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CERAMICS

2016 Full Year Results Presentation

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Operating Highlights

Mr. Abdallah Massaad, *Chief Executive Officer*

2016 Operational Highlights

Capacity Expansions in Growth Segments
- 20% increase in SW Capacity in UAE
- 42% increase in Tile Capacity in Bangladesh

Integration of European Distribution
- Sales teams reorganized
- New Frankfurt showroom and office
- Italy as main distribution hub

Raw Material Savings
- AED30mn saved in raw materials, packing and shipping.

Capacity & headcount right sizing
- Some production lines halted over H2/16.
- UAE headcount lower to match capacity reduction

UAE Tile Production Mix Revamp
- One Ceramic plant converted to GP in Q3. Ceramic/GP production mix now 63/37 from 74/26 at end Q3/16.

Projects and Retail Channels
- UAE Project sales team strengthened resulting in sales +6% YoY. Showroom renovations to pay off 2017.

B'desh & Tableware
- B'desh tile GM +240bps through lower COP & product mix
- Tableware growth on new product introductions. US market tapped for growth

Product Design
- Fewer tile collections launched (53 vs 160 in '15) to enhance brand image & product positioning. SW collection in process to launch at ISH fair.

Rebranding
- Launch across UAE, Europe, India and Australia. Common look and feel to enhance brand perception

Financial Highlights and Segment Review

Mr. PK Chand, *Chief Financial Officer*

2016 Financial Highlights

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Group Revenue
- 2016 AED2.8bn, -9.3% YoY
- Core Revenue -6.1% YoY
- Non Core Revenue -26.1% YoY

Gross Margins
- Csldtd. 30.5%, +230bps YoY
- Core 30.5% +120bps YoY
- Non core 30.3% +770bps YoY

EBITDA
- AED485.7mn, -18.2% YoY
- EBITDA margin 17.4% -190bps YoY

Like for Like Net profit
- AED216mn vs.343mn, -37.1% YoY

Total Provisions
- AED185mn vs 53 mn taken during the year for inventory, receivables and others

Reported Net Profit
- AED31mn, -90.1% YoY

CAPEX
- Continued investment of AED 215 vs AED 267 mn YoY

Working capital
- Reduced AED 173 mn at 1.68 bn (234 days) vs 1.86 bn (228 days) in Dec’15

Gearing
- Net debt +3.0% YoY at 1.66 bn.
- Net Debt to EBITDA ratio at 3.42x vs 2.71x end 2015

Tile Revenues

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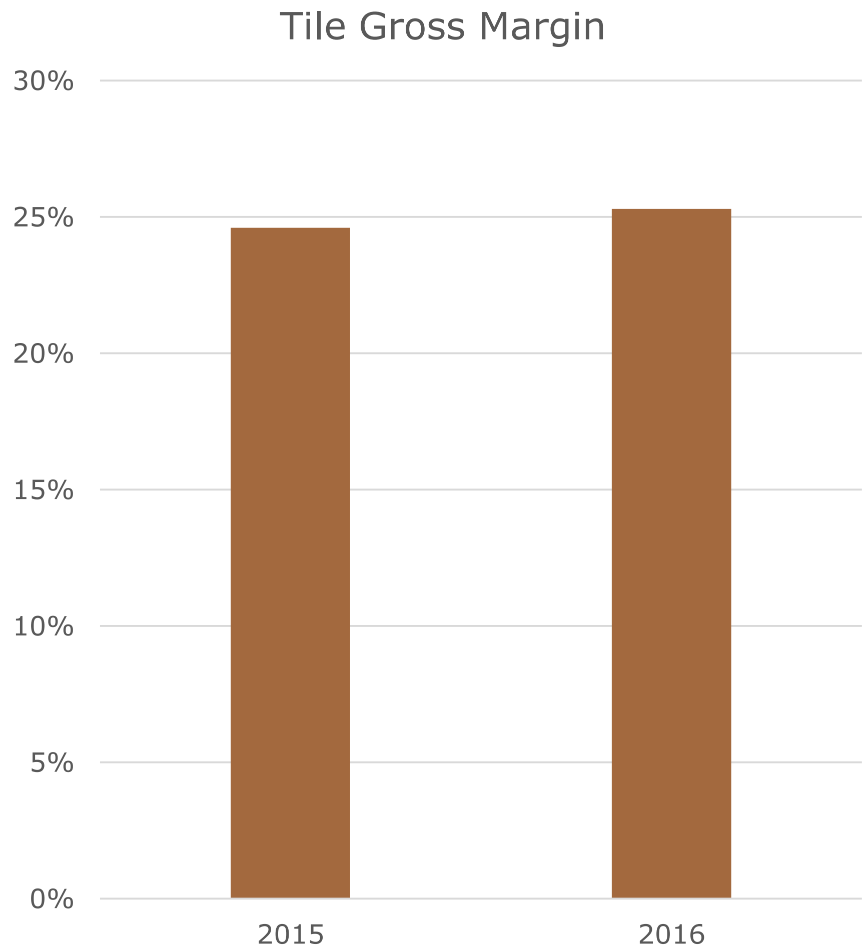
- 2016 tile revenues decreased by 10% YoY.
- Sales to the UAE, our largest market, rose 1.3% YoY. Project sales rose 6.1% YoY while retail sales were flat due to the remodeling of UAE showrooms which completed in Q4/16. Sales to the trader channel fell -6.2% YoY.
- GCC sales continue to be under pressure due to construction sector weakness, in particular in Saudi Arabia, where sales fell -41.8% YoY on volume and price declines as distributors were tentative about taking up inventory due to ongoing weakness in business sentiment.
- Sales to Europe rose 30.2% YoY; **excluding the impact of consolidation of Distribution JVs, sales rose 10..9% YoY** despite logistics issues in Q3/16 which impacted sales. In Q4/16, excluding the impact of consolidation, sales to Europe declined 4.2% YoY
- By production location, India tile revenues decreased 27.1% YoY. Volumes fell 18.5% and ASPs by 8.5% reflecting a competitive environment and lower energy costs. The decline in ASPs also reflects a lower valuation in the Indian Rupee versus the USD YoY.
- Tile revenues from Bangladesh soared 10.5% YoY lead by higher volumes post the completion of our tile capacity expansion in Q2/16. Utilization rate peaked in Q4/16.

