



## Q3 2014 Financial Results

**1 Billion**  
*square meters of tiles supplied*  
**worldwide**

**50 Million**  
*pieces of bathware sold*  
**worldwide**

November 2014

# Executive Summary – Financial Performance

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**In Q3 2014, we continued executing our re-focused strategy to scale down less profitable Non-Core businesses and focus on Core operations. However the change in the distribution strategy in Saudi Arabia is affecting our sales in the short term until our direct sales infrastructure is rolled out**

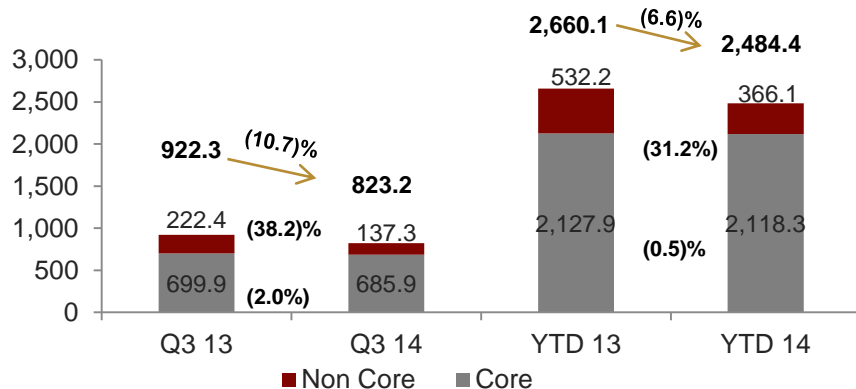
- ❑ Consolidated Q3 2014 revenues decreased by 10.7% QoQ to AED 823.2mn (6.6% decline YoY to AED 2,484.4mn) with core revenues declining by 2.0% to AED 685.9mn (0.5% decline YoY to AED 2,118.3mn) and non-core revenues declining by 38.2% to AED 137.3mn (31.2% decline YoY to AED 366.1mn)
  - Tiles revenues decreased by 3.7% to 574.0mn QoQ (2.3% decline YoY to AED 1,781.4mn)
  - Sanitaryware revenues increased by 7.8% to 111.9mn (10.8% increase YoY to AED 336.9mn)
- ❑ Consolidated gross profit margins decreased by 0.8% to 26.9% in Q3 2014 (27.3% YTD) with gross margins for core operations decreasing by 4.5% to 27.5% (29.1% YTD) while non-core margins increasing by 9.0% to 23.0% (16.4% YTD)
  - Tiles gross margins decreased by 8.4% to 22.7% in Q3 (26.0% YTD) on account of higher costs due to maintenance of plants, lower ASP due to sale of old stocks, product mix change and hyper inflation accounting
  - Sanitaryware gross margins increased by 10.2% to 47.4% in Q3 (45.6% YTD)
- ❑ Rough grading division commenced operations in July and positively impacted the contracting profitability
- ❑ Consolidated EBITDA increased by 32.0% to AED 154.3mn in Q3 (13.7% increase to AED 464.6mn YTD) with EBITDA margin enhancements from 12.7% to 18.8% QoQ (18.7% YTD)
- ❑ Reported net profit declined by 18.3% to AED 57.4mn in Q3 (AED 207.3mn YTD) mainly on account of hyper-inflation accounting losses of AED 19.5mn (AED 46.8mn YTD) in Sudan and Iran. However, adjusted net profits after adding hyper-inflation losses for Q3 2014 increase by 9.4% to AED 76.9mn (15.3% increase to AED 254.1mn YTD)

