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RAK CERAMICS PSC
Q1 2016 RESULTS PRESENTATION



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Q1 2016 HIGHLIGHTS

Mr. Abdallah Massaad, *Chief Executive Officer*

Q1 2016 OPERATIONAL HIGHLIGHTS

Group Revenue

AED736mn, -1.1% YoY

Consolidated GM

30.2%, +170 bps YoY

Core Gross Margins

30.2%, +40bps YoY

Net Profit

AED66mn, +10.8% YoY

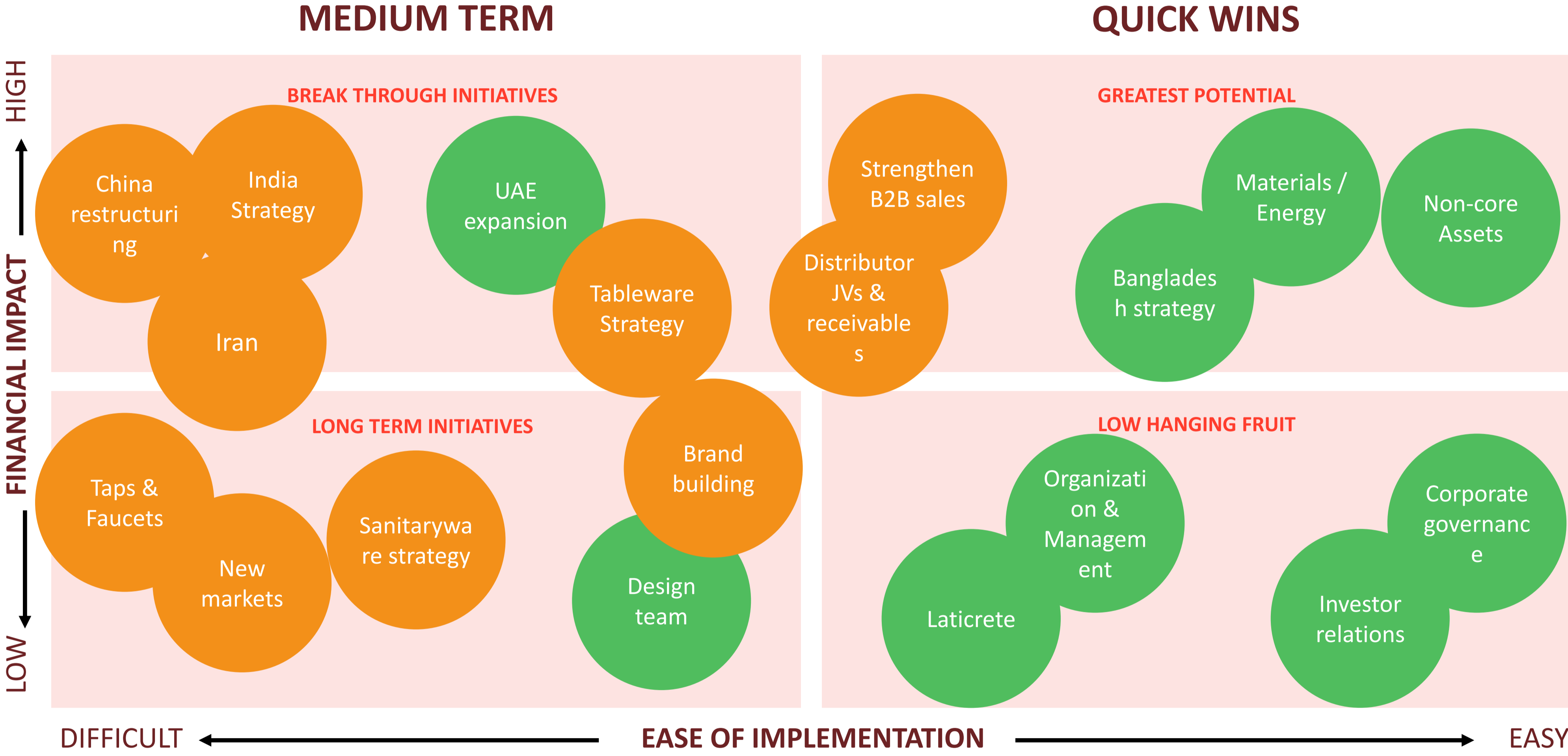
CAPEX

AED100mn

Gearing

3.1x Net Debt/EBITDA

VALUE CREATION PLAN PROGRESS



In Q1/16, we closed the acquisition of outstanding stakes in our German and UK Distribution JVs, moved forward with brand building with new hires in design and marketing and identified new leadership in India.

SEGMENT HIGHLIGHTS

TILE - REVENUES

Q1/16 tile revenues rose 3.3% YoY. Domestic sales registered 7.3% YoY growth while export sales rose 11.5% despite weakness in Saudi Arabia. Revenues also benefited from consolidation of our UK and German distribution JVs, see slide 24 for details

By production location, revenues from the UAE rose 10.1% YoY. Volumes rose 9.1% YoY while Average Selling Prices fell -1.8% YoY.

Tile revenues from India fell -20.2% YoY. Volumes fell -8.2% and ASPs fell -13.0% reflecting the competitive environment and lower production costs. The decline in ASPs also reflects an 8% devaluation in the Indian Rupee versus the AED.

Tile revenues from Bangladesh rose 4.6% YoY. Higher ASPs drove results as volumes were flat YoY.

Tile Revenues by End Market

AED Mns	Q1/15	Q1/16	YoY
United Arab Emirates	120.3	129.0	7.3%
Saudi Arabia	84.6	77.0	-8.9%
Rest of GCC	24.5	28.1	14.9%
MENA	25.8	29.1	13.1%
India	93.6	75.7	-19.1%
Europe	49.5	77.2	56.1%
Bangladesh	34.7	36.3	4.5%
Africa	19.4	19.8	2.0%
Others	28.0	23.7	-15.4%
Total Tile Revenues	480.4	496.0	3.3%

Tile Revenues by Production Location

AED Mns	Q1/15	Q1/16	YoY
UAE	348.2	383.2	10.1%
India	91.7	73.2	-20.2%
Bangladesh	34.7	36.3	4.6%
China and Iran	5.8	3.2	nm
Total Tile Revenues	480.4	496.0	3.3%