Tile Revenues by End Market			
(AED Millions)	2015	2016	YoY
UAE	482.6	488.8	1.3%
Saudi Arabia	370.4	215.7	-41.8%
Rest of GCC	116.3	97.2	-16.4%
MENA	110.6	105.0	-5.1%
India	364.0	269.9	-25.9%
Europe	215.5	280.6	30.2%
Bangladesh	143.6	158.8	10.5%
Africa	78.3	79.9	2.1%
Others	115.6	102.5	-11.3%
Total Tile Revenues	**1,996.9**	**1,798.3**	**-10.0%**

Tile Revenues by Production Location			
(AED Millions)	2015	2016	YoY
UAE	1,479.1	1,364.4	-7.8%
India	357.0	260.4	-27.1%
Bangladesh	143.3	158.4	10.5%
Iran	11.0	7.3	-33.6%
China	6.5	7.7	18.5%
Total Tile Revenues	**1,996.9**	**1,798.3**	**-10.0%**

Tile Margins

- 2016 tile margins rose by 80bps YoY to 25.3%.
- By production location, Tile Gross Margins in the UAE were weaker by 70bps to 29.4% vs. 30.1% in 2015, led by lower volumes and pricing in exports.
- Tile margins in India fell to 15.1% from 18.1%, reversing the margin improvement trend in previous quarters as volumes and ASPs were impacted by demonetization and a tough competitive environment.
- Tile gross margin rose in Bangladesh by 240bps to 37.6% on higher fixed cost absorption due to tile capacity expansion and offset the declines in UAE and India.



We 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

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- 2016 Sanitaryware sales rose 2.7% YoY.
- Sales to the UAE rose 2.1% YoY as Q4/16 sales bounced 15.5%. Reversing the slight pressure in the first nine months of the year.
- Sales to KSA fell 31.6% YoY as Q4 fell -59.7% as lower priced imports form India continue to put pressure on an already weak market.
- Sales to Europe increased 15.5% YoY but were lower by 5.5% excluding the impact of consolidation. As previously mentioned, Q3/16 sales were impacted by logistics issues during the centralization of our distribution hub to Italy. Moreover, a significant portion of our sanitaryware revenues are denominated in British Pounds. The lower British Pound vs. the AED had a material impact on sales and revenues to the UK, the company's main European market for sanitaryware
- By production location, revenues from the UAE rose by 2.8% YoY; factoring in the lower Pound revenue growth would have been higher by 5.4%.
- Revenues from India decreased 24.3% YoY on a -17.8% decline in volume.
- Revenues from Bangladesh soared 10.5% YoY, lead by higher volumes while pricing was stable.

Sanitaryware Revenues by End Market			
(AED Millions)	2015	2016	YoY
UAE	136.7	139.6	2.1%
Saudi Arabia	29.3	20.0	-31.6%
Rest of GCC	14.4	12.8	-11.1%
MENA	11.7	11.1	-5.0%
India	27.4	21.2	-22.7%
Europe	104.5	120.7	15.5%
Bangladesh	92.9	102.7	10.5%
Africa	12.9	11.6	-10.2%
Others	14.2	16.5	16.2%
Total Sanitaryware Revenues	**444.0**	**456.2**	**2.7%**

Sanitaryware Revenues by Production Location			
(AED Millions)	2015	2016	YoY
UAE	323.9	332.9	2.8%
India	27.2	20.6	-24.3%
Bangladesh	92.9	102.7	10.5%
Total Sanitaryware Revenues	**444.0**	**456.2**	**2.7%**

Sanitaryware Margins

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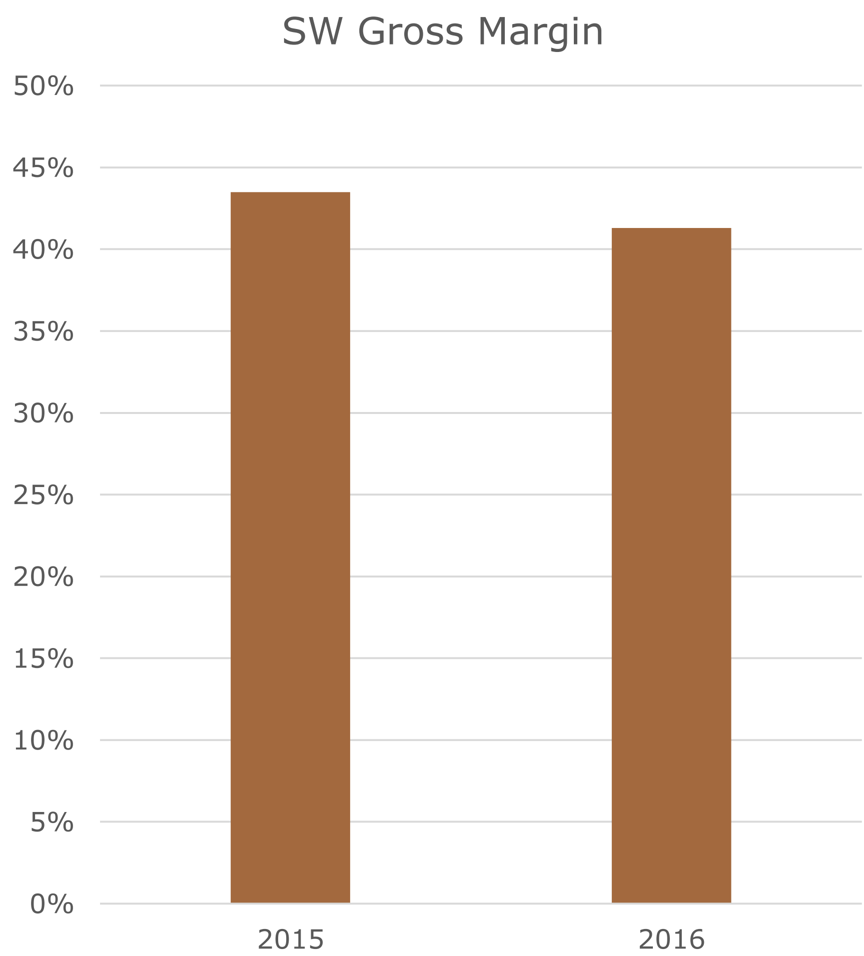
- 2016 sanitaryware margins fell 220bps YoY to 41.3%. The main reason for the decline in gross margin is an unfavorable product mix and the impact of the lower British Pound on our sales to the UK.
- In terms of production location, UAE margins decreased from 44.6% to 42.9%. Similarly, Bangladesh margins decreased by 360bps YoY.
- India margins fell sharply from 22.8% to 8.6% on lower utilization amid brand performance issues and lower demand due to demonetization, among others.



