



RAK
CERAMICS

Close to you worldwide

RAK CERAMICS PSC

Q3 2015 RESULTS PRESENTATION



Disclaimer

This information contained in the enclosed presentation summarizes preliminary and introductory information on RAK Ceramics PSC (the Company). This presentation has been prepared for information purposes only and is not and does not form part of or constitute any prospectus, offering memorandum or offering circular or offer for sale or solicitation of any offer to subscribe for or purchase or sell any securities nor shall it or any part of it form the basis of or be relied on in connection with any credit evaluation or third party evaluation of any securities or any offerings or contract or commitment whatsoever.

The information contained herein has been prepared by the Company. Some of the information relied on by the Company is obtained from sources believed to be reliable but does not guarantee its accuracy or completeness. All potential recipients of the enclosed presentation are expected to be aware that the information contained herein is preliminary as of the date hereof, supersedes any previous such information delivered and will be superseded by any such information subsequently delivered. The information contained herein is subject to change without notice. The Company is under no obligation to update or keep current the information contained herein. No person shall have any right of action (except in case of fraud) against the Company or any other person in relation to the accuracy or completeness of the information contained herein.

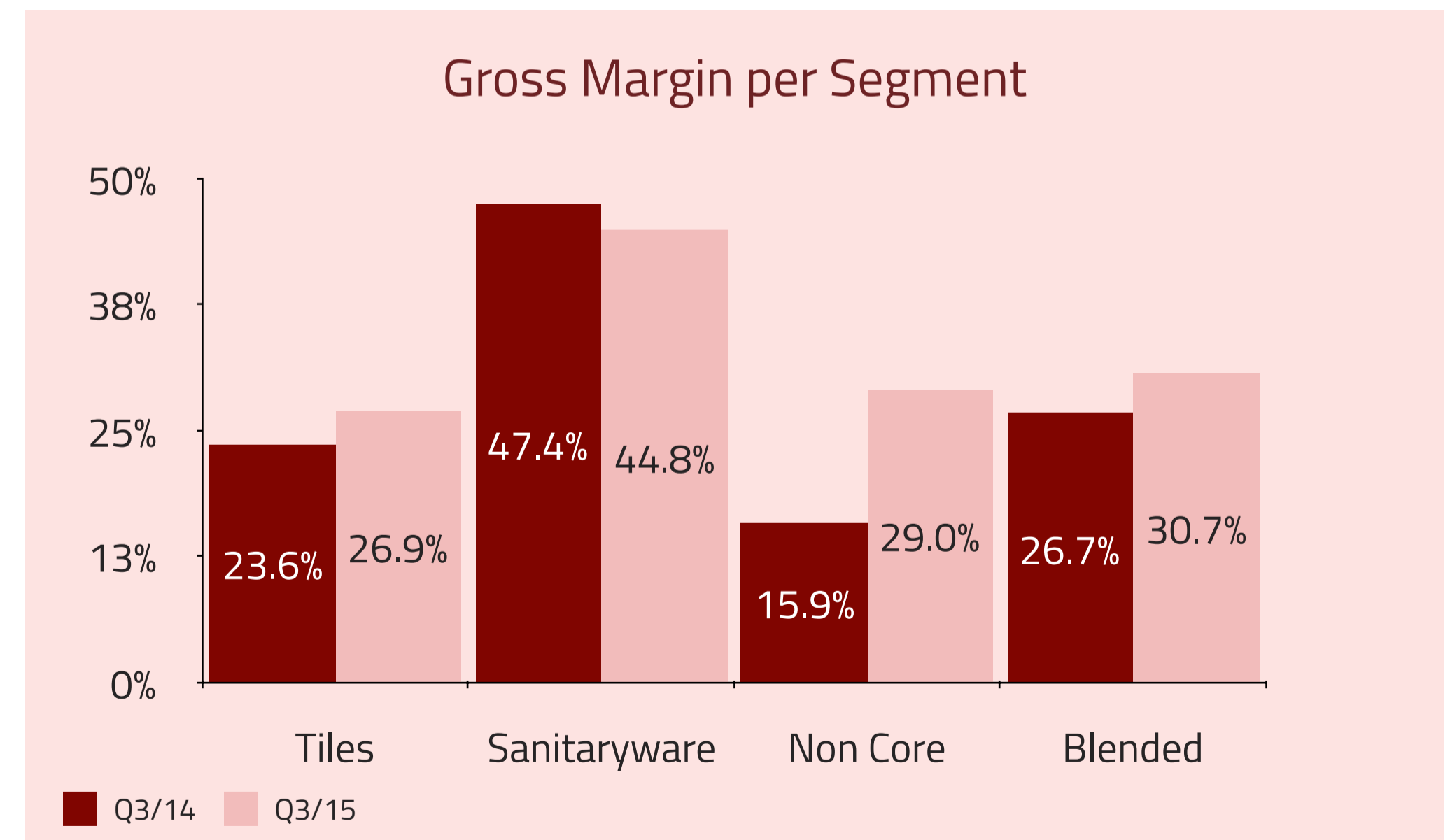
