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Moderator: **Farida Khamis**

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Farida Khamis: Okay. So, thank you for your interest in Oriental Weavers, this is Farida Khamis, VP of the Group. We have on this call from the US, Vice President of Oriental Weavers USA, our subsidiary based in Dalton, Georgia, Jonathan Witt; we also have from Egypt, Madani, our Group CFO, Essam, Commercial Director of Oriental Weavers Woven Segment; we have Ingy, Investor Relations Director Oriental Weavers; we have Radwa, our Group Treasurer Manager; we also have Shehta, our Group Financial Controller.

So, basically, just to give you an idea of our results for 2016, for the full year our revenues rose to an all-time high of EGP 6.8 billion, which is a 15% increase. We generated an operating income of EGP 740 million, up 58%. Our EBITDA for the year rose to EGP 1.1 billion, both the highest in our history. Oriental Weaver's performance in 2016 is a result of our strategy in both the local and international market. From 2014 to 2016 OW has invested a total of EGP 790 million in CAPEX which allowed us to grow our capacity by 7% as a Group to meet the local and international demand, introduce new and innovative products, increase our self-sufficiency of intermediate products and expand our online business in New York.

Also, in 2016 we focused on recruiting highly qualified management including Madani Hozaien, who's on this call, Group CFO, who comes with over 29 years of experience; Gary Garland, who's Global Business Development Director, who will be aiding OW develop new opportunities in the export market mainly in Europe. We also have Essam Al Ghonaimy, who's also on this call, as I mentioned, who's OW's Commercial Director, with over 16 years' experience in international sales.

I'm going to pass the floor on over to Ingy, who's going to take you through the results, our fourth quarter results.

Ingy Diwany: Thank you, Farida. Good afternoon, everyone. In the fourth quarter our sales grew 63%, with an EBITDA margin of 15.7%, which is almost 350 basis points higher compared to the prior year. Our reported attributable earnings grew 42% year-on-year. I will now review our fourth quarter results by market.

During the fourth quarter our local sales grew 30% year-on-year, resulting mostly from the price increase we implemented to cover the rising costs following the floatation of the Egyptian pound, and to a lesser extent, a 3% volume growth.

Our hospitality segment in Egypt reported a growth of 200% and successful completion of 13 projects in Cairo, Alexandria and the Red Sea, such as the Cairo Marriott Hotel, Kempinski Nile Hotel, Al-Azhar Mosque, and the St Peter Church in Cairo, and amongst – and there are several other projects as well.

On the exports front, which is almost 64% of our total revenue, grew 90% on an adjusted basis reflecting fully the floatation of the Egyptian pound, and a 2% year-on-year growth in USD exports revenue. Our US arm recorded a 6% growth in its USD revenues in 2016 on developing new programmes with leading home furnishing stores for indoor and outdoor rugs and expansion in its online business.

Backed by our continuous efforts exerted throughout the year and establishing new clients in existing markets, and penetrating new markets, Egypt-based woven companies reported only a 4% decline in export revenues in USD terms despite the 24% decline in Euro-based revenues generated from our top export customer. We are currently developing a new programme for this customer which could see us reach 25% increase in the Euro value of business with them in the second half of 2017.

On the finance cost side, the effort of the Treasury team saw net interest expense on an adjusted basis decline by 1% during the quarter, despite 500 basis points average increase in corridor rates at the EGP devaluation, and higher borrowings to finance expense. This resulted from the efficient utilisation of our cash balance to investments in high yield treasury bills.

Now I will leave the outlook to Farida.

Farida Khamis: Thank you. Our outlook for 2017 remains positive. Our new collection introduced in the Domotex fair in Germany received overwhelmingly positive feedback. We plan to add 11 looms besides the new machinery in Egypt-based factories in 2017, with a total estimated CAPEX figure of $10 million to meet both local and international demand. We expect our net sales figures to be within the range of EGP 10-11 billion.

For an update, basically, for year-to-date performance, our consolidated Group for January and February: local volumes were up 4% and value[?] 71%. For exports, volumes have increased 15% and value up 121%, making total sales increase by 10% in volume and 98% in value.

