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Q1/17 Results Presentation

May 9th 2017

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Operating Highlights

Mr. Abdallah Massaad, *Chief Executive Officer*

Q1/17 Operational Highlights

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Core Revenues
- AED 620.6mn
- -3.7% YoY, +10.8% QoQ

Tiles Sales
- -10% YoY, +13.0% QoQ
- Tiles ASP's +1.3% YoY

Sanitaryware Sales
- +9.6% YoY, +2.9% QoQ
- UAE main driver, +17.9% YoY
- ASP's +2.3% YoY

Tile GM Improvement
- Tile GM +160bps YoY to 27.1%.
- Highest Q1 tile margin since 2014

Local Market Strength
- UAE sales +5.4% YoY, +10.3% QoQ
- Project sales +12.0% YoY
- Retail showing increased footfall but results yet to show on stock availability

KSA Rebound
- KSA sales -39.1% YoY but +85.0% QoQ
- SW revenues back to historical levels

SG&A Savings
- 6.2% lower on like for like basis , savings run-rate of AED 2.5mn/month
- On target for AED25-30mn reduction in 2017

Inventory Reduction
- UAE tile inventory lower by 1.5m sqm QoQ
- UAE SW inventory lower by 0.25mn pieces QoQ

M&A
- Electro RAK sale concluded for AED45mn
- Saudi distributor acquisition ongoing
- India target identified

Financial Highlights and Segment Review

Mr. PK Chand, *Chief Financial Officer*

Q1/17 Financial Highlights

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Group Revenue
AED681.1mn
-7.4% YoY, +4.0% QoQ

Core Revenue
AED620.6mn
-3.7% YoY, +10.8%QoQ

Consolidated GM
31.7%, +150bps YoY
Core 32.1%, +190bps YoY
Non core 27.1%, -320bps YoY

EBITDA
AED114.8mn
-17.0% YoY, +11.5% QoQ

Core EBITDA
AED96.4mn, flat YoY
Margin 15.5%, +60bps YoY

Reported Net profit
AED64.5mn (vs.65.9mn)
-2.1% YoY
Net profit margin 9.5%
+50 bps YoY

Owners share of profit
AED55.0mn (vs 57.8mn)
-4.8% YoY

Like for Like Net profit
AED51.2mn, -34.1% YoY
Excludes provisions, gain on stake sale of Electro RAK & civil assets of AHCC

Capex
Spent AED19.7
vs FY2017 budget AED265mn

Working capital
Reduced by AED46mn to 1.63bn (235 days)
vs 1.68bn (230 days) in Dec'16

Net Debt
AED1.73bn, +4.1% QoQ
Net Debt to EBITDA ratio at 3.74x vs 3.42x Q4/2016
(Dividends paid AED141.3mn)

Tile Revenues

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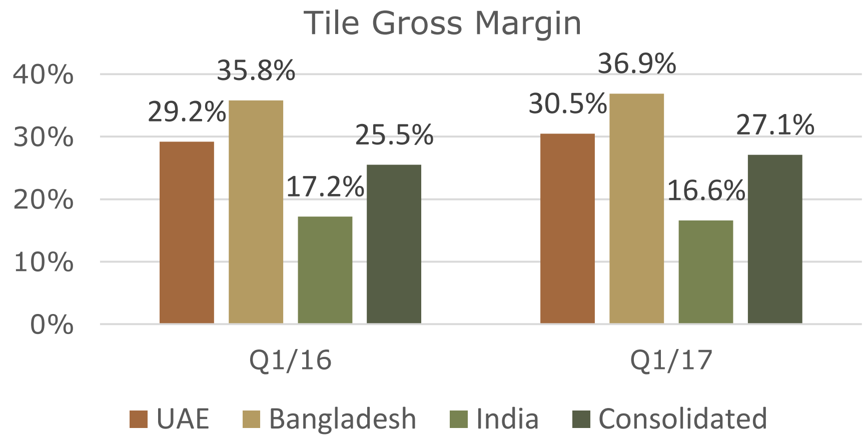
- Q1/17 tile revenues decreased by 10% YoY but rose 13.0% QoQ.
- Sales to the UAE rose 2.2% YoY with growth in project sales leading the way. Footfall in our retail showrooms have doubled versus last year and we expect strong growth in retail sales in the coming months.
- KSA sales continue to be under pressure YoY but we think bottom is behind us.
- Sales to Europe reflect consolidation of Italy in Q3/16. Excluding this, YoY sales growth would have been AED8.9mn lower or -33.3% YoY.
- Export sales continue to show differing trends between ceramic and porcelain tiles with the former down significantly primarily due to lower demand in KSA while the latter is seeing strong demand in the GCC with rising ASPs.
- Tile revenues from Bangladesh reflecting capacity additions in Q2/16.