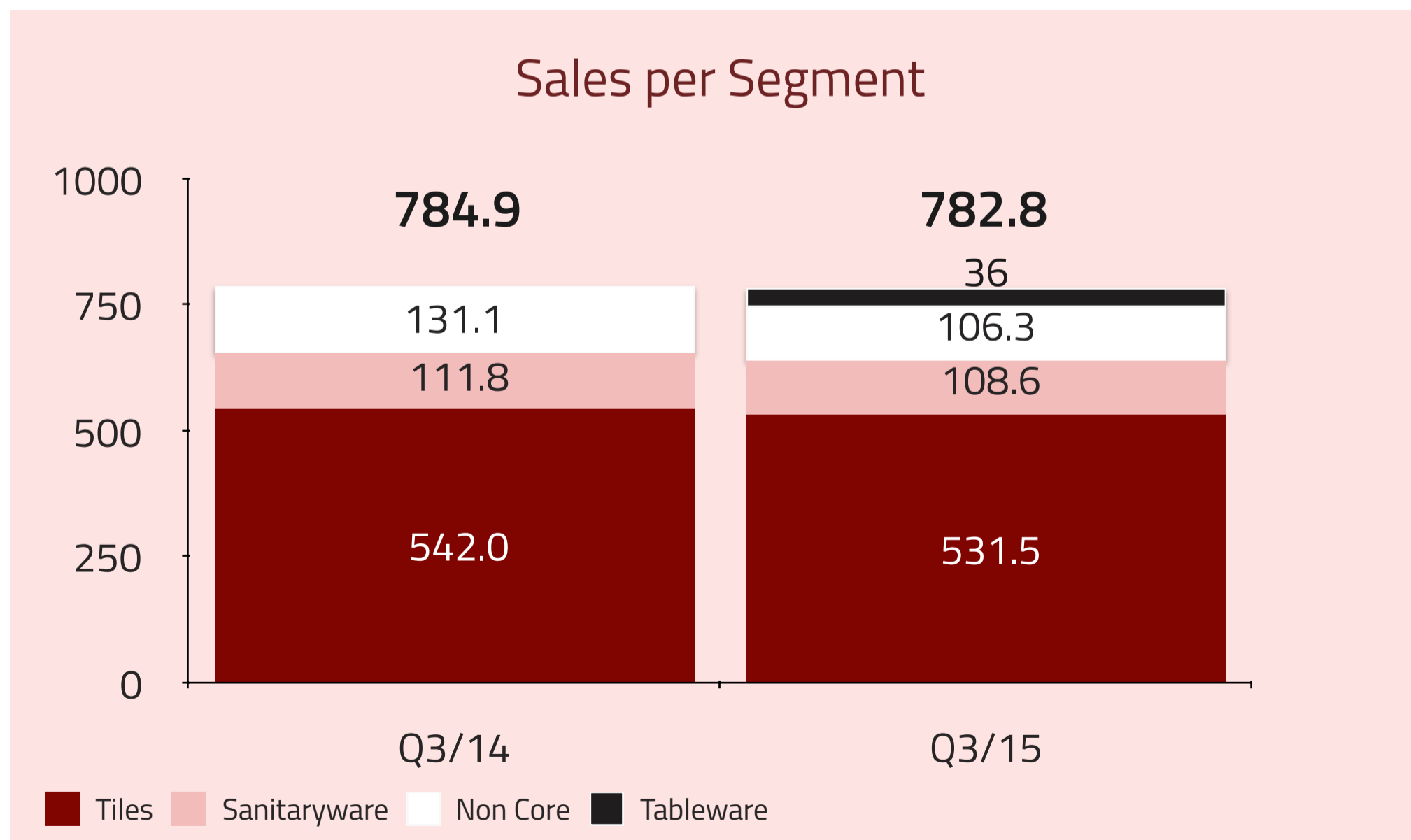
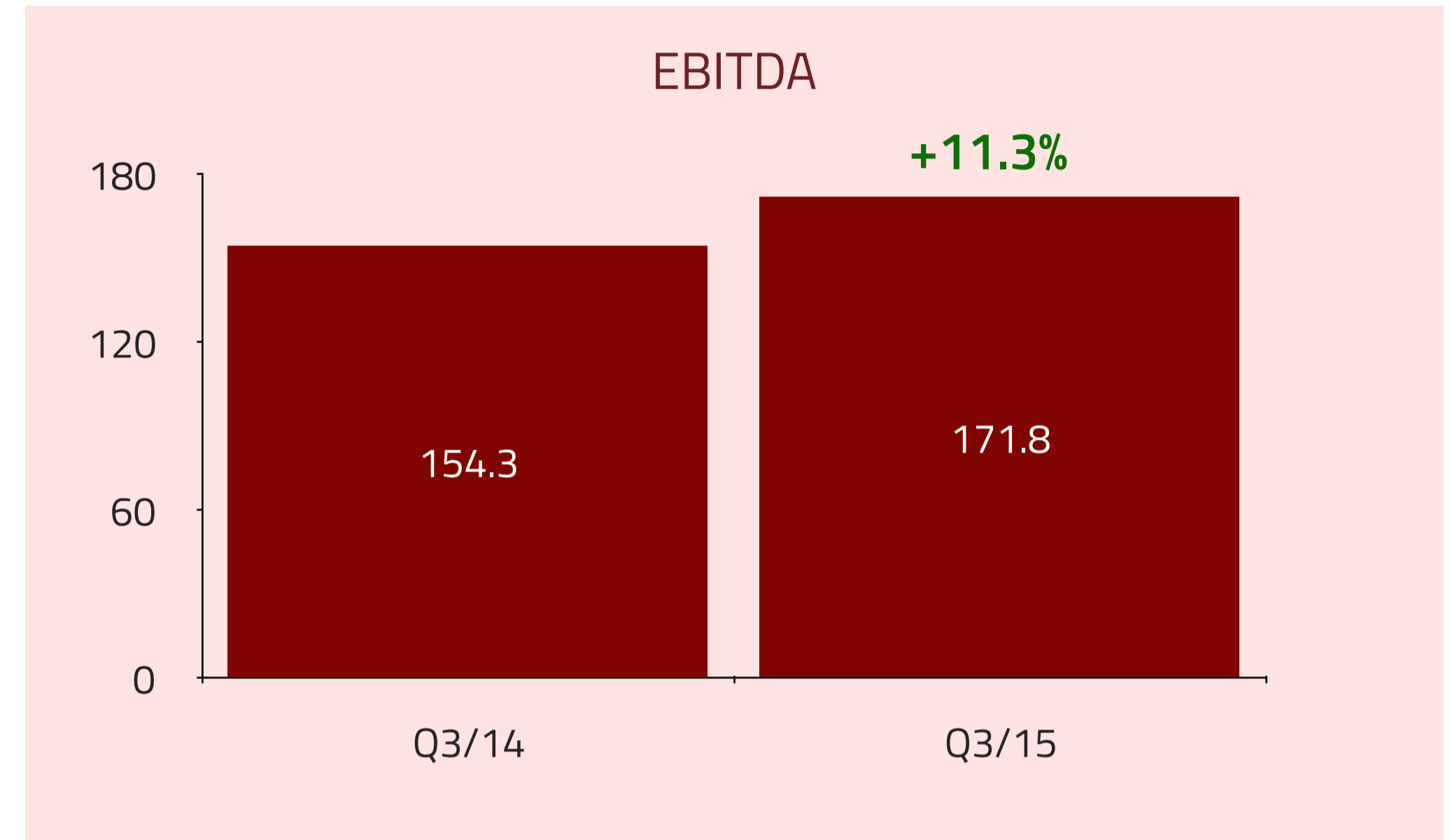
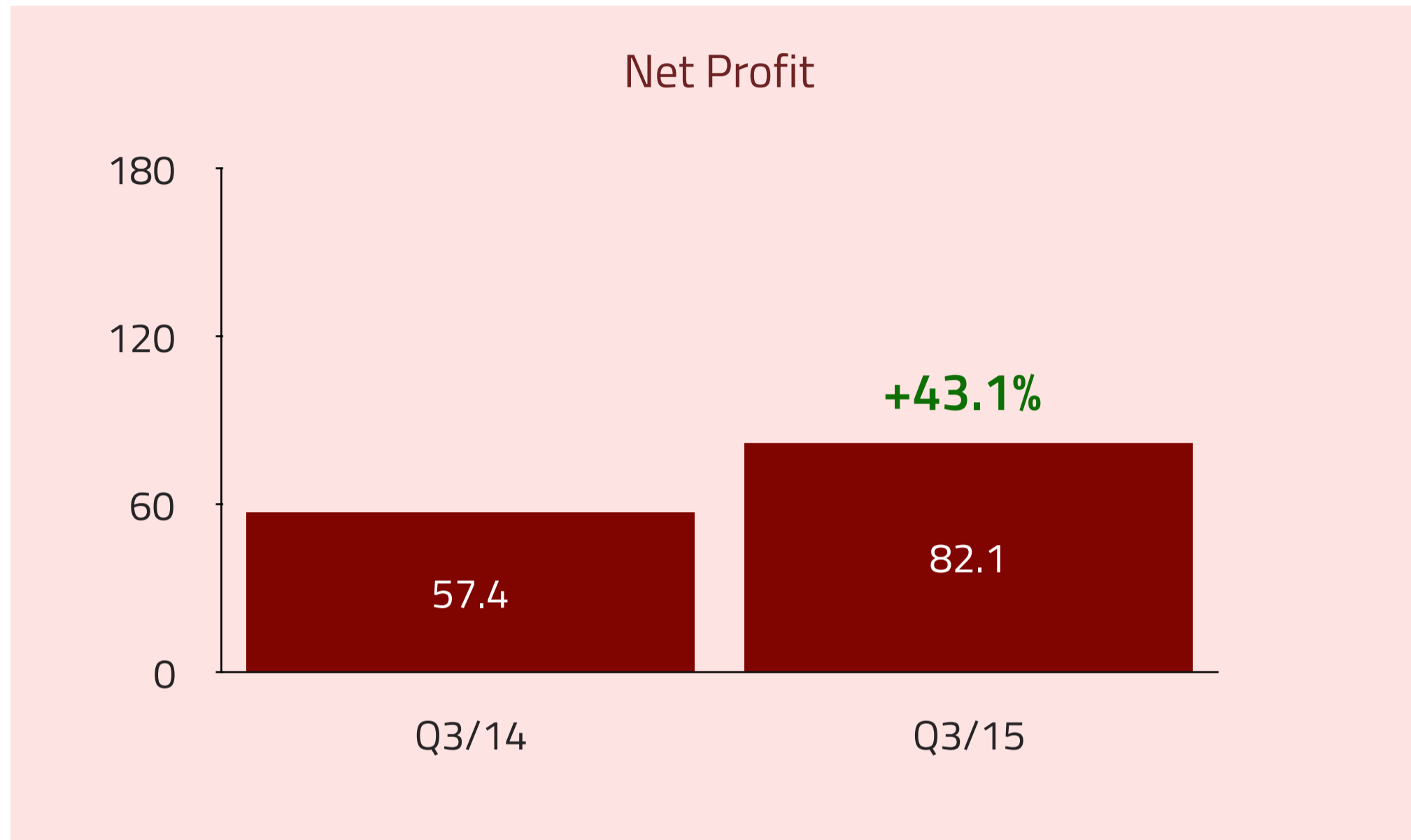
Some of the information in this presentation may contain projections or other forward-looking statements regarding future events or the future financial performance of The Company. These forward-looking statements include all matters that are not historical facts. The inclusion of such forward-looking information shall not be regarded as a representation by the Company or any other person that the objectives or plans of the Company will be achieved. Future events are subject to various risks which cannot be accurately predicted, forecasted or assessed. No assurance can be given that future events will occur or that the company's assumptions are correct. Actual results may differ materially from those projected and past performance is not indicative of future results. The Company undertakes no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. Accordingly all potential recipients are expected to conduct their own due diligence on the information provided.

These materials are confidential and are being submitted to selected recipients only for the purpose described above. They may not be taken away, reproduced (in whole or in part), distributed or transmitted to any other person without the prior written consent of the Company. These materials are not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation and must not be acted on or relied on by persons who are not relevant persons. If this presentation has been received in error it must be returned immediately to the Company.