# Executive Summary – Financial Performance (cont'd)

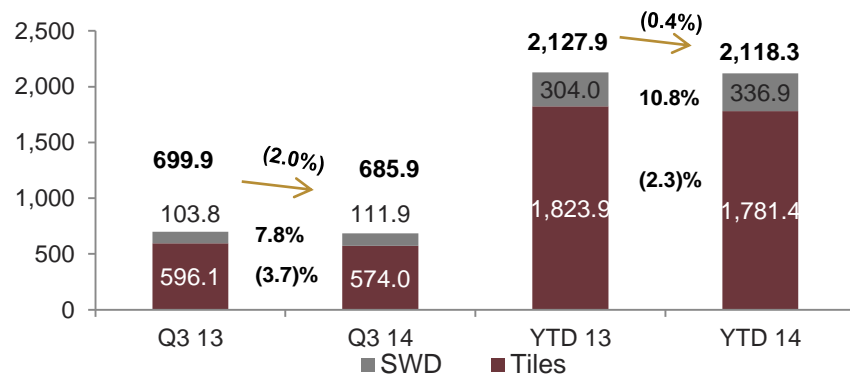


Consolidated Q3 2014 revenues decreased by 10.7% YoY to AED 823.2mn while consolidated EBITDA increased by 32.0% to AED 154.3mn. Reported net profit declined by 18.3% to AED 57.4mn however adjusted net profit (excluding hyperinflation losses) increased by 9.4% to AED 76.9mn

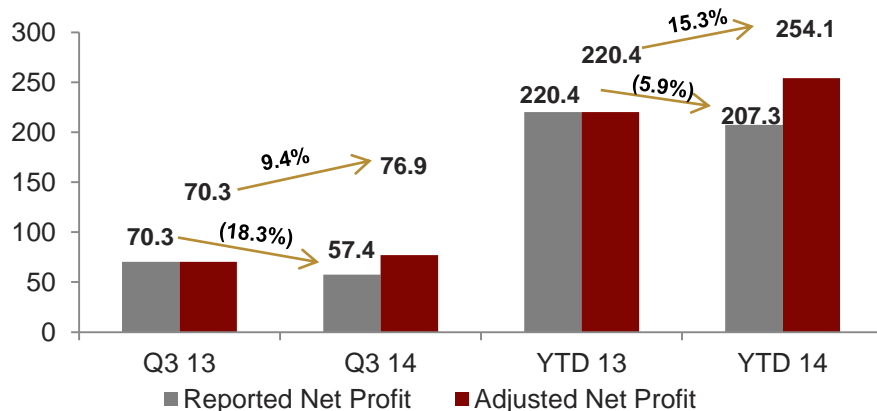
**Total Revenue: Core & Non-Core (AED mn)**



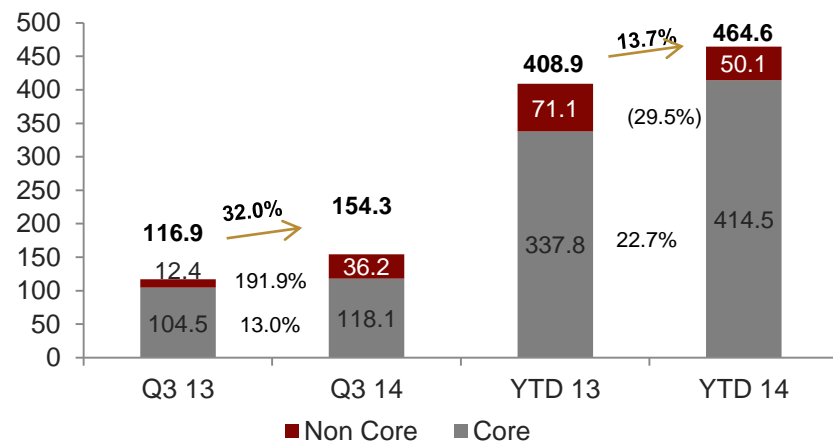
**Total Core Revenue: Tiles and SWD (AED mn)**



**Total Net Profit: Core & Non-Core (AED mn)**



**Total EBITDA: Core & Non-Core (AED mn)**



# Executive Summary – Q4 and 2015 Focus

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**In the near future, we will focus on turning around the sales in Saudi Arabia, continue to scale down non-core operations and execute the expansions in sanitaryware. We are also considering strategic options for the operations in Sudan and China with decisions to be announced before year end**