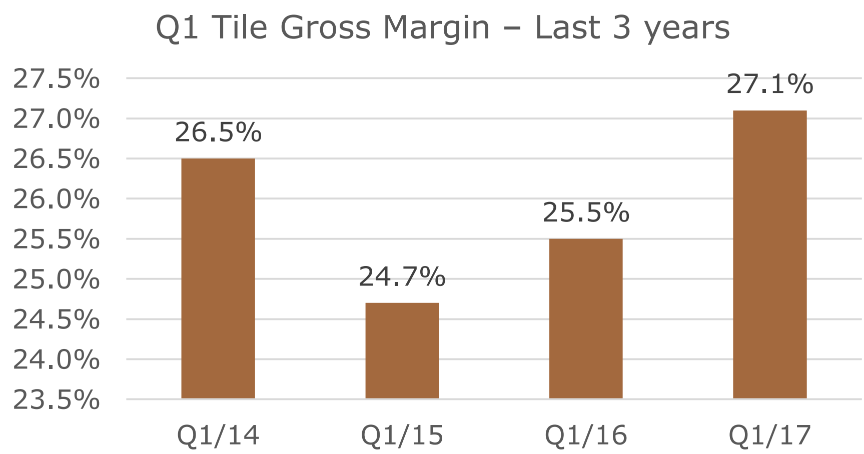
Tile Revenues by End Market					
(AED Millions)	Q1/16	Q4/16	Q1/17	YoY	QoQ
UAE	129.0	114.9	131.9	2.2%	14.8%
Saudi Arabia	77.0	24.6	44.8	-41.9%	82.3%
Middle East	36.6	38.7	32.4	-11.5%	-16.3%
India	75.7	58.3	69.2	-8.6%	18.7%
Europe	77.2	56.1	60.4	-21.8%	7.6%
Bangladesh	36.3	50.3	47.4	30.5%	-5.7%
Africa	40.4	32.7	32.8	-18.9%	0.2%
Others	23.7	19.5	27.7	32.6%	39.9%
Total Tile Revenues	**496.0**	**395.1**	**446.4**	**-10.0%**	**13.0%**

Tile Revenues by Production Location					
(AED Millions)	Q1/16	Q4/16	Q1/17	YoY	QoQ
UAE	383.3	287.5	327.3	-14.6%	14.0%
India	73.2	55.8	66.4	-9.3%	19.0%
Bangladesh	36.3	50.2	46.9	29.2%	-6.6%
Iran	2.3	1.2	5.6	143.5%	366.7%
China	0.9	0.4	0.2	-77.8%	-50.0%
Total Tile Revenues	**496.0**	**395.1**	**446.4**	**-10.0%**	**13.0%**

Tile Margins

- Q1/17 consolidated tile margins rose 160bps YoY to 27.1%, a 3-year high.
- Tile gross margins in the UAE increased 120bps YoY to 30.4% on the back of a more favorable product mix and production cost savings.
- Tile gross margins in Bangladesh rose 110bps to 36.9% on higher fixed cost absorption due to tile capacity expansion in Q2/16.
- Tile margins in India fell slightly by 60bps to 16.6%.