OPERATING HIGHLIGHTS

Mr. Abdallah Massaad, *Chief Executive Officer*

Q3/15 FINANCIAL HIGHLIGHTS



Sales growth figures exclude Sudan which has been reclassified as held for sale from Q1/2015

TILES - REVENUES

Overall sales

Overall tile sales decreased **1.9%** YoY. If we exclude China and Iran where we curtailed our production in last 12 months, sales were flat YoY.

Core market sales

Sales in UAE and KSA, our two largest markets rose **3.5%** and **32.1%** respectively. The turnaround in KSA is the result of our continued efforts to restructure our distribution strategy and increase our direct project sales into the Kingdom.

Sales in other markets

Sales to other markets decreased by **16.1%** YoY due to currency weakness and geopolitical issues. Egypt, Yemen, Morocco, Mozambique and Lebanon account for 2/3 of the decline.

Tile Revenue by End Market

	Q3/14	Q3/15	YoY
UAE	118.1	122.3	3.5%
India	104.9	94.1	-10.3%
KSA	86.8	114.7	32.1%
Bangladesh	32.2	31.9	-1.0%
Germany	30.0	27.3	-9.3%
China & Iran	11.3	2.0	-82.1%
Rest of GCC	33.2	34.1	2.7%
Others	125.4	105.3	-16.1%
Total	542.0	531.5	-1.9%
Excl. China & Iran	530.6	529.7	0%

Tile Revenue by Production Location

	Q3/14	Q3/15	YoY
UAE	393.9	415.3	5.4%
India	105.3	98.6	-6.4%
Bangladesh	32.2	31.8	-1.2%
China and Iran	29.0	5.8	-80.0%
Total Gross	560.4	551.5	-1.6%
Total Net	542.0	531.5	-1.9%

TILES - MARGINS

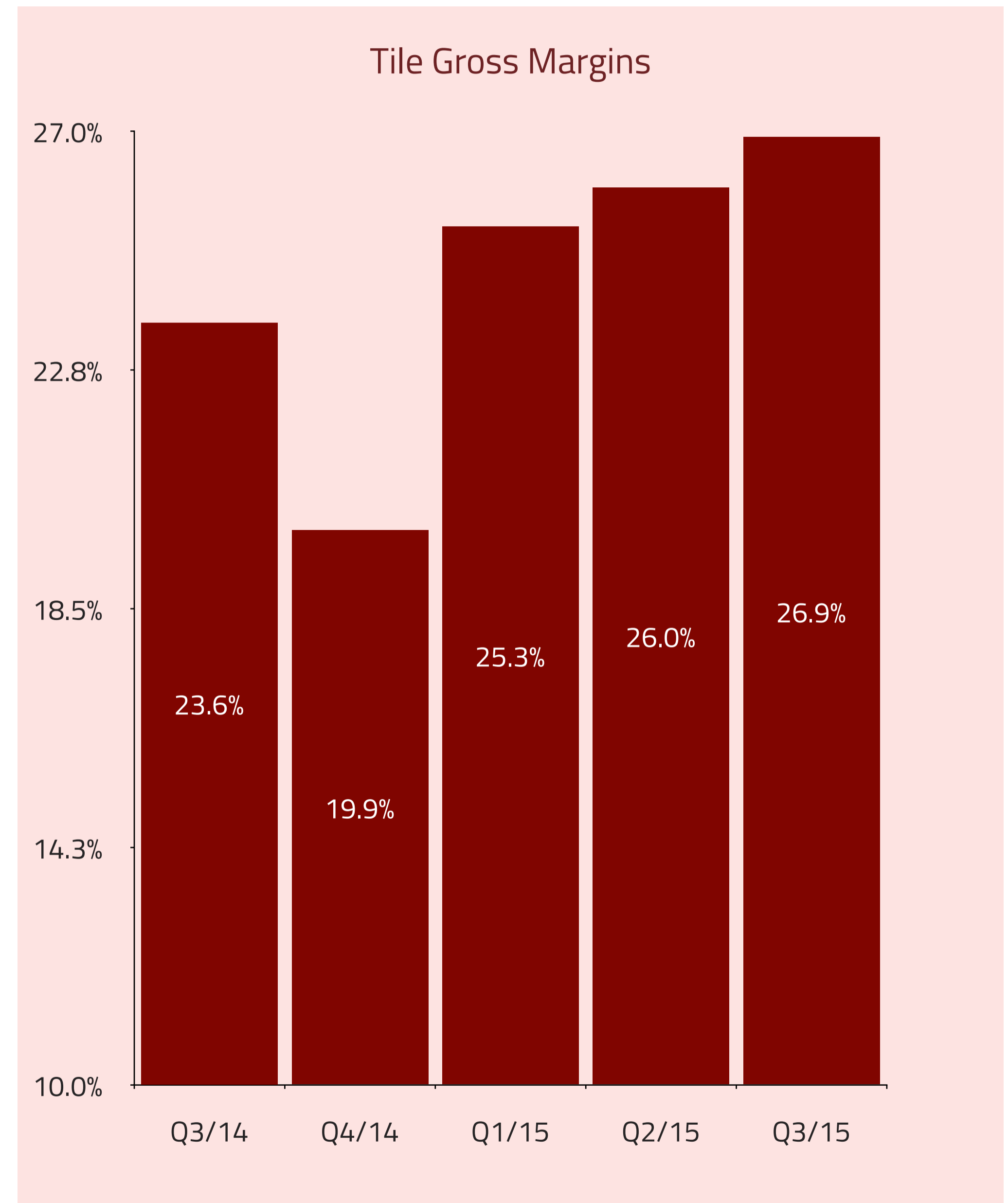
Overall margins

Tile margins continue to make progress and increased **90 bps** QoQ and **330 bps** YoY.

Tiles margins enhancement is a result of procurement cost savings and increased sales in the higher margin geographies of UAE and KSA.

Margins up across all plants

Tile margins increased across all of our production locations: **50 bps** in UAE to **32.4%**, **590 bps** in Bangladesh to **32.3%** and **410 bps** in India to **14.8%**.



SANITARYWARE - REVENUES

Overall sales

Sanitaryware sales decreased by **2.6%** YoY overall.

Core market sales

A very strong performance in the UAE(+**18.5%** YoY) was offset by **31%** decline in sales in India.

Indian sales performance was affected once again by the technical production issue that surfaced in Q1/15. Q3 sales performance resulted from volume declines which lead us to discount prices as the quarter went along to regain market share.

Sanitaryware Revenue by End Market

	Q3/14	Q3/15	YoY
UAE	29.0	34.3	18.5%
Bangladesh	22.1	20.4	-7.6%
UK	18.9	18.0	-5.0%
India	10.3	7.1	-30.7%
KSA	7.7	7.5	-2.1%
Rest of GCC	3.5	3.6	4.4%
Others	20.3	17.7	-12.8%
Total	111.8	108.6	-2.6%

Sanitaryware Revenue by Production Location

	Q3/14	Q3/15	YoY
UAE	80.7	83.1	3.0%
India	10.4	7.1	-29.8%
Bangladesh	22.1	20.4	-7.6%
Total Gross	113.2	110.8	-2.1%
Total Net	111.8	108.6	-2.6%

