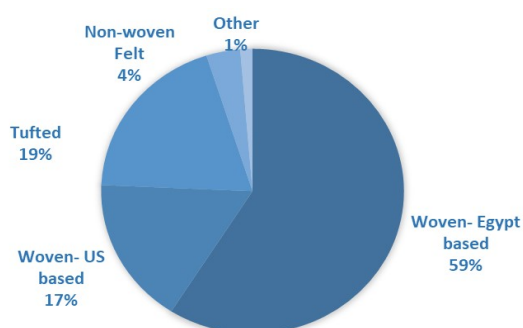
Table 1: Net Sales (Volume and Value) in 2Q 2023 vs. 2Q 2022

Value (EGP million)				Volume (mn sqm)		
	2Q 2023	2Q 2022	% Change	2Q 2023	2Q 2022	% Change
Woven- Egypt based	2,512.3	1,972.1	27.4%	12.42	15.27	-18.7%
Woven- US based	709.1	562.4	26.1%	2.57	3.74	-31.3%
Tufted	825.1	528.3	56.2%	9.46	8.85	6.9%
Non-woven Felt	154.2	150.7	2.4%	3.30	4.24	-22.1%
Other	55.7	33.0	68.9%			
Total	4,256	3,246	31.11%	27.8	32.1	-14%

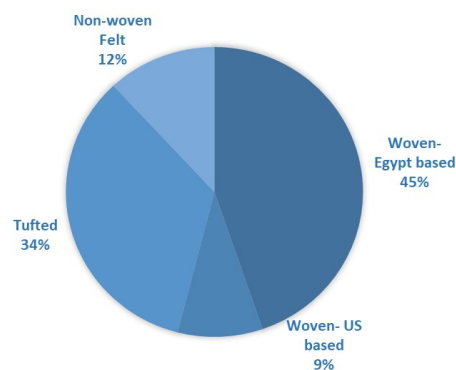
Table 2: Net Sales (Volume and Value) in 1H 2023 vs. 1H 2022

	Value (EGP million)			Volume (mn sqm)		
	1H 2023	1H 2022	% Change	1H 2023	1H 2022	% Change
Woven- Egypt based	4,997.7	4,033.5	23.9%	25.74	32.74	-21.4%
Woven- US based	1501.524	1,084.0	38.5%	5.88	7.62	-22.8%
Tufted	1,492.1	1,051.7	41.9%	16.12	17.94	-10.2%
Non-woven Felt	322.3	286.4	12.5%	7.46	9.15	-18.5%
Other	85.3	54.7	55.9%			
Total	8,398.8	6,510.3	29.0%	55.2	67.5	-18.2%

Revenue Breakdown 2Q 2023



Sales Volume Breakdown (sqm) 2Q 2023



2Q 2023 Earnings Release

Cairo 15th August 2023



Segment Reporting

Local Sales (32% of Revenues)

OW local revenues reported a 25% increase in 2Q 2023 to EGP 1,382 million, compared to EGP 1,106 million in 2Q 2022, (-10% q-o-q), driven primarily by higher average selling prices in the local market. Meanwhile, local volumes contracted by 10% y-o-y basis (-18% q-o-q).

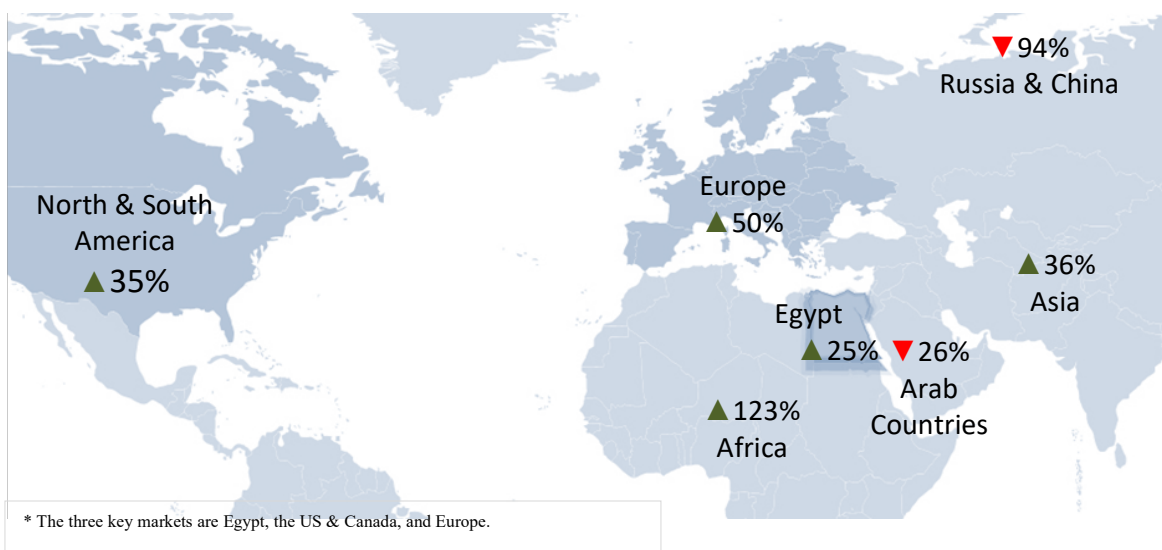
In the Second quarter, **woven products** increased by 26% y-o-y in revenues, driven by local price increases. Additionally, **Tufted products** showed sales recovery of 22% y-o-y, with strong figures from the wall-to-wall segments in particular.