TILE - MARGINS

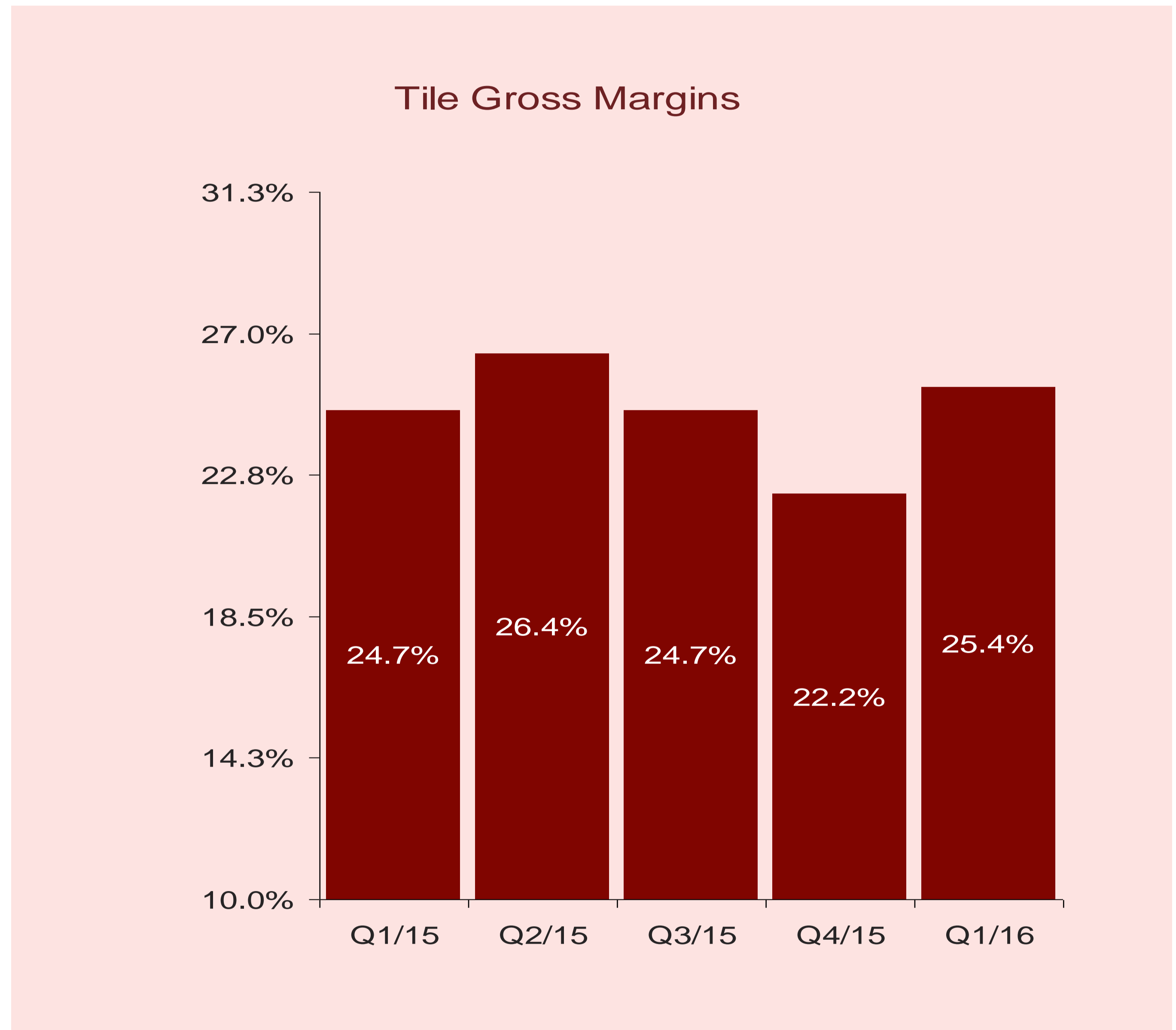
Q1/16 tile margins rose 70ps YoY and 320 bps QoQ.

Results demonstrate raw material procurement, transportation and packaging savings and favorable LPG costs in India. Consolidated results still reflect ongoing losses (though lower YoY) from the China operations and startup expenses at the Iran plant.

By production location, UAE tile gross margin fell from 32.0% to 29.2% driven by lower ASP and higher natural gas costs.

India tile margin rose from 16.8% to 17.2%

Bangladesh tile margin rose from 33.7% to 35.8%.



* We now calculate Gross Margins based on Net Revenue as opposed to Gross Revenue (i.e., before intercompany eliminations) previously. Prior year results have been restated accordingly.

SANITARYWARE - REVENUES

Q1/16 Sanitaryware sales rose 0.5% YoY. Sales to the UAE rose 0.8% while exports fell. Sales to Europe which rose 4.9% YoY benefitted from consolidation of our European distribution JVs , see slide 24 for details.

By production location, revenues from UAE fell -1.7% YoY. Volumes fell -1.9% while ASPs rose modestly.

SW revenues from India fell -6.6% YoY. Volumes and ASPs both fell -3.3% YoY.

SW revenues from Bangladesh rose 10.3% YoY on the back of a 9.6% increase in volumes following the completion of capacity expansion in mid 2015.

Sanitaryware Revenues by End Market

AED Mns	Q1/15	Q1/16	YoY
United Arab Emirates	32.4	32.7	0.8%
Saudi Arabia	7.8	6.7	-14.2%
Rest of GCC	4.1	2.9	-28.4%
MENA	3.4	2.8	-19.5%
India	5.8	5.4	-6.5%
Europe	27.9	29.3	4.9%
Bangladesh	22.4	24.7	10.4%
Africa	4.0	3.2	-20.0%
Others	3.1	3.8	22.6%
Total SW Revenues	110.9	111.5	0.5%

Sanitaryware Revenues by Production Location

AED Mns	Q1/15	Q1/16	YoY
UAE	82.8	81.4	-1.7%
India	5.7	5.3	-6.6%
Bangladesh	22.4	24.7	10.3%
Total SW Revenues	110.9	111.5	0.5%

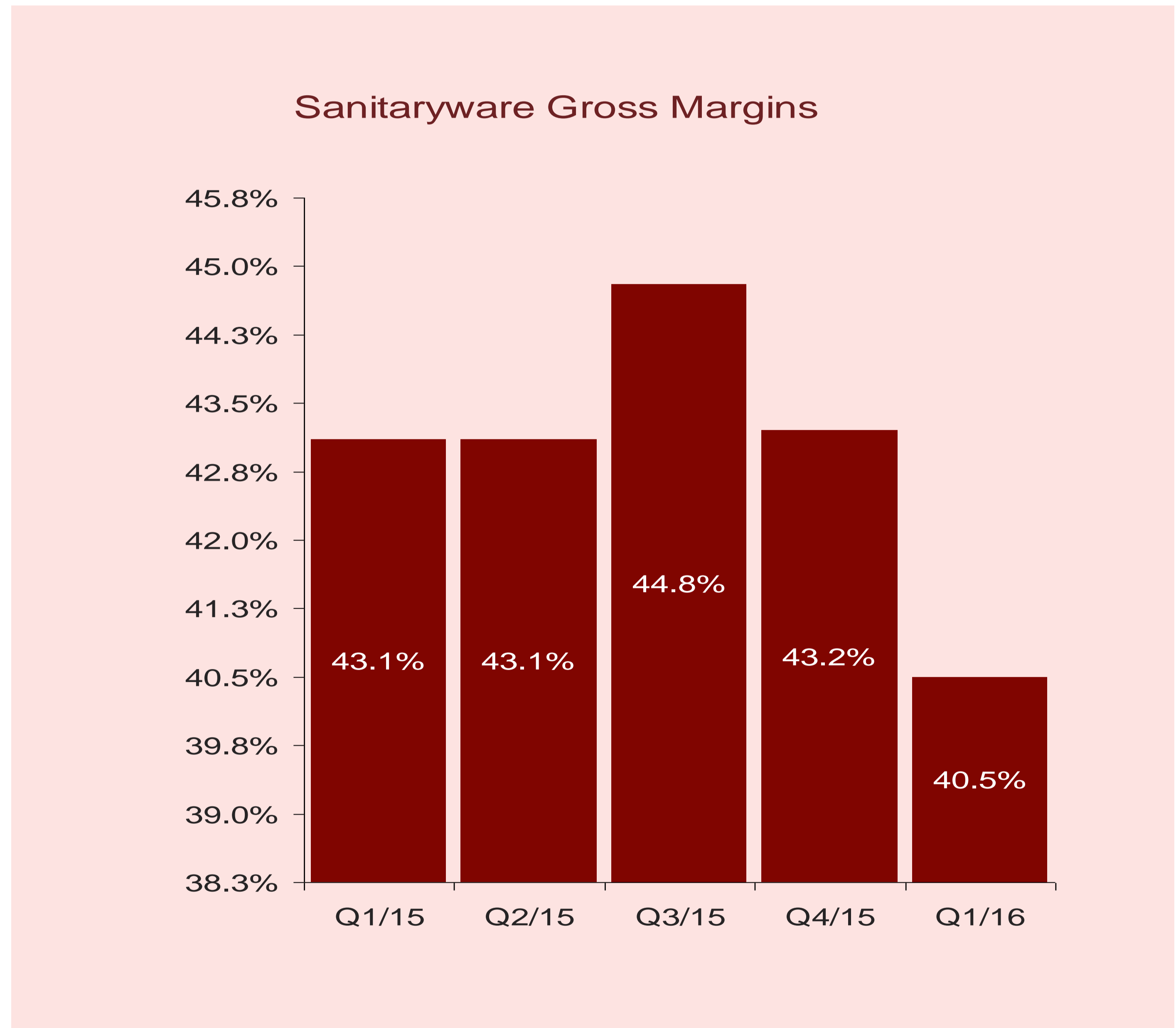
SANITARYWARE - MARGINS

Q1/16 sanitaryware margins fell 260bps YoY to 40.5% from 43.1%.

