

1Q 2024 Earnings Release

Cairo 28th May 2024



Robust 1Q24 Results Driven by Price, Volume and Favorable Raw Material Cost.

ORWE's transformation continues to yield favorable results reporting outstanding 1Q24 results, achieving all-time high revenues with a remarkable 22% y-o-y increase. Gross Profit margin reached all time-high of 19.1%, and an EBITDA Margin of 20.5%. Additionally, net attributable income reached EGP 427 million increased by 4.1% y-o-y.

Key Highlights of 1Q 2024

EGP 5,038 m

in Revenues

▲ 22% y-o-y

EGP 961 m

in Gross Profit

▲ 71% y-o-y
19% GP margin

EGP 1,035 m

EBITDA (Ex-Rebates)

▲ 67% y-o-y
21% margin

EGP 558 m

in Net Income

▲ 38% y-o-y
Att. Net income ▲ 4%

1Q 2024 Highlights

Revenue grew by 22% y-o-y (5% q-o-q) in 1Q24 reaching EGP 5,038 million. International sales, constitute 58% of total revenues, increased by 12% y-o-y (4% q-o-q). Meanwhile, Egypt revenues increased by 38% y-o-y (+27% q-o-q). This robust top-line growth was primarily driven by higher average selling prices, volume recovery, and the impact of EGP devaluation.

Gross profit reached EGP 961 million, reflecting a 71% y-o-y increase (+32% q-o-q), with a gross profit margin of 19.1% compared to 13.6% in 1Q23. This marks the highest gross profit margin achieved to date, though we anticipate this figure will normalize throughout 2024. The improvement in gross profit margin is primarily attributed to a rise in average selling prices, which outpaced the increase in raw material costs in EGP terms. The COGS to sales ratio stood at 81% in 1Q24, down from 86% in the same period the previous year, supported by lower-priced inventory, production efficiency and streamlining operations.

EBITDA (ex-Rebates) recorded EGP 1,035 million in 1Q24, representing an increase of 67% y-o-y, EBITDA margin expanded to 20.5%, up from 14.9% in 1Q23. This improvement was driven by enhanced gross profitability, coupled with a reduction in the SG&A/Sales ratio, which reached 4.6% in 1Q24, compared to 4.8% in 1Q23, influenced by the higher proportion of EGP component in the SG&A figure.

Net Income increased by 38% reaching EGP 558 million compared to EGP 404 million in 1Q23. Attributable income recorded EGP 427 million in 1Q24, reflecting a 4.1% increase from EGP 411 million in the same period last year.

Dividends: Leveraging ORWE's consistent performance and healthy cash flow, the company distributed LE1.25 dividends to shareholders in April 2024, highlighting the company's ongoing commitment to delivering superior Total Shareholders Return (TSR).

Summary Consolidated Income Statement (EGP m)

EGP m	1Q2024	1Q2023	Change
Revenue	5,038	4,142	▲ 22%
Gross Profit	961	562	▲ 71%
% Margin	19.1%	13.6%	
EBITDA	1,035	619	▲ 67%
% Margin	20.5%	14.9%	
Net Income	558	404	▲ 38%
% Margin	11.1%	9.7%	

Results in a Nutshell

ORWE, the world's leading carpet producer by volume, has reported its 1Q24 results today, recording revenues of EGP 5,038 million, up 22% y-o-y. This revenue growth translated into impressive gross profit figures, which surged by 71% y-o-y to EGP 961 million in 1Q24, accompanied by margin enhancement to 19.1%, representing the highest margin achieved to date.

ORWE achieved robust growth in both the international and Egyptian market, capitalizing on its adaptable business model, diverse portfolio, and strong brand equity. In our international markets, the **average selling price (ASP)** increased by 13%, influenced by EGP devaluation on international revenues. On the domestic front, ASP increased by 20%, driven primarily by implemented price increases.