We currently have a fair in Egypt at both Oriental River, our Woven subsidiary is participating in, and MAC, our tufted subsidiary. And it takes place around the same time each year, it started on 16th March, ending on 25th March. And on average we offer 10% discount on our products and the results are very promising so far, although the exhibition hasn't finished yet. For Oriental Weavers we saw an 82% increase, EGP 7.8 million in sales as compared to EGP 4.2 million last year. And for MAC, EGP 2 million in sales as compared to last year EGP 800,000, so that's a 153% increase.

We also proposed that the Board of Directors for 2016 a per share dividend of EGP 1.4 which is a yield of 7.5%.

Ingy will now give guidance for 2017 and then we'll open the floor for Q&A.

Ingy Diwany: For the next sale, that Farida has just said, we expect revenues to be in the range of EGP 10-11 billion and we expect an earnings figure of almost EGP 750 million.

Then, now, we can open the floor for questions.

Speaker: Sure. Tracey, could you please help us with the instructions for the questions and get started whenever anybody is ready.

Operator: Thank you. If you would like to ask a question, please signal by pressing star one on you telephone keypad. If you're using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, press star one to ask a question. We'll pause for a moment to allow everyone an opportunity to signal.

We will now take our first question from Atman Majeera from East Capital. Please go ahead.

Atman Majeera: Hi, thank for taking my question, just a few questions that I had. Firstly, for EBITDA margins, obviously, fourth quarter was higher because you had pre-deval inventory on your books. What's a normalised sort of margin we should be factoring in after your old inventory gets sold out? Hello?

Farida Khamis: Yes. Yes, we expect EBITDA margins throughout the year to be in the range of 15% to 16%.

Atman Majeera: Alright. And my next question would be about before deval you didn't have much input competition because of FX shortage. Are you seeing that change now? Are you seeing more Turkish carpets coming into the market or is that not something you're concerned about?

Sorry, have I lost you there? Sorry? Hello?

Speaker: Hello. Actually, with the devaluation we think that in the local market we have – we are in a better position.

Atman Majeera: So you're not seeing any import competition?

Speaker: Compared to the Turkish products they are subject to the complete devaluation while we have an important part of our sales is in Egyptian pounds.

Atman Majeera: Mm-hmm.

Speaker: So devaluation is always, even for the local market, it is in our favour, in our – it's a better position for us.

Atman Majeera: I understand. My last question would be your guidance based on what FX rate exactly? I mean, what are you factoring in for your guidance? What FX rate?

Farida Khamis: While we do elaborate further on the local import side we – as we – we see now – we can see now that imports from Turkey are down by almost 10% to 15%, especially with the stringent measures that the Central Bank imposed starting on March 2016. So this somehow led to less import penetration from Turkey.

Atman Majeera: Alright, thank you for that.

Farida Khamis: Yeah, and bank – some traders find it difficult to source dollars from banks to import. So this is another obstacle that led to the lower import penetration.

Speaker: I would like to just also add another, for the international [inaudible] for all markets. It has been noted particularly from the African and Middle East market that due to bad experiences in collecting money, accordingly they have reduced their exports to the Middle East and Africa and they are redirecting their exports to Europe and the United States.

Atman Majeera: Right. And my last question on FX. Could you tell me what rate are you factoring in for your guidance?

Sorry, the line is very unclear, I can hardly listen anything.

Farida Khamis: We're so sorry. Well, our balance sheet is currently naturally hedged so we're not expecting any FX clearance or not until next year, or anything that will be – because it wouldn't be major to this amount. And the assets in foreign currency are a separate thing, the liabilities in foreign currency, so we're not expecting any losses or gains.

Atman Majeera: No, I'm talking about your revenue guidance. So, I mean – so, your export numbers you've factored in some FX, right?

Farida Khamis: Yes, it's based on EGP 18 per [inaudible].

Atman Majeera: EGP 18, alright. Right, that's it from my side. Thank you.

Farida Khamis: Thank you, Atman.

Operator: We will now take our next question from Julian Saron[?] from [inaudible]. Please go ahead.

Julian Saron: Good afternoon. Can you hear? Your line is quite bad. Can you hear me?

Farida Khamis: We can hear you.

Ingy Diwany: We can hear you, Julian.