In terms of production location, UAE margins fell from 42.9% to 40.6% in the quarter. The decline in sanitaryware margin resulted from lower volumes, higher labor costs, higher depreciation. We expect sanitaryware margins to return to historical levels in Q2/16.

India margins held fairly steady at 22.3% compared to 22.5% in Q1/15.

Bangladesh margins fell from 49.2% to 44.3%. A steep increase in labour and utility costs explain the margin decline. We expect to make up the higher costs through price increases in the coming quarters.



* We now calculate Gross Margins based on Net Revenue as opposed to Gross Revenue (i.e., before intercompany eliminations) previously. Prior year results have been restated accordingly.

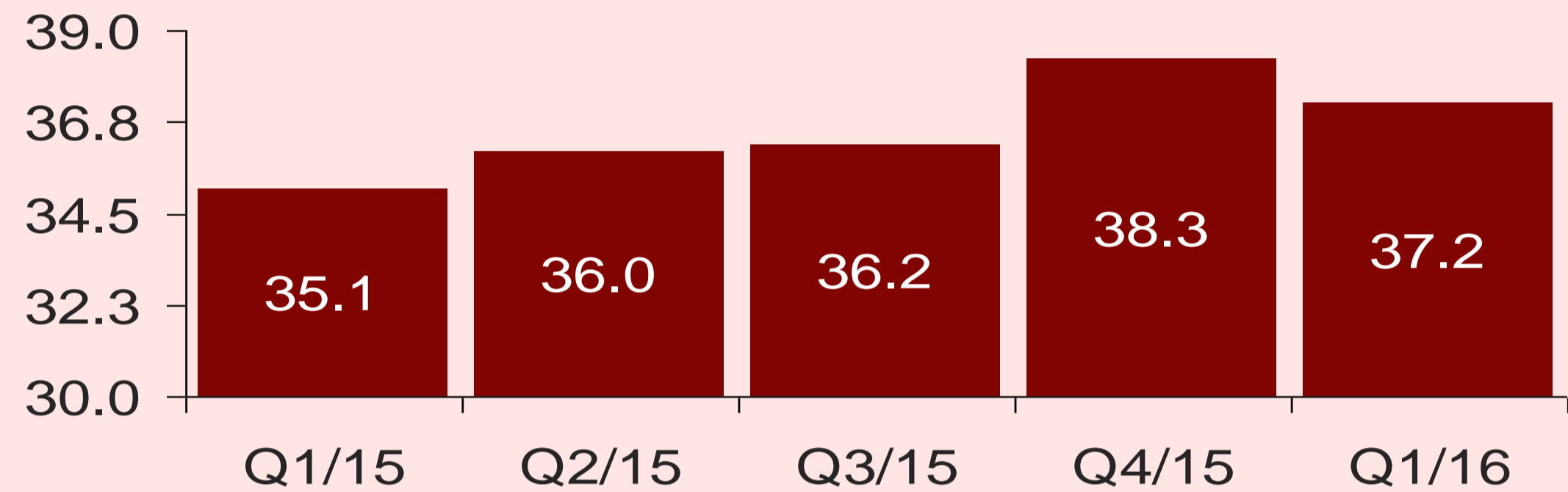
TABLEWARE

Q1/16 tableware revenues rose 6.0% YoY. Volumes fell 4.2% while ASPs rose 10.3% YoY.

The decision to focus on higher value added product led to a substantial improvement in tableware profitability. Q1/16 Gross Margin was 62.8% versus 56.1% in Q1/15.

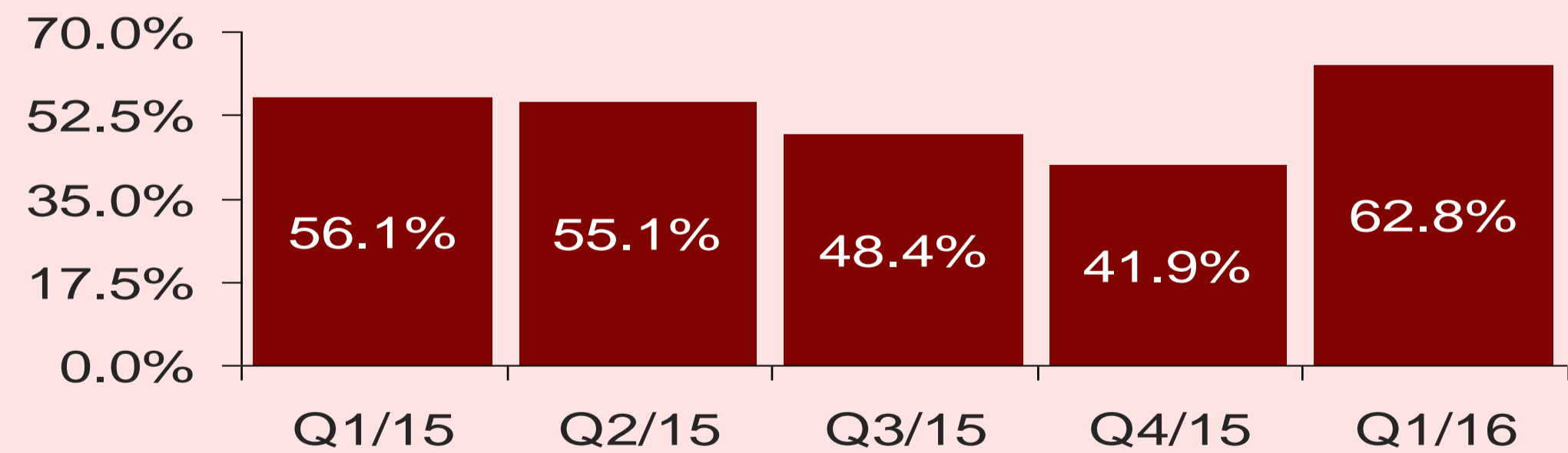
Recent product introductions at RAK Porcelain continue to be very well received by the market and we remain confident of solid growth and profitability for tableware in 2016.