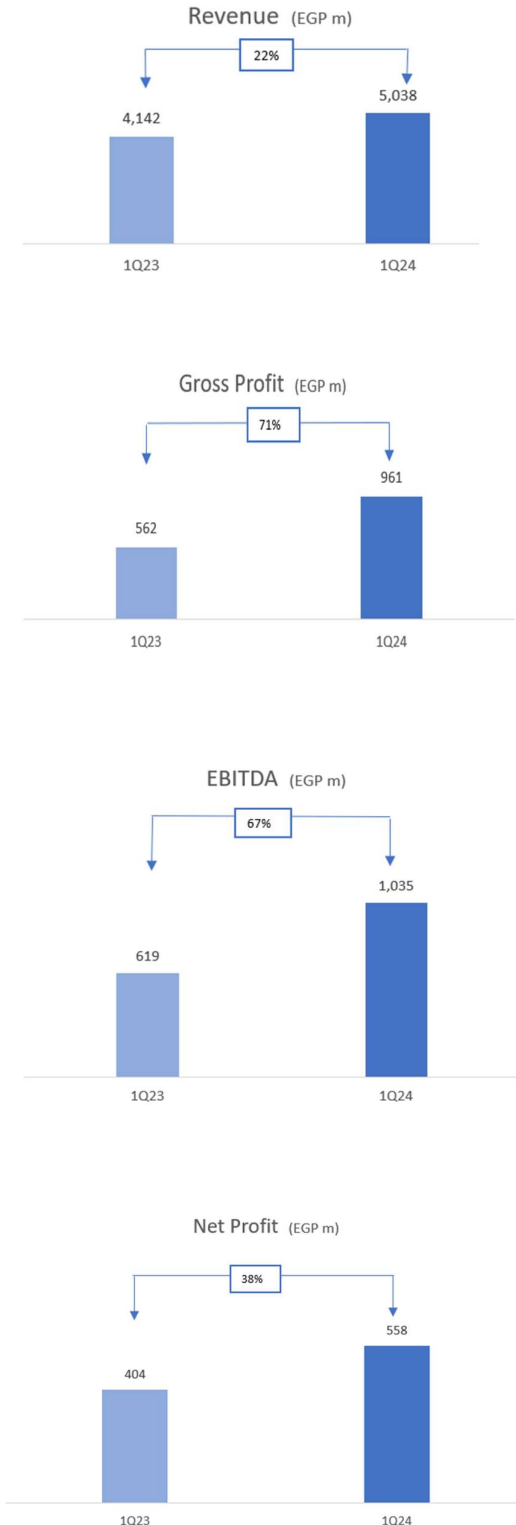
Volume increased by 6% y-o-y in 1Q24, primarily driven by a notable 15% surge in Egypt sales volume, reflecting the resilience of the domestic consumer market. However, international volumes remained stagnant, influenced by global logistical disruptions caused by the Red Sea region.

Total **SG&A expenses** for 1Q24 amounted to EGP 230 million, reflecting a 16% y-o-y increase, largely influenced by inflationary pressures. Despite this, the SG&A expenses as a percentage of total sales decreased to 4.6% from 4.8% in 1Q23. This reduction is primarily attributed to EGP-denominated expenses, in contrast to the 58% USD-based revenues.

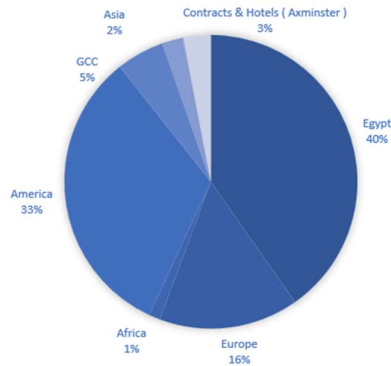
Net interest income reached EGP 48 million in 1Q24, from an EGP 26 million Net interest expense in 1Q23. Interest income recorded EGP 185 million in 1Q24, up 138% versus 1Q23, surpassing the increase in net interest expense, demonstrating effective cash management strategies. In addition, OW recorded EGP 132 million investment income as a result of GDR translation gain, offsetting a portion of the FX losses reported.

Income tax recorded in 1Q24 were EGP 164 million compared to EGP 54 million in the same quarter of last year. It's important to note that the effective tax rate is distorted by dividends distributed from group entities, reaching 23%. However, we anticipate that this rate will normalize throughout the year.

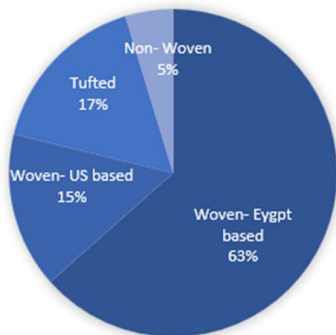
OW's **Net income** reached EGP 558 million in 1Q24, marking a 38% y-o-y increase. However, excluding one-offs such as the China facility sale in 1Q23, net income experienced a significant 341% y-o-y surge compared to 1Q23. This demonstrates profitability stemming from pure operational performance.



