



Q2 2014 Financial Results

1 Billion
square meters of tiles supplied
worldwide

August 2014

50 Million
pieces of bathware sold
worldwide

Executive Summary – Financial Performance

In H1 2014, we continued to focus on our core Tiles and Sanitary Ware operations and scaling down Non-Core less profitable businesses. Sanitary Ware continue to experience strong growth while Tiles remain stable despite the slow down in the Saudi market

- ❑ Consolidated H1 2014 revenues decreased by 4.4% YoY to AED 1,661.2mn however Core Revenues (Tiles & Sanitary Ware) increased by 3.9% to AED 1,410.7mn
 - Tiles revenues increased by 1.8% to 1,188.9mn
 - Sanitary Ware (SWD) revenues increased by 17% to 221.8mn
 - Non-Core revenues decreased by 34.2% to AED 250.5mn
- ❑ Consolidated gross profit margin (GPM) decreased by 0.4% to 27.5% in H1 2014
 - GPM for Core business increased by 1.0% to 29.3% with Tiles GPM up by 0.4% to 26.5% and SWD up by 1.8% to 44.5%
 - Non-Core business GPM decreased by 6.1% to 13.8%
- ❑ The decline in Non-Core business performance is the result of the Company's strategy to focus on its Core Tiles and Sanitary Ware operations
- ❑ Consolidated EBITDA increased by 6.3% to AED 310.3mn with EBITDA margin enhancements from 16.8% to 18.7% YoY
- ❑ Net profit remained stable at AED 149.9mn compared with last year while net margin increased from 8.6% to 9.0%

Executive Summary – H1 Main Events & H2 Focus



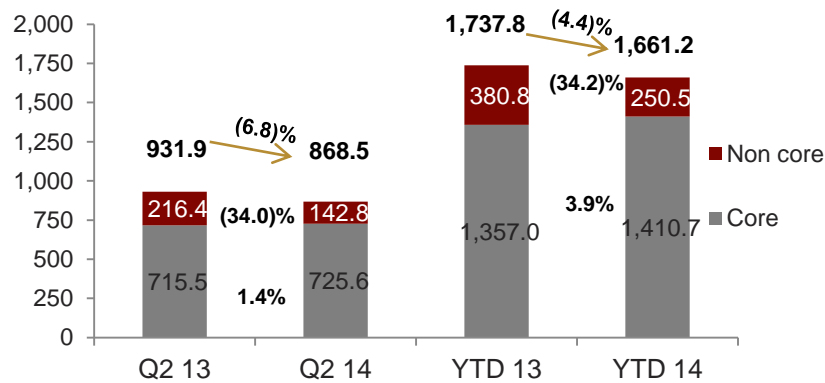
The acquisition of a significant equity stake by Samena Capital and its co-investors marks an inflection point in the Company's life with the inclusion of an institutional financial investor and the adoption of a private-equity style Value Creation Plan to enhance shareholder value

- ❑ In June 2014, a consortium led by Samena Capital acquired a 30.6% equity stake in the Company
 - Governance and strategic restructuring with the Board of Directors increasing to 7 members; induction of 3 new members representing the Samena Capital consortium; establishment of an Executive Committee and adoption of a new Value Creation Plan to implement strategic, structural and operational value creation initiatives
- ❑ During Q2 2014, we reached a settlement over related party receivables worth AED 839.3mn via the receipt of a prime beach front plot of land measuring c. 270,000 sqm in Al Jazeera Al Hamra, Ras Al Khaimah
- ❑ Focus for HY2 2014:
 - Expansions of Tiles and Sanitary ware capacities in Bangladesh and India and considering strategic outsourcing options in India to meet growing demand
 - Re-aligning the Saudi market strategy with a more direct approach on sales and restructuring of JV arrangements in the country
 - Continuing the scaling down of Non-Core operations and disposal of Non-Core assets
 - Focus and restructuring of other JVs related to Core Operations (e.g. table ware, taps and faucets etc.)
 - Streamlining Corporate Governance, restructuring various group-level boards and committees and implementing performance management schemes
 - Strengthening Investor Relations function to communicate equity story to capital markets

