

3Q 2023 Earnings Release

Cairo 15th November 2023



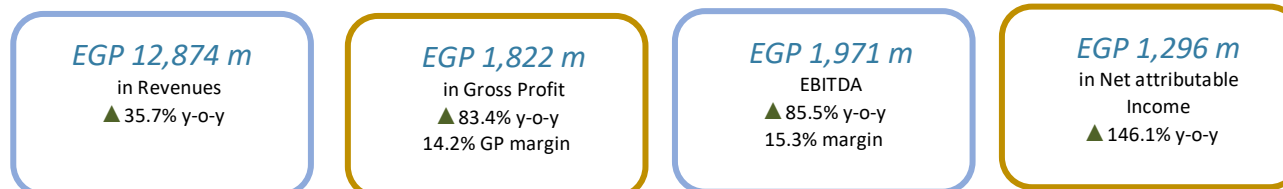
Oriental Weavers Reports Record High Quarter Results

ORWE, the largest carpet producer worldwide by volume, with operations in Egypt and the US, reports 3Q23 revenues up 50.3% y-o-y to a quarterly record high of EGP 4,475 million, with GP margins reaching 14.9% and an EBITDA Margin of 15.5%. The net attributable income reached EGP 596 million, showcasing a growth rate of 7.5x.

Key Highlights of 3Q 2023



Key Highlights of 9M 2023



3Q 2023 Financial & Operational Highlights

- **Revenue growth** by 50.3% y-o-y (5.1% q-o-q) in 3Q23 reaching EGP 4,475 million. International sales, 65% of total revenues, increased by 58% y-o-y (2% q-o-q). While Egypt revenues increased by 37% y-o-y (+12% q-o-q). The growth in Top line predominately came from higher average selling prices and local currency devaluation impact.
- **Gross Profit** recorded EGP 666 million, an increase of 161.8% y-o-y (+12% q-o-q) generating gross profit margin of 14.9% versus 8.5% in 3Q22. 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 85% in 3Q23 compared to 91% in 3Q22.
- **EBITDA (1)** recorded EGP 694 million in 3Q23, representing an increase of 142.6% y-o-y, with EBITDA margin of 15.5% compared to EBITDA margin of 9.6% in 3Q22. The year-on-year improvement comes on the back of higher gross profitability trickling down impact.
- **Net Income** surged by 555% reaching EGP 649 million compared to EGP 99 million in 3Q22. While attributable income recorded EGP 596 million in 3Q23 an increase of 651% from EGP 79 million.
- **Export Rebates** collected during the quarter EGP 322 million, as per the government's latest export initiative.
- OW opened 4 new showrooms in Egypt in 3Q23, bringing the total to 8 new showrooms since the beginning of 2023.

Summary Income Statement (EGP m)

EGPm	3Q2023	3Q2022	Change	9M2023	9M2022	Change
Revenue	4,475	2,977	50.3%	12,874	9,488	35.7%
Gross Profit	666	255	161.8%	1,822	993	83.4%
% Margin	14.9%	8.5%		14.2%	10.5%	
EBITDA	694	286	142.6%	1,971	1,062	85.5%
% Margin	15.5%	9.6%		15.3%	11.2%	
Net Income	649	99	554.9%	1,382	583	136.8%
% Margin	14.5%	3.3%		10.7%	6.2%	

Results in a Nutshell

Oriental Weavers Carpet, the world's leading carpet producer by volume, announced today its results for 3Q23, recording revenues of EGP 4,475 million, up 50.3% y-o-y. Top line growth trickled down to the gross profit level, which grew by 161.8% y-o-y to EGP 666 million in 3Q23, with a margin improvement reaching 14.9%. On a nine-month basis, ORWE recorded revenues of EGP 12,874 million, up 35.7%. While gross profit reached EGP 1,822 million compared to EGP 993 million, a growth of 83.4% with associated margins reaching 14.2% in 9M23

ORWE achieved robust growth in both the international and Egyptian markets, capitalizing on its adaptable business model, diverse portfolio, and strong brand equity. In our international markets, the **average selling price (ASP)** increased by 49%, influenced by the impact of currency devaluation on international revenues. On the domestic front, ASP increased by 37%, driven by earlier price adjustments made during the year.

Volume increased by 4% y-o-y in 3Q23, mainly triggered by increase in international sales volume by 7%, while local volumes were flat.