Tableware Revenues



All Numbers in AED Millions

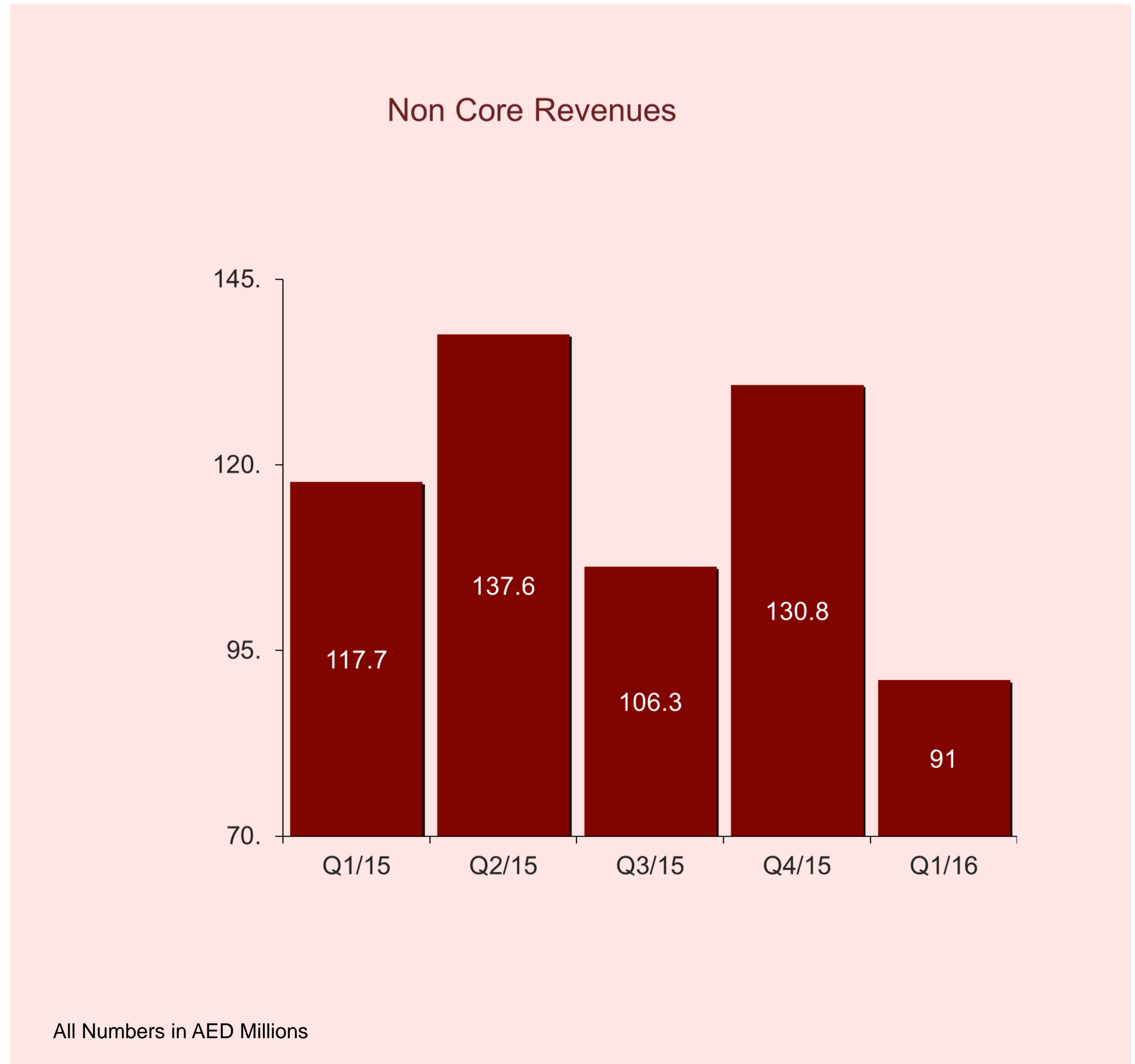
Tableware Gross Margins



NON CORE

Q1/16 non core revenue were AED91.0mn versus AED117.7mn in Q1/15 or -22.6% YoY.

Q1/15 non core revenues reflect the contribution of RAK Logistics by the order of AED14mn; RAK Logistics was sold in Q4/15 and did not contribute to Q1/16 revenues. Excluding the contribution of RAK Logistics, non core revenues declined -12.5% YoY, mostly due to lower civil construction revenues at AHCC.



NON CORE MARGINS

Q1/16 non core gross margin was 30.3% vs. 22.1%, an 820bps improvement YoY.

Once again, the improvement in profitability was driven by AHCC, our construction. "Others & share in results" also rose reflecting our 50% interest in RAK Warehouse Leasing and Kludi RAK, our taps and faucets JV, both which reported strong double digit improvements in results in Q1/16.

Our objective continues to be exit non core businesses in 2016/2017, as conditions permit.

Non Core EBITDA by Segment			
AED Mns	Q1/15	Q1/16	YoY
AHCC Group	20.6	25.3	23.2%
Electro Group	1.3	1.2	-8.0%
Ceramin	6.0	4.1	-31.3%
RAK Paints	0.9	0.5	-41.8%
RAK Logistics *	0.8		-
Others & Share in results	9.7	10.9	12.9%
Total Non Core EBITDA	39.2	42.1	7.4%

*Sold during Q4/15

Q1 2016 FINANCIAL REVIEW

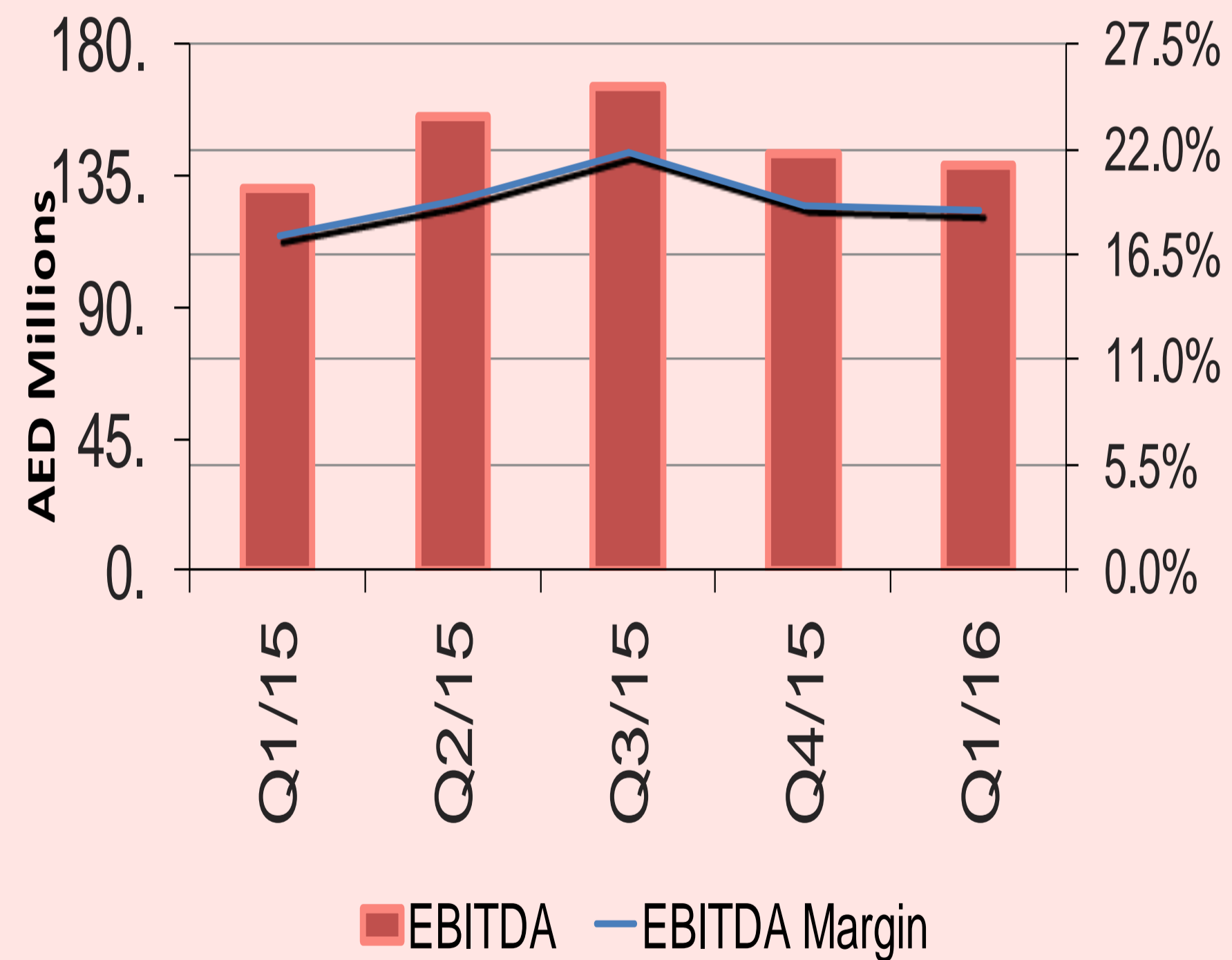
Mr. PK Chand, *Chief Financial Officer*

RESULTS SUMMARY

AED Mns	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16
Revenue (Net)									
Tiles	539.8	574.3	542.0	524.3	480.3	514.3	531.5	470.8	496.0
SW	110.1	115.0	111.8	111.6	110.9	116.2	108.6	108.2	111.5
Porcelain	-	-	-	35.1	35.1	36.0	36.2	38.3	37.2
Core revenue	649.9	689.3	653.7	670.9	626.2	666.6	676.4	617.3	644.7
Non Core Revenue	87.6	123.5	131.1	118.8	118.0	137.3	106.4	130.8	91.0
Total Revenues	737.5	812.8	784.9	789.7	744.2	803.9	782.8	748.1	735.7
Total EBITDA	134.2	176.1	154.2	119.9	129.6	155.4	165.6	142.7	138.3
<i>Total EBITDA Margin</i>	18.2%	21.7%	19.6%	15.2%	17.4%	19.3%	21.9%	19.1%	18.8%
Total Net Profit	58.7	91.2	57.4	74.4	59.5	85.9	82.1	81.9	65.9
<i>Net Profit Margin</i>	8.0%	11.2%	7.3%	9.4%	8.0%	10.7%	10.5%	10.9%	9.0%

EBITDA

EBITDA and EBITDA Margin Trend – Last 5 Quarters



EBITDA Calculation

AED Mns	Q1/15	Q1/16	YoY
Net Profit	59.5	65.9	10.8%
Tax	6.7	4.2	-37.3%
D&A	52.5	47.7	-9.1%
Finance Expense	8.1	12.3	51.9%
Provisions	-11.3	8.7	nm
Hyperinflation Impact - Sudan	6.9	0	nm
Other Non Recurring	7.2	-0.4	nm
EBITDA	129.6	138.3	6.7%
EBITDA Margin	17.4%	18.8%	140bps

Q1/15 depreciation was restated to AED52.5mn from AED44.3mn to include the impact of hyperinflation in Iran which was previously included in the loss on net monetary position

NET DEBT & CAPEX HIGHLIGHTS

During the quarter we converted a conventional loan of USD 134 mn (AED 495 mn AED) into an Islamic term loan with same terms & conditions. This has resulted in reduction in conventional loan to total asset ratio from 27.3% to around 19.2%. We believe we fulfill all of the conditions to be certified as a Shariah compliant company and are in the process of seeking certification.