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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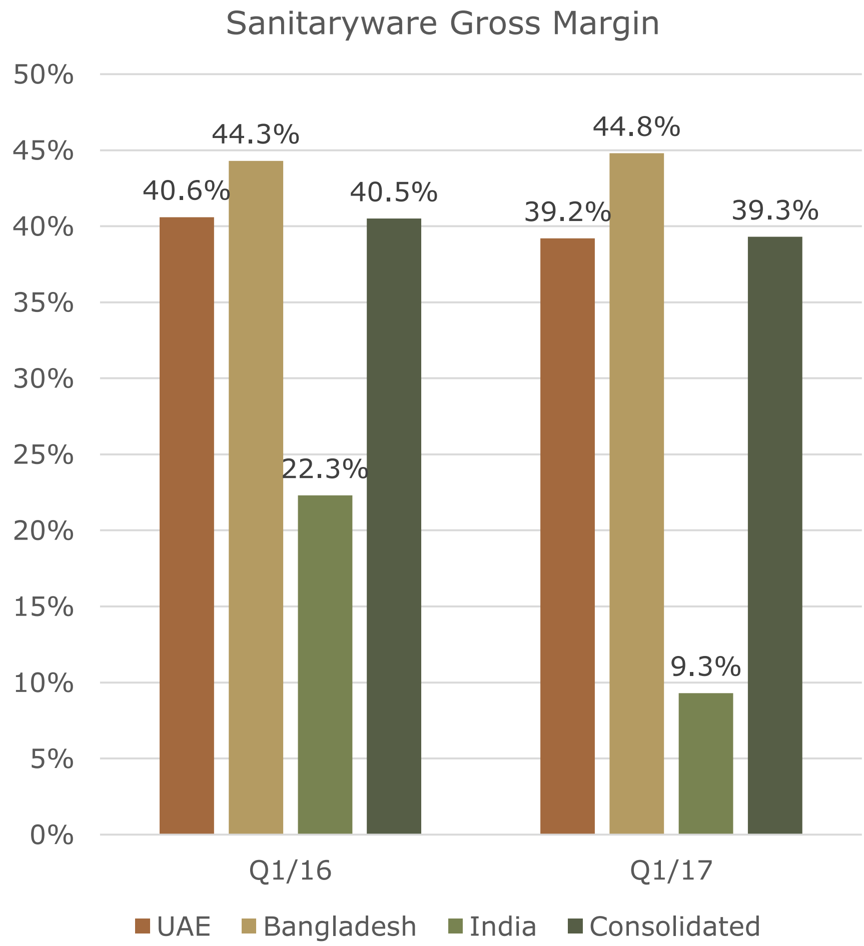
- Q1/17 sanitaryware sales rose 9.6% YoY. Sales to the important UAE market rose 17.9% YoY.
- Sales to Europe rose 19.1% YoY. Sales to Europe include the impact of Italian consolidation of AED4.1 million. On a like for like basis, European sales growth was 5.1% YoY.
- By production location, revenues from the UAE rose by 15.1% YoY.
- Revenues from India decreased 24.5% YoY on a decline in volume during the quarter as we halted production of SW for 2 months in the quarter.
- Revenues from Bangladesh were flat YoY.

Sanitaryware Revenues by End Market					
(AED Millions)	Q1/16	Q4/16	Q1/17	YoY	QoQ
UAE	32.7	39.7	38.5	17.9%	-3.0%
Saudi Arabia	6.7	3.0	6.2	-7.7%	106.8%
Middle East	4.4	5.3	6.1	40.2%	16.2%
India	5.4	4.8	4.1	-23.7%	-14.6%
Europe	29.1	30.6	34.7	19.1%	13.3%
Bangladesh	24.7	28.1	24.5	-0.9%	-12.8%
Africa	4.5	3.5	3.9	-12.9%	13.2%
Others	4.0	3.9	4.2	5.0%	7.5%
Total SW Revenues	**111.5**	**118.8**	**122.2**	**9.6%**	**2.9%**

Sanitaryware Revenues by Production Location					
(AED Millions)	Q1/16	Q4/16	Q1/17	YoY	QoQ
UAE	81.4	86.0	93.7	15.1%	9.0%
India	5.3	4.7	4.0	-24.5%	-14.9%
Bangladesh	24.7	28.1	24.5	-0.1%	-12.8%
Total Sanitaryware Revenues	**111.5**	**118.8**	**122.2**	**9.6%**	**2.9%**

Sanitaryware Margins

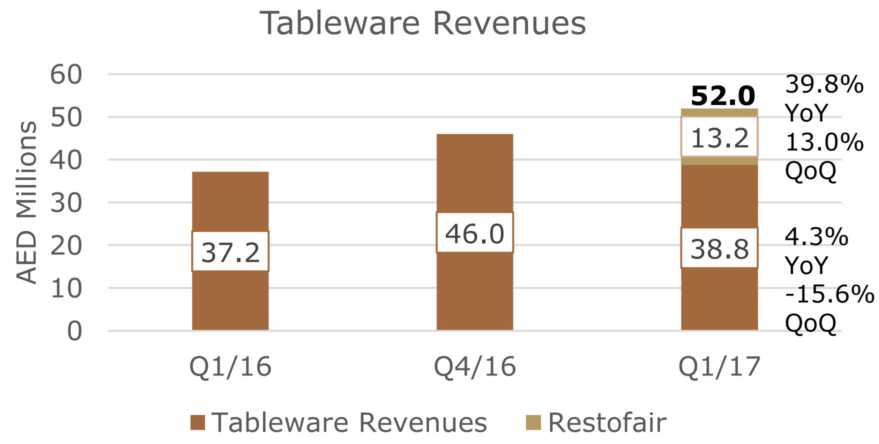
- Q1/17 sanitaryware margins fell 120bps YoY to 39.3%. The main reasons for the decline are lower production and the impact of the lower British Pound and Euro.
- In terms of production location, UAE margins decreased from 40.6% to 39.2%.
- Bangladesh margins increased 50bps YoY even as revenues were flat.
- India margins reflect a production shutdown in the quarter due to excess inventory.