Total **SG&A expenses** for the third quarter of 2023 amounted to EGP 189 million, reflecting a 26.6% y-o-y increase. However, the SG&A expenses as a percentage of total sales decreased to 4.2% from 5.0% in 3Q22. This reduction is primarily attributed to EGP-denominated expenses, in contrast to the 65% USD-based revenues.

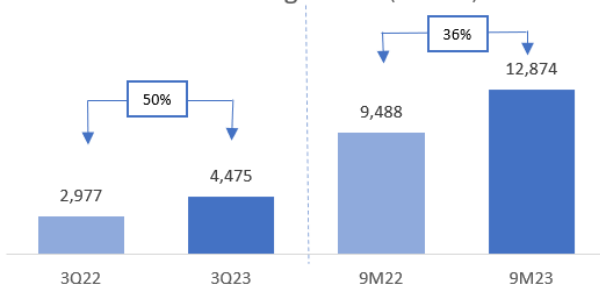
Net interest expense reached EGP 41 million in 3Q23, maintaining the same level reached in 3Q22 of EGP 42 million. Interest expense recorded EGP 119 million in 3Q23, up 45% versus 3Q22. The increase is attributable to: 1) higher interest rate environment on both USD and EGP lending 2) Local Currency depreciation, impacting the cost of foreign currency borrowing. While Interest income reached EGP 78 million, increasing 93% relative to 3Q22.

Export Rebates collected in 3Q23 amounted to EGP 322 million compared to EGP 124 million collected in 3Q22, recorded under other revenues in the income statement.

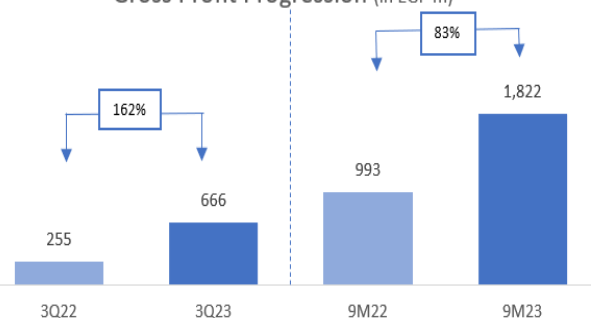
Income tax recorded in 3Q23 were EGP 63 million compared to EGP 33 million in the same quarter of last year. The effective tax rate declined to 8.9%. As the tax rate is a function of earnings contributions from taxable subsidiaries versus non-taxable free zone subsidiaries.

OW's **Net attributable Income** recorded EGP 596 million in 3Q23, representing a notable increase of 651.2% y-o-y, compared to 3Q22. This increase is attributed to higher gross profitability and higher export rebates collected.

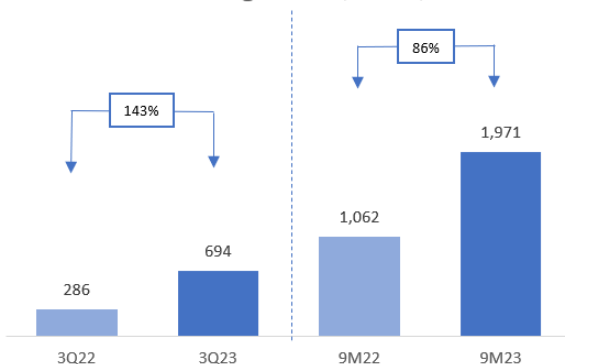
Revenue Progression (in EGP m)



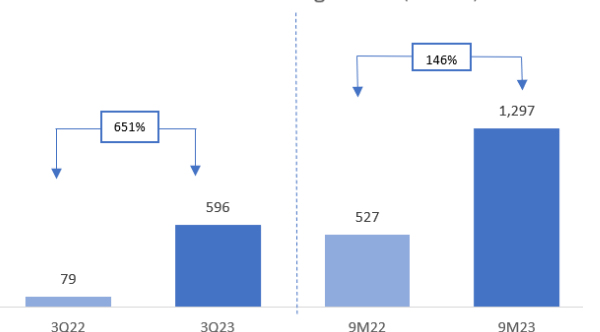
Gross Profit Progression (in EGP m)



EBITDA Progression (in EGP m)



Net Attrib. Profit Progression (in EGP m)