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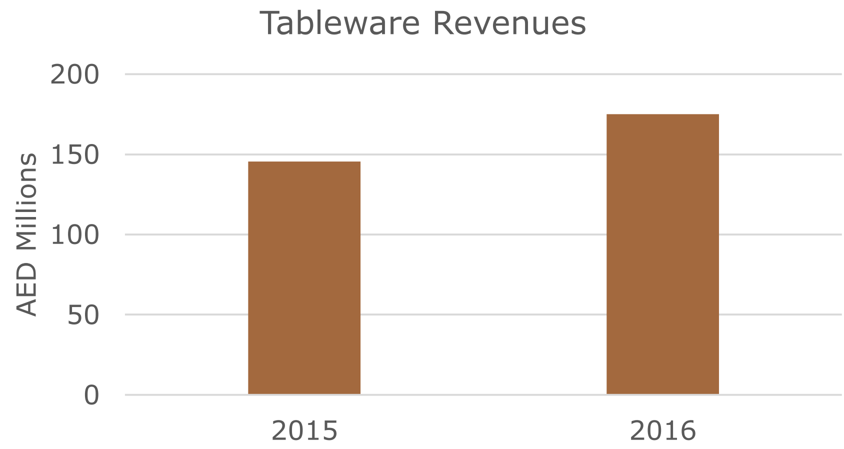
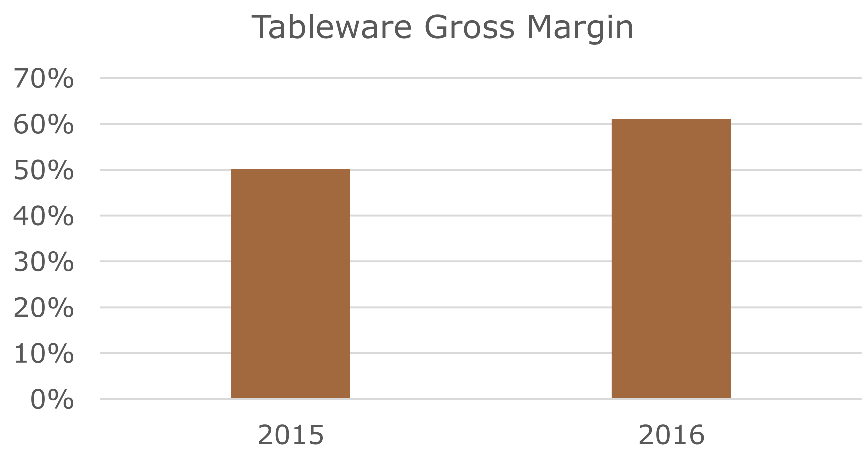
Tableware

- 2016 tableware revenues increased to AED175.0mn from AED145.6mn in 2015, a 20.1% increase YoY. Excluding the impact of consolidation of RAK Porcelain Europe, YoY growth was 8.3%
- During 2016, the company was very successful in introducing new product lines at substantially higher ASPs. Among the new line of products in 2016, was a line of cutlery that sold out very quickly and the company plans to substantially increase its cutlery offering in 2017.
- During the course of the year the company also entered the US market with a showroom in NYC. Sales to the US in 2016 were ~ AED8mn and the outlook for growth is promising.
- Tableware Gross Margin was 61%, +1090bps YoY. On a like for like basis, Excluding the impact of consolidation of RAK Porcelain Europe, Tableware gross margin rose 370bps to 56.8%.
- We remain confident of solid growth and profitability for tableware in 2017.





Non-Core Revenues

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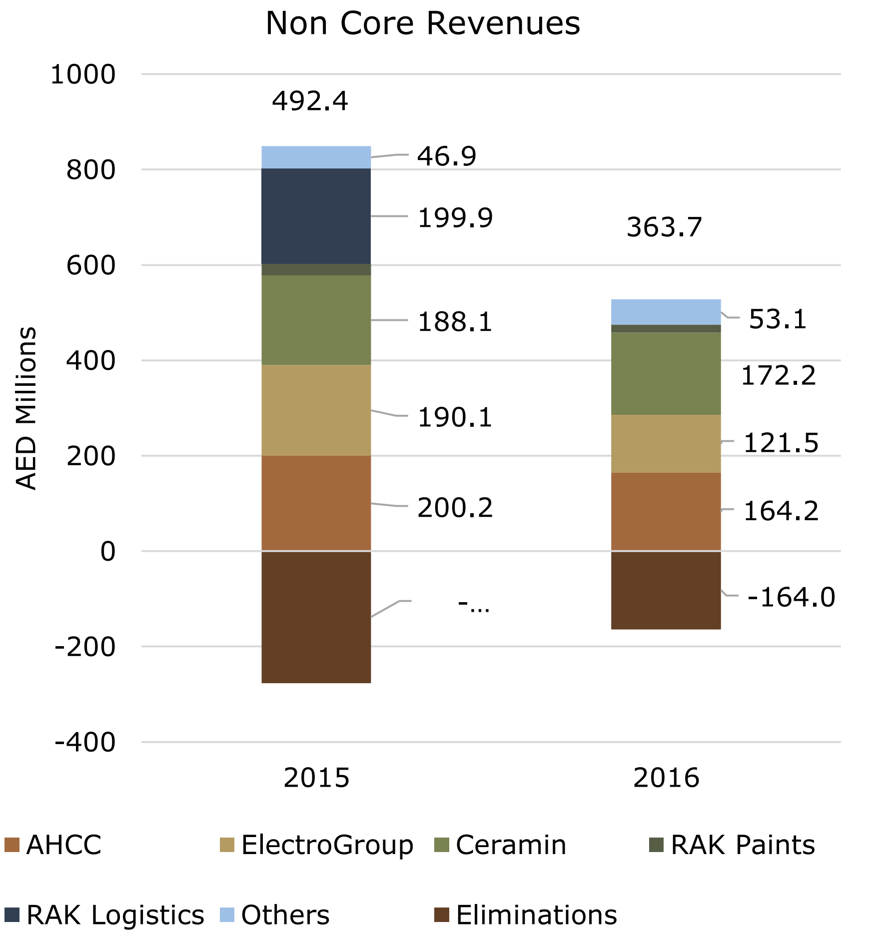
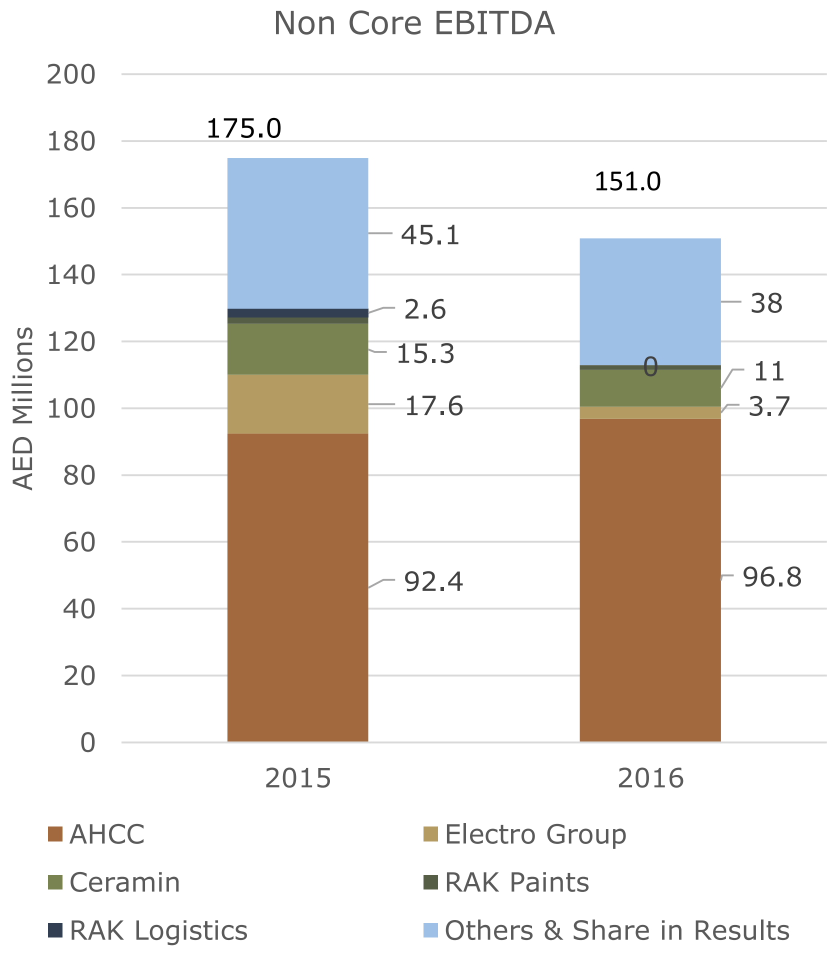
- 2016 non core revenues were AED363.7mn vs. AED492.4mn, a -26.1% decline YoY.
- About **40% of the decline in attributable to the contribution of RAK Logistics** (AED56mn) to 2015 revenues whereas the unit was sold in late 2015. The remainder of the decline was caused by lower revenues at Al Hamra construction as the company is in the final stages of execution of its rough grading contract and at Electro RAK as a result of the general weakness in the construction sector in the UAE.

