

2Q 2022 Earnings Release

Cairo 15th August 2022



Oriental Weavers Carpet Releases 2Q 2022 Earnings Results

Oriental Weavers Carpet Company [ORWE EY; ORWE.CA], reported another solid quarter with revenues up 14% y-o-y, with impressive GP margins reaching 11.8% and an EBITDA Margin of 12.5%. On 1H basis, the figures continue to be exceptional, with revenues up 16% y-o-y and GP margins of 11.3%

Key Highlights of 2Q 2022

<p>EGP 3,247 mn in Revenues ▲ 14% y-o-y</p> <p>▲ 27% local Revenues ▲ 8% Export Revenues</p>	<p>EGP 382 mn in Gross Profit ▼ 24% y-o-y 11.8% GP margin</p> <p>EGP 406 mn EBITDA ▼ 26% y-o-y 12.5% margin</p>	<p>EGP 74 mn Rebates Collected ▲ 357%</p> <p>EGP 211 mn in Attributable Net Income ▼ 29% y-o-y</p>
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Key Highlights of 1H 2022

<p>EGP 6,511 mn in Revenues ▲ 16% y-o-y</p> <p>▲ 24% local Revenues ▲ 12% Export Revenues</p>	<p>EGP 739 mn in Gross Profit ▼ 25% y-o-y 11.3% GP margin</p> <p>EGP 776 mn EBITDA ▼ 26% y-o-y 11.9% margin</p>	<p>EGP 239 mn Rebates Collected ▲ 804%</p> <p>EGP 447 mn in Attributable Net Income ▼ 25% y-o-y</p>
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2Q 2022 Financial Highlights

- **Strong Revenues growth** increased by 14% y-o-y (-0.57% q-o-q) in 2Q 2022 reaching EGP 3,247 million. Export revenue, 66% of total revenues, increased by 8% y-o-y (-1% q-o-q). While local sales increased by 27% y-o-y (+0.40% q-o-q). Top line results benefited from price increases, enhanced product mix and devaluation impact.
- **Gross Profit** recorded EGP 382 million, a decline of 24% y-o-y (+7% q-o-q) with an associated margin of 11.8% versus 17.6% in 2Q 2021. Contraction in Gross Profit margin was due to an increase in oil-based raw materials by 25% in 2Q 2022 compared to 2Q 2021. Nevertheless, a margin improvement is evident on q-o-q basis, as a result of the pricing strategy implemented.
- **Net Attributable Profit** declined by 29% y-o-y (-11% q-o-q) to EGP 211 million compared to EGP 299 million in 2Q 2021.

2Q 2022 Earnings Release

Cairo 15th August 2022



Operational Highlights:

- **Export revenues** increased by 8% y-o-y in 2Q 2022, reaching EGP 2,140 million, with a corresponding decline in volumes by 14% y-o-y driven by softened demand. Meanwhile, 1H 2022, export revenues recorded an increase of 12% y-o-y, with a 9% y-o-y decline in volume.
- **Local revenues** reported a 27% increase in 2Q 2022 to EGP 1,106 million, compared to EGP 869 million in 2Q 2021, while volumes increased by 4% on a y-o-y basis in 2Q 2022. On a 1H basis, local sales increased 24%, and volumes increased 4% y-o-y.
- **Export Rebates** collected for the quarter were EGP 74 million, compared to EGP 16 million in 2Q 2021
- OW opened two **new local showrooms** in Shaikh Zayed City in Giza and Shalakan in Qalubaya, in 2Q 2022.
- OW BoD has approved the bid offer for the **sale of its 99.97% ownership in OW China**. This investment was fully impaired in the company's financials, and we anticipate to record capital gain in 2022, subject to deal standard closure and regulatory bodies' approvals.
- **3 New board members were added to OW BoD** with diversified experience locally and internationally.