Julian Saron: Very good. Actually, I struggled to understand one comment you made regarding to domestic market year-to-date. Could you give me those numbers again, what is the volume, price breakdown for domestic sales year in 2017 please?

Farida Khamis: You're asking about year-to-date for 2017, right?

Julain Saron: That's correct.

Farida Khamis: Okay. Well, actually the numbers in January and February we've seen –

Julian Saron: Yes.

Farida Khamis: – the volumes up 4% and value up 71%. And this isn't taking into account the fair that started in the 16th March. As I mentioned, there is, in the fair so far to date, although it ends of the 25th March, are EGP 7.8 million as opposed to EGP 4.2 million last year.

Julian Saron: Okay. Okay, thank you for that. On the export side are you able to give us, or how the pricing per unit on average, all segments considered, is behaving? You've made a commentary in the narratives about a slight price adjustment. So I wondered what that adjustment is and what is the intent going forward? Are you getting pressure from your US and Europe customers to revise downwards to give the benefit of the deval? What's the dynamic there on pricing?

Farida Khamis: So, you said that we made the reference in the narrative to price adjustment. I'm not sure what you're referring to?

Julian Saron: Yeah, page two. Page two, 'On the export front, we have slightly adjusted our selling price.'

Farida Khamis: Yeah, okay.

JulianSaron: So I assume, I assume you're talking dollar pricing.

Farida Khamis: Yes, this is a discount that we offer during [inaudible], which is almost 3%.

Julian Saron: It was 3%, yes.

Farida Khamis: We basically decided not to allow for major price decreases to cover for the price increases in the local market. We were expecting volumes to be hit, and we still are, for local sales in 2017, given the floatation and inflation and what's happening in the local market. So although we could have passed on more price decrease we decided not to because we're actually extremely competitive in terms of pricing with all fairs, especially at the Turkish fairs. So we were happy to just, kind of, offer the 3% symbolic price decrease. And we don't see ourselves giving any further price decreases.

Speaker: Actually, not to mention that it's very clear – not to mention –

Julian Saron: Please go ahead.

Speaker: Actually, we offered it on a case-by-case, client-by-client basis. It was not in general decrease in our prices.

Julian Saron: Okay. Okay, very clear. What –

Farida Khamis: [Inaudible].

Julian Saron: I beg your pardon?

Farida Khamis: Jonathan, would you like to add anything from your side for the US sales in terms of pricing this year in your strategy?

Jonathan Witt: Well, of course. You know, our product mix includes not only our production coming from Egypt and the facility in China, but we produce a large portion of our product at our factory in Dalton, Georgia. So, we have a nice mix and balance so that really any of the customers that we deal with know that we've already been leveraging kind of a balance of cost of lower cost overseas production blended with what we produce here that gives them that extra stability and insurance, so to speak, of service in a timely manner. So it hasn't been a challenge for us as far as our US business goes from a cost production standpoint.

I would also point out that for the Turkish, I heard that mentioned several times, they're facing a bit of an operational challenge when it comes to the US market as well. Because unlike Oriental Weavers, where we are the largest and we have such consolidated efforts in the US and other countries, they're very – they may have a big impact, or have in the past, but they were many small companies that made that up. And a lot of their previous placements in the best markets were reliant on buyers who had to make the travel to Turkey and then around the various manufacturers to source each individual product and develop it with them.

With the situation as it is in Turkey, a lot of that travel has been cut off by some of the large retailers that got let in there, buying and merchandising teams make the trip to Turkey. And so that falls into OW's favour, that they have us on the ground in the US. And they're used to working with us and they don't have to go around to so many different companies to put together one programme.

Julian Saron: And – sorry, while I've got you on the line, Jonathan, I actually have a question for you as well. Do you feel that there's a, that Mr Trump, your newly elected President, could put some stick in your wheels, or the wheels of Oriental Weavers, by sort of raising import duties and basically forcing you to invest into capacity in your US plants and reconfigure your, sort of, production mix as you describe it?

Jonathan Witt: You know, actually, that's something before Trump and really even before the election, going back four years ago, we made a consolidated choice and decision to improve and increase our production capabilities in the US in terms of yarn and also woven finished product. So we've been expanding our capacity, and you can see some of that outlined in our CAPEX expenditures in terms of looms and new yarn lines, one of which has just finished being installed actually this month.