SANITARYWARE - MARGINS

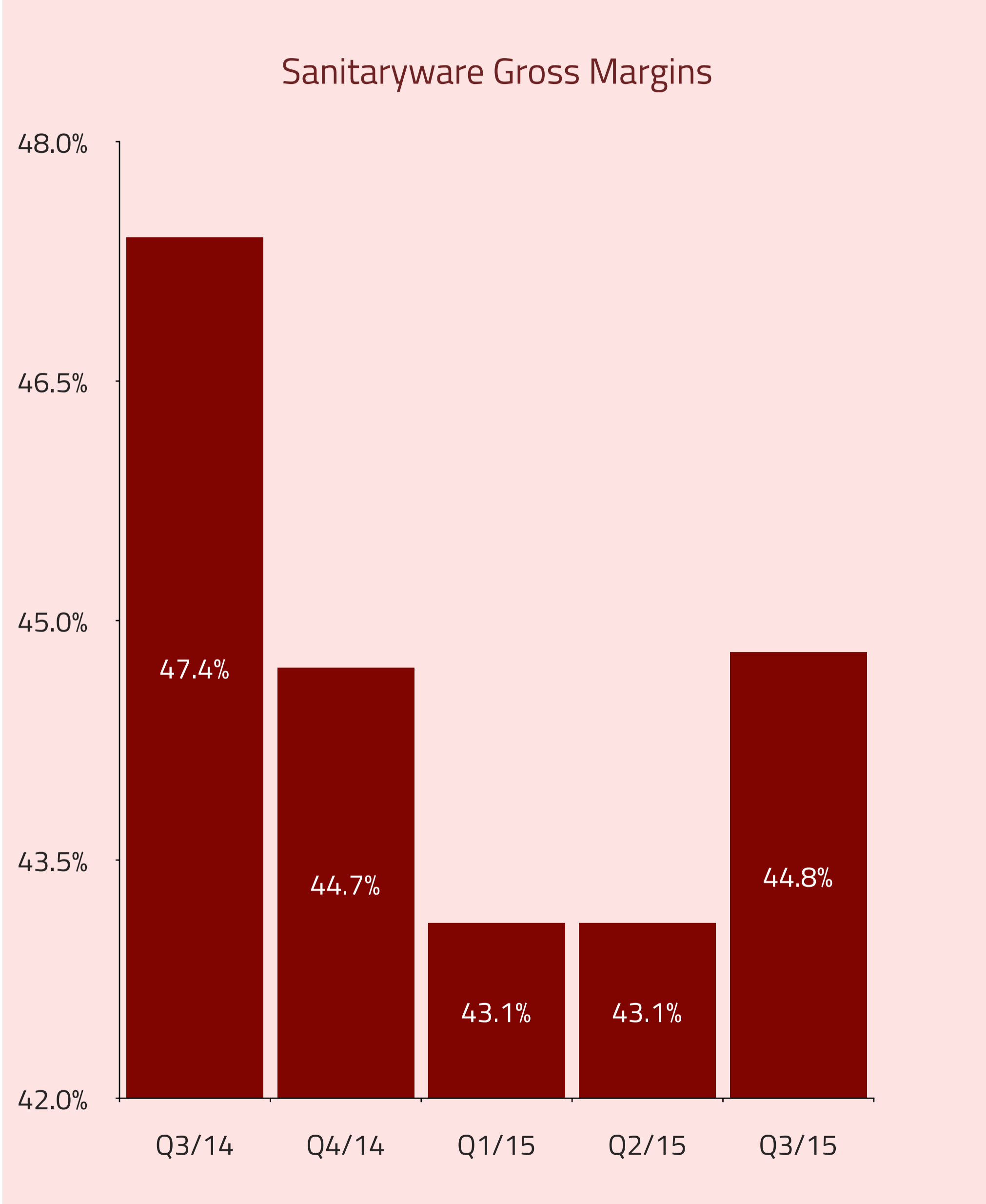
Overall margins improve

Sanitaryware margins continue to improve QoQ but remain lower than last year.

Bangladesh performed strongly

Bangladesh sanitaryware margins increased to **48.4%**. UAE margins increased by **250 bps** QoQ to **45.3%**.

India margins continued to decrease due to volume sales decline and increased pricing pressures.

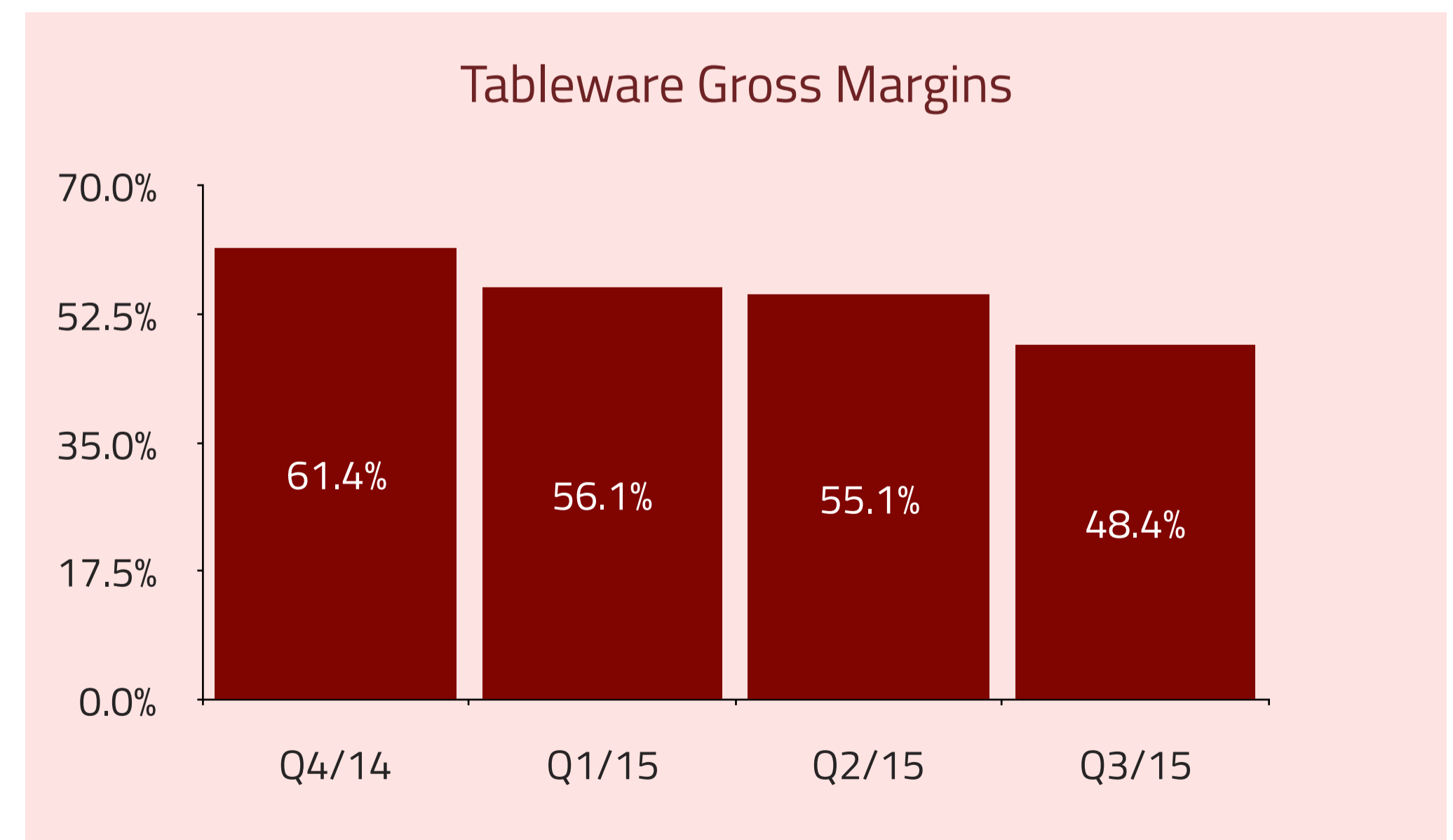
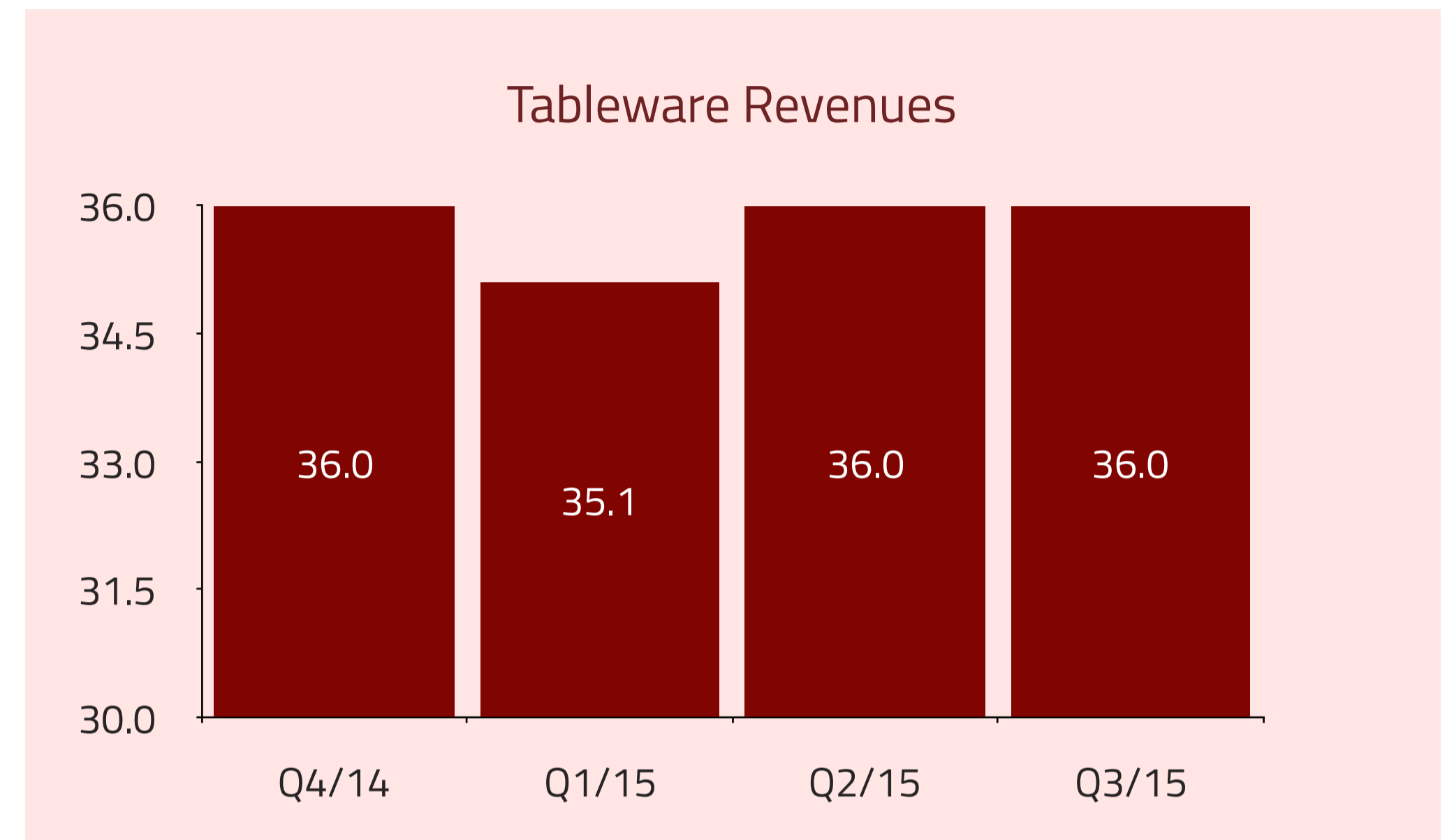