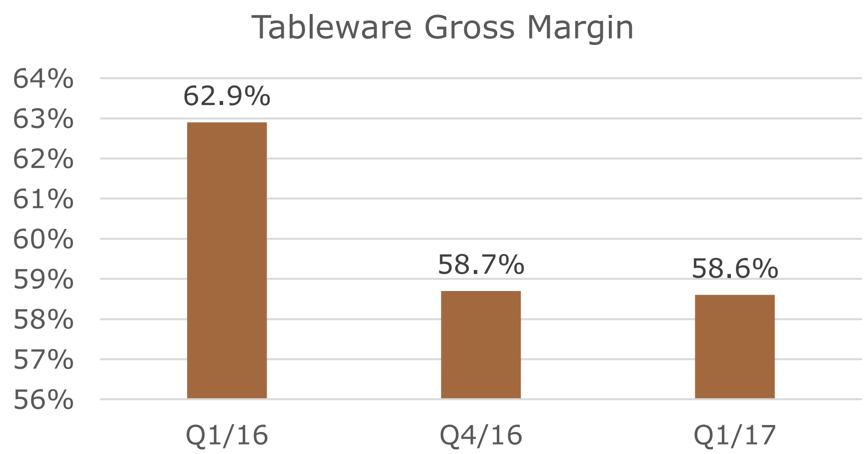


We calculate Gross Margins based on Net Revenue as opposed to Gross Revenue (i.e., before intercompany eliminations) previously. Prior year results have been restated accordingly.

Tableware

- On a like for like basis, Q1/17 tableware revenues rose 4.3% YoY on stable volumes.
- During the quarter, the company began full consolidation of its 47% interest in Restofair RAK, a UAE based distributor of tableware, glassware, cutlery and kitchen accessories to reflect the control RAK Porcelain has on this distributor as a result of changes to its board. Restofair contributed 13.2mn to tableware revenues in the quarter.
- Tableware gross margin was lower in the quarter by 420bps YoY but was flat QoQ. Lower margin reflects a change in product mix from the consolidation of Restofair. On a like for like basis, tableware Gross Margin was 60.0% in Q1/17 vs. 58.6% reported.
- We remain confident of solid growth and profitability for tableware in 2017.





Non-Core Revenues

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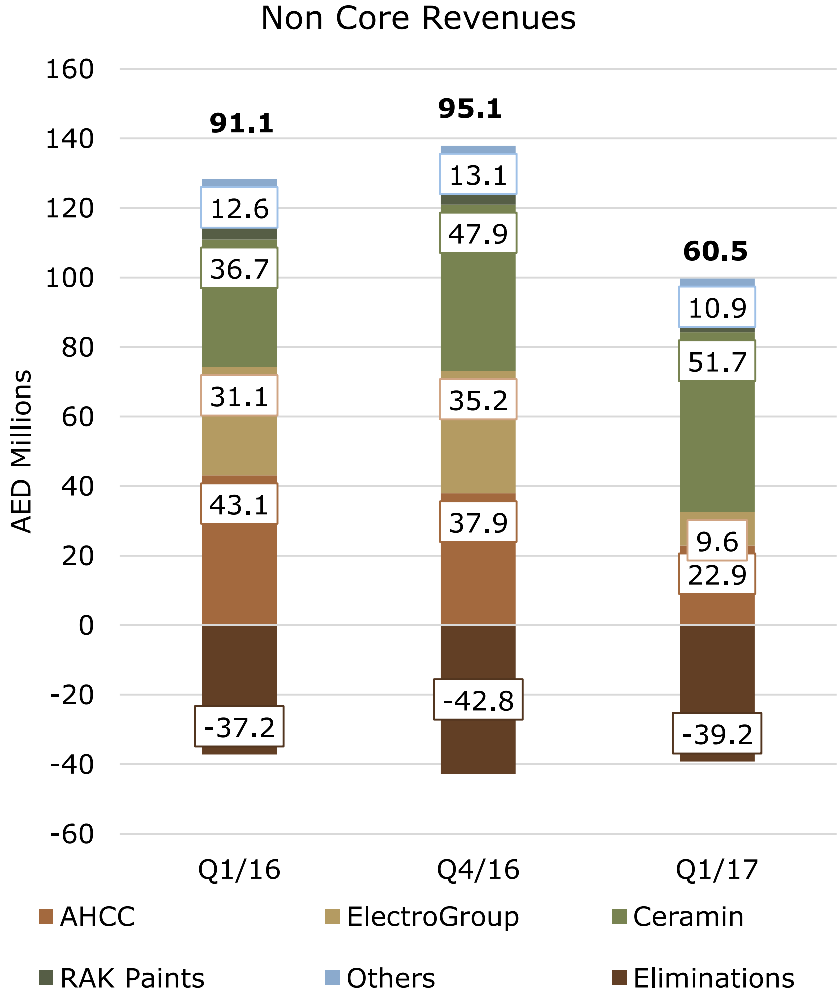
- Q1/17 non core revenues fell ~AED30mn YoY, a 33.5% decline.
- Lower non core revenues reflect the sale of Electro RAK during quarter as well as lower rough grading revenues at AHCC as a result of the renegotiation of the terms of that contract in late 2016.
- Non Core revenues represented 8.9% of total Q1/17 revenues from 12.4% of revenues in Q1/16 and this decline is inline with the company's aforementioned plans to become a pure play ceramics company.