We've been growing our production mix for the US, and partially because when you look at woven area rugs there are only three – four, if you count some of the smaller ones – manufacturers in the US. But you have so many importers, so it puts us in a nice position in general. But in terms of any increases in duties and/or the reductions in corporate taxes that have been discussed, we're positioned very well compared to the other pure importers into the US market because we'll be able to not only close the gap between our production costs in the US versus import but also we already have a large manufacturing facility in place where others, if they decided to go down that path if imports were a hurdle, it would take them several years to catch up and build a facility to the scope we have.

Julian Saron: Thank you for that. Thank you. So on pricing could you put some colour on to how the IKEA business coming back to the export sales mix is going to hit the dollar pricing realisation, if you assume that the dollar euro rate stays unchanged.

Farida Khamis: Sorry, could you repeat the question? There was pricing of IKEA –?

Julian Saron: The IKEA account, it's now back in the mix, that you've basically secured more business after, sort of, cutting it back in 2015. So I just wondered if getting a big European client back in your sales mix would affect your average dollar realisation.

Speaker: With regards – regarding IKEA, actually, it's the year where they changed the whole collection for the account to [inaudible]. So what they did is they removed some of their items and replaced them with new items. The new business should have – should represent now $22 million. They have granted Oriental Weavers this business. Accordingly, we are expecting this year around $10 million to start within the third quarter and the fourth quarter. So the shipping will start in May and the cash flow or the estimated collection will be in June. From June – December, this is only the 50% of the expected annual growth which is $22, as I said, $22 million, generally. However, while we are targeting $50 million to be sold to IKEA in 2017, and expect it to regrow or to pick up in 2018.

Julian Saron: Okay, and there's no impact on average, I mean, unit price, you're not – you don't have to discount more that side for whatever reason.

Speaker: Yeah. Well, the average in the woven, only in the woven, is around €5 per square metre, okay.

Julian Saron: Okay. I've got two remaining questions, I'll be quick. Could you explain to us what is the capital gain that you've booked by MAC selling land to Oriental Weavers and who the minority shareholders are in MAC?

Speaker: The capital gain last year, you know, if your – in the commentary for the Q4 we talk about margins here –

Julian Saron: Sorry, I mean, acquisition of 24,000 square metres owned by MAC.

Speaker: Yeah, this is, this will be, this will happen this year. And this is –

Julian Saron: That's right. You're correct, it's MAC.

Speaker: – and for the expansion of Oriental Weavers for the local market we decided to buy them from MAC at the fair value. So we had an independent expert that evaluated the land and the building and with this price we agreed to buy it from MAC.

Julian Saron: Okay. So you did MAC book a profit on disposal?

Speaker: Yeah, it might book a little bit profit. Yes, I think so. It will book –

Julian Saron: Okay. And who are the minority – okay. Who are the minority shareholders in MAC?

Speaker: They have other shareholders. They are all shareholders of MAC. They are –

Julian Saron: Who are they?

Speaker: They are 41%, I think.

Farida Khamis: 42%.

Speaker: 42%, yes.

Julian Saron: Okay. But – okay, but it's not – would it be the Khalid family?

Speaker: Yeah, I don't –

Farida Khamis: No. Mr Khalid only owns 4%.

Julian Saron: Okay, okay. And last question the rebate for 2017 –

Speaker: Yes.

Julian Saron: – we should expect to collect the 2016 rebate that are due?

Farida Khamis: Yes.

Julian Saron: And –

Speaker: Yes.

Julian Saron: – and could we expect the 2017 to come through as well? Could we see the system normalise itself, i.e. if you sell X in January 2017 you would get your rebate for that month in 2017 plus the catch-up of the backlog of 2016? How do you see that work out for you?

Farida Khamis: The year-to-date we collected almost £20 million of the rebate of the amount that we should have collected last year. So I believe, January this year in 2017, we are going to collect the amount of 2016 exports.

Julian Saron: Okay. Okay, so we're going to maintain this sort of delayed system –

Farida Khamis: Yes.

Julian Saron: – that has been in place since January, okay. Thank you very much for taking my questions. Thank you.

Farida Khamis: Thank you, Julian.