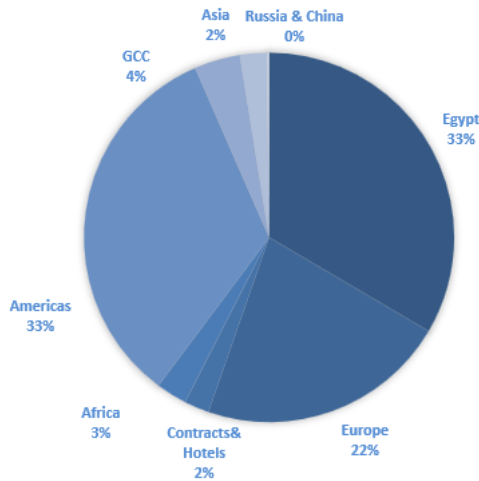


Operational Development:

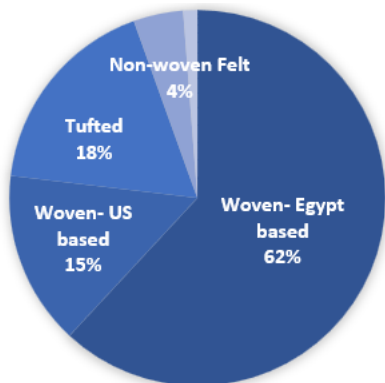
I. International Markets:

Oriental Weavers exports its products to approximately 130 countries worldwide. In the third quarter of 2023, international sales achieved a new quarterly record, totaling EGP 2,924 million, reflecting a 58% y-o-y increase and a 2% q-o-q growth. This surge was supported by a 7% y-o-y increase in volume, in addition to local currency devaluation. Furthermore, the OW export team successfully secured 12 new active clients in the third quarter of 2023, notably expanding their presence in key markets such as France, Germany, and Brazil

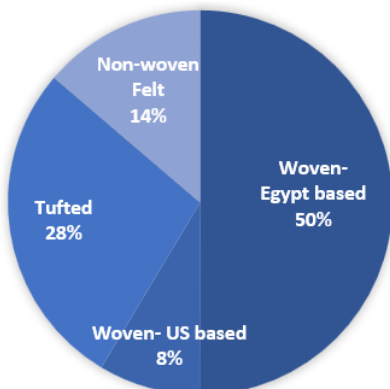
Revenue Contribution by region 3Q23



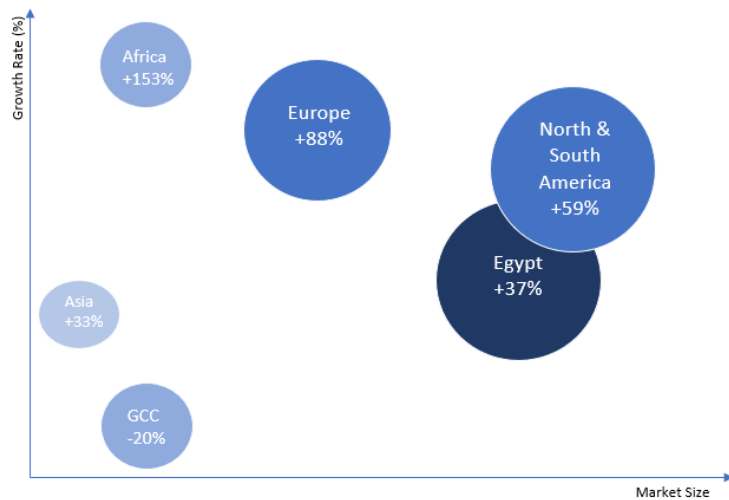
Revenue Breakdown by Product 3Q23



Revenue Breakdown by Volume 3Q23



3Q23 Revenue Growth by Region:

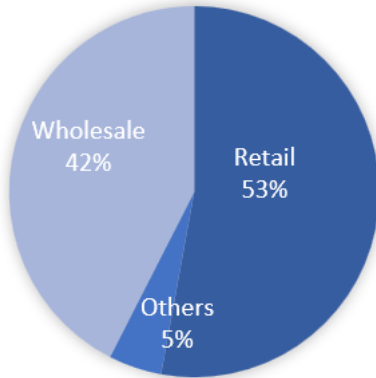


In 3Q23, **America** experienced a 59% y-o-y increase in revenues, capitalizing from EGP devaluation. We are currently observing a modest recovery in the appetite of US retailers, which is evident in our sales figures, as they are actively rebuilding their inventory levels. OW export team participated in prominent exhibitions namely, New York, Las Vegas and High point exhibitions, which are expected to yield positive sales outcomes in the upcoming quarters. In 3Q23, **European sales** grew by 88% y-o-y, driven by local currency devaluation compared to 3Q22. Additionally, the ramp up in sales was attributed to sales from OW's key European client, primarily due to the introduction of new cotton-based products and other high-quality offerings. In the **GCC region**, sales decreased by 20%, primarily as a result of overstocking in the Saudi market and the reintroduction of Turkish carpets to the market. Conversely, the **African region** has sustained its positive growth trend, experiencing robust demand, notably from Libya, Kenya, and Tanzania. Sales in this region surged by 153% y-o-y in the third quarter of 2023.

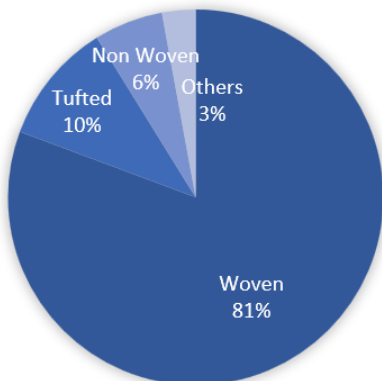
OW USA Facility

The U.S.-based subsidiary of OW reported a 40% y-o-y increase in sales when measured in local currency. Meanwhile, the decline in sales volume occurred at a more moderate rate, decreasing by only 1.7% y-o-y.

Egypt Revenue Breakdown by Distribution Channel 3Q23



Egypt Revenue Breakdown by Product 3Q23



II. Egypt:

In 3Q23, Egypt's revenues surged by 37% to EGP 1,550 million, a notable increase from EGP 1,130 million in the same quarter of the previous year, (+12% q-o-q). This growth was predominantly propelled by an upswing in average selling prices within the local market. Concurrently, local sales volumes remained relatively stable. During the third quarter, Egypt's sales exhibited remarkable growth, owing to outstanding performances across all segments. Notably, woven products saw an impressive 34% y-o-y increase in revenues, fueled by local price adjustments and a 4% rise in sales volume. Moreover, the Tufted products category experienced a substantial 28% y-o-y sales boost, with particularly robust results from the wall-to-wall segment. Meanwhile, the Non-woven segment recorded an astonishing 90% year-on-year surge.

A. Retail Business:

Showroom sales, accounting for 51% of Egypt's total sales, demonstrated an impressive 26% y-o-y increase. This surge was attributed to a combination of price adjustments, the effectiveness of OW's marketing campaigns, and the implementation of an extensive showroom strategy. In addition to the broadened showroom network, OW successfully inaugurated four new showrooms during the same period, strategically located in selected and underpenetrated areas, with the aim of further expanding our customer outreach.

B. Wholesale Business

Meanwhile, wholesale revenues, accounting for 45% of Egypt sales in the third quarter of 2023, registered an impressive 49% y-o-y growth. This surge was bolstered by heightened wholesale demand as they expanded their inventory levels.

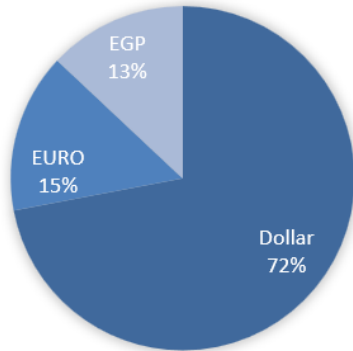
C. E-commerce

While E-commerce is still in its infancy stage, but it is experiencing exponential growth. In 3Q23, E-commerce sales reached LE 3 million, marking an impressive 90% increase from LE 1.6 million in the same period last year. Furthermore, the number of available SKUs doubled, reflecting a growing variety of OW products. Our OW team has been actively expanding our presence on various platforms, including Amazon, Homzmart, and Jumia, in addition to our own Oriental Weavers' platform. We are continuously enhancing our online website to ensure a superior and seamless user experience for our customers.