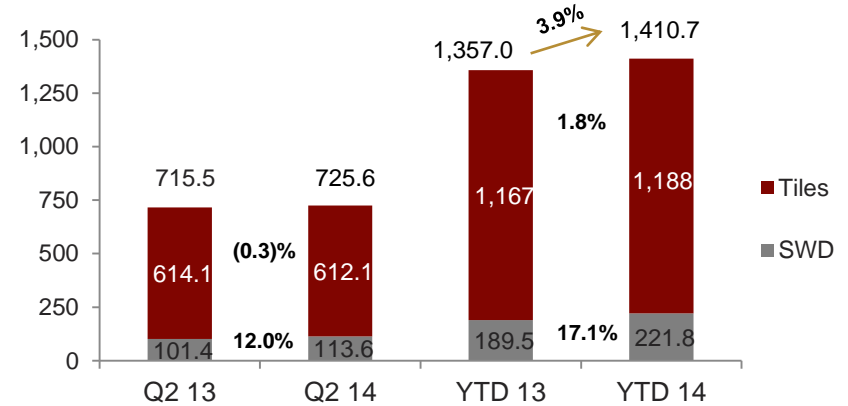
Revenues Snapshot

Consolidated revenue has decreased by 4.4 % to AED 1,661.2mn YoY however core business revenues increased by 3.9% to AED 1,410.7mn. Tiles sales flat: KSA drop erased the growth in UAE. SWD growing buoyantly at 17%.

Total Revenue: Core & Non-Core (AED million)



Total Core Revenue: Tiles and SWD (AED million)



Total Core Revenue: By Production Locations

(AED mn)	Tiles				SWD			
	FY 13	YTD 13	YTD 14	YoY change	FY 13	YTD 13	YTD 14	YoY change
UAE	1,610.8	802.2	782.2	(2.5)%	282.1	135.2	155.8	15.3%
India	444.8	223.7	210.4	(6.0)%	36.4	17.9	19.7	10.3%
Bangladesh	136.1	69.7	77.6	11.4%	84.6	42.1	47.5	12.6%
China, Iran & Sudan	336.0	150.6	147.9	(1.8)%	0.0	0.0	0.0	0.0%
Total Gross	2,527.6	1,246.2	1,218.1	(2.3)%	403.1	195.2	223.0	14.2%
Less: Elimination	(191.1)	(78.7)	(29.3)	(62.8)%	(16.6)	(5.7)	(1.2)	(79.4)%
Total Net	2,336.5	1,167.5	1,188.8	1.8%	386.5	189.5	221.8	17.1%

Total Core Revenue: By End Markets

(AED mn)	Tiles				Yoy change	SWD			
	FY 13	YTD 13	YTD 14	YoY change		FY13	YTD 13	YTD 14	YoY change
UAE	344.3	178.4	219.3	22.9%	UAE	86.2	43.7	65.1	49.1%
India	430.4	217.3	204.9	(5.7)%	Bangladesh	84.9	42.4	47.5	11.8%
Saudi Arabia	432.7	232.7	173.1	(25.6)%	UK	71.0	34.1	40.2	18.0%
Bangladesh	137.4	70.4	77.7	10.5%	India	36.0	17.9	19.7	10.2%
Germany	119.7	61.0	68.1	11.8%	Saudi Arabia	29.4	13.5	12.7	(5.6)%
China, Iran & Sudan	191.7	71.1	113.0	58.9%	Rest of GCC	12.2	5.8	5.2	(9.8)%
Rest of GCC	127.7	70.2	70.3	0.2%	Jordan	4.4	1.8	2.6	46.4%
Others	552.6	266.6	262.4	(1.6)%	Others	44.7	30.3	28.8	(5.0)%
Total	2,336.5	1,167.7	1,188.8	1.8%	Total	386.5	189.5	221.8	17.1%