TABLEWARE

Stable Tableware revenues

Q3/15 revenues were stable at **AED36mn**. As a reminder, we only started consolidating Tableware in Q4/14 so YoY results not available.

A favourable product mix towards higher priced items allowed us to offset unfavourable exchange rate movements given our high concentration of European sales.

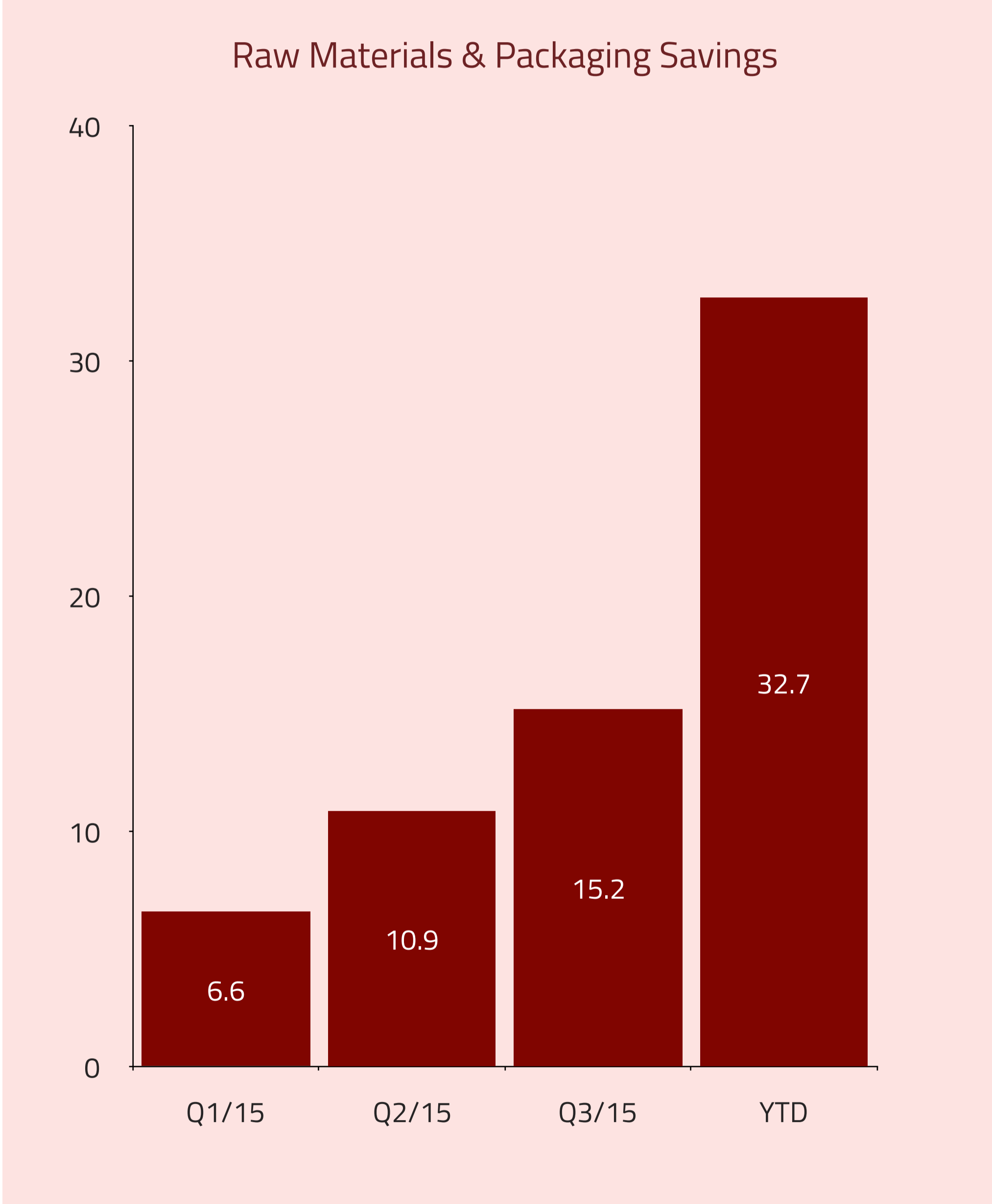


SAVINGS

Savings despite headwinds from energy

Energy costs continue increase as a result of increased proportion of supply from Dolphin Gas.

However, we have been more than able to find opportunities for cost savings to offset higher energy costs from raw materials procurement and packaging.