CAPEX during the quarter totaled AED100mn vs. AED49.4mn in Q1/15. The Q1/16 figure includes a one-time connection charge to the Federal Electricity & Water Authority; Al Khail Power was our previous provider. We expect lower electricity prices going forward as a result of the change.

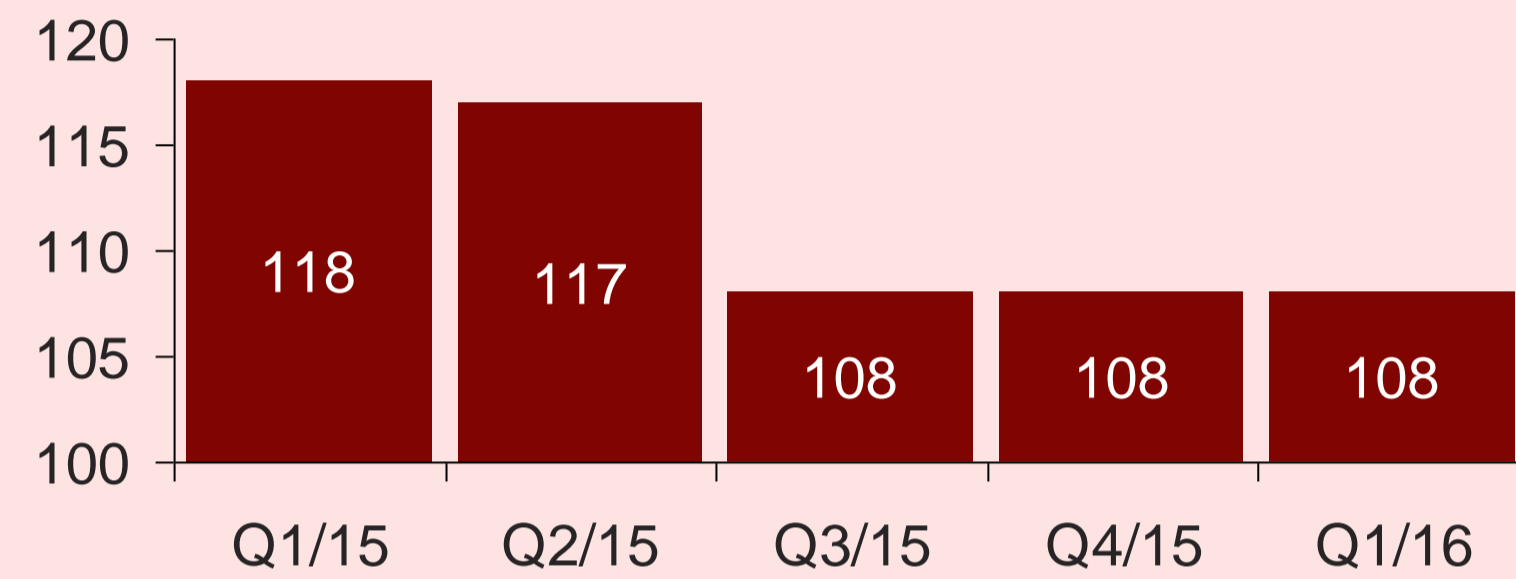
We maintain our CAPEX spend forecast of AED300mn for 2016 which would include AED60mn for further Sanitaryware expansion

Net Debt			
AED Mns	Q1/15	Q4/15	Q1/16
Long Term Loan	1149.5	1,309.7	1281.9
STL & TR	705.1	654.7	898.0
Overdraft	164.7	8.6	29.6
Gross Debt	2,019.3	1,973.0	2209.5
<i>Cash & Bank*</i>	<i>(614.5)</i>	<i>(363.4)</i>	<i>(369.0)</i>
Net Debt	1404.87	1,609.6	1840.5
<i>Cost of Debt</i>	<i>2.80%</i>	<i>2.60%</i>	<i>2.61%</i>
Net Debt to EBITDA	2.6	2.7	3.1

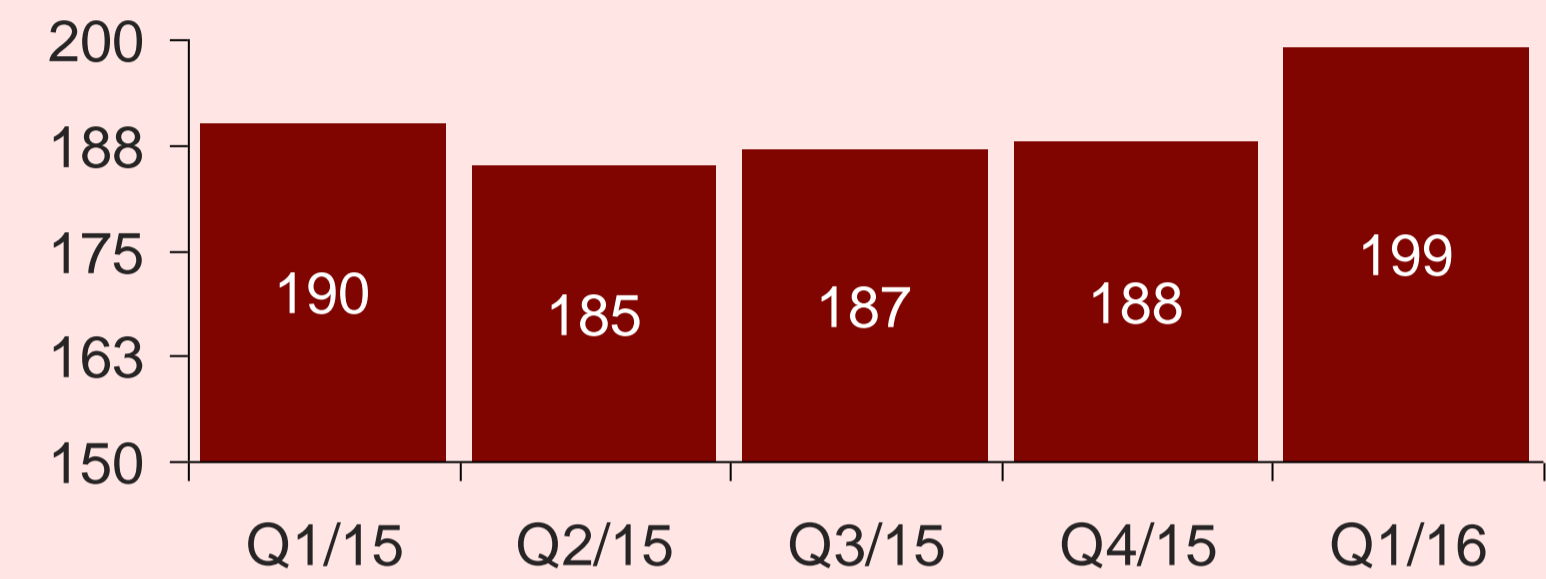
CAPEX			
AED Mns	Q1/15	Q4/15	Q1/16
RAKC UAE	26.0		48.1
Bangladesh	14.5		12.7
India	1.5		0.2
Other Core	2.6		1.0
Total Core	44.6		62.0
AHCC -Rough Grading	4.8		0.2
Other Non core	0		0.5
Total Non Core	4.8		0.7
FEWA Connection Charges			37.4
Total CAPEX	49.4		100.1