Core Revenue Analysis – Volumes and Prices



Tiles Sales Volumes and ASP by Production Location

	FYE 2013			H1 2013			H1 2014		
	Volume (mn sqm)	ASP (AED)	Revenue (AED mn)	Volume (mn sqm)	ASP (AED)	Revenue (AED mn)	Volume (mn sqm)	ASP (AED)	Revenue (AED mn)
UAE	69.0	23.3	1,610.8	34.3	23.4	802.2	33.4	23.5	782.2
India	14.6	30.5	444.8	7.0	32.0	223.7	7.1	29.7	210.4
Bangladesh	5.9	23.2	136.1	3.0	22.9	69.7	3.3	23.5	77.6
China,Iran and Sudan	14.2	23.7	336.0	6.6	22.5	150.7	6.4	23.1	147.9
Less Eliminations	(6.3)		(191.1)	(3.2)		(78.7)	(1.1)		(29.3)
Total	97.3	24.0	2,336.5	47.7	24.4	1,167.5	49.0	24.2	1,188.8

Sanitary Ware Sales Volumes and ASP by Production Location

	FYE 2013			H1 2013			H1 2014		
	Volume (mn sqm)	ASP (AED)	Revenue (AED mn)	Volume (mn sqm)	ASP (AED)	Revenue (AED mn)	Volume (mn sqm)	ASP (AED)	Revenue (AED mn)
UAE	2.4	116.0	282.1	1.2	115.3	135.2	1.3	124.6	155.8
India	0.5	67.1	36.4	0.3	69.1	17.9	0.3	69.0	19.7
Bangladesh	1.2	68.4	84.6	0.6	67.1	42.1	0.7	71.2	47.5
Less Eliminations	(0.1)		(16.6)	(0.04)		(5.7)	(0.01)		(1.2)
Total	4.1	94.1	386.5	2.0	93.8	189.5	2.2	99.8	221.8

Tiles

- Tiles volume sales increased YoY by 1.3mn sqm (2.7%) to 49.0mn sqm while the average selling price decreased by AED 0.20 to AED 24.2
- The main driver behind the ASP drop is India due to the increase in outsourcing volumes of lower end products whereas all other producing locations maintained or enhanced its ASP

SWD

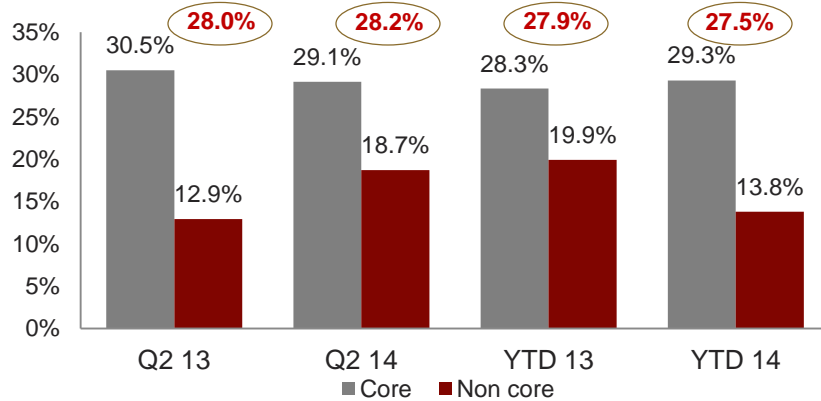
- Sanitary Ware volume sales increased by 0.2 mn pieces to 2.2 mn pieces and its average selling price per piece improved by AED 6.0 (6.4%) to AED 99.8