Showroom sales, which constitute 53% of local sales in 2Q 2023, showed a 31% y-o-y increase (-15% q-o-q), driven by price increases and OW's marketing campaigns and expansive showroom strategy. Meanwhile, **wholesale revenues** reported a 16% y-o-y increase (-5% q-o-q). OW inaugurated **3 new showrooms** during 2Q 2023, in selected/underpenetrated areas, to expand our customer reach.

Export & Overseas Operations (68% of revenues)

Export revenues increased by 34% y-o-y (10% q-o-q) in 2Q 2023 reaching EGP 2,874 million, with volumes declining by 15% (+15 q-o-q). This improvement was supported by local currency devaluation and pick up in sales from the tufted segment in specific. The OW export team managed to **secure 19 new active clients** in 2Q 2023 primarily in France, Germany, and Brazil, indicating a gradual recovery heading into second half of 2023.

2Q 2023 Revenue Performance by Region



2Q 2023 Earnings Release

Cairo 15th August 2023



In 2Q 2023, **European sales** grew by 50% y-o-y (+17% q-o-q), benefiting from a weaker EGP in addition to a pick-up in sales in the tufted segment in specific.

In 2Q 2023, the **US region** experienced a 35% 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 gradual recovery in the market that will continue to the 2H of 2023

The **GCC region** sales declined by 26% (-48% q-o-q) due to new Saudi regulations that were imposed in 2Q 2023 and caused a delay in shipments. This anomaly is not expected to continue in the 2H of 2023. OW export team is also experiencing significant demand from **Africa**, particularly Libya, Kenya and Tanzania, with sales increasing by 123% y-o-y in 2Q 2023, with demand focused on high margin products.

OW USA

OW **U.S. based subsidiary** recorded sales increase by 26% y-o-y in 2Q 2023 in local currency (11% q-o-q), while volumes decline by 31% y-o-y (-22% q-o-q).

OW Hospitality

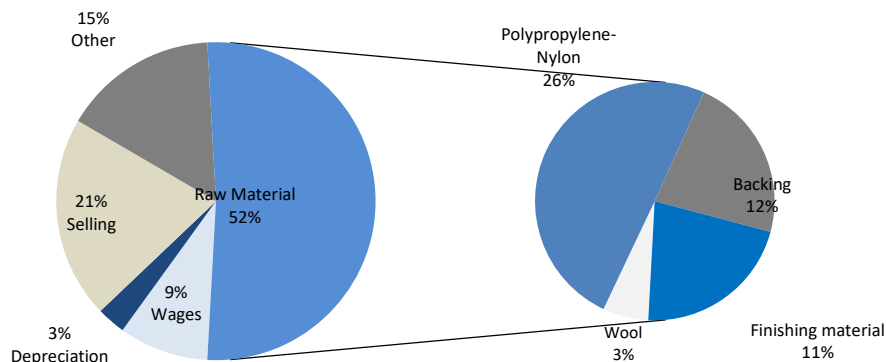
Oriental Weavers hospitality segment caters to several prominent global names, in addition to its local presence. In the local segment, sales are up around 52% y-o-y in 2Q 2023, as OW installed several projects, including Hotels, Mosques, Universities. In the export segment, sales increased 80% y-o-y in 2Q 2023, mainly in global chain hotels, particularly in the United States, United Kingdom, and Saudi Arabia. Oriental Weavers Hospitality Arm was awarded “Best Producer of Hotel Carpets & Rugs 2023” Award from LuxLife Magazine, a prominent magazine in the UK.

Cost of Goods Sold

OW’s COGS increased by 28% y-o-y to EGP 3,663 million in 2Q 2023, rising at a slower pace than the group’s top line figure. Polypropylene prices per ton declined by 30% y-o-y in USD in 1H 2023. Additionally, freight cost per meter declined dramatically by 40% in 1H 2023 compared to 1H 2022. This resulted in gross profit for 2Q 2023 increase by 55% y-o-y (+6% q-o-q), with associated margins of 14.0% versus 11.7% in 2Q 2022.