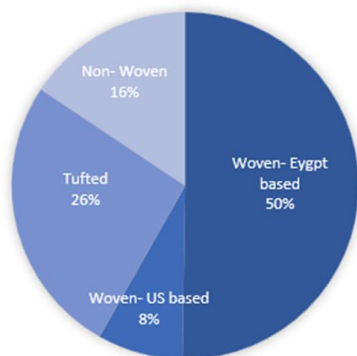
Revenue Contribution by region 1Q24



Revenue Breakdown by Segment 1Q24



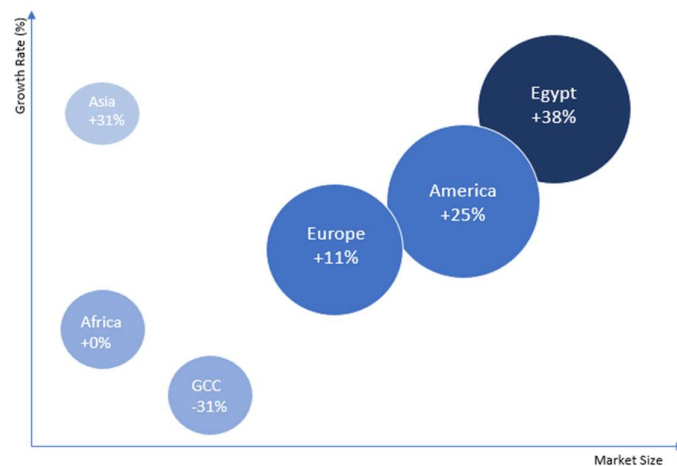
Revenue Breakdown by Volume 1Q24



I. International Markets

ORWE's global reach extends to exports in up to 130 countries worldwide. In the first quarter of 2024, international sales amounted to EGP 2,933 million, indicating a 12% y-o-y increase (+4% q-o-q). The macroeconomic landscape continues to play a crucial role in shaping global demand and consumer behavior, particularly through inflation rates, interest rates, and housing market dynamics. One of the factors that dragged 1Q results is the disruptions stemming from the Red Sea situation, without these disruptions, we would have seen even better results.

1Q24 Revenue Growth by Region

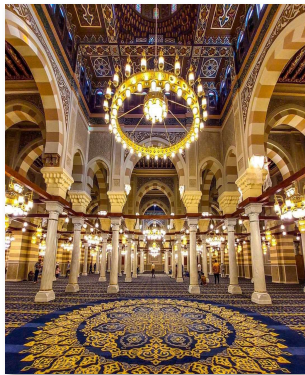
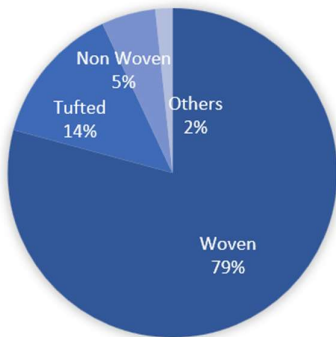


In 1Q24, **America** experienced a 25% y-o-y increase in revenues, driven by EGP devaluation. In addition, retailers are actively rebuilding their inventory levels. In 1Q24, **European sales** grew by 11% y-o-y, driven by local currency devaluation compared to 1Q23. In the **GCC region**, sales decreased by 31%, primarily as a result of delivery delay due to the red sea situation. Additionally, overstocking in the Saudi market and the reintroduction of Turkish carpets further contributed to the decline.

Egypt Revenue Breakdown by Distribution Channel 1Q24



Egypt Revenue Breakdown by Segment 1Q24



Sayeda Zainab Mosque

II. Egypt:

In 1Q24, Egypt's revenues surged by 38% to EGP 2,104 million, a notable increase from EGP 1,530 million in the same quarter of the previous year, (+7% q-o-q). This growth was predominantly driven by an increase in average selling prices, with volumes rising by 15%. During the first quarter, Egypt performed well across all segments, particularly the tufted segment, which saw an impressive 63% y-o-y increase in revenues, fueled by a 43% increase in volumes. Moreover, the woven products category experienced a 32% y-o-y sales boost, while the non-woven segment recorded a 55% y-o-y surge, both supported by volume and price increases.