III. Hospitality Segment:

Oriental Weavers hospitality segment caters to several prominent global names, in addition to its local presence. In the local segment, sales are up around 79% y-o-y 3Q23, as OW installed several projects, including Hotels, Mosques, Universities. In the export segment, sales were flat compared to 3Q22. Main projects that were installed during the quarter was The Riz Carlton Abou Dhabi and other global chain hotels, particularly in the United States, United Kingdom, and Saudi Arabia.

Debt Breakdown



Balance Sheet:

The company's total debt as at 30 September 2023 stood at EGP 4,913 million, down from EGP 5,277 million as at year-end 2022. OW's cash balance stood at EGP 3,551 million as at 30 September 2023 versus EGP 3,233 million at year-end 2022. The Company recorded a net debt of EGP 1,362 million as at 30 September 2023 compared to a net debt of EGP 2,044 million as at 31 December 2022. OW booked inventories of EGP 7,185 million as at 30 September 2023, up from EGP 6,031 million as at 31 December 2022, driven by devaluation impact. Meanwhile, trade and notes receivable stood at EGP 3,073 million as at 30 September 2023, up from EGP 2,428 million as at 31 December 2022.

Recent Developments:

- **Product Development:**

As a testament to OW's unwavering dedication to advancing product development and fostering innovation, Oriental Weavers has recently introduced an exciting addition to its offerings—an exclusive glow-in-the-dark carpet collection designed for children. This collection is currently available in selected local market showrooms and features custom-made display units, allowing customers to view the product when illuminated in a dark environment. It's important to note that the product is still in the market testing phase.

- **Green Finance:**

OW signed an agreement with the Egyptian pollution Abatement program (EPAP), an initiative launched by the ministry of environment aimed at promoting environmentally friendly practices in industries. This program is generously funded by international partners and offers a total of Euro 15 million in funding for green projects. Oriental Weavers International is the first company in the group to obtain Euro 3m funding dedicated to energy efficiency projects, aimed to reduce its carbon footprint.

- **Awards:**

OW was **awarded** the prestigious "Outstanding performance" Award by Nitori, a leading furniture and home accessories retail company in Japan. This recognition highlights OW's unwavering commitment to maintain high industry standards and driving innovations in our production and practices to meet rapidly evolving requirements.



Income Statement (EGP million)

	3Q 2023	3Q 2022	Change	9M 2023	9M 2022	Change
Net Sales	4,475	2,977	50%	12,874	9,488	36%
Less:						
COGS	3,809	2,722	40%	11,052	8,495	30%
Gross Profit	666	255	161%	1,822	993	83%
<i>Gross Profit Margin*</i>	14.9%	8.5%		14.2%	10.5%	
Less:						
Selling & Distribution Expenses	52	43	22%	145	123	18%
General & Administrative Expenses	137	106	28%	387	324	19%
Sum	189	149		532	447	
Net Income from Operation Activities	478	105	352%	1,209	546	136%
Operation Activities Margin	10.7%	3.5%		10.0%	5.8%	
Add / Less:						
Provisions & Impairment	22.1	31.7	-30%	44.1	31.7	39%
Investment Income	0.13	0.71		0.24	26.4	
Interest Income	34.7	11.9		73.2	31.9	
Treasury Income	43.5	28.7		149.0	94.1	
Other Revenues	322.6	124.6		329.5	363.5	
Capital Gain	3.3	0.78		15.3	2.2	
Financing Expenses	(119.5)	(82.4)		(330.6)	(208.2)	
Foreign Exchange Differences	17.3	(1.6)		(151.3)	(86.5)	
Reverse Impairment of Assets held for Sale	2.5	-		251	-	
Gain from asset held for Sale	-	-		34.7	-	
Expected Credit Loss	(47.7)	(24.2)	97%	73.9	31.4	136
Sum	234.7	26.7	778%	253.0	160.4	58%
Net Profit for the Period before Income Tax	712.3	132.2	438.7%	1,542.8	706.8	118.2%
EBT Margin	15.9%	4.4%		12%	7.5%	
Add / Less:						
Current Income Tax	(65.3)	(32.9)	99%	(166.1)	(126.8)	31%
Deferred Tax	2.1	(0.2)		5.8	3.8	
Income Tax for the Period	(63.2)	(33.1)	91%	(160.3)	(123.0)	30%
Net Profit for the Period	649.0	99.1	554.9%	1,382.4	583.7	137%
Net Profit Margin	14.5%	3.3%		10.7%	6.1%	
Equity Holders of the Parent	596.1	79.3	651.2%	1,296.5	526.7	146.1%
Minority Interest	53.0	19.7	168.1%	85.9	57.0	50.7%