Non-Core Margins

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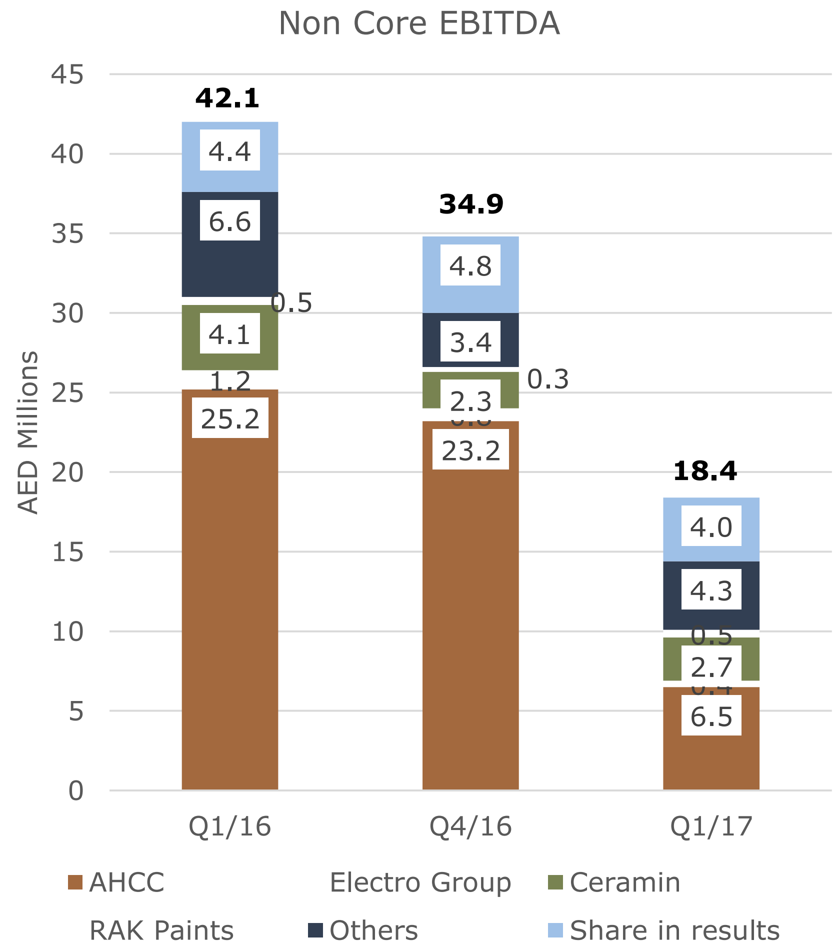
- Non Core EBITDA fell to AED18.4mn from AED42.1mn in Q1/16, primarily a reflection of significantly lower profitability at AHCC on the basis of revised terms for the company's rough grading work.



Group EBITDA

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- We calculate EBITDA adding back Provisions against receivables collection, extraordinary provisions which totaled AED1.7mn in Q1/17 and AED8.7mn in Q1/16.
- We exclude from EBITDA, any gains on sale of businesses or assets. In Q1/17, we booked AED3.8mn gain on the sale of Electro RAK and a AED10.7mn net gain on the sale of civil construction assets at AHCC.
- Core EBITDA in Q1/17 was AED96.4mn vs. AED96.2mn in Q1/16 despite a 3.7% decline in core revenues. Core EBITDA margin therefore increased to 15.5%, a 60bps increase YoY.
- Non core EBITDA fell significantly YoY as a result of lower revenues. We do not expect a significant variation of the non core EBITDA margin going forward.