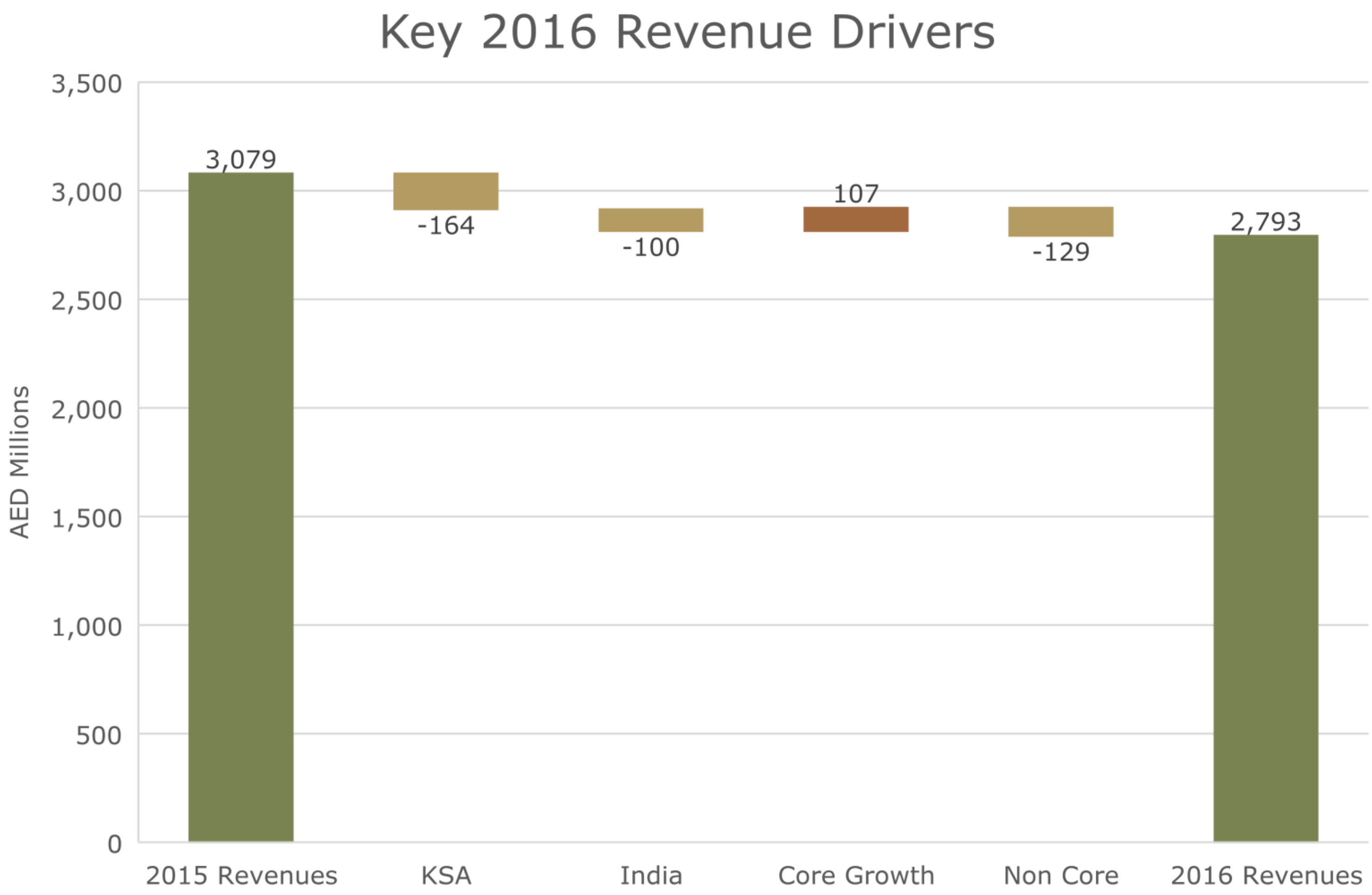


Non-Core Margins

- For non core, we show EBITDA margin, as we believe it is a more relevant metric for this group.
- Non Core EBITDA fell 13.7% YoY. EBITDA margin rose 600bps YoY to 41.5% from 35.5%.
- Stronger profitability at AHCC was offset by weakness in Electro Group and Ceramin, the group's raw material trading unit.