Balance Sheet (EGP million)

	Sep-2023	FY 2022
<u>Long Term Assets</u>		
Fixed Assets (Net)	6,151	5,584
Projects in Progress	558	355
Investments – at Fair Value	681	644
Right of use assets	424	371
Total Long-Term Assets	7,815	6,955
<u>Current Assets</u>		
Inventory	7,185	6,031
Trades & Notes Receivable	3,073	2,428
Debtors & Other Debit Accounts	743	482
Treasury Bills	1,381	1,813
Financial Assets	88	
Cash on Hand & at Banks	2,170	1,420
Total Current Assets	14,640	12,220
<u>Current Liabilities</u>		
Provisions	175	157
Banks - Credit Accounts	4,365	4,610
Long Term Liabilities - Current Portion	236	275
Lease Contracts Liabilities- Current Portion	122	111
Suppliers & Notes Payable	1,937	1,016
Dividends Payable	59	31
Creditors & Other Credit Accounts	886	672
Tax Payable	127	171
Liabilities associated with non-current assets held for sale	-	24
Total Current Liabilities	7,908	7,045
Working Capital	6,732	5,174
Total Investment	14,547	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	1,297	843
Exchange Differences Arising on Translation of Foreign Currency	7,906	6,258
Total Equity Attributable to Equity Holders of the Parent	12,393	10,091
Non-controlling Interest	1,295	1,164
Total Equity	13,688	11,255
<u>Long - Term Liabilities</u>		
Long Term Loans	311	392
Deferred Taxes Liabilities	192	303
Lease contract obligations	355	156
Total Long-Term Liabilities	859	850
Total Shareholder's Equity & Long-Term Liabilities	14,547	12,105

Statement of Cash Flows (EGP million)

	9M 2023	9M 20 ² 2
Cash flows from Operating Activities:		
Net Profit for the Period before Income Tax	1,543	707
Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities		
Fixed Assets Depreciation	596	446
Depreciation of right of use assets	85	69
Provisions other than Deprecation	44	32
Provision for Expected Credit Loss (IFRS 9)	74	31
Interest Income	(73)	(32)
Reverse provisions	(251)	
Gain from Liquidation of available for sale assets	(35)	
Financing Expenses	331	208
Treasury bills return	(149)	(94)
Investment Income	(0.2)	(26)
Capital Gain	(15)	(2)
Operating Profits before Changes in Working Capital	2,149	1,339
Change in Working Capital		
(Increase) in Inventory	(94)	(1,200)
Decrease (Increase) in Trades & Notes Receivable and other Debit Accounts	(233)	29
Decrease (Increase) in Suppliers & Notes Payable and other Credit Accounts	570	(168)
Cash Flows Provided by Operating Activities	2,392	0.44
Interest Income	73	32
Paid Financing Expenses	(331)	(208)
Income Tax Expense	(147)	(94)
Cash Flows Provided by Operating Activities	1,987	(270)
Cash Flows from Investing Activities		
Payments for Purchase of Fixed Assets and Projects in Progress	(325)	(488)
Payments for financial Investments	0.2	26
Proceeds from Sale of fixed assets	26	7
Payment for financial assets	(88)	
Proceeds from selling assets available for sale	305	
Payment for purchase of treasury bills	(1,845)	(721)
Proceeds from Sale of Treasury Bills	3,170	1,360
Net Cash Flows (used in) Investing Activities	1,244	185
Cash Flows from Financing Activities		
Proceeds (Payment) from Banks - Credit Accounts	(995)	1,307
Dividends Paid	(684)	(940)
Translation Differences of Financial Statements	(30)	(2)
Paid for Lease obligations	(91)	(108)
(Payment) Proceeds in Long Term Liabilities	(216)	119
Net Cash Flows (used in) Provided by Financing Activities	(2,015)	377
Net Change in Cash & Cash Equivalents During the Period	1,215	291
Cash & cash equivalents at beginning of the period	2,195	1,369
Translation Differences Related to Cash & Cash Equivalents	152	160
Cash & Cash Equivalents at End of the Period	3,562	1,820

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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