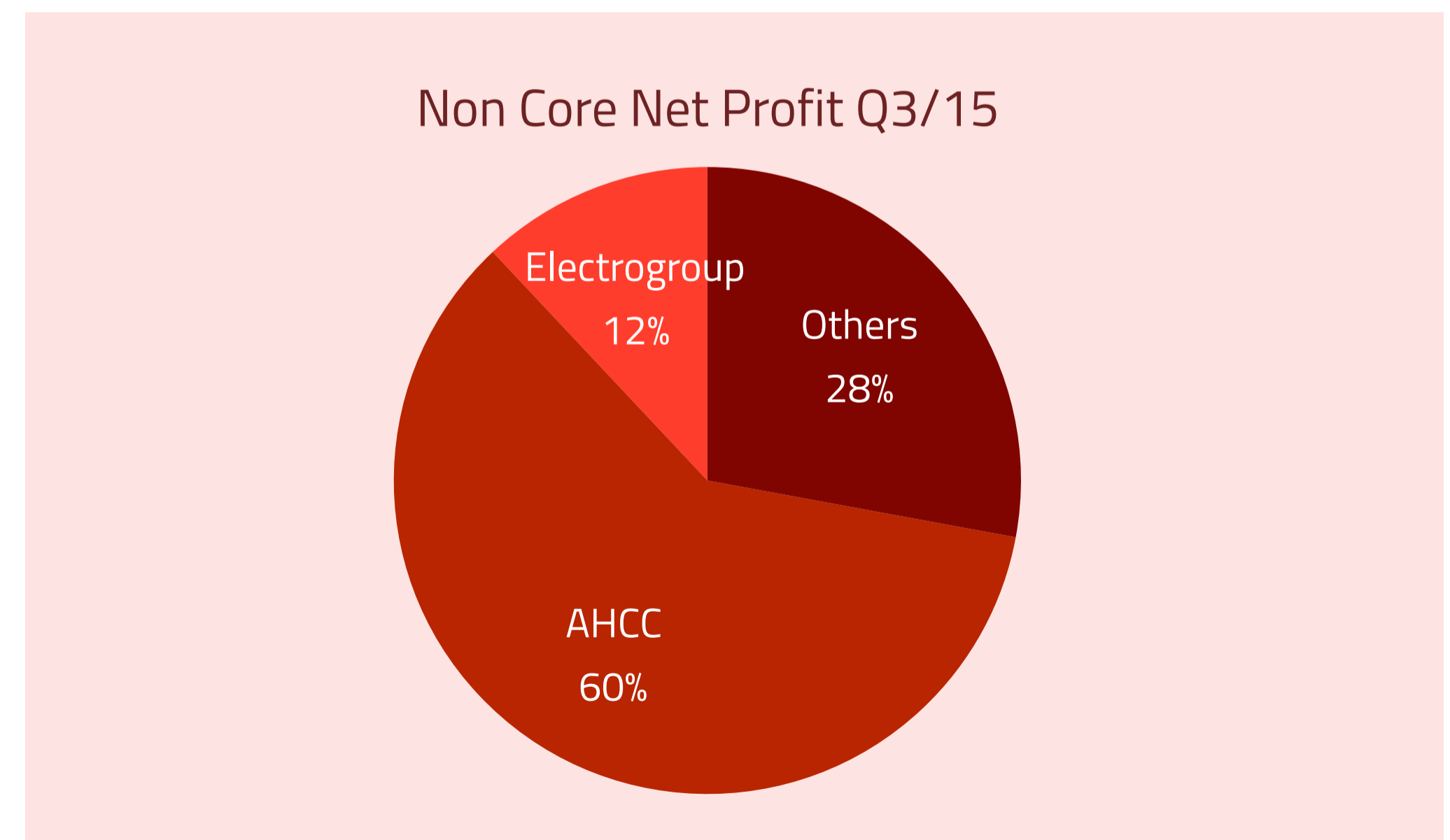
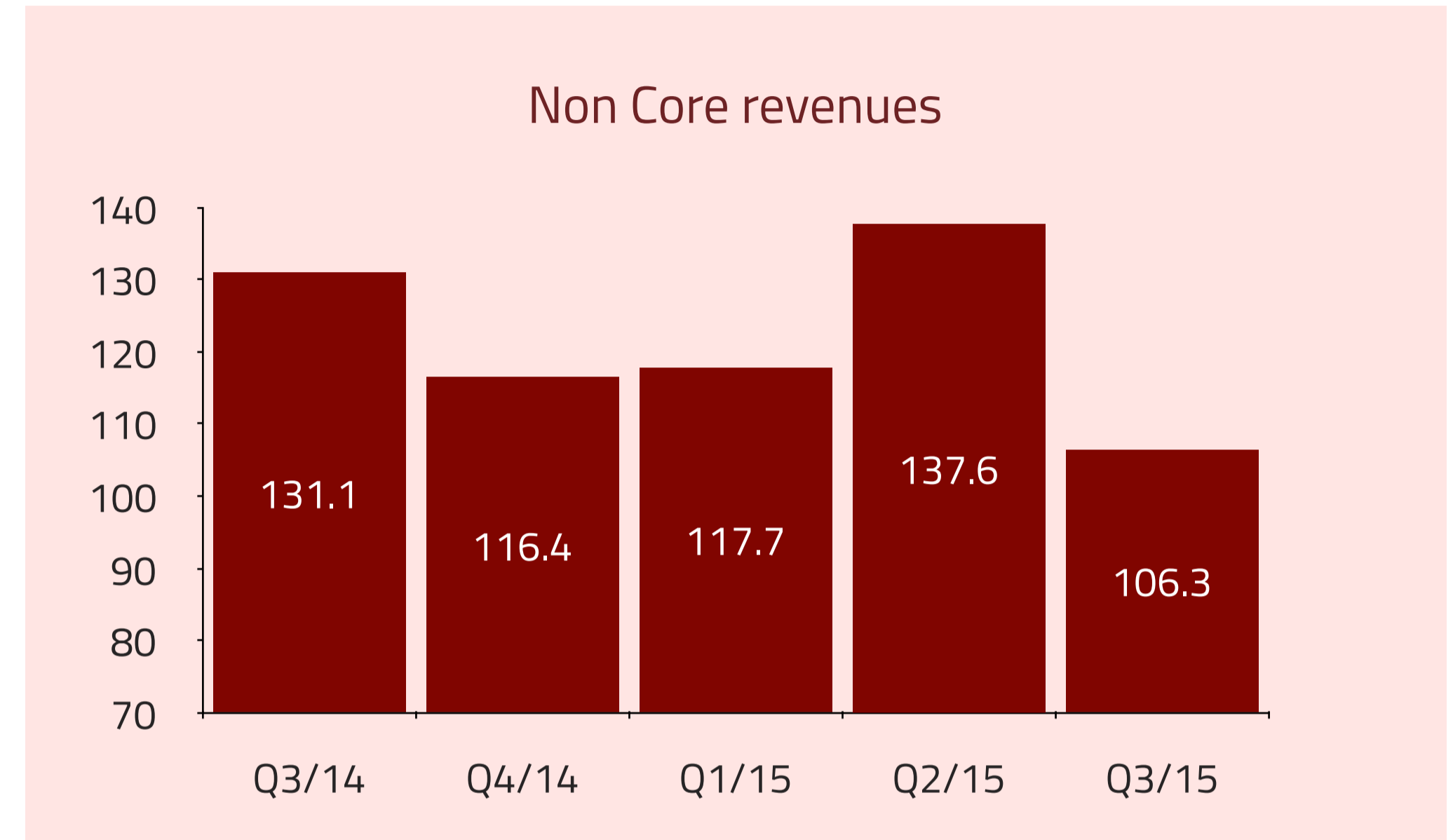
NON CORE

Non Core revenues continue to decline as a standalone basis and as a percentage of our overall sales (**13.6%** vs. **16.7%** in Q3/14) in line with our strategy.

In Q3/15, non core revenues were **AED106.3** down **18.9%** in Q3/15 from **AED131.1mn** in Q3/14 and **22.7%** QoQ. Focus for non core operations is on turning around the operations. Gross Margin increased to **29.0%** from **15.9%** in Q3/14.

Composition of profitability is changing with AHCC, our construction unit representing **60.1%** of profits today from **29%** one year ago due to shutting the civil engineering division and focusing on the rough grading works.

ElectroRAK also turned profitable this quarter.



FINANCIAL PERFORMANCE

Mr. PK Chand, *Chief Financial Officer*

EBITDA

EBITDA margin surged to 21.9%

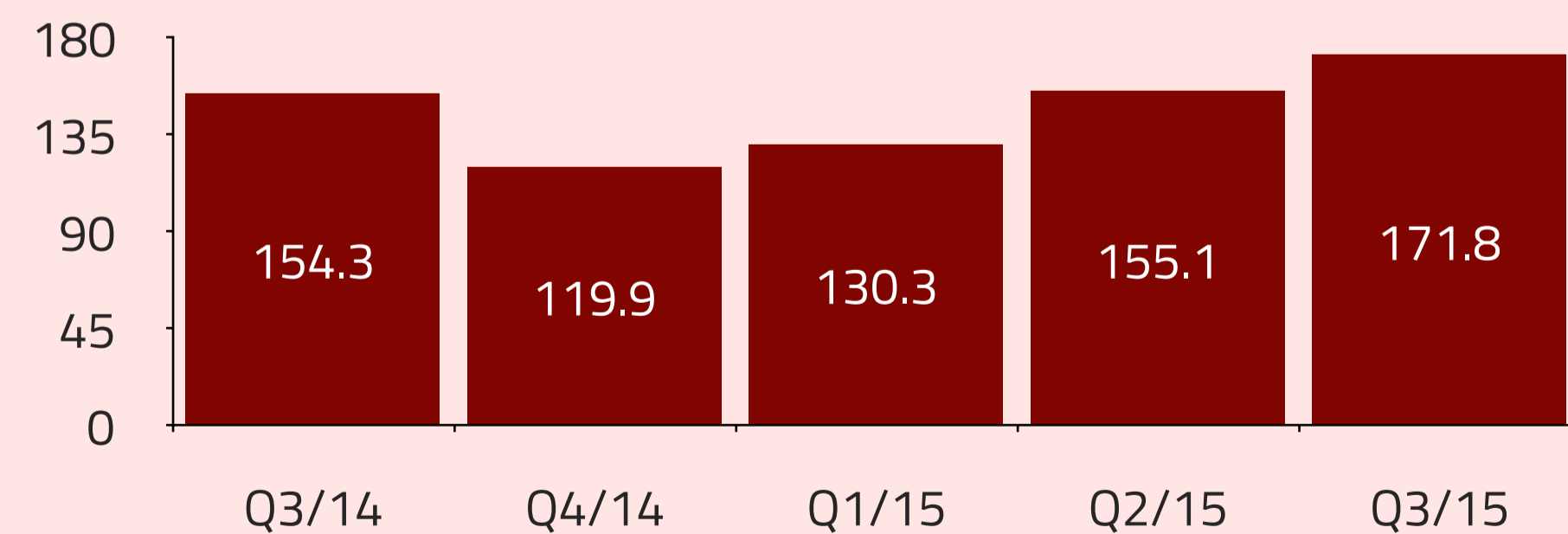
EBITDA increased by **11.3%** YoY from **154.3mn** to **171.8mn**.