2016 Revenue Bridge



EBITDA

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- We calculate EBITDA adding back Provisions against receivables collection, extraordinary provisions and other non recurring items
- On this basis, 2016 EBITDA was AED485.7mn, a -17.8% decline YoY. EBITDA margin fell -190bps YoY to 17.4% from 19.3%

EBITDA Calculation			
(AED Millions)	2015	2016	YoY
Net Profit	310.3	30.8	-90.1%
Tax	22.4	15.8	-29.5%
D&A	209.6	199.0	-5.1%
Finance Expense	45.5	55.3	21.5%
Provisions for Receivables	29.5	42.1	42.7%
Extraordinary provisions	0.0	132.6	nm
Impact due to strategic decisions	-30.2	10.1	nm
Other	6.9	0.0	nm
EBITDA	**594.1**	**485.7**	**-17.8%**
EBITDA Margin	**19.3%**	**17.4%**	**-190bps**

Provisions Breakdown

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Items	Amount – AED Mns
In COGS	
Provision for slow moving or obsolete inventory	70.7
Write Off of Inventories	18.0
In G&A	
Provision for impairment loss on trade receivables / amounts due from related parties	61.7
Impairment charge on goodwill	12.9
In Share in Results of Equity Accounted Investees	
Provision for impairment in shares in results	21.7
Total	**185.0**
Of Which is Extraordinary	**132.0**

COGS Breakdown

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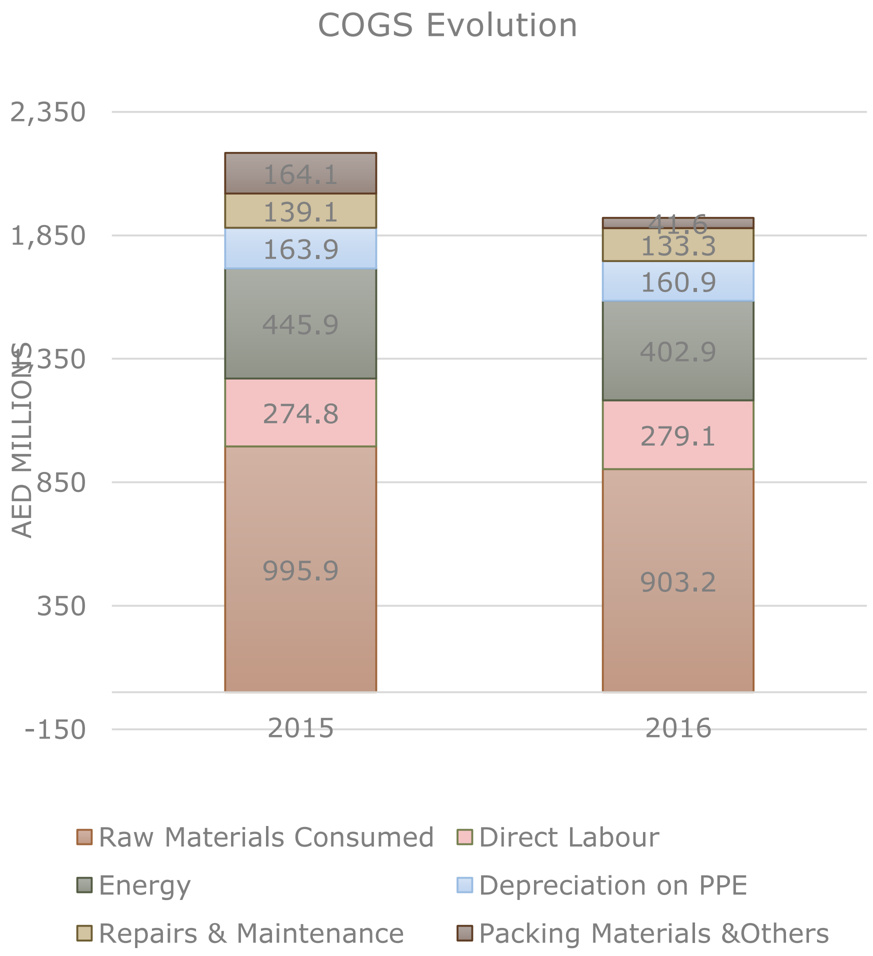