- ❑ As part of the revised Saudi market strategy, we are upgrading the registered representative office in Riyadh to a fully operational subsidiary, a 91,000sqm warehouse has been rented, a dedicated sales team is being deployed on the ground and the existing JV arrangements are being restructured
- ❑ Strategic options for RAK Sudan and RAK China are being considered with decisions expected to be announced during Q4 2014. Sudan issues relate to difficulties in importing raw materials and spares, fund remittances and hyperinflation accounting while the Chinese operations are facing difficulties in cost competitiveness
- ❑ Expansion plans
  - India sanitaryware capacity expansion from 1,000 pcs/day to 2,100 pcs/day was implemented in July 2014 and a further expansion to 3,500 pcs/day is expected to come on-stream in Q1 2015
  - Bangladesh sanitaryware capacity expansion from 3,350 pcs/day to 4,350 pcs/day is under way and expected to come on-stream in Q1 2015. Tiles capacity expansion of 10,000 sqm/day is also under implementation and will be executed by Q3 2015
  - UAE Sanitaryware production expansion is currently under review and an announcement regarding this will be made once board approval is received

# Core Revenues Snapshot

Q3 14 tiles revenue decreased by 3.7% to 574.0mn mainly due to decrease in sales in Saudi Arabia; the roll-out of our direct sales infrastructure in the Kingdom is expected to be concluded by year end. SW revenues increased by 7.8% to AED 111.9mn in Q3

## Tiles Revenue: By Production location

Tiles						
(AED mn)	Q3 13	Q3 14	QoQ change	YTD 13	YTD 14	YoY change
UAE	443.4	393.9	(11.2%)	1305.7	1195.3	(8.5%)
India	116.3	105.5	(9.3%)	340.2	315.7	(7.2%)
Bangladesh	33.6	32.2	(4.2%)	103.3	109.8	6.3%
China, Iran & Sudan	86.3	61.0	(29.3%)	236.9	208.4	(12.0%)
Total Gross	679.6	592.6	(12.8%)	1,986.1	1,829.2	(7.9%)
Less: Elimination	(83.6)	(18.5)	(77.9%)	(162.2)	(47.7)	(70.6%)
<b>Total Net</b>	<b>596.1</b>	<b>574.0</b>	<b>(3.7%)</b>	<b>1,823.90</b>	<b>1,781.4</b>	<b>(2.3%)</b>

## Tiles Revenue: By End Markets

Tiles						
(AED mn)	Q3 13	Q3 14	QoQ change	YTD 13	YTD 14	YoY change
UAE	88.8	118.1	33.0%	309.2	339	9.6%
India	108.3	104.9	(3.1%)	325.6	309.8	(4.9%)
Saudi Arabia	109.2	86.8	(20.5%)	341.8	259.9	(24.0%)
Bangladesh	33.6	32.2	(4.2%)	103.3	109.8	6.3%
Germany	31.1	30.0	(3.5%)	92.1	98.1	6.5%
China, Iran & Sudan	48.6	43.0	(11.5%)	119.6	156	30.4%
Rest of GCC	27.4	33.2	21.2%	97.6	103.5	6.0%
Others	149.1	125.9	(15.6%)	434.7	405.3	(6.8%)
<b>Total</b>	<b>596.1</b>	<b>574.0</b>	<b>(3.7%)</b>	<b>1823.9</b>	<b>1781.4</b>	<b>(2.3%)</b>

## SW Revenue: By Production Locations

SWD						
(AED mn)	Q3 13	Q3 14	QoQ change	YTD 13	YTD 14	YoY change
UAE	78.2	80.7	3.2%	224.1	239.8	7.0%
India	8.3	10.4	25.3%	26.1	30.1	15.3%
Bangladesh	22.0	22.0	0.0%	64.2	69.6	8.4%
Total Gross	108.5	113.1	4.2%	314.4	339.5	8.0%
Less: Elimination	(4.6)	(1.2)	(73.9%)	(10.3)	(2.6)	(74.8%)
<b>Total Net</b>	<b>103.8</b>	<b>111.9</b>	<b>7.8%</b>	<b>304.0</b>	<b>336.9</b>	<b>10.8%</b>