Gross Profits Snapshot

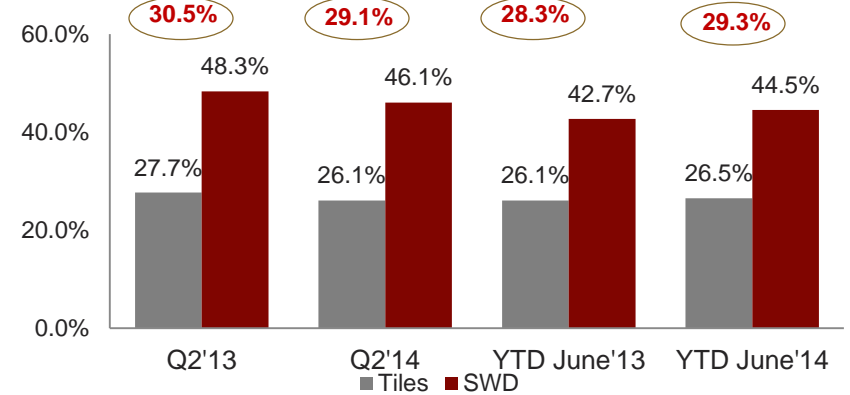
Consolidated Gross Profit Margin decreased by 0.4% to 27.5% YoY with Core margins enhancing by 1.0% while Non-Core reducing by 6.1%

Tiles gross margins increased by 0.4% and SWD by 1.8%

Total Gross Margins: Core & Non-Core (%)



Core Gross Margins: Tiles and SWD (%)



Tiles Gross Margins: By Production Locations

	YTD 13	YTD 14
UAE	31.8%	33.6%
B'desh	29.9%	29.5%
India	14.0%	11.0%
China , Iran and Sudan	11.7%	9.6%
Total Gross Profit Margin	26.1%	26.5%

SWD Gross Margins: By Production Location

	YTD 13	YTD 14
UAE	45.4%	45.4%
B'desh	42.5%	48.0%
India	22.8%	28.8%
Total Gross Profit Margin	42.7%	44.5%

Summary Income statement

EBITDA increased by 6.3% to AED 310.3mn with significant margin enhancement from 16.8% to 18.7%. Net profit stable at AED 149.9mn with better net margins at 9.0%

Income Statement (AED mn)

	FYE 2013	H1 2013	H1 2014
Tiles Revenue	2,527.6	1,246.3	1,218.1
SW Revenue	403.1	195.2	223.0
Total Core Gross Revenue	2,930.7	1,441.5	1,441.1
Less: Eliminations	(207.7)	(84.5)	(30.4)
Total Core Net Revenue	2,723.0	1,357.0	1,410.7
Total Non Core Gross Revenue	1,263.1	623.8	459.4
Less: Eliminations	(471.3)	(243.0)	(208.9)
Total Non- Core Net Revenue	791.8	380.8	250.5
Total Revenue	3,514.8	1,737.8	1,661.2
Tiles COGS	1,908.6	921.2	895.4
SW COGS	238.9	111.8	123.6
Non Core COGS	1,016.9	499.9	396.0
Less:- Eliminations	(612.3)	(279.3)	(210.5)
Total COGS-Net	2,552.1	1,253.4	1,204.5
Total Gross Profit	962.7	484.4	456.7
Admin, Selling and Finance Expenses	(800.6)	(392.8)	(402.3)
Other Income	129.6	70.0	110.4
Profit Before Tax	291.6	161.6	164.8
Tax Expense	(19.3)	(11.4)	(14.9)
Profit for the period	272.3	150.1	149.9
<i>Profit Margin</i>	<i>7.7%</i>	<i>8.6%</i>	<i>9.0%</i>

EBITDA Calculation (AED mn)

	FYE 2013	H1 2013	H1 2014
Net Profit Before Tax	291.6	161.6	164.8
Depreciation and Amortization	160.3	68.4	90.2
Finance expense (Net)	47.4	28.6	18.5
Provisions on Inventories and Receivables (Gain)/loss on disposals of fixed assets and Investments	63.9	34.0	23.2
Gain on settlement of related party balances	3.9	(0.6)	(2.5)
Provision against gain on settlement of related party balances			(59.1)
Loss on Net Monetary Position	0.7		15.7
EBITDA	567.8	291.9	310.3
<i>EBITDA Margin</i>	<i>16.20%</i>	<i>16.80%</i>	<i>18.70%</i>
<i>EBITDA Growth</i>			<i>6.30%</i>