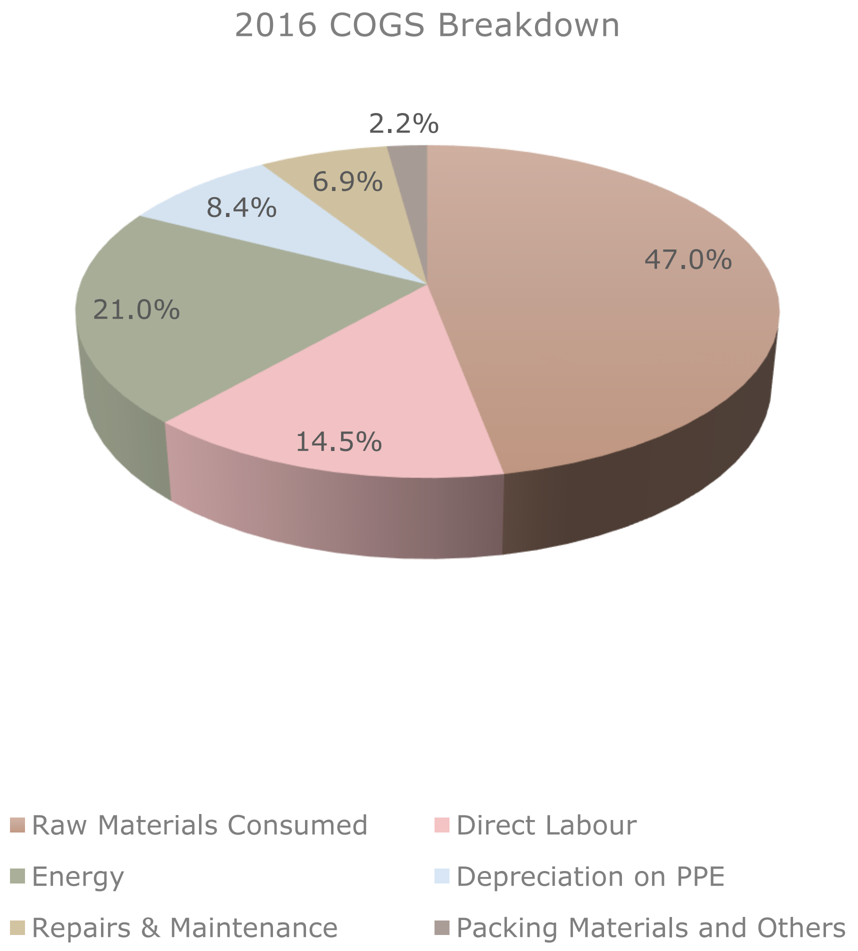

SG&A Breakdown

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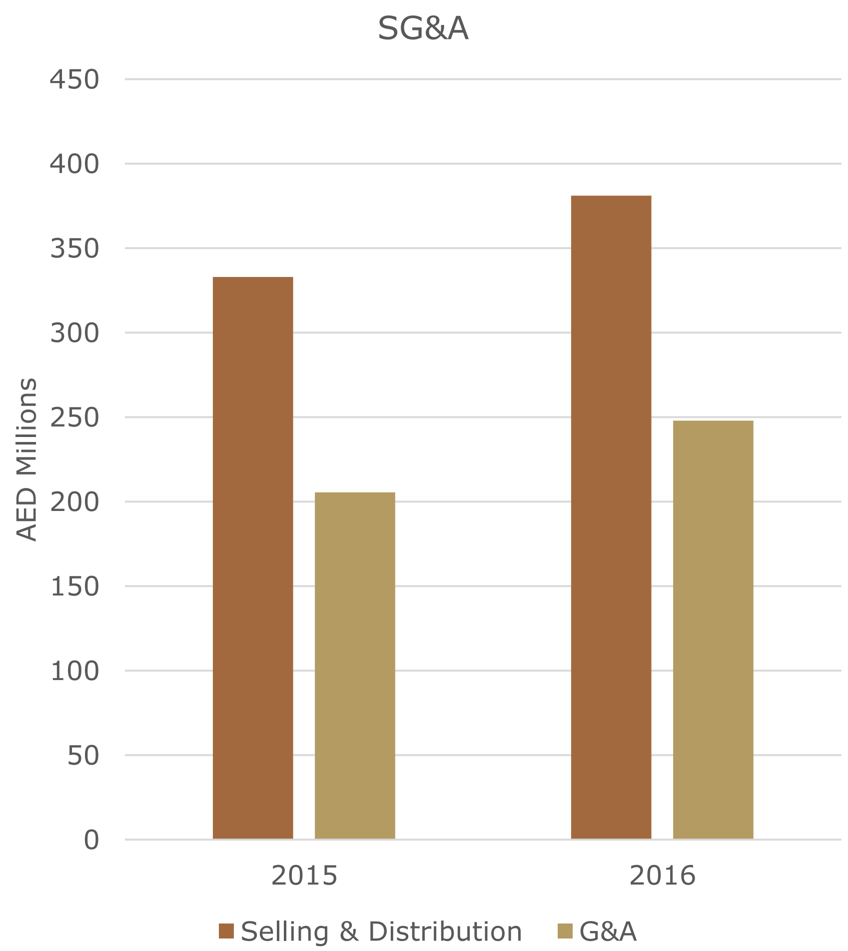
- Administrative and general expenses during 2016 rose 20.1% YoY to AED247.8mn from 205.5mn in 2015. Of the increase, AED19mn relates to additional layer of costs from the consolidation of European distribution infrastructure and AED24.6mn from one offs and provisions.
- Selling and distribution expenses rose 14.4% YoY to AED381mn from AED332.9mn in 2015. Included in this figure is AED82mn related to the consolidation of European distribution infrastructure. **Excluding the consolidation, selling and distribution expenses would have declined -10.2% YoY.**



Net Debt and CAPEX

- Net debt rose 3.1% YoY but -4.1% QoQ to AED1.7bn. Net Debt/EBITDA rose to 3.4x from 2.7x at end Q4/15 and 3.2x at end Q3/16 on account of lower profitability.

Revised 2017e CAPEX Guidance

- At the time of Q3/16 results, we stated that having completed our expansion plans during 2016, we anticipated minimal capex requirements going forward beyond maintenance capex. While we continue to believe that our current capacity is sufficient to meet our needs in the short and medium term, we now believe that further investment in the business is required to lower our production costs, in light of rising energy costs and a very competitive environment among GCC tile and sanitaryware producers.
- We now **anticipate CAPEX of AED265mn in 2017** vs. our previous guidance of AED125-AED150mn, the level of maintenance CAPEX historically. Included in this AED265mn figure is AED133mn on new projects including AED84mn in the UAE on co-generation projects, larger kilns and hydraulic presses; **the payback period on this investment is estimated to be ~2 years.**
- Also included in the AED133mn figure are AED25mn for Iran and AED24mn to setup our own distribution for tableware in Europe whereas we currently rent.