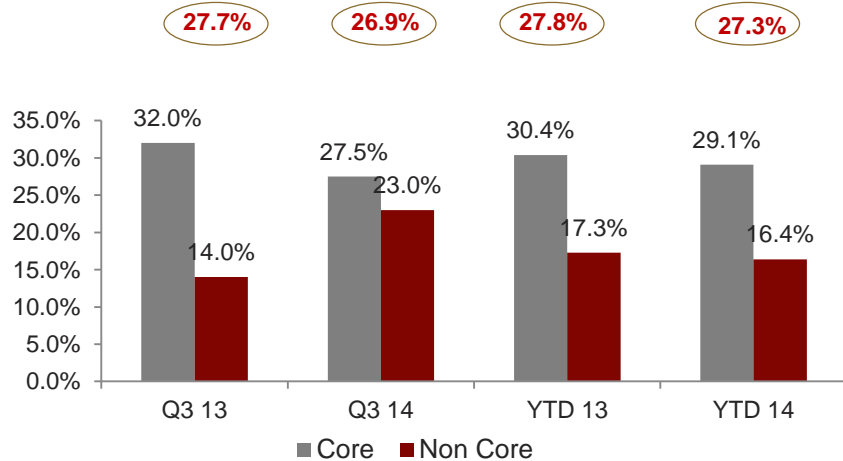
## SW Revenue: By End Markets

SWD						
(AED mn)	Q3 13	Q3 14	QoQ change	YTD 13	YTD 14	YoY change
UAE	24.7	29.0	17.4%	75.9	94.6	24.6%
Bangladesh	22.0	22.0	0.0%	64.2	69.6	8.4%
UK	17.5	18.9	8.0%	51.6	59.1	14.5%
India	8.3	10.4	25.3%	26.1	30.1	15.8%
Saudi Arabia	9.0	7.7	(14.4%)	22.5	20.4	(9.3%)
Rest of GCC	3.1	3.5	12.9%	8.9	8.7	(2.2%)
Jordan	1.3	1.5	15.4%	3.1	4.2	35.5%
Others	17.8	18.7	5.1%	51.9	50.4	(2.9%)
<b>Total</b>	<b>103.8</b>	<b>111.9</b>	<b>7.8%</b>	<b>304.0</b>	<b>336.9</b>	<b>10.8%</b>

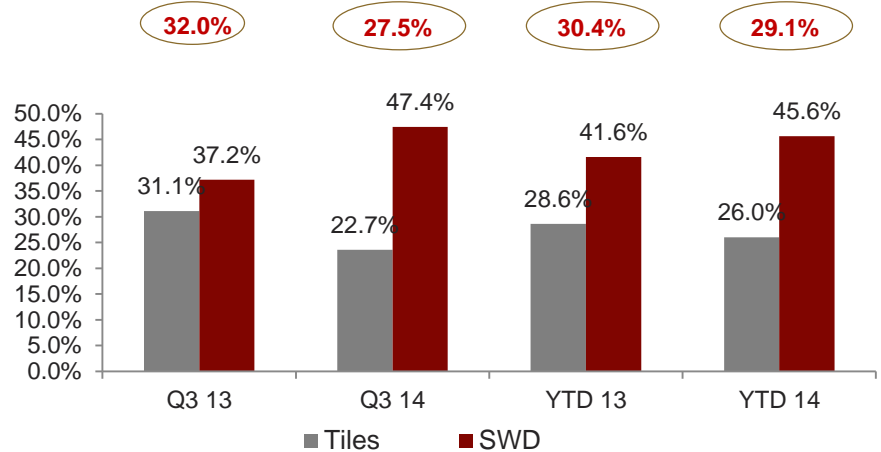
# Gross Profits Snapshot

Consolidated gross profit margin decreased by 0.8% to 26.9% QoQ with core margins decreasing by 4.5% to 27.5% due to sales of old stock in the UAE and increase in sales of lower priced models in Bangladesh. Non-core margins increased by 9.0% to 23.0% due to the profitable rough grading operations. Sanitaryware margins increased by 10.2% QoQ to 47.4%