Revenue Contribution by Market 2Q 2022 Vs 2Q 2021

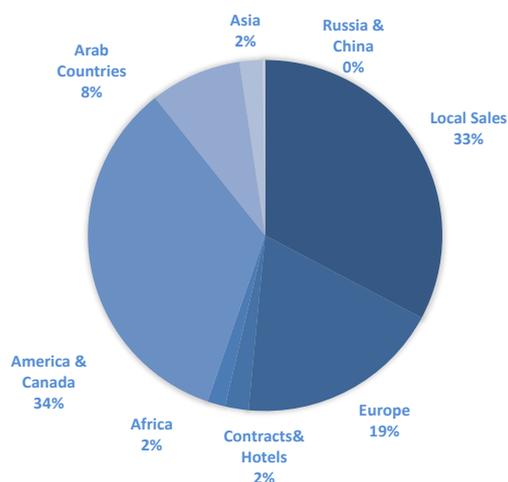


Figure 1: Revenue contribution 2Q 2022

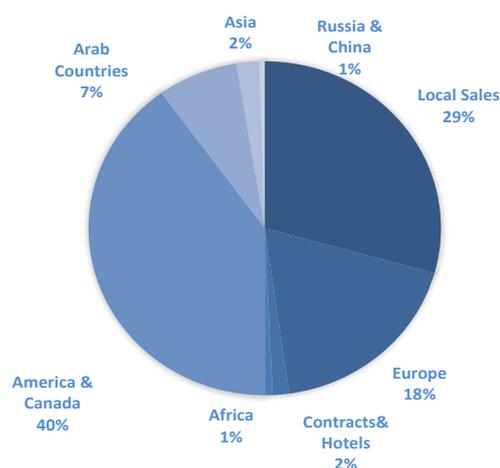


Figure 2: Revenue contribution 2Q 2021

2Q 2022 Earnings Release

Cairo 15th August 2022



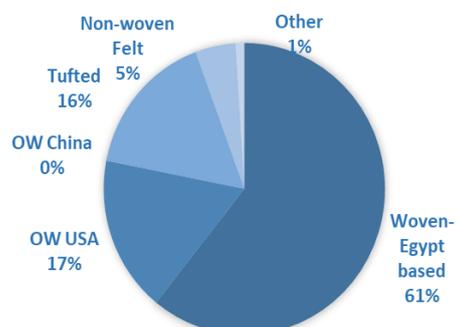
Table 1: Net Sales (Volume and Value) in 2Q 2022 vs. 2Q 2021

	Value (EGP million)			Volume (mn sqm)		
	2Q 2022	2Q 2021	% Change	2Q 2022	2Q 2021	% Change
Woven- Egypt based	1,972.1	1,635.3	20.6%	15.27	15.56	-1.9%
OW USA	562.4	564.9	-0.4%	3.74	4.54	-17.6%
OW China	0.0	7.9	-99.7%	0.00	0.09	-100.0%
Tufted	528.3	497.0	6.3%	8.85	10.22	-13.4%
Non-woven Felt	150.7	132.7	13.5%	4.24	4.70	-9.8%
Other	33.0	14.1	133.8%			
Total	3,247	2,852	13.84%	32.1	35.1	-8.6%

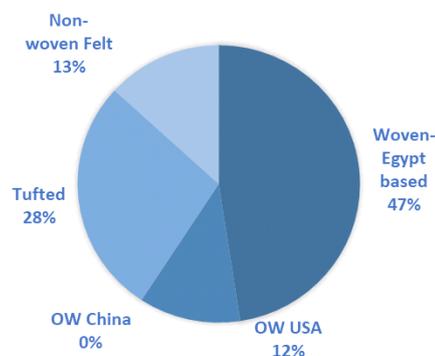
Table 2: Net Sales (Volume and Value) in 1H 2022 vs. 1H 2021

	Value (EGP million)			Volume (mn sqm)		
	1H 2022	1H 2021	% Change	1H 2022	1H 2021	% Change
Woven- Egypt based	4,033.5	3,190.1	26.4%	32.74	31.05	5.5%
OW USA	1,084.0	1,083.3	0.1%	7.62	8.66	-12.0%
OW China	1.2	13.9	-91.5%	0.01	0.15	-94.6%
Tufted	1,051.7	1,059.0	-0.7%	17.94	21.55	-16.7%
Non-woven Felt	286.4	239.0	19.8%	9.15	9.42	-2.9%
Other	54.7	30.0	82.2%			
Total	6,511.5	5,615.3	16.0%	67.5	70.8	-4.8%

Revenue Breakdown 2Q 2022



Sales Volume Breakdown (sqm) 2Q 2022



2Q 2022 Earnings Release

Cairo 15th August 2022



Segment Reporting

Local Sales (34% of Revenues)

OW local revenues reported an impressive 27% increase in 2Q 2022 to EGP 1,106 million, compared to EGP 869 million in 2Q 2021, (+0.4% q-o-q), while volumes increased by 4% on y-o-y basis (-8% q-o-q).