Balance Sheet Highlights

Our net debt position increased by AED 193mn to AED 1,518mn equivalent to 2.6x EBITDA as a result of longer working capital cycles. In H2 2014, management will focus decreasing the working capital cycle by enhancing inventory turnover and cash collections

- ❑ Total trade receivables increased by AED 173.6mn to AED 1,065.4mn (equivalent to 117 days of sales)
- ❑ During Q2 2014, the Company reached settlement of related party receivables worth AED 839.3mn via the receipt of a prime beach-front 270,000 sqm plot of land in Al Jazeera Al Hamra, Ras Al Khaimah
- ❑ Receivables from Joint Ventures increased marginally by AED 13.5mn to AED 323.3mn
- ❑ Inventories increased by AED 78.4mn to AED 1,194.1mn
- ❑ Net debt has increased by AED 193.4mn to AED 1,518.0mn

Net Debt (AED mn)

	Dec 13	Jun 14
Term Loan – Long Term	914.8	943.0
Term Loans – Current Portion	336.2	332.3
Total Term Loans	1,251.0	1,275.3
Working capital loans	573.1	588.2
<i>Less : Cash and Bank</i>	<i>(499.5)</i>	<i>(345.5)</i>
Net Debt	1,324.6	1,518.0
Cost of debt (Annualized)*	4.2%	2.9%
Net Debt to EBITDA (LTM)	2.33X	2.59X**

*On loans outstanding

**Based on H2 2014 LTM EBITDA of AED 586.2mn

FINANCIAL STATEMENTS

Consolidated Net Income



AED million

	H1 2013	H1 2014	Q2 2013	Q2 2014
Revenue	1,737.8	1,661.2	931.9	868.5
Cost of sales	(1,253.4)	(1,204.5)	(671.1)	(645.8)
Gross profit	484.4	456.7	260.8	222.7
Administrative and general expenses	(141.9)	(165.6)	(80.4)	(91.0)
Selling and distribution expenses	(171.3)	(178.4)	(92.0)	(86.8)
Other income	33.1	39.2	16.6	18.3
Results from operating activities	204.3	151.9	105.0	63.2
Finance cost	(79.7)	(58.4)	(26.2)	(19.6)
Finance income	12.7	8.3	7.5	3.0
Share of profit in equity accounted investees	24.2	19.5	14.6	11.0
Gain on settlement of related party receivables	-	59.1	-	59.1
Loss on net monetary position	-	(15.7)	-	(17.1)
Profit before tax	161.6	164.8	100.9	99.6
Tax (expense)/income	(11.4)	(14.9)	(5.1)	(8.4)
Profit for the period	150.1	149.9	95.8	91.2
<i>Profit attributable to:</i>				
Owners of the Company	148.2	151.3	97.3	93.3
Non-controlling interests	1.9	(1.4)	(1.5)	(2.1)
Profit for the period	150.1	149.9	95.8	91.2
<u>Earnings per share (AED)</u>	0.18	0.19	0.12	0.11