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



## Core Gross Margins: Tiles and SWD (%)



## Tiles Gross Margins: By Production Locations

	Q3 13	Q3 14	YTD 13	YTD 14
UAE	33.0%	31.9%	31.6%	32.9%
B'desh	29.4%	26.4%	29.8%	28.6%
India	13.3%	10.7%	13.8%	10.7%
China , Iran and Sudan	15.7%	(24.1%)	13.2%	2.1%
<b>Tiles Gross Margin</b>	<b>31.1%</b>	<b>22.7%</b>	<b>28.6%</b>	<b>26.0%</b>

## SWD Gross Margins: By Production Location

	Q3 13	Q3 14	YTD 13	YTD 14
UAE	33.8%	49.7%	41.2%	46.8%
B'desh	44.6%	47.2%	43.3%	48.1%
India	29.6%	23.4%	24.9%	26.9%
<b>SWD Gross Margin</b>	<b>37.2%</b>	<b>47.4%</b>	<b>41.6%</b>	<b>45.6%</b>

# Summary Income statement

Reported net profit for Q3 declined by 18.3% to AED 57.4mn mainly on account of hyper inflation accounting losses, adjusted net profits increased by 9.4% to AED 76.9mn. Consolidated EBITDA increased by 32.0% to AED 154.3mn with margin enhancements from 12.7% to 18.8% QoQ

## Income Statement (AED mn)

	Q3 2013	Q3 2014	YTD 13	YTD 14
Net Core Revenue	699.9	685.2	2,127.8	2,118.3
Net Non- Core Revenue	222.4	138.0	532.3	366.1
<b>Total Revenue</b>	<b>922.3</b>	<b>823.2</b>	<b>2,660.1</b>	<b>2,484.4</b>
Core COGS	619.9	516.9	1,652.9	1,552.0
Non-Core COGS	187.1	253.2	687.0	553.5
Less:- Eliminations	(140.1)	(168.5)	(419.4)	(299.4)
<b>Total COGS-Net</b>	<b>667.1</b>	<b>601.6</b>	<b>1,920.5</b>	<b>1,806.1</b>
<b>Total Gross Profit</b>	<b>255.2</b>	<b>221.6</b>	<b>739.6</b>	<b>678.3</b>
<i>Gross Profit Margins</i>	<i>27.7%</i>	<i>26.9%</i>	<i>27.8%</i>	<i>27.3%</i>
Sellin, General and Admin Expenses	(180.1)	(146.8)	(493.2)	(491.0)
Share of Profits	7.6	12	31.8	31.6
Other Income	15.4	10.6	43.6	49.8
<b>EBIT</b>	<b>98.1</b>	<b>97.4</b>	<b>321.8</b>	<b>268.7</b>
<i>EBIT Margins</i>	<i>10.6%</i>	<i>11.8%</i>	<i>12.1%</i>	<i>10.8%</i>
Net Interest Expense	(24.0)	(31.0)	(86.2)	(81.2)
Gain on settlement of related party receivable	0.0	0.0	0.0	59.1
Loss on net Monetary position	0.0	(5.4)	0.0	(21.0)
Tax Expense	(3.8)	(3.4)	(15.2)	(18.3)
<b>Profit for the period</b>	<b>70.3</b>	<b>57.4</b>	<b>220.4</b>	<b>207.3</b>
<i>Profit Margin</i>	<i>7.6%</i>	<i>7.0%</i>	<i>8.3%</i>	<i>8.3%</i>
<b>Adjusted Net Profit</b>	<b>70.3</b>	<b>76.9*</b>	<b>220.4</b>	<b>254.1*</b>
<i>Adjusted Net Profit Margin</i>	<i>7.6%</i>	<i>9.3%</i>	<i>8.3%</i>	<i>10.2%</i>