Operator: We will now take our next question from Deepak Toley[?] from [inaudible]. Please go ahead.

Deepak Toley: Hi, good afternoon. I have a few different questions. You told us price the increase on exports would on be actually a discount of 3%. Can you tell us what impact that will have on expected volumes this year on exports? Also on the local sales if there's any more price increases expected and volume impact. That's question one.

Question two is about the impact on polypropylene cost from your devaluation. At what percentage of cost will polypropylene represent by the end of 2017?

And the third question, if I can give you that as well, working capital increases. We saw those in Q4 go up pretty high, working capital. Do you expect that to go up as well because of the deval, and how would you fund that? Internal? Or would you have to borrow money to fund your working capital needs? Thank you.

Speaker: Do you think you can?

Farida Khamis: For the first question regarding the export volumes, we expect gross of 10% to 15% in 2017 volume. For the local volume, we expect a decline of almost 15% in local volume.

Deepak Toley: And price increases on the local?

Farida Khamis: The price increase –

Deepak Toley: Yes.

Farida Khamis: – that we implemented so far, it's almost 80% increase since the floatation of the Egyptian pound. And lately, we offered 5% discount at the end of February and currently, we are having like 10% discount during the fair. We don't envision anymore major price increases or decreases, I mean, it would depend on the Egyptian pound vis a vis the dollar, but we don't see ourselves and changing pricing this year any further.

Regarding the polypropylene contribution to total cost, in 2016, polypropylene represented like 21% of total cost. And by the end of this year we expect it to be within the range of 26% or 24%. Regarding the working capital question.

Speaker: Yeah, the net working capital will increase due to the devaluation, yes, because we have three of our – four of our subsidiaries, their dominant currency is US dollar. So translated with the closing rate, this will increase both [inaudible].

Farida Khamis: One thing about the polypropylene, the contribution I told you about, it's a percentage of this[?], not cost.

Deepak Toley: Oh, okay.

Farida Khamis: So currently the polypropylene in 2016 is 25% to total cost. This was in [inaudible] in here. Next year we expect it to be within the range of 27%, because currently polypropylene price is 10% higher compared to the other with the last year, but we do not expect this trend to continue except prices to go down [inaudible].

Deepak Toley: Okay, thank you.

Operator: As a reminder, if you would like to ask a question, please press star one. We will now take your next question from Mahmoud[?] [inaudible]. Please go ahead.

Mahmood: Hello, hi. Thank you for taking my question. I just have two questions. The first one is on your working capital. There seems to have been a like an increase in receivables and also inventory quite significantly. So, I'm assuming this inventory was in response to the fair. I don't know, but there's been – must have been like a 50% increase in your accounts receivable. So could you explain that please on the working capital and the cash conversion cycle?

Number two, I just want to take you on a very sort of long-term basis. I mean I – we've only recently started looking at the company. Why has your EBIT and your EBITDA and operating margins since ‘98 has almost halved, really, is there a reason for this? Is it like a structural market thing that has happened over the years significantly in that, please? Thank you.

Madani Hozaien: Okay, as for working capital, the increase mainly is due to the [inaudible] of the balance sheet of the – our foreign currency subsidiaries. We have more than 60% of our balance sheet is dominated in US dollars.

Mahmood: What percent, sorry?

Madani Hozaien: More than 60%.

Mahmood: Okay, cool.

Speaker: Okay.

Farida Khamis: So, it reflects almost [inaudible]…

Mahmood: Okay. That makes sense. Sorry. Yeah that makes sense.

Farida Khamis: Yeah. But the value by subsidy, for example, days on hand for MAC which is our tufted division for the inventory, it went down from 158 days to 134 days.

Mahmood: Okay.

Farida Khamis: For Oriental Weavers International, which is the woven segment, with USD financials. The days on hand for the inventory went up ten days only. So, it's all-in-all, the impact it's actually – it's because of the floatation[?] as you take the closest rate for the translation.

Mahmood: Yeah, yeah. Yeah, yeah. Okay, cool. That makes sense. Just over the long-term basis, I mean, I'm just very interested to know why there has been a complete margin squeeze, you know. Like I mean if we talk about for the last maybe 18 years, could you explain why that process happened and if we're going to go back to the average that is going to be, you know, a mean reversion or it's just a structural thing in the industry.