EBITDA Calculation			
(AED Millions)	Q1/16	Q1/17	YoY
Net Profit	65.9	64.5	-2.1%
Tax	4.2	6.6	57.1%
D&A	47.7	42.2	-11.3%
Finance Expense	12.0	14.3	18.3%
Net Provisions	8.7	1.7	nm
Gain on sale of PPE	-0.2	-10.7	nm
Gain on sale of Electro RAK		-3.8	nm
EBITDA	**138.3**	**114.8**	**-17.0%**
Core EBITDA	**96.2**	**96.4**	**0.0%**
Core EBITDA Margin	**14.9%**	**15.5%**	**60bps**
Non Core EBITDA	**42.1**	**18.4**	**-60.9%**
Non Core EBITDA Margin	**46.2%**	**30.3%**	**nm**

COGS Evolution and Breakdown

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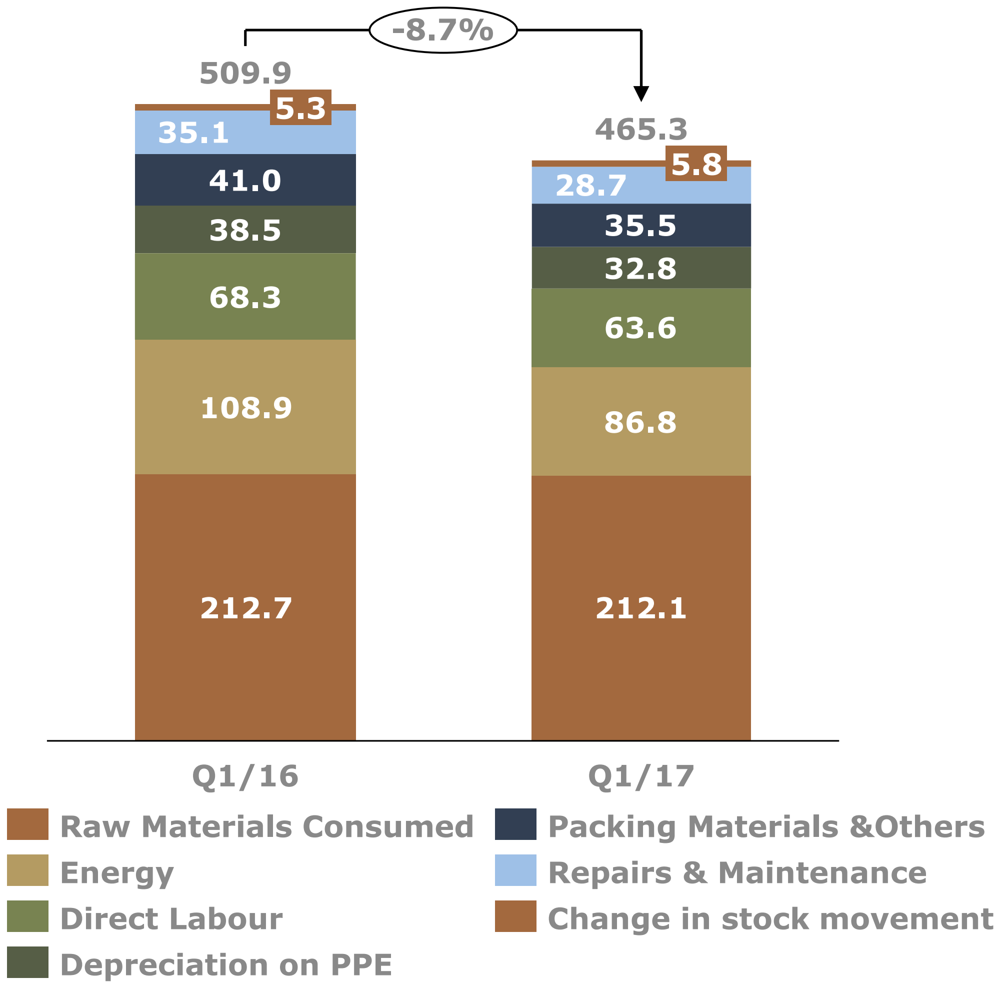
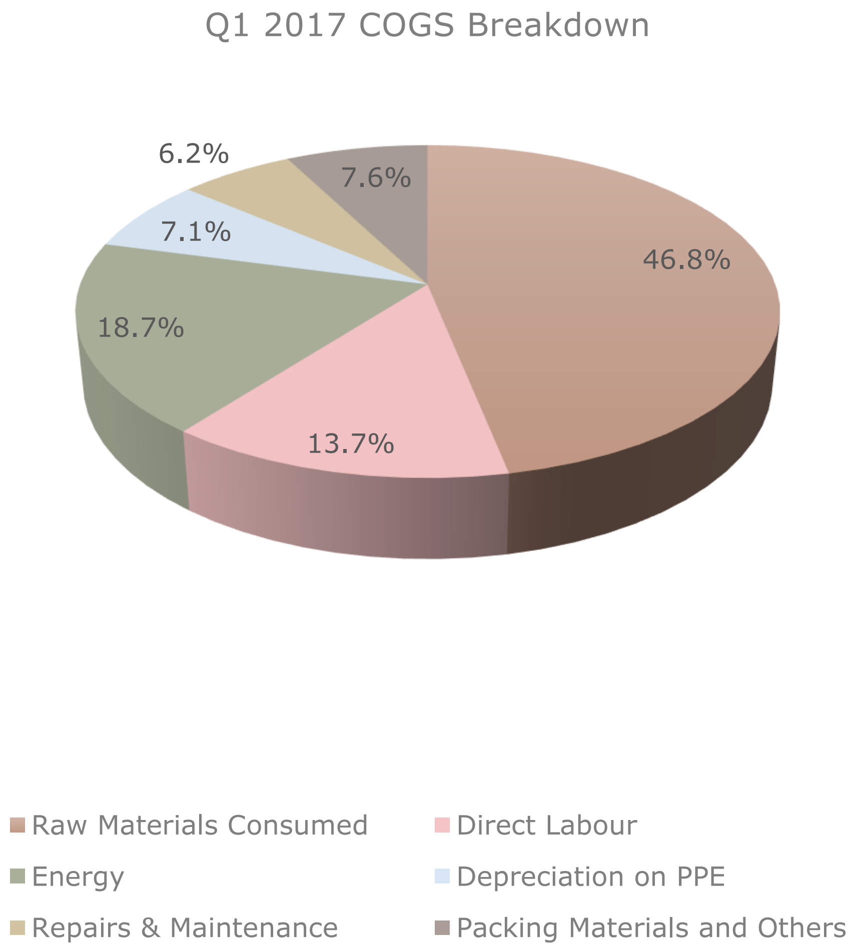
Revenue down by -7.4%