In 2Q, **woven products** recorded an incredible 25% y-o-y (+0.2% q-o-q) increase in value with a 7% increase in volumes. This was mainly due to significant demand for Grade B products, which includes the new collection. For the second quarter in a row, the local woven segment continues to be resilient to the macro picture. The **tufted products** witnessed an impressive sales recovery due to diversifying the distribution channels, including prominent local retailers. Sales increased by 38% y-o-y (-8% q-o-q), with solid figures from both the “wall to wall” and “pieces” segments. In contrast, volumes in the tufted segment increased 31% y-o-y in 2Q 2022.

Showroom sales (51% of local sales) increased by an impressive 27% y-o-y (-14% q-o-q) in 2Q 2022, while **wholesale** revenues reported a 28% y-o-y increase (+27% q-o-q). The q-o-q drop in showroom sales was mainly due to the shift towards wholesale as a distribution channel to fill the gap caused by the restrictive import environment.

OW opened two **new showrooms** in 2Q 2022, bringing the total to seven new showrooms opening in 1H 2022. Management strategy is to increase the number of showrooms across Egypt for the coming three years to maintain OW's leading market share. In addition to expanding OW's online platform through "[Carpets Online](#)" and growing its social media presence.

Export & Overseas Operations (66% of revenues)

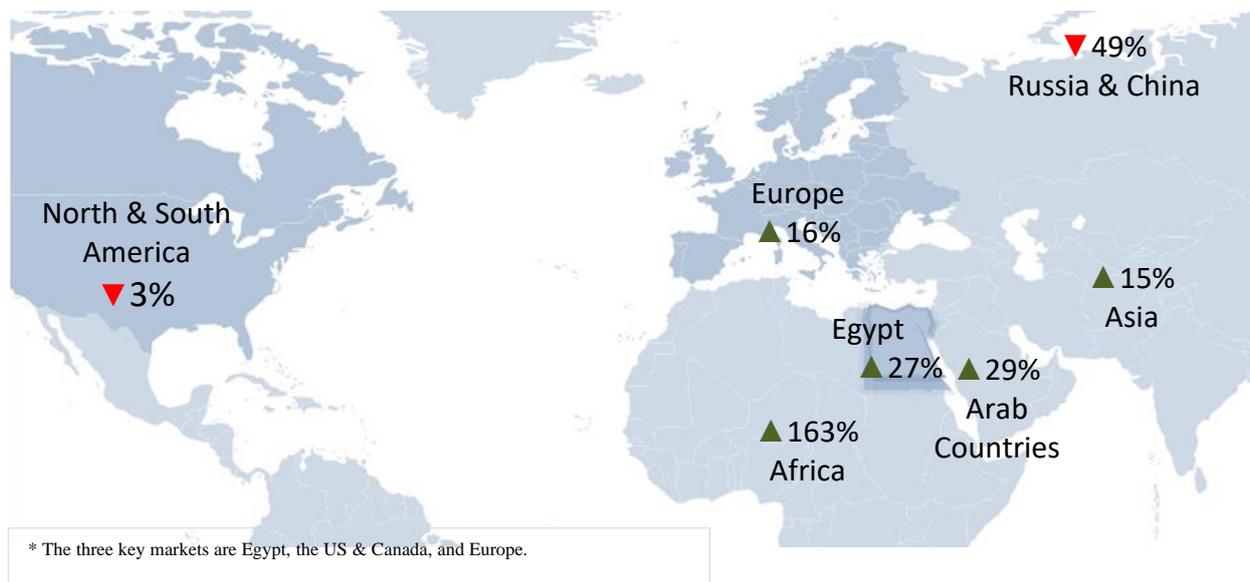
Across OW's export markets, inflation is causing changes in consumers' discretionary spending. Due to the local currency devaluation and implemented price increases, export revenues increased by 8% y-o-y (-1% q-o-q) in 2Q 2022 reaching EGP 2,140 million, with volumes declining by 14%. Most regions continued on 1Q 2022 momentum and recorded positive double-digit performance, while the US lagged.

2Q 2022 Earnings Release

Cairo 15th August 2022



2Q 2022 Revenue Performance by Region



European Sales increased 16% y-o-y in 2Q 2022; this was supported by shipments to OW's **key European customer**, which increased by 15% y-o-y during 2Q 2022. In addition to, a strong flow of orders from Germany, France and the UK specifically, as new clients were secured in the region.