WORKING CAPITAL HIGHLIGHTS

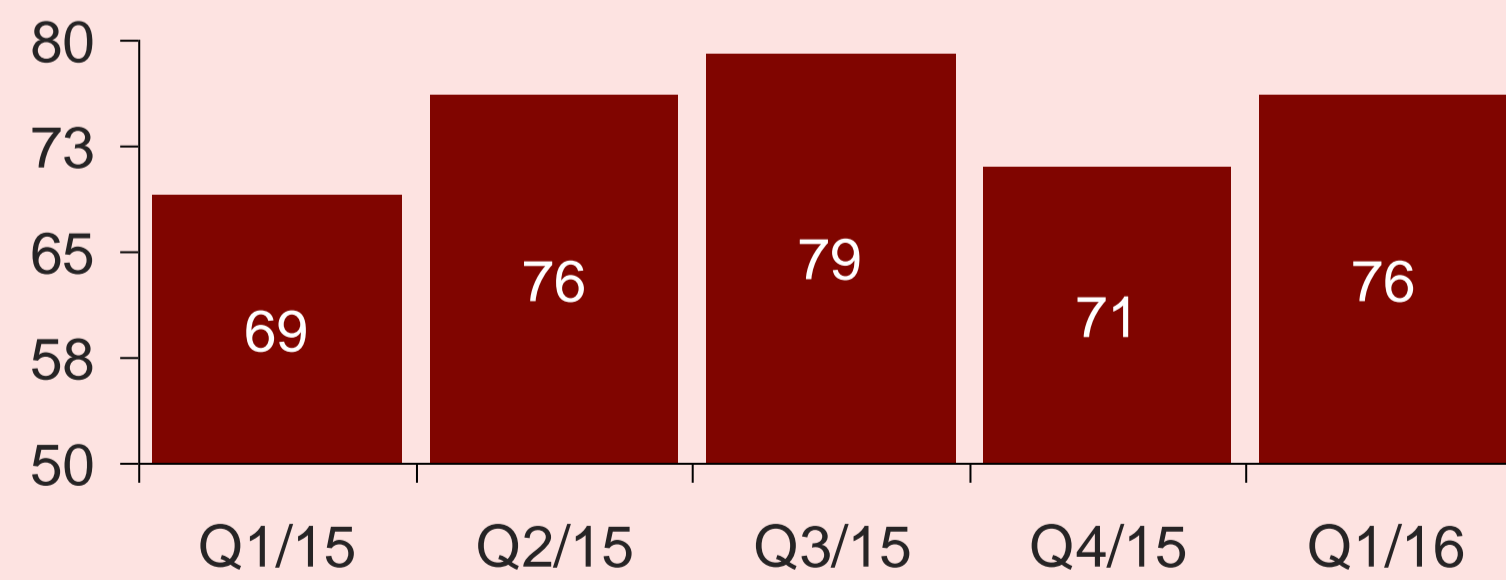
Trade Receivable Days



Inventory Days



Trade Payables Days



CLOSING COMMENTS

Mr. Abdallah Massaad, *Chief Executive Officer*

2016 FOCUS

Branding Project

New design & marketing hires

Iran Restart

Hired ~200 employees.

India Turnaround

New CEO to join in May.

Managing Expansion

China Plant Sale

Restructuring of Distribution JVs

Closed UK and Germany acquisitions.
Italy ongoing.

Continued Non-Core Disposals

Working Capital Management

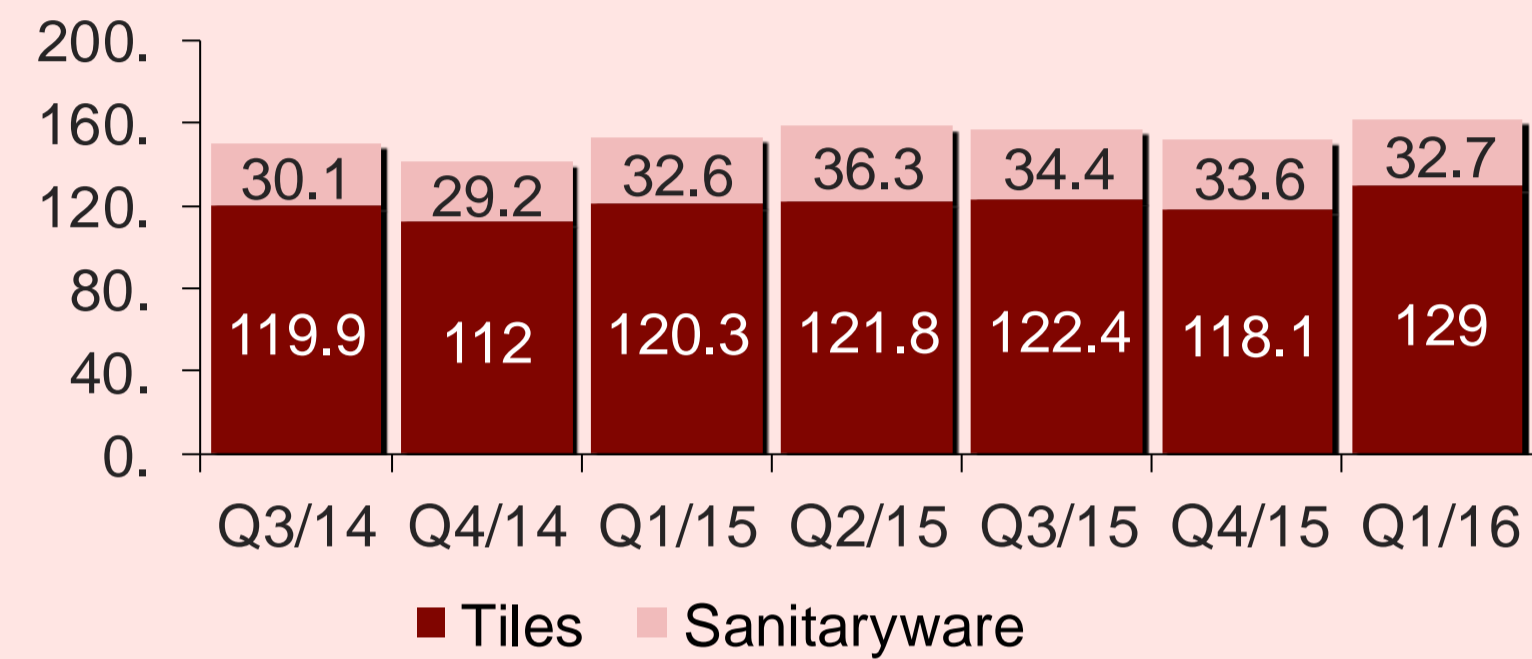
Reduction in net working capital QoQ
Tiles inventory down in UAE, QoQ