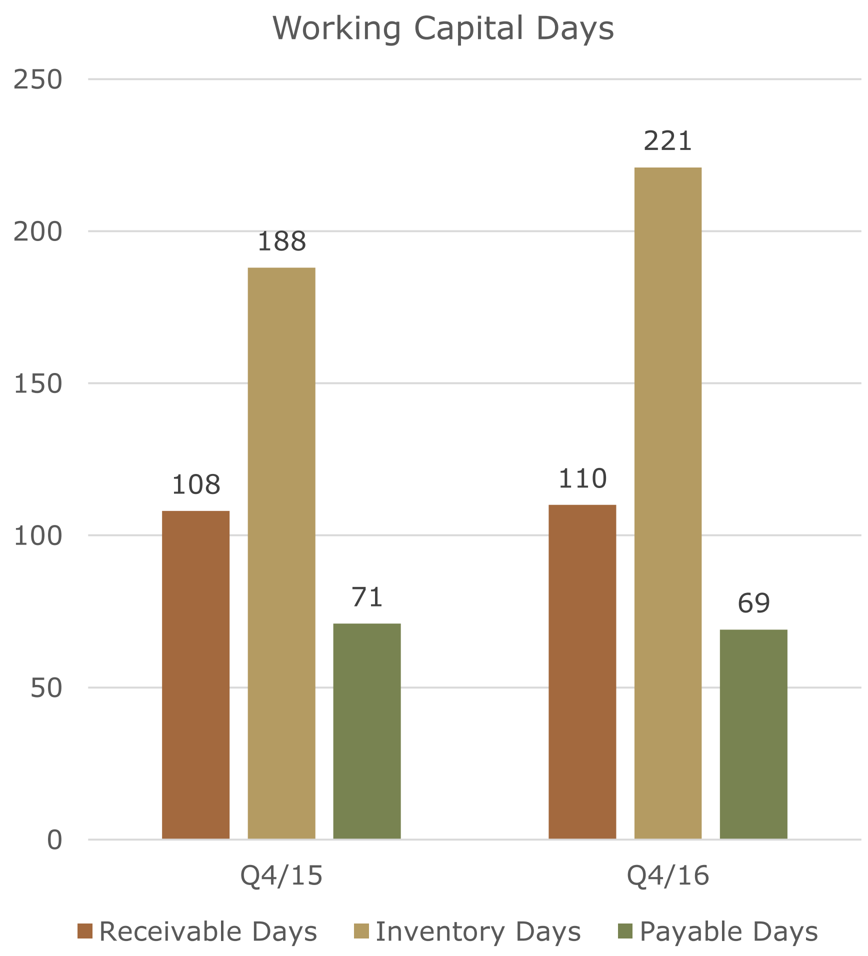
Net Debt			
AED Mns	Q4/15	Q3/16	Q4/16
Long Term Loan	1,309.7	1,243.2	1,307.9
STL & TR	654.7	768.7	767.5
Overdraft	8.6	58.1	8.7
Gross Debt	1,973.0	2,070.0	2,084.1
Cash & Bank*	(363.4)	(339.0)	(424.5)
Net Debt	1,609.6	1,731.0	1,659.6
Cost of Debt	2.60%	2.77%	2.86%
Net Debt to EBITDA	2.7x	3.2x	3.4x

CAPEX Breakdown			
AED Mns	2015	2016	2017e
RAKC UAE	149.9	135.8	161.5
Bangladesh	92.2	27.4	12.1
India	11.8	2.4	10.7
Others*	13.5	49.4	80.6
Total	**267.4**	**214.6**	**264.9**

**2016 CAPEX includes AED37.4mn FEWA connection charge*

Working Capital

- During the year and particularly in Q4/16, distributors in the GCC were skittish about taking on more inventory and as a result of days of inventory on hand rose to 221 days from 188 days in Q4/15.
- We continue to manage our receivables well as a result of stringent measures we put in place to minimize counter party risk and our receivable days outstanding rose slightly YoY from 108 days to 110 days on account of lower revenues
- Payable days fell from 71 days to 69 days.



Closing Comments

Mr. Abdallah Massaad, *Chief Executive Officer*

2017 Group Initiatives

UAE local market
- Grow market share, pursue project channel penetration and grow retail channel. Flagship showroom in Dubai in planning stage.

India
- Morbi JV expected 2017
- Strategic tie up under discussions
- Planning projects team as additional sales channel

Iran
- Ramp up production near 65% capacity and develop regional sales.
- New integrated ERP

Product Differentiation
- Further enhance tile product range, launch new strategic
- SW collection and build on Tableware success with new products and cutlery

Branding
- Rolling out branding to Bangladesh and KSA.
- Continue investing in Brand image in UAE & India

Supply Chain Mgmt
- Restructure current setup with clear responsibilities to improve operational efficiency & improve working capital

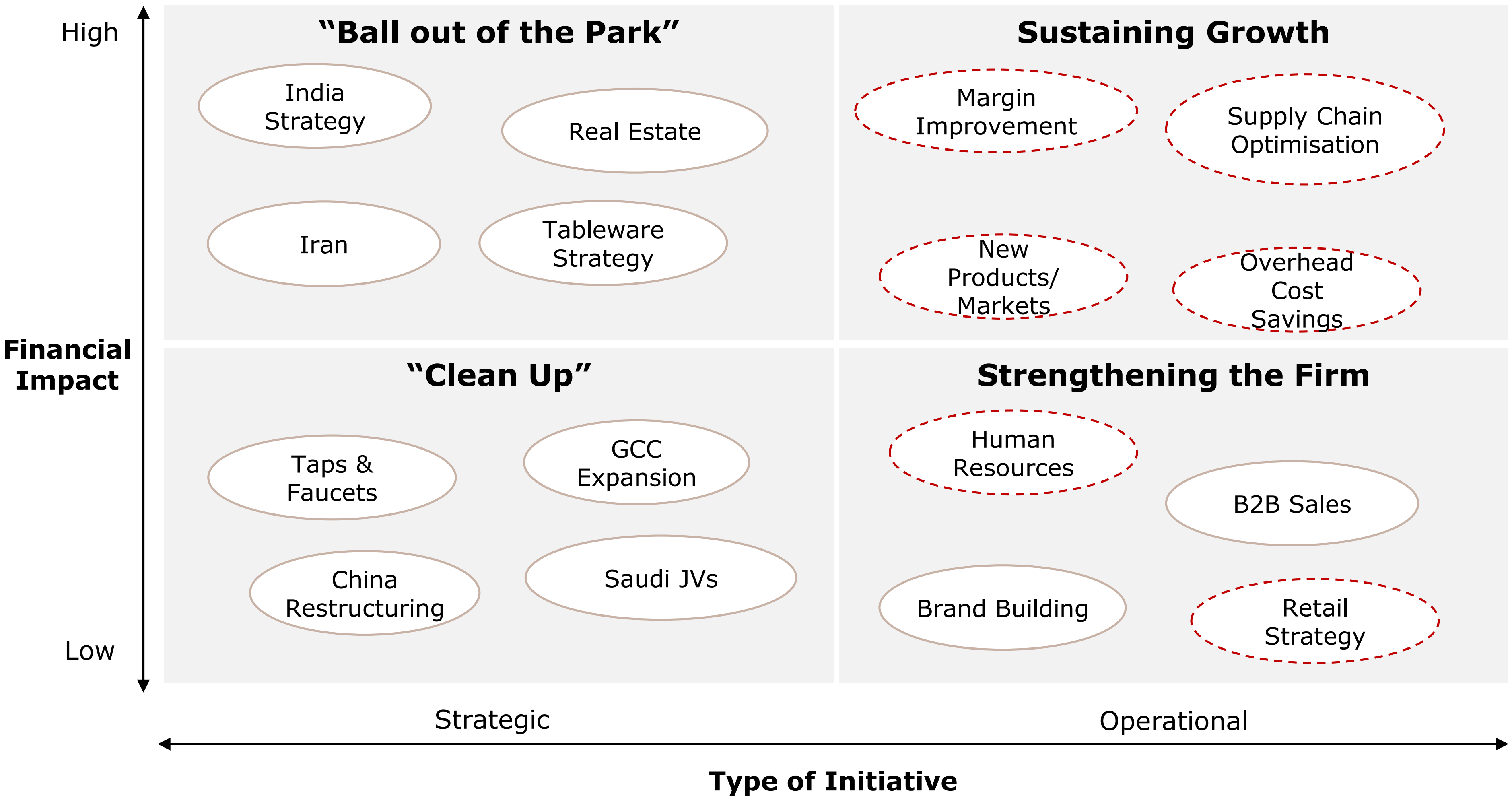
Cost efficiencies
- Energy (Co Generation)
- Productivity initiatives
- Overhead cost control