The **Arab region** continues to be one of the strongest performing markets, primarily from OW's increasing presence in Saudi Arabia, with sales increasing 29% y-o-y in 2Q 2022. Arab markets contribution to total revenues reached 8% in 2Q 2022 compared to 3% in 2020 and 6% in 2021. OW export team are also witnessing significant demand from **Africa**, namely Morocco and Libya, with sales increasing 163% y-o-y in 2Q 2022.

The **US region** recorded a drop in sales by 3% y-o-y in 2Q 2022. As Consumer discretionary spending is being eroded by energy and other inflationary pressure, which is impacting. With the latest CPI figures coming out of the US easing to 8.5% for July after reaching 9.1% previously, perhaps we could start to witness a shift in the macro-economic picture.

Export revenues of the **Tufted Segments** dropped by 2% y-o-y in 2Q 2022 and 21% y-o-y in volume; this drop was owing to the fact that the US region constitutes around 50% of the tufted export segment revenues. The US is facing a slowdown across all aspects, consequently impacting sales.

2Q 2022 Earnings Release

Cairo 15th August 2022



OW USA

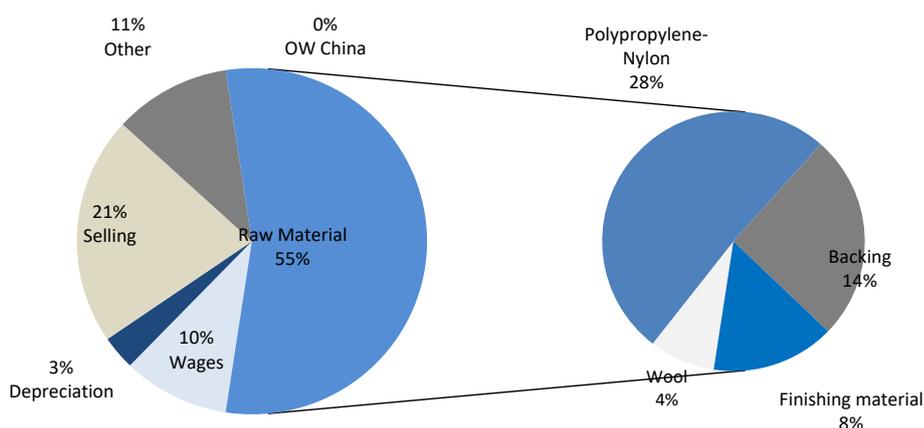
OW U.S. based subsidiary recorded sales decline by 0.43% y-o-y in 2Q 2022 in local currency (+8% q-o-q) and volumes decline by 18% y-o-y (-3% q-o-q). As demand is slowing down, coupled with retailers overstocking trend that was witnessed in late 2021, this caused the decline in the figures. Management is expecting this trend to ease by 4Q 2022.

OW Hospitality (2% of Revenues)

Oriental Weavers hospitality segment caters to several prominent global names, in addition to its local presence. In the local segment, sales are up around 21% y-o-y in 2Q 2022, as OW installed several projects, including Hotels, Mosques, Universities and New Administrative Capital related projects. In the export segment, sales increased 160% y-o-y in 2Q 2022, as we are witnessing a recovery in the hospitality segment compared to the pandemic era.

Cost of Goods Sold

OW's COGS increased by 22% y-o-y to EGP 2,864 million in 2Q 2022, rising at a higher pace than the group's top line figure due to surging raw material costs. This resulted in gross Profit for 2Q 2022 decrease by 24% y-o-y (+7% q-o-q), with associated margins of 11.8% versus 17.6% in 2Q 2021. Margins have improved on a quarter basis, reaching 11.8% compared to 10.93% in 1Q 2022 due to the implemented price increase strategy and enhanced product mix.



Raw material costs, which include wool, Polypropylene, backing and finishing materials, reached EGP 1.6 million in 2Q 2022, compared to EGP 1.2 million 2Q 2021, which is a 26% y-o-y increase. Its evident that this trend is slowing down compared to 1Q 2022 figures. On a 1H basis, Polypropylene prices increased by 18% y-o-y, Polyester prices increased by 51% y-o-y.

2Q 2022 Earnings Release

Cairo 15th August 2022



Interest Income / Expense

Net interest expense grew to EGP 33 million in 2Q 2022, compared to net interest expense of EGP 5 million in 2Q 2021. This was due to translation effect of FCY dominated borrowings and hikes witnessed on the USD Libor rate.