2Q 2023 Earnings Release

Cairo 15th August 2023



Raw material costs, which include wool, Polypropylene, backing and finishing materials, reached EGP 1.9 million in 2Q 2023, compared to EGP 1.6 million 2Q 2022, which is a 26% y-o-y increase.

EBITDA ⁽¹⁾

The Company's EBITDA came in at EGP 658 million in 2Q 2023, up 62% y-o-y. EBITDA margin on consolidated revenue recorded 15.5% in 2Q 2023 versus 12.5% in 2Q 2022. The improvement in EBITDA level profitability comes on the back of higher gross profitability for the period.

Interest Income / Expense

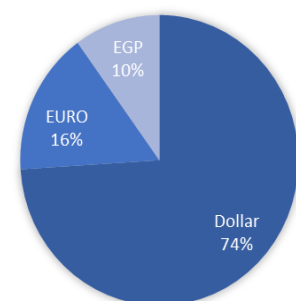
Net interest expense reached EGP 40 million in 2Q 2023, compared to net interest expense of EGP 33 million in 2Q 2022. Interest expense recorded EGP 107 million in 2Q 2023, up 61% versus 2Q 2022. The increase is attributable to: 1) higher interest rate environment on both USD and LE lending 2) Local Currency depreciation, impacting the cost of foreign currency borrowing

Taxation

Income tax recorded in 2Q 2023 were EGP 46 million compared to EGP 43 million in the same quarter of last year. The effective tax rate stood at 11.7% in the quarter versus 15.2% in 2Q 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.

Debt

Debt recorded EGP 4.9 billion in 2Q 2023 compared to EGP 5.3 billion on December 31st 2022 with a decline of 7%, despite the devaluation impact, primarily due to the settlement of the subsidized government initiative and improvement in suppliers' payment terms. On June 30th 2023, OW debt breakdown was 74% USD, 16% Euro and



2Q 2023 Earnings Release

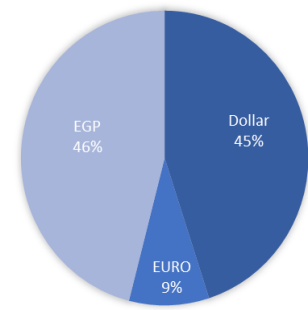
Cairo 15th August 2023



10% EGP, compared to 58% USD, 15% Euro and 27% EGP on December 31st 2022.

Cash

Cash and Treasury bills recorded EGP 2.9 billion in 2Q 2023 compared to EGP 3.2 billion on December 31st 2022, the decline is attributed to dividends payment during the quarter. Cash breakdown is as follows 9% Euro, 46% EGP and 45% in dollars.



Net Profit

OW's attributable net Profit recorded EGP 290 million in 2Q 2023, an increase of 37% y-o-y, despite lower export rebate collection compared to 2Q 2022. This increase is attributed to higher gross profitability. Net profit margin stood at 7.7% in 2Q 2023, compared to 6.9% in 2Q 2022. Attributable Net Profit excluding export rebates increased by 108% recording EGP 286m in 2Q 2023 compared to EGP 137m in 2Q 2022.

INVESTOR RELATIONS CONTACTS

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2Q 2023 Earnings Release

Cairo 15th August 2023



Income Statement (EGP million)

	2Q 2023	2Q 2022	Change	1H 2023	1H 2022	Change
Net Sales	4,256	3,246	31%	8,398	6,511	29%
Less:						
COGS	3,662	2,864	28%	7,243	5,772	25%
Gross Profit	593	382	55%	1,155	738	56%
<i>Gross Profit Margin*</i>	14%	11.7%		13.8%	11.3%	
Less:						
Selling & Distribution Expenses	46	39	18%	93	80	16%
General & Administrative Expenses	100	108	-7%	250	218	15%
Sum	146	146		343	298	
Net Income from Operation Activities	448	236	90%	812	441	84%
Operation Activities Margin	10.5%	7.2%		9.6%	6.7%	
Add / Less:						
Provisions & Impairment	(10.5)	-		(22)	-	
Investment Income		25.6		0.11	25.6	
Interest Income	20.6	13		38.5	20	
Treasury Income	45.7	20.1		105.5	65.5	
Other Revenues	3.7	73.8		6.9	238.9	
Capital Gain	2.9	2.4		12	1.4	
Financing Expenses	(106.9)	(66.1)		(211.1)	(125.7)	
Foreign Exchange Differences	0.62	(19.9)		(168.5)	(84.9)	
Reverse Impairment of Assets held for Sale	6.2			248.4		
Gain from asset held for Sale				34.7		
Expected Credit Loss	(37)	(20)		(26)	(7)	
Sum	(74)	28		18	133	
Net Profit for the Period before Income Tax	373	264	41%	830	574	44%
EBT Margin	9.8%	8.8%		8.7%	8.1%	
Add / Less:						
Current Income Tax	(45)	(42)	7%	(100)	(93)	7%
Deferred Tax	2.3	2.4	-7%	3.6	3.9	-8%
Income Tax for the Period	(43)	(40)	8%	(97)	(89)	8%
Net Profit for the Period	329	224	46%	733	484	56%
Net Profit Margin	7.7%	6.9%		8.7%	7.4%	
Equity Holders of the Parent	290	211	37%	700	447	56%
Minority Interest	40	13	197%	32	37	-12%