Dealers
- Strengthen the vertical
- Increase sales/marketing support
- Attract new customers
- Re-evaluate KSA setup

Acquisitions
- GCC & Europe on opportunistic basis

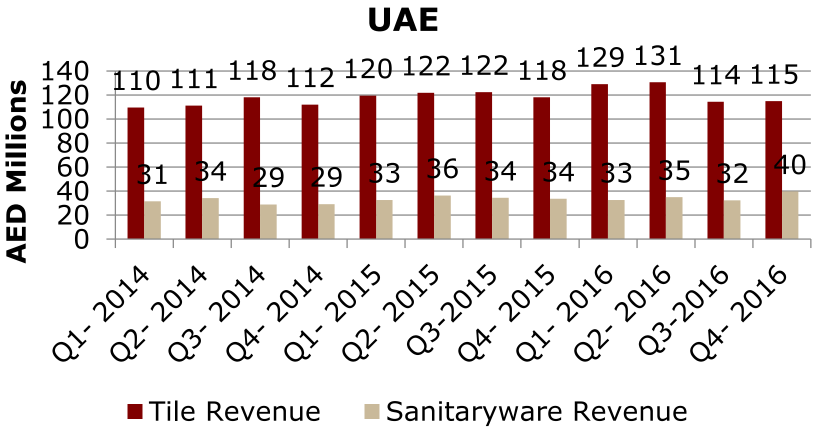
Appendix

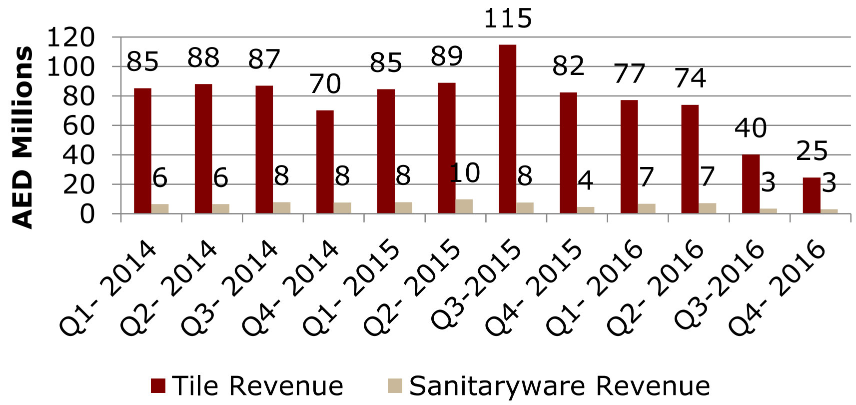
VCP 2.0

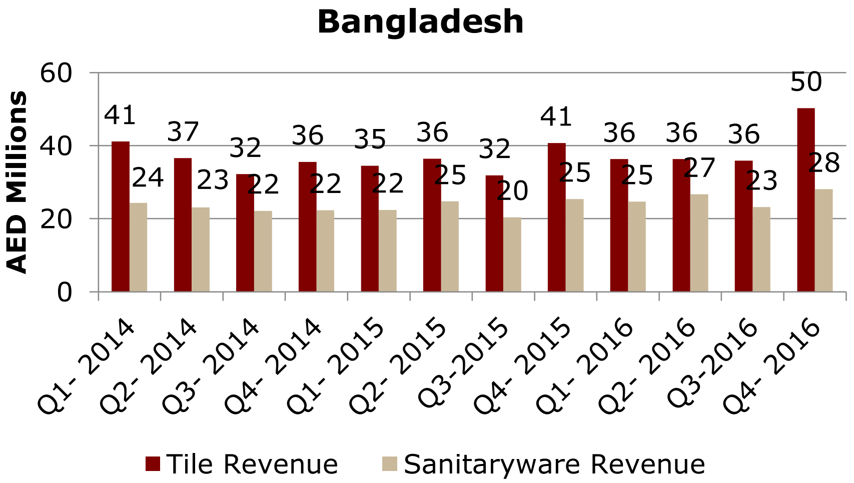


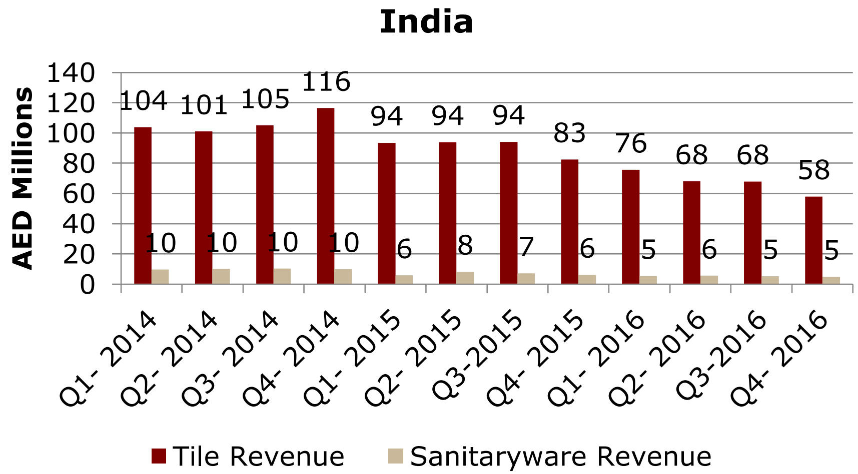
High
Financial Impact
Low
"Ball out of the Park"
India Strategy
Real Estate
Iran
Tableware Strategy
Sustaining Growth
Margin Improvement
Supply Chain Optimisation
New Products/ Markets
Overhead Cost Savings
"Clean Up"
Taps & Faucets
GCC Expansion
China Restructuring
Saudi JVs
Strengthening the Firm
Human Resources
B2B Sales
Brand Building
Retail Strategy
Strategic
Operational
Type of Initiative

Focus Markets Sales Trends









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Thank you