Other Revenues

OW recorded other revenues of EGP 74 million compared to EGP 16 million, an increase of 357% y-o-y, this is on the back of government commitment and support to exporters.

Foreign Exchange

OW recorded a foreign exchange loss of EGP 20 million in 2Q 2022. Mainly due to the further depreciation of the EGP during the quarter.

Taxation

Income tax recorded in 2Q 2022 were EGP 42 million compared to EGP 73 million in the same quarter of last year. The effective tax rate stood at 15.2% in the quarter versus 18.1% in 2Q 2021. 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 recorded EGP 211 million in 2Q 2022, a decline of 29% y-o-y. This drop is attributed to lower gross Profit, due to higher raw material cost. Net profit margin stood at 6.9% in 2Q 2022, compared to 11.4% in 2Q 2021.

Debt

Debt recorded EGP 4.8 billion in 2Q 2022 compared to EGP 3.5 billion on December 31st 2021, primarily due to the local currency devaluation and the increase in working capital. On June 30th 2022, OW debt breakdown was 61% USD, 10% Euro and 29% EGP, compared to 56% USD, 12% Euro and 44% EGP on June 30th 2021.

Cash

Cash and Treasury bills recorded EGP 2.3 billion in 2Q 2022 compared to EGP 2.5 billion on December 31st 2021, the decline is attributed to dividends payment. Cash breakdown is as follows 22% Euro, 52% EGP and 25% in dollars.

2Q 2022 Earnings Release

Cairo 15th August 2022



Expansion in the Local Facility

Oriental Weavers is currently building a new production facility namely “Nefertari Facility” that will include 22 looms and a carpet finishing area. Total investment cost for the facility will be \$50 million, and expected to be finalized within 2-3 years. This project will be implemented through 3 stages, first stage will include installing 8 looms, second stage will include 8 looms, and the final stage includes installing 6 looms.

Governance

Three new non-executive board members joined Oriental Weavers BOD with diversified experience locally and internationally in Supply chain, Audit and Strategy. They will be a great addition to Oriental Weavers growth story and promising future.

Mr. Ayman Ismail: Mr. Ayman is a Harvard graduate received numerous global awards for his leadership, strategic thinking and marketing achievements. After 26 years at P&G and PepsiCo, Ayman joined Mountain View as the Co-Founder, Chairman & CEO to lead the expansion of the group business.

Dr. Khaled Abdel Aziz Hegazy: Dr. Hegazy, is a founding member of Hegazy Consult providing professional management advisory services, and Crowe Hegazy, a professional accounting firm.

Mr Ashraf Bakry: Mr. Bakry is a board member and the Vice President of Future Fit Operations of Unilever in the North Africa and Middle East region. He has over 25 years of experience in both Supply Chain and General Management in multinational organizations

INVESTOR RELATIONS CONTACTS

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2Q 2022 Earnings Release

Cairo 15th August 2022



Income Statement (EGP million)

	2Q 2022	2Q 2021	Change	1H 2022	1H 2021	Change
Net Sales	3,247	2,852	14%	6,511	5,615	16%
Less:						
COGS	2,864	2,351	22%	5,772	4,633	25%
Gross Profit	382	501	-24%	739	982	-25%
<i>Gross Profit Margin*</i>	11.8%	17.6%	-581bps	11%	17%	-614bps
Less:						
Selling & Distribution Expenses	39	35	11%	80	73	10%
General & Administrative Expenses	108	88	22%	218	176	24%
Sum	146	123	19%	298	249	20%
Net Income from Operation Activities	236	378	40%	441	734	40%
Operation Activities Margin	7.3%	13.3%	-599bps	6.7%	13%	-629bps
Add / Less:						
Provisions & Impairment	-20	-4		-7	-7	
Investment Income	26	7	265%	26	8	
Interest Income	13	5	159%	20	8	145%
Treasury Income	20	39	-48%	65	98	-33%
Other Revenues	74	16	357%	239	26	804%
Capital Gain	2	7	-65%	1.4	11	NA
Financing Expenses	-66	-49	34%	-126	-97	29%
Foreign Exchange Differences	-20	-0.5		-85	3.7	NA
Sum	29	20	41%	134	44	201%
Net Profit for the Period before Income Tax	265	399	-34%	575	778	-26%
EBT Margin	8.1%	14%	-582bps	8.8%	13.8%	-503bps
Add / Less:						
Current Income Tax	-43	-73	-42%	-94	-111	-15%
Deferred Tax	-2.4	1.3	NA	4	2.4	NA
Income Tax for the Period	-40	-72	-44%	-90	-108	-17%
Net Profit for the Period	225	326	-31%	485	670	-27%
Net Profit Margin	6.9%	11.4%	-452bps	7.4%	11.9%	-448bps
Equity Holders of the Parent	211	299	-29%	447	599	25%
Minority Interest	13	27	-50%	37	70	47%