## EBITDA Calculation (AED mn)

	Q3 2013	Q3 2014	YTD 13	YTD 14
<b>Net Profit Before Tax</b>	<b>74.1</b>	<b>60.8</b>	<b>235.5</b>	<b>225.6</b>
Depreciation and Amortization	34.5	52.1	102.9	142.3
Finance expense (Net)	8.7	11.1	37.3	29.6
Provisions on Inventories and Receivables (Gain)/loss on disposals of fixed assets and Investments	(1.8)	20.4	32.2	43.6
Gain on settlement of related party balances	1.4	5.0	0.8	2.5
Provision against gain on settlement of related party balances	0.0	0.0	0.0	(59.1)
Loss on Net Monetary Position	0.0	5.4	0.0	21.1
<b>EBITDA</b>	<b>116.9</b>	<b>154.3</b>	<b>408.7</b>	<b>464.6</b>
<i>EBITDA Margin</i>	<i>12.7%</i>	<i>18.8%</i>	<i>15.4%</i>	<i>18.7%</i>
<i>EBITDA Growth</i>		<i>32.0%</i>		<i>13.7%</i>

# Balance Sheet Highlights

Net debt position increased by AED 251mn to AED 1,575mn equivalent to 2.52x EBITDA as a result of longer working capital cycles. In Q4 2014, focus will be to decrease the working capital cycle by enhancing inventory turnover and cash collections

## Working Capital (AED mn or Days)

	Dec 13	Days	Sep 14	Days
Trade Receivables ( Net of Provision)	891.8	93	1,003.9	110
Inventory (Net Of Provision)	1115.7	160	1236.2	186
JV Receivables	309.8	32	325.0*	36
Trade Payables	656.7	94	553.6	83

## CAPEX (AED mn)

Location	YTD Jun 14	Q3 14	YTD Sep 14
RAKC UAE	13.3	56.8	70.1
Bngladesh	5.0	1.2	6.2
India	13.7	2.6	16.3
Other Core	4.9	0.2	5.1
<b>Total Core</b>	<b>36.9</b>	<b>60.8</b>	<b>97.7</b>
AHCC -Rough Grading	80.6	59.4	140.0
Other Non core	1.1	0.2	1.3
<b>Total Non Core</b>	<b>81.7</b>	<b>59.6</b>	<b>141.3</b>
<b>Total CAPEX</b>	<b>118.6</b>	<b>120.4</b>	<b>239.0</b>

## Net Debt (AED mn)

	Dec 13	June 14	Sep 14
Term Loan – Long Term	914.8	943.0	863.2
Term Loans – Current Portion	332.2	336.3	332.6
<b>Total Term Loans</b>	<b>1,247.0</b>	<b>1,279.3</b>	<b>1,195.8</b>
Working capital loans	577.1	584.2	718.9
<i>Less : Cash and Bank</i>	<i>-499.5</i>	<i>-345.5</i>	<i>-339.4</i>
<b>Net Debt</b>	<b>1,324.6</b>	<b>1,518.0</b>	<b>1,575.3</b>
Cost of debt (Annualized)*	4.20%	2.9%	3.1%
Net Debt to EBITDA (LTM)	2.33X	2.59X	2.52X**

\*On loans outstanding

\*\*Based on TTM EBITDA of AED 623.8mn



# Other Topics – Bangladesh & RAK Porcelain

Our subsidiary in Bangladesh (72.4% ownership) is listed on Dhaka stock exchange with a market cap as of 30<sup>th</sup> September of AED 1.06bn (increased 37% YTD). RAK Bangladesh contributes c. 8.4% to our consolidated profits but constituting c. 25.6% of our market cap on ADX

## RAK Bangladesh Share Price Performance

RAK Ceramics (Bangladesh) Limited (DSE:RAKCERAMIC) - Share Pricing **Open: 48.64 High: 68.30 Low: 40.80 Close: 61.40 Avg: 49.51**  
 RAK Ceramics (Bangladesh) Limited (DSE:RAKCERAMIC) - Volume **Open: 111,760.00 High: 3.74mm Low: 28,000.00 Close: 791,000.00 Avg: 485,142.17**