Farida Khamis: Yeah, there are several reasons for the margin decline over the last 20 years. One of them is because of the polypropylene prices. So, for example, 20 years ago, polypropylene prices were around $300 or $400 a ton.

Mahmood: Okay.

Farida Khamis: Currently, as you can see, it's $1,000 and in 2014 and '16 prices were around $1,500 and $1,400.

Mahmood: Yeah.

Farida Khamis: Also during the period of 2006 to 2009, there was the global slowdown in the US, which is our most important market. So that's why there was like strategy of volume growth, so we had to break [inaudible] and give discounts in order to enhance the sales volumes.

Mahmood: Sure.

Farida Khamis: Also during the period of 2006, we had the structuring where MAC was consolidated to the group and MAC, given its production process and the market that it covers, it usually covers the lower end market somehow so the margins of MAC are relatively lower compared to Oriental Weavers. So there were several factors as I told you behind the decline environment. But currently, also during the revolution in Egypt, there was like severe margin pressure because –

Mahmood: Okay.

Farida Khamis: – we had to bear most of the higher cost of polypropylene during that time, especially in the export market. So, we couldn't pass on the higher cost of polypropylene during the revolution.

Mahmood: Sure.

Farida Khamis: But currently, if you look at our margins, you can see that our margins started to recover since 2014 and currently this year we reported the highest margin in the last nine years.

Mahmood: Sure, sure. I mean just a very simple question. So, for example, if things do start to improve in the US housing market then you should expect – there is – there to be some element of a reversion to the mean. So you should expect to see in the next five years, perhaps EBIT margins to go back to low to mid-teens – on the low to mid teen level. So you go back from 9.5% maybe to 13% to 14%. Will that be a possibility let's say in the next 14 – sorry, the next four years?

Farida Khamis: Yes, we expect margins to continue growing, but on the lower – how can I say – we do not expect a severe increase in margin, but margin is to remain relatively more or less stable or a little bit higher.

Mahmood: Sure, alright, cool. Okay, so okay, cool.

Farida Khamis: Jonathan, would you like to elaborate?

Mahmood: Okay. If you…

Farida Khamis: Just a second. Jonathan, would you like to elaborate on the margins in the US?

Jonathan Witt: Well, I think we've, as I mentioned, relied on the mix of production in the US versus overseas, but also as we've increased our capacity and production and also updated our machinery at our US facility, our costs have gone down on that standpoint. So that, I think, we have seen, just in our US operation, an increase in our manufacturing profitability, which should only continue, which will help us grow.

Mahmood: Sure. Alright, cool. Okay, cool. Thank you, thank you very much guys. Thank you for the call.

Jonathan Witt: Thank you.

Farida Khamis: Thank you.

Operator: As a reminder if you would like to ask a question, please press star one. We will now take our next question from [inaudible] Investment Management, please go ahead.

Speaker: Hello.

Farida Khamis: Yes.

Speaker: Hello. I have a question on the [inaudible] right now and what would [inaudible] addition of the 11 [inaudible] this year?

Farida Khamis: Sorry, could you repeat? Which factory?

Speaker: Sure. The woven segment's capacity as of 2016 and also in 2017 after the addition of the 11 looms.

Farida Khamis: Okay. I will tell you the total capacity for the clothing, the tufted and the non-woven and the US factory and the Chinese one. In 2016, our total capacity is 151 million square metres. In 2017, after the expansion plan, we expect our capacity to reach 156 million square metres. For the woven segment in Egypt, our total capacity is 66.356 million square metres. Next year, it should but each 69.7. And 2017, I mean by end of 2017, our capacity should reach 69.7 million square metres.

Speaker: Okay.

Farida Khamis: Sure. Any further questions?

Operator: There appears to be no further questions at this time.

Nada: Okay, thank you. This is Nada[?] from EFG Hermes Consumer and Retail team. We just wanted to take this opportunity to thank Oriental Weavers management for letting us to host this call today, and thanks for everyone up for dialling in.

Farida Khamis: Thank you, Nada, thank you very much.

Nada: Thank you, have a good day.

Farida Khamis: Thank you, you too.

Egyptian pound [00.30.08]