Excluding Iran and China impact, Q3/15 EBITDA was even stronger by **16.1%** and increased from **AED155.4** to **AED180.4** YoY.

EBITDA Calculation

	Q3/14	Q3/15
Net Profit	57.4	82.1
Tax	3.4	3.1
Depreciation and Amortization	33.1	43.9
Finance Expense	11.1	12.5
Loss (Gain) on Asset Sale	5.0	0.3
Provisions - Net	20.0	21.5
Hyperinflation translation loss	24.4	8.6
Other non recurring items	0.0	-0.2
EBITDA	154.4	171.8
EBITDA Margin	19.7%	21.9%

EBITDA

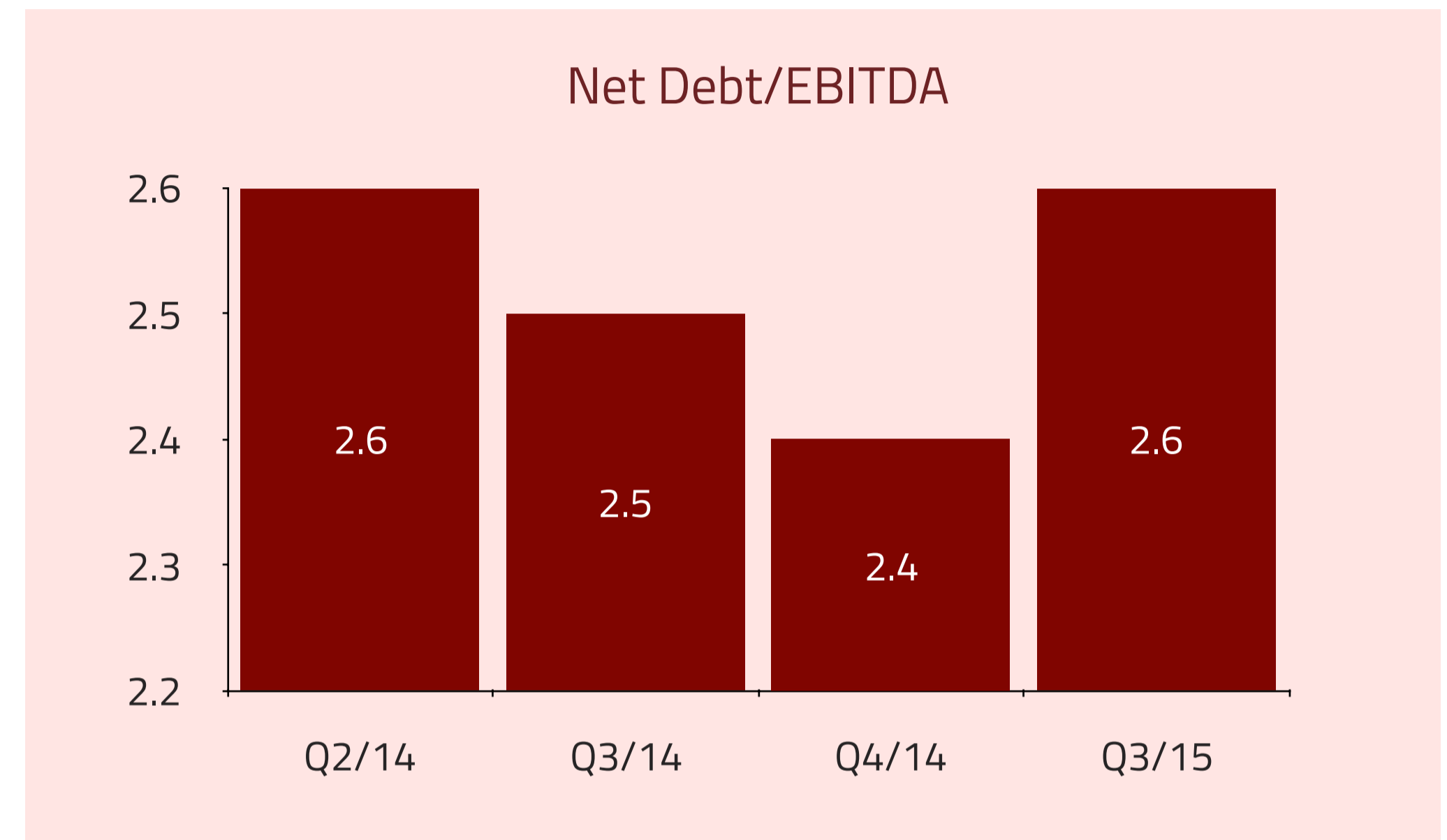
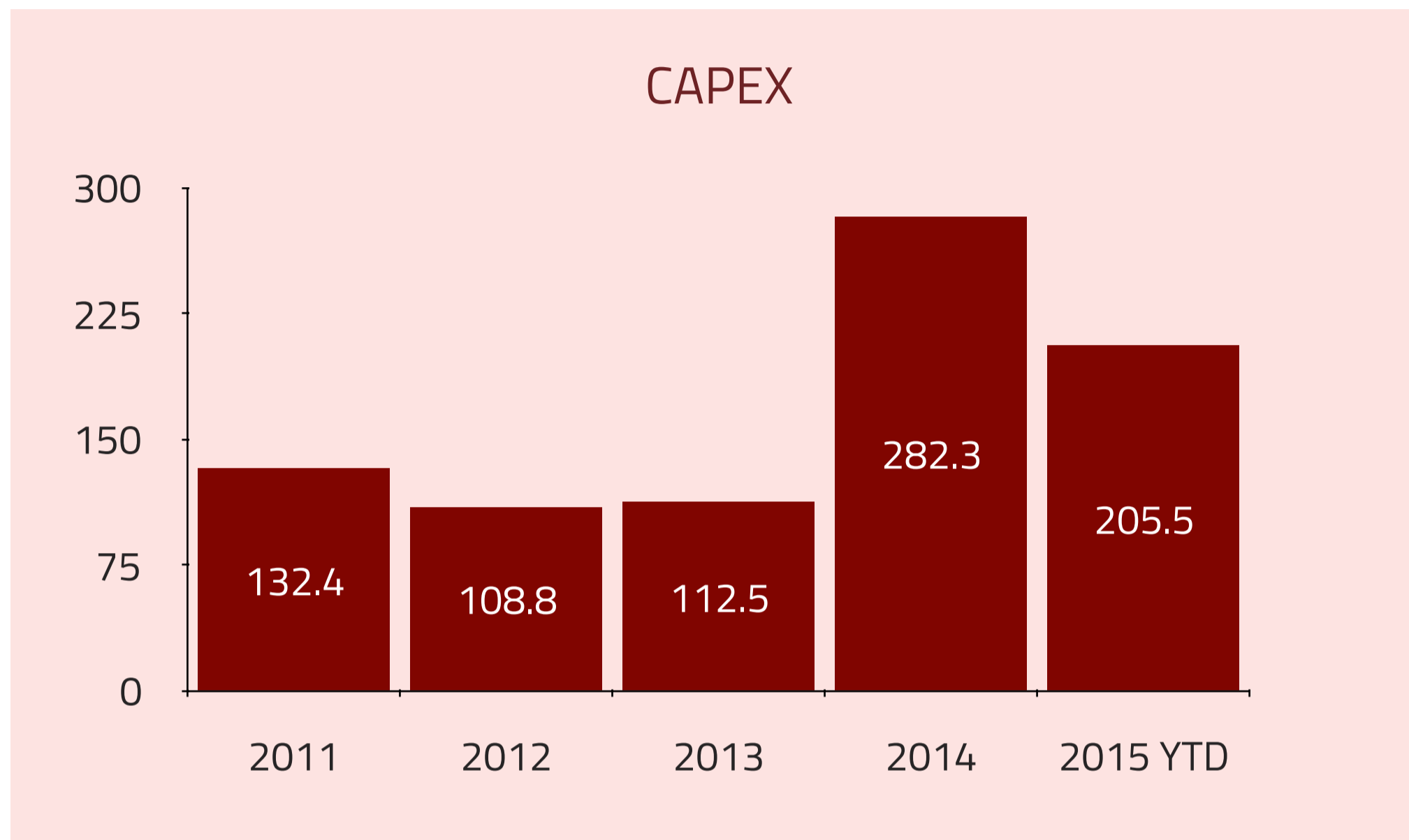


NET PROFIT

Net Profit (Reported, Adjusted and Normalised)

	Q3/14	Q3/15	9-mth '14	9-mth '15
Reported Net Profit	57.4	82.1	207.3	228.4
Hyperinflation (Iran & Sudan)	24.4	8.6	51.7	32.6
Adjusted Net Profit	81.8	90.7	259.0	261.0
Net Impact of divestments and one-offs	0.0	-6.4	0.0	7.3
Normalised Net Profit	81.8	84.3	259.0	268.3

BALANCE SHEET HIGHLIGHTS



Investing in Growth

Our CAPEX spending continued in the quarter and we are on track to spend roughly **AED300mn** in 2015. This contrasts with prior years when we did not invest in the core business.