## RAK Porcelain Financials (AED mn)

RAK Porcelain	Q3 13	Q3 14	% change	YTD Sep 13	YTD Sep14	% change
Revenue	39.7	44.4	11.8%	105.5	124.9	18.3%
Gross Profit	23.0	28.1	22.1%	55.1	72.3	31.2%
Net Profit	15.2	11.3*	(25.6%)	34.5	35.2*	2.0%
EBITDA	16.7	12.1	(27.5%)	38.1	38.0	-

- RAK Porcelain produces high quality table ware for professional applications in the global hospitality and restaurants industry with annual production capacity of 24 million pieces
- RAK Ceramics PJSC owns 50% of RAK Porcelain and effective 1<sup>st</sup> October 2014 financials of RAK Porcelain will be consolidated.

# FINANCIAL STATEMENTS

# Consolidated Net Income



*AED million*

	Q32013	Q3 2014	YTD Sep 2013	YTD Sep 2014
Revenue	922.3	823.2	2,660.1	2,484.4
Cost of sales	(667.1)	(601.5)	(1,920.5)	(1,806.1)
<b>Gross profit</b>	255.2	221.6	739.6	678.3
Administrative and general expenses	(89.7)	(63.6)	(231.6)	(229.2)
Selling and distribution expenses	(90.3)	(83.4)	(261.6)	(261.8)
Other income	15.3	10.6	43.6	49.8
<b>Results from operating activities</b>	90.5	85.2	290.0	237.2
Finance cost	(31.5)	(37.6)	(111.2)	(96.0)
Finance income	7.5	6.6	25.1	14.9
Share of profit in equity accounted investees	7.6	12.0	31.8	31.6
Gain on settlement of related party receivables	-	-	-	59.1
Loss on net monetary position	-	(5.3)	-	(21.1)
<b>Profit before tax</b>	74.1	60.8	235.7	225.6
Tax (expense)/income	(3.8)	(3.4)	(15.2)	(18.3)
<b>Profit for the period</b>	70.3	57.4	220.4	207.3
<i>Profit attributable to:</i>		-	-	
Owners of the Company	71.9	61.0	220.1	212.3
Non-controlling interests	(1.6)	(3.6)	0.3	(5.0)
<b>Profit for the period</b>	<b>70.3</b>	<b>57.4</b>	<b>220.4</b>	<b>207.3</b>
Earnings per share (AED)	0.09	0.07	0.27	0.26

# Consolidated Balance Sheet



*AED million*

Assets	Dec 2013	Sep 2014	Equity and liabilities	Dec 2013	Sep 2014
<b>Non-current assets</b>			<b>Equity</b>		
Property, plant and equipment	1,117.4	1,289.6	Share capital	743.2	817.5
Capital work-in-progress	51.6	91.8	Reserves	1,730.3	1,935.1
Goodwill	50.4	50.4	<b>Equity attributable to owners of the Company</b>	<b>2,473.5</b>	<b>2,752.6</b>
Intangible assets	20.5	18.8	Non-controlling interests	166.0	159.1
Investment properties	222.2	1,116.1	<b>Total equity</b>	<b>2,639.4</b>	<b>2,911.7</b>
Investments in equity accounted investees	214.3	212.4	<b>Non-current liabilities</b>		
Long term portion of receivable from related parties	205.2	0.0	Long term bank loans	914.8	863.1
Deferred tax assets	2.7	0.2	Provision for employees' end-of-service benefits	77.9	75.7
<b>Total Non Current Assets</b>	<b>1,884.1</b>	<b>2,779.3</b>	Deferred tax liabilities	7.4	7.5
<b>Current assets</b>			<b>Total Non Current Liabilities</b>	<b>1,000.2</b>	<b>946.4</b>
Inventories	1,115.7	1,236.2	<b>Current liabilities</b>		
Trade and other receivables	1,110.7	1,255.7	Short-term bank borrowings	909.3	1,051.7
Contract work-in-progress	82.3	50.1	Trade and other payables	980.2	955.1
Due from related parties	965.4	349.2	Billings in excess of valuation	2.3	3.7
Cash in hand and at bank	499.5	339.4	Provision for taxation	87.3	103.2
Assets classified as held for sale	20.3	20.3	Due to related parties	59.1	57.0
Derivative financial assets	1.3	0.04	Liabilities classified as held for sale	1.5	1.5
<b>Total Current Assets</b>	<b>3,795.2</b>	<b>3,250.9</b>	Derivative financial liabilities	-	-
<b>Total assets</b>	<b>5,679.3</b>	<b>6,030.2</b>	<b>Total Current Liabilities</b>	<b>2,039.7</b>	<b>2,172.1</b>
			<b>Total liabilities</b>	<b>3,039.9</b>	<b>3,118.5</b>
			<b>Total equity and liabilities</b>	<b>5,679.3</b>	<b>6,030.2</b>