* Reported figures include depreciation expenses

2Q 2023 Earnings Release

Cairo 15th August 2023



Balance Sheet (EGP million)

	June-2023	FY 2022
<u>Long Term Assets</u>		
Fixed Assets (Net)	6,315	5,584
Projects in Progress	460	355
Investments – at Fair Value	681	644
Right of use assets	388	371
Total Long-Term Assets	7,843	6,955
<u>Current Assets</u>		
Inventory	7,344	6,031
Trades & Notes Receivable	3,113	2,428
Debtors & Other Debit Accounts	712	482
Treasury Bills	769	1,813
Cash on Hand & at Banks	2,109	1,420
Total Current Assets	14,047	12,220
<u>Current Liabilities</u>		
Provisions	172	157
Banks - Credit Accounts	4,280	4,610
Long Term Liabilities - Current Portion	297	275
Lease Contracts Liabilities- Current Portion	116	111
Suppliers & Notes Payable	2,147	1,016
Dividends Payable	91	31
Creditors & Other Credit Accounts	810	672
Tax Payable	75	171
Liabilities associated with non-current assets held for sale	-	24
Total Current Liabilities	7,991	7,045
Working Capital	6,056	5,174
Total Investment	13,899	12,130
Financed as Follows		
<u>Shareholder's Equity</u>		
Issued & Paid Capital	665	665
Reserves	1,819	1,871
Retained Earnings	706	453
Net Profit for the Period	700	843
Exchange Differences Arising on Translation of Foreign Currency	7,909	6,258
Total Equity Attributable to Equity Holders of the Parent	11,800	10,091
Non-controlling Interest	1,242	1,164
Total Equity	13,042	11,255
<u>Long - Term Liabilities</u>		
Long Term Loans	343	392
Deferred Taxes Liabilities	320	303
Lease contract obligations	194	156
Total Long-Term Liabilities	858	850
Total Shareholder's Equity & Long-Term Liabilities	13,899	12,105

2Q 2023 Earnings Release

Cairo 15th August 2023



Statement of Cash Flows (EGP million)

	1H 2023	1H 2022
Cash flows from Operating Activities:		
Net Profit for the Period before Income Tax	831	575
Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities		
Fixed Assets Depreciation	409	290
Depreciation of right of use assets	56	45
Provisions other than Deprecation	22	-
Provision for Expected Credit Loss (IFRS 9)	26	7
Interest Income	(38)	(20)
Reverse of impairment for assets held for sale	(248)	
Gain for the sale of assets held for sale	(34)	
Financing Expenses	211	125
Treasury bills return	(105)	(65)
Investment Income	(0.113)	(25)
Capital Gain	(12)	(1)
Operating Profits before Changes in Working Capital	1,115	930
Change in Working Capital		
(Increase) in Inventory	(252)	(914)
Decrease (Increase) in Trades & Notes Receivable and other Debit Accounts	(200)	(97)
Decrease (Increase) in Suppliers & Notes Payable and other Credit Accounts	718	16
Cash Flows Provided by Operating Activities	1,380	(65)
Interest Income	38	20
Paid Financing Expenses	(211)	(125)
Income Tax Expense	(133)	(90)
Cash Flows Provided by Operating Activities	1,074	(261)
Cash Flows from Investing Activities		
Payments for Purchase of Fixed Assets and Projects in Progress	(230)	(370)
Payments for financial Investments	0.113	25
Proceeds from Sale of fixed assets	22	6
Proceeds from assets held for sale	296	
Payment for purchase of treasury bills	(600)	(240)
Proceeds from Sale of Treasury Bills	1,248	1,054
Net Cash Flows (used in) Investing Activities	736	476
Cash Flows from Financing Activities		
Proceeds (Payment) from Banks - Credit Accounts	(1,079)	(1,007)
Dividends Paid	(652)	(901)
Translation Differences of Financial Statements	(2)	102
Paid for Lease obligations	(51)	(72)
(Payment) Proceeds in Long Term Liabilities	(122)	53
Net Cash Flows (used in) Provided by Financing Activities	(1,908)	190
Net Change in Cash & Cash Equivalents During the Period	(98)	405
Cash & cash equivalents at beginning of the period	2,195	1,368
Translation Differences Related to Cash & Cash Equivalents	151	129
Cash & Cash Equivalents at End of the Period	2,248	1,903

2Q 2023 Earnings Release

Cairo 15th August 2023



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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