A. Direct to Consumer Segment (DTC):

DTC segment, which is sales through our showroom network, accounts for 53% of Egypt's total sales, demonstrated an impressive 29% y-o-y increase. This surge was attributed to a combination of price adjustments, and volume recovery.

B. Sales & Distribution Segment (S&D):

Meanwhile, S&D revenues, which represent OW wholesale channel, accounts for 44% of Egypt sales in the first quarter of 2024, registered an impressive 49% y-o-y growth. This surge was bolstered by heightened wholesale demand as they anticipated further price increases.

C. E-commerce in Egypt

While e-commerce represents a minor percentage of the company's topline, it is experiencing notable growth through sales on the OW online portal and other digital platforms. In 1Q24, e-commerce sales reached LE 4.6 million, marking a 31% increase from LE 3.5 million in the same period last year.

III. Hospitality Segment:

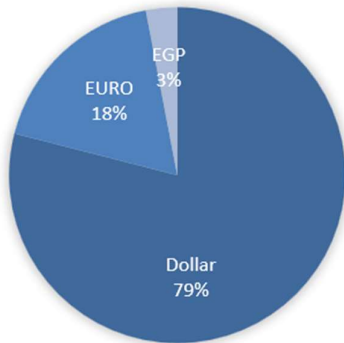
Oriental Weavers' hospitality segment serves several prominent global names while maintaining a strong local presence. In the local segment, sales increased 50% y-o-y in 1Q24, with 54 contracted projects, including hotels, mosques, and universities. One of the most iconic projects of the quarter is the "Sayeda Zainab Mosque" located in the heart of Cairo. In the international segment, sales rose by 14% y-o-y in 1Q24, with 98 contracted projects. Key international projects include Intercontinental El Madina, Hilton UK, and Ritz Carlton Abu Dhabi.

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Debt Breakdown



Balance Sheet:

The Company recorded a net debt of EGP 383 million as of 31 March 2024 compared to a net debt of EGP 121 million as of 31 December 2023. OW booked inventories of EGP 9,162 million as of 31 March 2024, up from EGP 6,927 million as of 31 December 2023, impacted by the EGP devaluation. Meanwhile, trade and notes receivable increased to EGP 4,365 million as of 31 March 2024, from EGP 3,163 million as at 31 March 2022. This resulted in OW recording FCFE of EGP 1.1bn.

Recent Developments:

Green Corner:

OW has made a strategic decision to invest in International Renewable Energy Certificates (IRECs). This investment signifies our unwavering support for renewable energy projects and underscores our contribution to the global imperative of fostering clean energy generation. By committing to 12,200 MWh of IRECs, we anticipate a reduction of 6000 tons of CO2 emissions, a tangible step towards our overarching sustainability goals and our collective endeavor to build a greener, more sustainable future.

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Consolidated Income Statement (EGP million)

	1Q 2024	1Q 2023	Change
Net Sales	5,038	4,142	22%
Less:			
COGS	4,077	3,581	14%
Gross Profit	961	562	71%
<i>Gross Profit Margin*</i>	19.1%	13.6%	
Less:			
Selling & Distribution Expenses	67	47	42%
General & Administrative Expenses	163	150	8%
Sum	230	198	
Net Income from Operation Activities	731	364	101%
Operation Activities Margin	14.5%	8.9%	
Add / Less:			
Provisions & Impairment	-30	-11.5	
Provision of ECL	-9.5	10.8	
Investment Income	-	0.1	
Interest Income	34.7	17.9	
Treasury Income	133.8	59.8	
Other Revenues	3.3	3.2	
Capital Gain	4.2	9.1	
Financing Expenses	-137	-104	
Foreign Exchange Differences	-157	-169	
Reverse Impairment of Assets held for Sale	-	252.36	
Gain from asset held for Sale	-	24.6	
Returns on financial assets at cost	16.7	-	
Income from financial investment (GDR)	131	-	
Sum	-9.9	93	-111%
Net Profit for the Period before Income Tax	721	457	58%
EBT Margin	14.3%	11.04%	
Add / Less:			
Current Income Tax	-169	-55	207%
Deferred Tax	4.9	1.4	
Income Tax for the Period	-164	-53.6	206%
Net Profit for the Period	558	404	-38%
Net Profit Margin	11.1%	9.7%	
Equity Holders of the Parent	427	411	4.1%
Minority Interest	130	-7	