# Consolidated Cash Flow



AED million

Cash Flow Statement	Sep 14	Sep 13
<b>Operating activities</b>		
Profit for the period before tax	225.6	235.6
<i>Adjustments for:</i>		
Share of profit in equity accounted investees	(31.6)	(31.8)
Loss on net monetary position	21.1	-
Gain on settlement of related party receivables (net)	(59.1)	-
Finance expense	44.5	62.4
Finance income	(14.9)	(25.1)
Gain on disposal of property, plant and equipment	(2.5)	(1.1)
Depreciation on property, plant and equipment	137.5	91.3
Amortization of intangible assets	2.0	2.1
Capital work in progress written off	5.0	1.9
Depreciation on investment property	5.4	5.3
Provision for employees' end-of-service benefits	17.6	30.7
	<b>350.6</b>	<b>371.3</b>
Change in Working Capital inventories (including contract work in progress) trade and other receivables	(21.9)	(163.9)
due from related parties (including long term)	(168.4)	45.1
asset classified as held for sale	8.5	36.8
trade and other payables (including billing-in-excess of valuation)	-	7.6
due to related parties	(29.2)	153.8
liabilities classified as held for sale	(16.6)	(80.7)
derivative financial liabilities	1.2	0.0
deferred tax assets	-	(7.2)
deferred tax liabilities	2.5	(0.4)
Income tax refund / (paid)	0.1	(0.4)
Employees' end-of-service benefits paid	16.7	(1.5)
Directors' fees	(20.4)	(7.1)
Currency translation adjustment	(2.4)	(2.4)
	(16.6)	4.2
<b>Net cash from operating activities</b>	<b>104.1</b>	<b>355.2</b>

	Sep 14	Sep 13
<b>Investing activities</b>		
Acquisition of property, plant and equipment and CWIP	(239.0)	(64.4)
Change in bank deposits	11.5	53.5
Additions to investment property	(0.0)	-
Proceeds from disposal of property, plant and equipment	2.8	1.7
Proceeds from sale of investments at fair value through P&L		
Acquisition of intangible assets	(0.5)	(2.2)
Cash acquired as part of acquisition of subsidiary	-	8.1
Investment in equity accounted investees	-	(1.7)
Dividend received from equity accounted investees	32.4	24.7
Interest income received	11.9	17.8
<b>Net cash (used in) / from investing activities</b>	<b>(180.9)</b>	<b>37.5</b>
<b>Financing activities</b>		
Long term bank loans availed	168.0	1,174.9
Long term bank loans repaid	(219.3)	(1,048.8)
Net movement in short term bank borrowings (net)	10.5	(106.1)
Finance expense paid	(44.5)	(62.4)
Dividend paid	(111.5)	(148.6)
Dividend paid to non-controlling interests	(7.2)	(6.3)
Funds invested by non-controlling interests	0.8	1.1
<b>Net cash (used in) / from financing activities</b>	<b>(203.2)</b>	<b>(196.2)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(280.1)</b>	<b>196.1</b>
Cash and cash equivalents at the beginning of the period	436.0	289.0
<b>Cash and cash equivalents at the end of the period</b>	<b>155.9</b>	<b>485.6</b>
Represented By:		
Cash in hand and Bank	314.4	553.2
Bank Overdraft	(158.4)	(67.7)
	155.9	485.6

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