Opportunistic Acquisitions

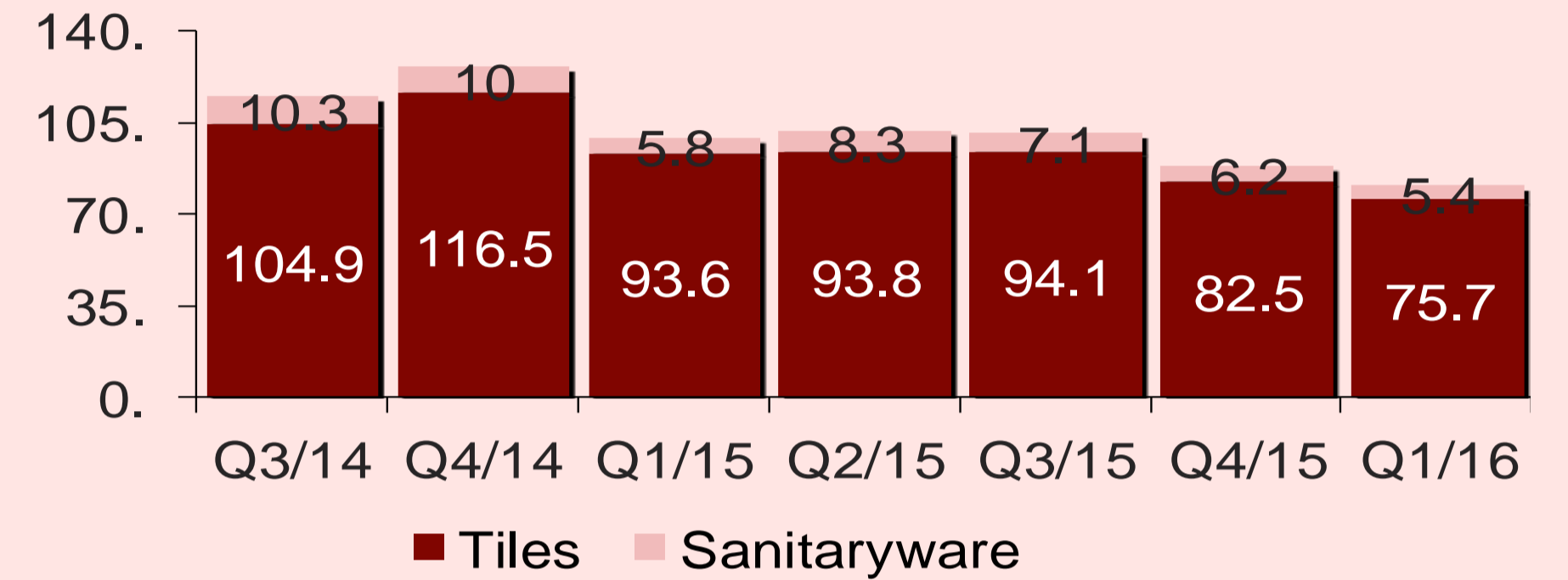
APPENDIX

FOCUS MARKET SALES TRENDS

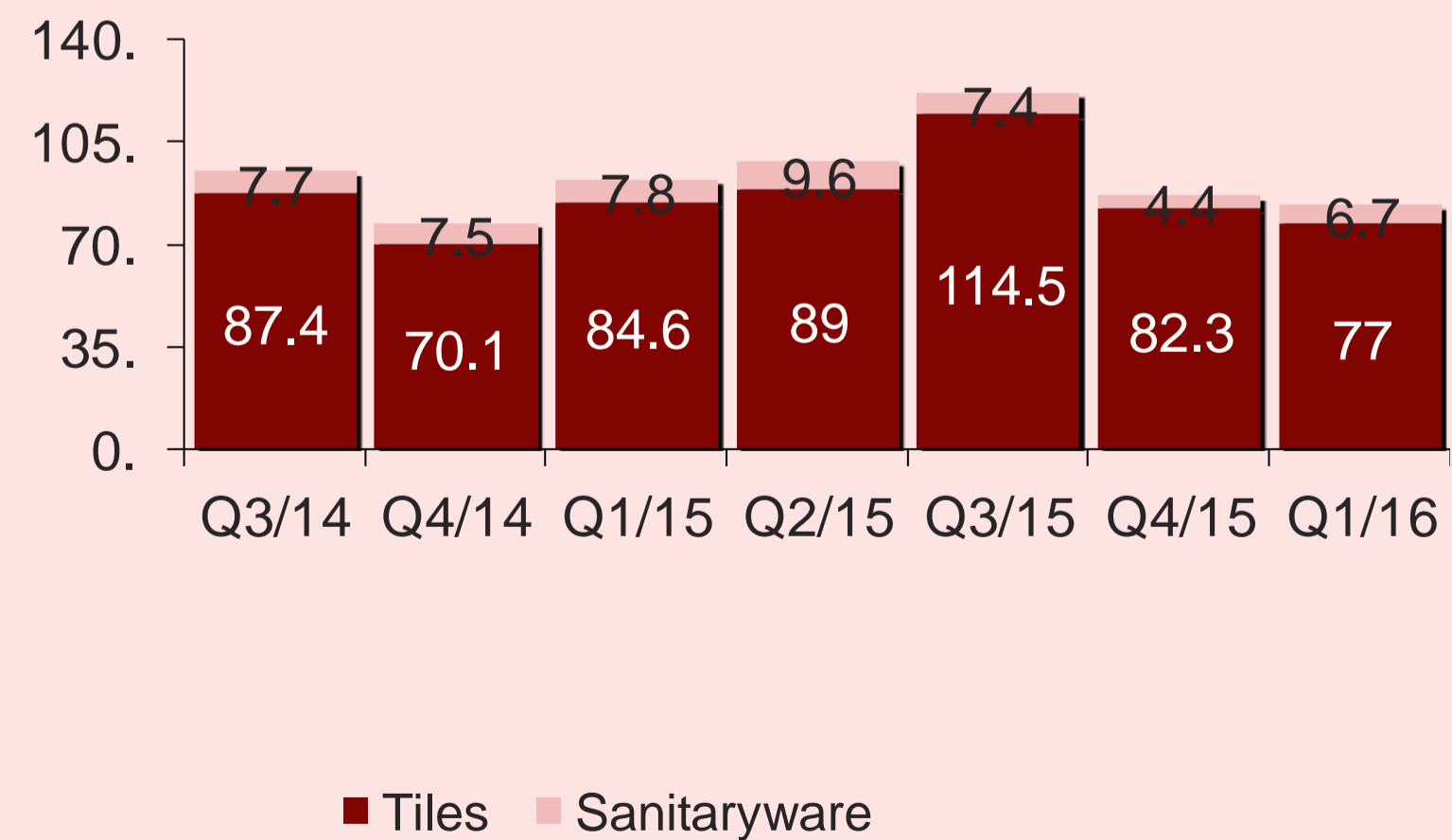
United Arab Emirates



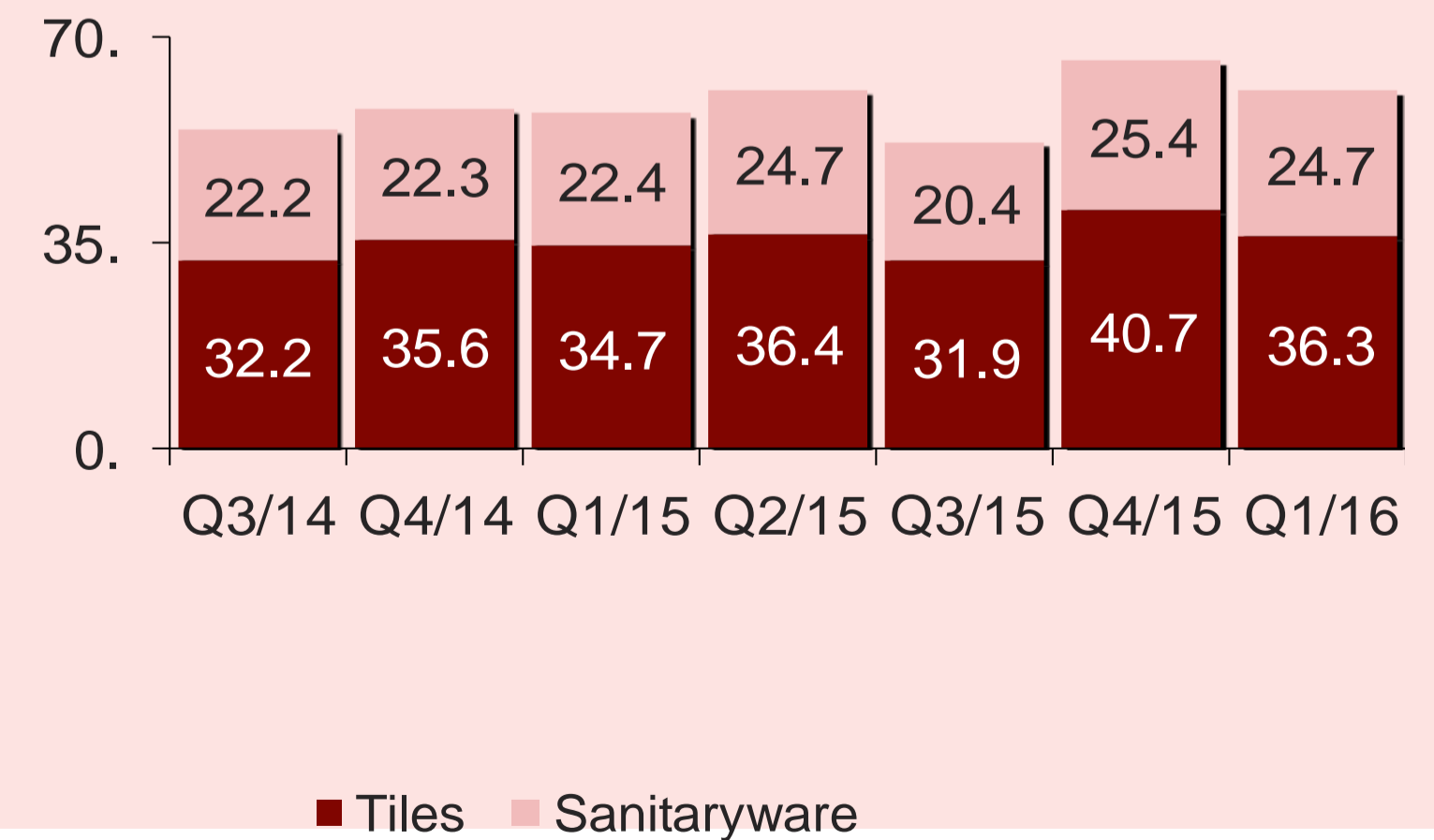
India



Saudi Arabia



Bangladesh



NET IMPACT OF JV CONSOLIDATION ON Q1/16 RESULTS

During the quarter we acquired the remaining 50% of two distribution joint ventures we have in the UK and Germany. Previously only the net contribution from UK and Germany appeared in our results in “share of profits from equity investments”

The impact of the consolidation on our Q1/16 results is shown in the adjacent table

Net Impact of Acquisition of 50% stake in UK and Germany JVs	
AED Mns	Q1/16
Revenue	21.5
Net Profit	-2.4
Related party receivables	-108.0
Working Capital	8.0
Acquisition Cost	-7.5

CONSOLIDATED INCOME STATEMENT

AED Mns	Q1/15	Q1/16	YoY
Revenue	744.1	735.7	-1.1%
Cost of sales	(531.7)	(513.4)	-3.4%
Gross profit	212.4	222.4	4.7%
Administrative and general expenses	(90.7)	(64.8)	-28.6%
Selling and distribution expenses	(84.9)	(95.4)	12.6%
Other income	16.9	15.5	-8.3%
Results from operating activities	53.8	77.6	44.2%
Finance cost	(33.6)	(14.8)	-56.3%
Finance income	2.7	1.0	-63.0%
Share of profit in equity accounted investees	5.7	6.2	8.8%
Profit on sale of investment	39.1	-	
Loss on sale of investment RAK Sudan	-	-	
Profit from discontinued operations	(1.3)	-	
Contingencies	-	-	
China loss	-	-	
Profit before tax	66.1	70.0	5.9%
Tax (expense)/income	(6.7)	(4.2)	-37.3%
Profit after tax	59.5	65.9	10.8%

CASH FLOW STATEMENT

AED Mns	Q1/15	Q1/16
Operating activities		
Profit for the period before tax	66.1	70.0
<i>Adjustments for:</i>		
Share of profit in equity accounted investees	(5.7)	(6.2)
Loss/ (gain) on net monetary position	2.3	
Interest expense	11.6	10.5
Profit on Islamic financing	-	2.8
Interest income	(2.7)	(0.8)
Gain on disposal of property, plant and equipment	(2.6)	(0.8)
Gain on disposal of subsidiary	(0.6)	
Gain on disposal of equity accounted investees	(38.5)	
Depreciation on property, plant and equipment	51.8	43.6
Amortisation of intangible assets	1.0	1.0
Capital work in progress written off	0.4	0.4
Depreciation on investment property	1.8	2.2
Provision for employees' end-of-service benefits	6.9	3.8
	92.0	126.5
Change in:		
- inventories (including contract work in progress)	15.8	(3.3)
- trade and other receivables(including long term)	(20.9)	65.1
- due from related parties (including long term)	(17.4)	9.3
- asset classified as held for sale	41.6	
- trade and other payables (including billings in excess of valuation)	(35.9)	(63.5)
- due to related parties	5.0	16.9
- liabilities classified as held for sale	1.3	-
- derivative financial assets	0.0	-
- derivative financial liabilities	0.0	0.3
- deferred tax assets	0.0	-
- deferred tax liabilities	(0.0)	(0.9)
Income tax (paid) / refund	(0.8)	(0.1)