SG&A Breakdown

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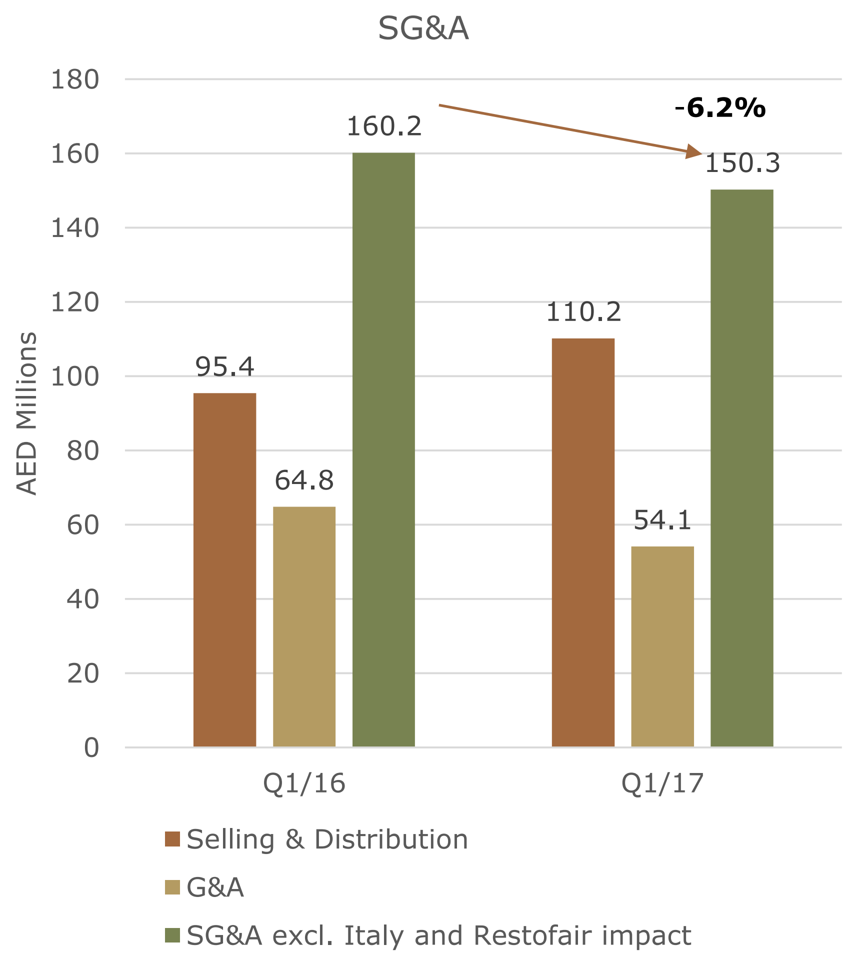
- Many efforts have been made during the quarter to manage SG&A costs in line with the revenue performance.
- SG&A during the quarter includes AED14mn on the consolidation of Italy and Restofair. On a like for like basis, SG&A across the group was 6.2% lower YoY.
- We continue to see opportunities for SG&A reduction.