Consolidated Balance Sheet



AED million

Assets	Dec 2013	Jun 2014	Equity and liabilities	Dec 2013	Jun 2014
Non-current assets			Equity		
Property, plant and equipment	1,117.4	1,262.2	Share capital	743.2	817.5
Capital work-in-progress	51.6	62.7	Reserves	1,730.3	1,896.9
Goodwill	50.4	50.4	Equity attributable to owners of the Company	2,473.5	2,714.4
Intangible assets	20.5	19.6	Non-controlling interests	166.0	165.0
Investment properties	222.2	1,118.3	Total equity	2,639.4	2,879.4
Investments in equity accounted investees	214.3	204.7	Non-current liabilities		
Long term portion of receivable from related parties	205.2	-	Long term bank loans	914.8	943.0
Deferred tax assets	2.7	0.2	Provision for employees' end-of-service benefits	77.9	75.0
Total Non Current Assets	1,884.1	2,718.1	Deferred tax liabilities	7.4	10.0
Current assets			Total Non Current Liabilities	1,000.2	1,027.9
Inventories	1,115.7	1,194.1	Current liabilities		
Trade and other receivables	1,110.7	1,285.8	Short-term bank borrowings	909.3	920.5
Contract work-in-progress	82.3	92.6	Trade and other payables	980.2	985.9
Due from related parties	965.4	336.9	Billings in excess of valuation	2.3	4.0
Cash in hand and at bank	499.5	345.5	Provision for taxation	87.3	98.8
Assets classified as held for sale	20.3	20.3	Due to related parties	59.1	75.1
Derivative financial assets	1.3	-	Liabilities classified as held for sale	1.5	1.4
Total Current Assets	3,795.2	3,275.2	Derivative financial liabilities	-	0.1
Total assets	5,679.3	5,993.3	Total Current Liabilities	2,039.7	2,085.9
			Total liabilities	3,039.9	3,113.8
			Total equity and liabilities	5,679.3	5,993.3

Consolidated Cash Flow



AED million

	H1 2013	H1 2014		H1 2013	H1 2014
Operating activities			Investing activities		
Profit for the period before tax	161.6	164.8	Acquisition of property, plant and equipment and CWIP	(46.9)	(118.4)
<i>Adjustments for:</i>			Change in bank deposits	50.1	5.8
Share of profit in equity accounted investees	(24.2)	(19.5)	Additions to investment property	-	(0.0)
Loss on net monetary position	-	15.7	Proceeds from disposal of property, plant and equipment	0.9	2.9
Gain on settlement of related party receivables (net)	-	(48.1)	Acquisition of intangible assets	(1.7)	(0.5)
Finance expense	41.3	26.8	Cash acquired as part of acquisition of subsidiary	8.1	-
Finance income	(12.7)	(8.3)	Investment in equity accounted investees	(1.7)	-
Gain on disposal of property, plant and equipment	(0.6)	(2.5)	Dividend received from equity accounted investees	24.5	28.4
Depreciation on property, plant and equipment	60.3	85.8	Finance income received	12.7	5.3
Amortization of intangible assets	1.5	1.3	Net cash (used in) / from investing activities	46.1	(76.6)
Capital work in progress written off	1.4	3.4	Financing activities		
Depreciation on investment property	3.6	3.6	Long term bank loans availed	1,167.1	167.9
Provision for employees' end-of-service benefits	17.3	2.7	Long term bank loans repaid	(892.5)	(135.7)
	249.3	225.6	Net movement in short term bank borrowings (net)	4.6	(80.4)
Change in Working Capital			Finance expense paid	(41.3)	(26.8)
inventories (including contract work in progress)	(84.7)	(13.7)	Dividend paid	(148.6)	(111.5)
trade and other receivables	61.6	(198.5)	Dividend paid to non-controlling interests	(6.3)	(7.2)
due from related parties (including long term)	(0.4)	20.8	Funds invested by non-controlling interests	-	0.8
asset classified as held for sale	2.4	-	Net cash (used in) / from financing activities	83.0	(192.9)
trade and other payables (including billing-in-excess of valuation)	82.3	(9.1)	Net decrease in cash and cash equivalents	381.5	(235.8)
due to related parties	(49.2)	1.5	Cash and cash equivalents at the beginning of the period	289.0	436.0
liabilities classified as held for sale	0.0	-	Cash and cash equivalents at the end of the period	670.5	200.2
derivative financial liabilities	(1.3)	1.4			
deferred tax assets	(0.8)	2.4			
deferred tax liabilities	(0.0)	2.5			
Income tax refund / (paid)	(1.6)	15.8			
Employees' end-of-service benefits paid	(6.4)	(5.8)			
Directors' fees	(2.4)	(2.4)			
Currency translation adjustment	3.5	(6.7)			
Net cash from operating activities	252.4	33.7			

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