Employees' end-of-service benefits paid	(5.3)	(2.9)
Currency translation adjustment	6.7	0.1
Net cash generated from operating activities	82.0	147.6

	Q1/15	Q1/16
Investing activities		
Acquisition of property, plant and equipment and capital work in progress	(49.4)	(100.1)
Proceeds from disposal of property, plant and equipment	2.8	1.3
Acquisition of intangible assets	(0.2)	(0.9)
Change in bank deposits	(20.7)	(0.1)
Dividend received from equity accounted investees	11.3	0.0
Interest income received	2.7	0.8
Consideration paid for acquisition of subsidiaries	0.0	(7.5)
Cash acquired as a part of acquisition of subsidiaries	0.0	5.2
Net cash used in from investing activities	(53.5)	(101.3)
Financing activities		
Long term bank financing availed	122.6	26.3
Long term Islamic availed	-	495.9
Long term bank financing repaid	(89.6)	(497.1)
Net movement in short term bank financing	74.3	190.4
Interest paid	(11.6)	(13.3)
Dividend paid	(20.0)	(260.3)
Remuneration paid to the Board of Directors	(1.2)	(3.7)
Net cash (used in) / generated from financing activities	74.6	(61.8)
Net (decrease)/increase in cash and cash equivalents	103.1	(15.4)
Cash and cash equivalents at the beginning of the period	321.4	333.0
Cash and cash equivalents at the end of the period	424.4	317.5
Represented by:		
Cash in hand and at bank (net of bank deposits on lien)	589.2	347.1
Bank overdraft	(164.7)	(29.6)
	424.4	317.5

CONSOLIDATED BALANCE SHEET

AED Mns	Q4/15	Q1/16
Non-current assets		
Property, plant and equipment	1,065.5	1,079.5
Capital work-in-progress	182.3	232.5
Goodwill	50.4	68.9
Intangible assets	18.0	19.0
Investment properties	1,158.9	1,156.9
Investments in equity accounted investees	127.5	132.0
Long term portion of receivable (Sudan)	127.6	114.8
Deferred tax assets	0.3	0.3
Total Non Current Assets	2,730.5	2,803.8
Current assets		
Inventories	1,141.2	1,196.6
Trade and other receivables	1,228.1	1,206.3
Contract work-in-progress	15.4	18.9
Due from related parties	503.0	403.8
Cash in hand and at bank	363.4	369.0
Total Current Assets	3,251.1	3,194.7
Total Assets	5,981.6	5,998.4

	Q4/15	Q1/16
Equity		
Share capital	817.5	858.4
Reserves	1,950.6	1,718.6
Equity attributable to owners of the Company	2,768.1	2,577.0
Non-controlling interests	169.3	162.2
Total equity	2,937.5	2,739.1
Non-current liabilities		
Islamic bank financings	-	413.3
Interest bearing bank financings	1,309.7	868.6
Provision for employees' end-of-service benefits	78.3	79.4
Deferred tax liabilities	8.3	7.8
Total Non Current Liabilities	1,396.3	1,369.1
Current liabilities		
Islamic bank financings	340.2	646.0
Interest bearing bank financings	323.2	281.7
Trade and other payables	835.9	793.2
Billings in excess of valuation	2.8	2.2
Provision for taxation	122.6	126.7
Due to related parties	23.2	40.1
Derivative financial liabilities	0.0	0.3
Total Current Liabilities	1,647.9	1,890.2
Total Equity and Liabilities	5,981.7	5,998.4