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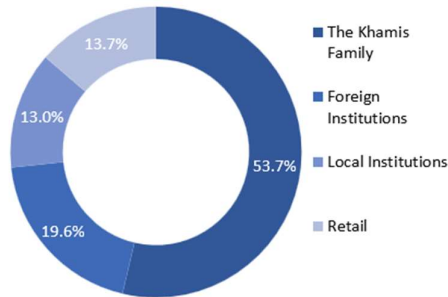
Consolidated Balance Sheet (EGP million)

	March-2024	FY 2023
<u>Long Term Assets</u>		
Fixed Assets (Net)	8,618	6,374
Projects in Progress	457	269
Investments – at Fair Value	973	649
Right of use assets	503	455
Total Long-Term Assets	10,552	7,748
<u>Current Assets</u>		
Inventory	9,162	6,927
Trades & Notes Receivable	4,365	3,613
Debtors & Other Debit Accounts	897	715
Treasury Bills	2,788	2,127
Financial Assets	512	629
Cash on Hand & at Banks	2,771	1,800
Total Current Assets	20,496	15,360
<u>Current Liabilities</u>		
Provisions	279	226
Banks - Credit Accounts	5,791	4,191
Long Term Liabilities - Current Portion	364	240
Lease Contracts Liabilities- Current Portion	132	115
Suppliers & Notes Payable	2,642	2,162
Dividends Payable	161	57
Creditors & Other Credit Accounts	1,348	975
Tax Payable	234	179
Total Current Liabilities	10,952	8,143
Working Capital	9,544	7,218
Total Investment	20,095	14,965
<u>Shareholder's Equity</u>		
Issued & Paid Capital	665	665
Reserves	2,009	1,795
Retained Earnings	2,187	705
Net Profit for the Period	427	1,740
Exchange Differences Arising on Translation of Foreign Currency	11,999	7,905
Total Equity Attributable to Equity Holders of the Parent	17,288	12,809
Non-controlling Interest	1,949	1,362
Total Equity	19,237	14,171
<u>Long - Term Liabilities</u>		
Long Term Loans	300	246
Deferred Taxes Liabilities	123	149
Lease contract obligations	436	399
Total Long-Term Liabilities	848	794
Total Shareholder's Equity & Long-Term Liabilities	20,095	14,965

Statement of Cash Flows (EGP million)

	March 24	March 23
Cash flows from Operating Activities:		
Net Profit for the Period before Income Tax	722	457
Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities		
Fixed Assets Depreciation	271	225
Depreciation of right of use assets	33	30
Provisions other than Depreciation	30	12
Provision for Expected Credit Loss (IFRS 9)	9	-11
Interest Income	-35	-18
Reverse provisions		-252
Gain from Liquidation of available for sale assets		-25
Financing Expenses	137	104
Treasury bills return	-134	-60
Investment Income		-0.1
Capital Gain	-4	-9
Operating Profits before Changes in Working Capital	1,029	453
Change in Working Capital		
(Increase) in Inventory	175	344
Decrease (Increase) in Trades & Notes Receivable and other Debit Accounts	989	-101
Decrease (Increase) in Suppliers & Notes Payable and other Credit Accounts	-802	459
Cash Flows Provided by Operating Activities	1,392	1,155
Interest Income	35	18
Paid Financing Expenses	-137	-104
Income Tax Expense	-113	-63
Cash Flows Provided by Operating Activities	1,176	1,006
Cash Flows from Investing Activities		
Payments for Purchase of Fixed Assets and Projects in Progress	-170	-98
Proceeds from Investments		0.1
Proceeds from Sale of fixed assets	6	19
Payment for purchase of treasury bills	-1,632	-601
Payment for financial assets	410	
Proceeds from selling assets available for sale		296
Proceeds from Sale of Treasury Bills	1,778	609
Net Cash Flows (used in) Investing Activities	392	225
Cash Flows from Financing Activities		
Proceeds (Payment) from Banks - Credit Accounts	170	-1,130
Dividends Paid	-12	-56
Translation Differences of Financial Statements	-533	7
Paid for Lease obligations	-28	-43
(Payment) Proceeds in Long Term Liabilities	22	-26
Net Cash Flows (used in) Provided by Financing Activities	-381	-1,28
Net Change in Cash & Cash Equivalents During the Period	1,187	-17
Cash & cash equivalents at beginning of the period	2,273	2,195
Translation Differences Related to Cash & Cash Equivalents	458	152
Cash & Cash Equivalents at End of the Period	3,918	2,330

Ownership structure:



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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