* Reported figures include depreciation expenses

2Q 2022 Earnings Release

Cairo 15th August 2022



Balance Sheet (EGP million)

	June-2022	FY 2021
Long Term Assets		
Fixed Assets (Net)	4,350	4,123
Projects in Progress	528	252
Investments - Available for Sale	399	337
Beneficial interest in assets	333	331
Total Long-Term Assets	5,610	5,043
Current Assets		
Inventory	5,673	4,215
Trades & Notes Receivable	2,417	1,965
Debtors & Other Debit Accounts	443	421
Treasury Bills	738	1,539
Cash on Hand & at Banks	1,620	984
Total Current Assets	10,890	9,123
Current Liabilities		
Provisions	82	101
Banks - Credit Accounts	4,321	3,029
Long Term Liabilities - Current Portion	182	122
Due within one year of rental contract obligations	99	87
Suppliers & Notes Payable	1,466	1,105
Dividends Payable	88	16
Creditors & Other Credit Accounts	599	585
Deferred Tax Liability	75	125
Total Current Liabilities	6,911	5,171
Working Capital	3,979	3,953
Total Investment	9,590	8,996
Financed as Follows		
Shareholder's Equity		
Issued & Paid Capital	665	665
Reserves	1,710	1,627
Retained Earnings	547	398
Net Profit for the Period	447	1,085
Exchange Differences Arising on Translation of Foreign Currency	4,525	3,541
Total Equity Attributable to Equity Holders of the Parent	7,894	7,316
Non-controlling Interest	965	941
Total Equity	8,859	8,257
Long - Term Liabilities		
Long Term Loans	305	305
Deferred Taxes Liabilities	159	165
Lease contract obligations	267	268
Total Long-Term Liabilities	731	739
Total Shareholder's Equity & Long-Term Liabilities	9,590	8,996

2Q 2022 Earnings Release

Cairo 15th August 2022



Statement of Cash Flows (EGP million)

	1H 2022	1H 2021
Cash flows from Operating Activities:		
Net Profit for the Period before Income Tax	575	778
Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities		
Fixed Assets Depreciation	290	266
Depreciation of usufruct assets	45	57
Provisions other than Depreciation	-	7
Provision for Expected Credit Loss (IFRS 9)	7	-
Interest Income	(20)	(8)
Financing Expenses	126	97
Investment Income	(26)	(9)
Capital Gain	(1)	(11)
Operating Profits before Changes in Working Capital	996	1,177
Change in Working Capital		
(Increase) in Inventory	(915)	(510)
Decrease (Increase) in Trades & Notes Receivable and other Debit Accounts	(97)	(237)
Decrease (Increase) in Suppliers & Notes Payable and other Credit Accounts	16	7
Cash Flows Provided by Operating Activities	-	436
Interest Income	20	8
Paid Financing Expenses	(126)	(97)
Income Tax Expense	(90)	(111)
Cash Flows Provided by Operating Activities	(196)	237
Cash Flows from Investing Activities		
Payments for Purchase of Fixed Assets and Projects in Progress	(370)	(223)
Buying investments available for Sale	-	(123)
Proceeds from Sale of fixed assets	7	27
Proceeds from Investments available for sale	26	9
Proceeds from Sale of Treasury Bills	749	176
Net Cash Flows (used in) Investing Activities	411	(135)
Cash Flows from Financing Activities		
Proceeds (Payment) from Banks - Credit Accounts	1,008	468
Dividends Paid	(901)	(928)
Translation Differences of Financial Statements	103	2
Paid for Lease obligations	(73)	(44)
(Payment) Proceeds in Long Term Liabilities	54	(67)
Net Cash Flows (used in) Provided by Financing Activities	190	(570)
Net Change in Cash & Cash Equivalents During the Period	405	(468)
Cash & cash equivalents at beginning of the period	1,369	1,470
Translation Differences Related to Cash & Cash Equivalents	129	(2)
Cash & Cash Equivalents at End of the Period	1,903	1,000

2Q 2022 Earnings Release

Cairo 15th August 2022



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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