Net Debt and CAPEX

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- Net debt fell 6.1% YoY but rose 4.1% QoQ to AED1,728.4mn; higher net debt QoQ reflects seasonal borrowings including for the payment of cash dividends which were disbursed in late March.
- Net Debt to EBITDA was 3.7x at end of the quarter reflecting seasonal borrowings and lower overall EBITDA as a result of the performance of non –core businesses.
- During the quarter we spent ~AED20mn on CAPEX. We continue to anticipate CAPEX spend of approx. AED265mn in 2017 from which about AED133mn will be spent on maintenance and AED132mn towards cost saving projects in the UAE, ramping up production in Iran and setting up a internal distribution for tableware in Europe.

Net Debt			
AED Mns	Q1/16	Q4/16	Q1/17
Long Term Loan	1281.9	1,307.9	1248.7
STL & TR	898.0	767.5	810.9
Overdraft	29.6	8.7	59.8
Gross Debt	2209.5	2,084.1	2119.4
Cash & Bank*	(369.0)	(424.5)	(391.0)
Net Debt	1840.5	1,659.6	1728.4
Cost of Debt	2.61%	2.86%	2.99%
Net Debt to EBITDA	3.1x	3.4x	3.7x

CAPEX Breakdown		
AED Mns	Q1/17	2017e
RAKC UAE	8.1	161.5
Bangladesh	5.2	12.1
India	0.4	10.7
Others	5.9	80.6
Total	**19.7**	**264.9**

Working Capital

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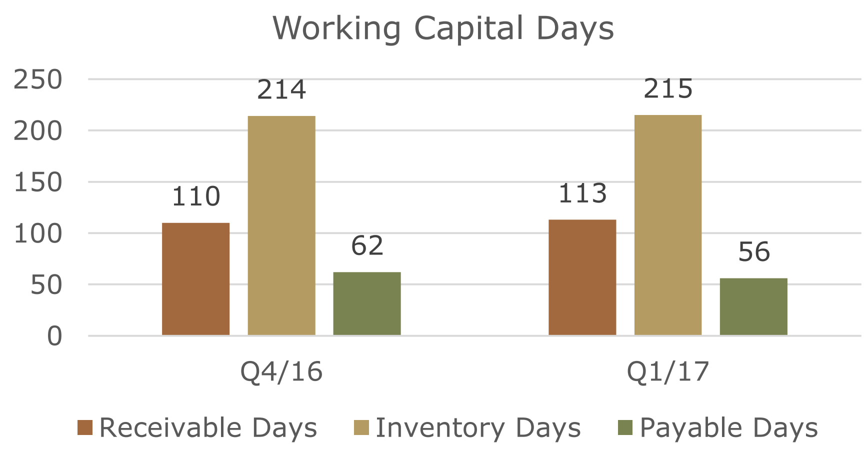
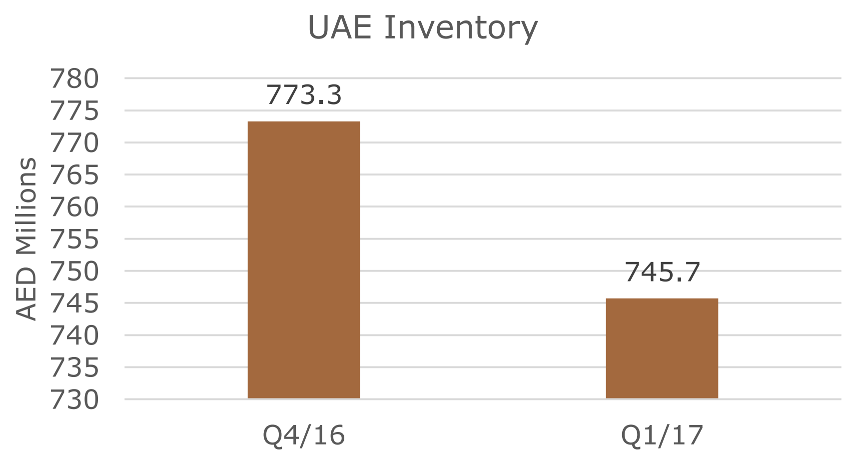
- Trade receivables were roughly flat QoQ at AED850.2mn vs. AED838.3mn in Q4/16.Receivables from JVs improved by AED9mn to AED155mn as a result of better collections in KSA.
- More significantly, inventory during the quarter declined significantly as lower production of tile and SW in the UAE lead to higher sales from inventories.
- The value of UAE inventory on hand at the end of the quarter fell 3.6% QoQ to AED745mn.
- In terms of volume, UAE tile inventory at the end of the quarter was lower by 7.0% QoQ.
- In terms of volume, UAE SW inventory at the end of the quarter was lower by 22.0% QoQ.





Closing Comments

Mr. Abdallah Massaad, *Chief Executive Officer*

2017 Group Initiatives

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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

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Thank you