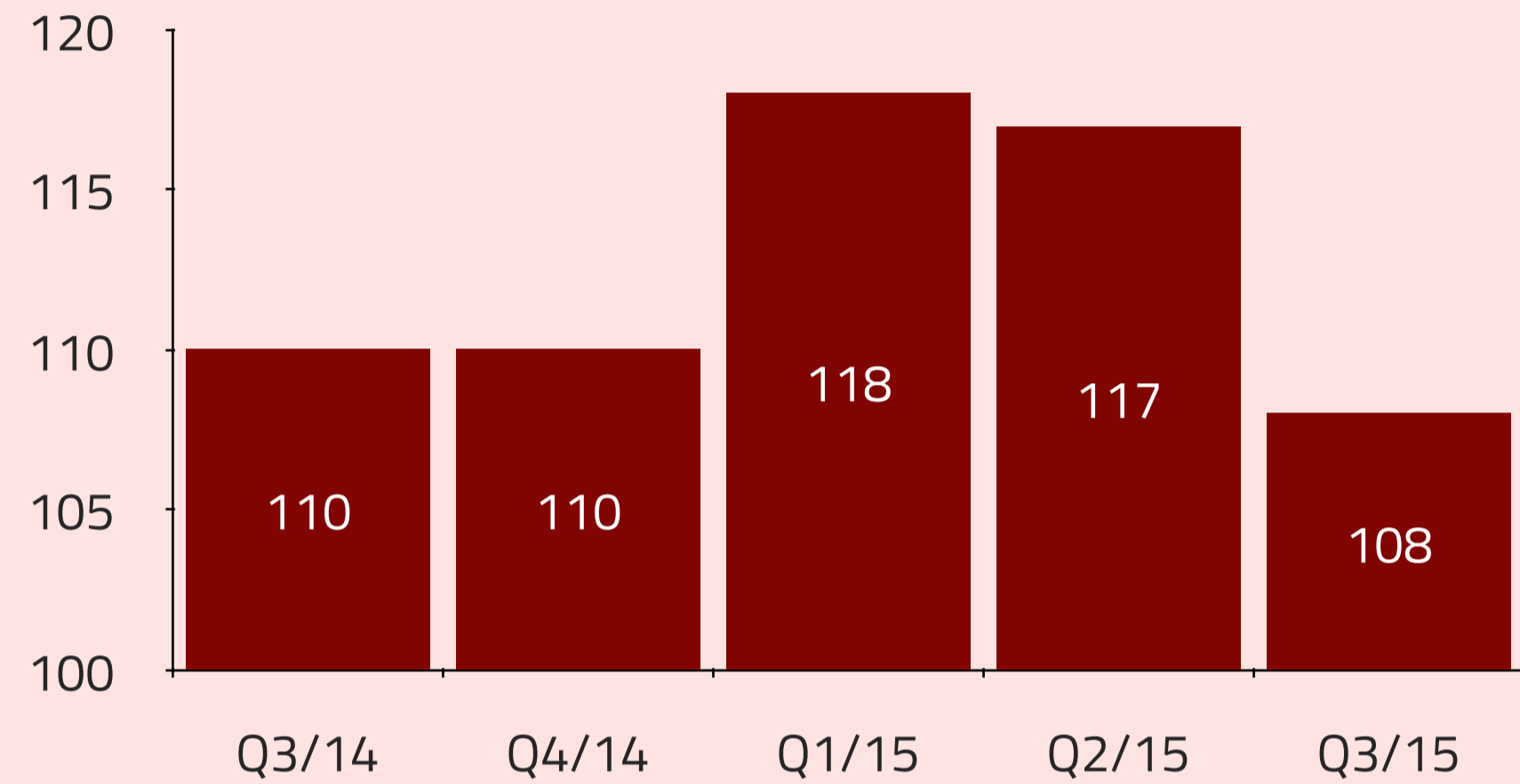
Continued debt reduction

Earlier in the year, we converted AED370mn of short term debt to lower cost long term debt resulting in savings of **AED3.8mn** in the quarter. Our cost of debt is now **2.45%** vs **3.0%** in Q4/14.

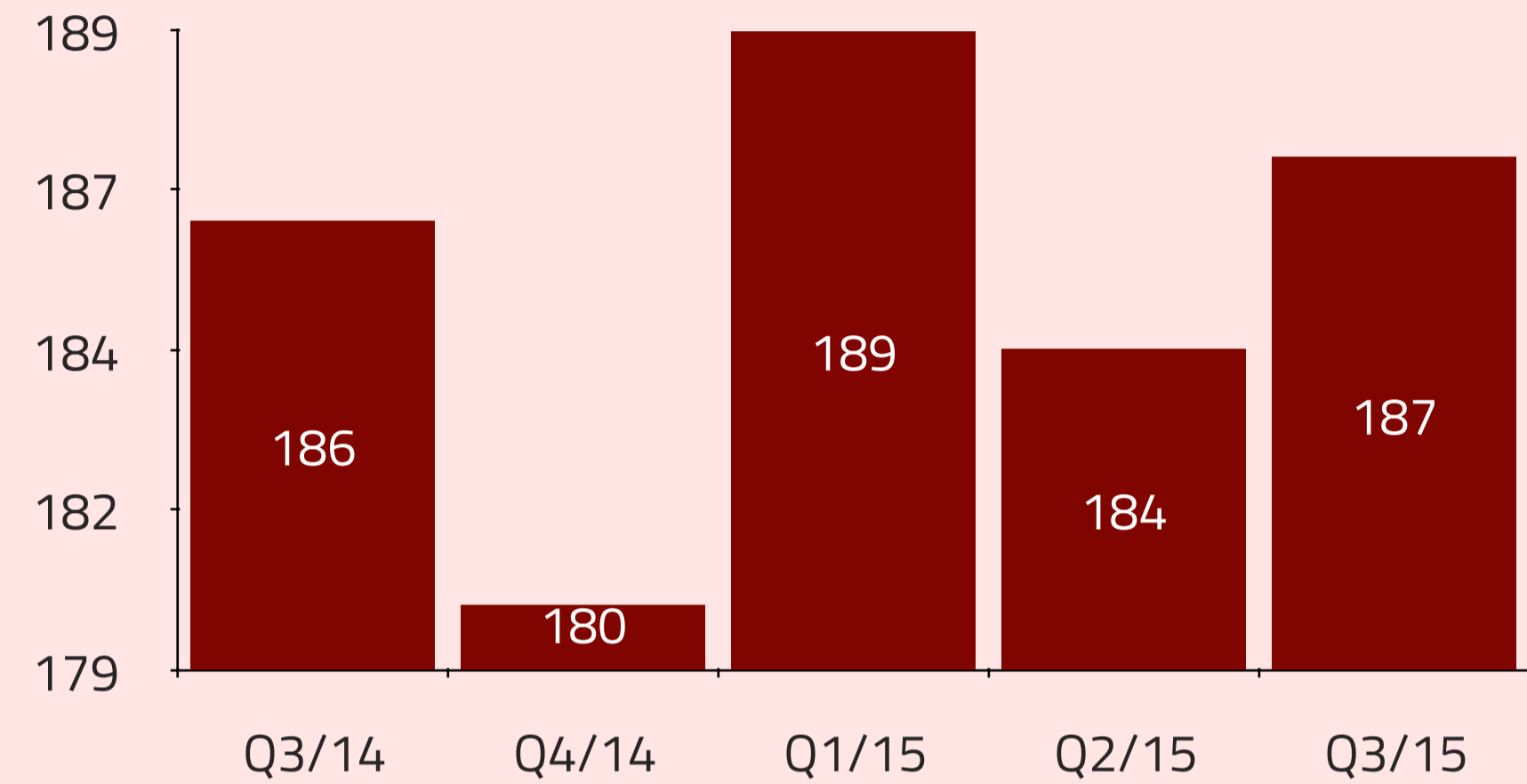
We now meet all of the criteria to be considered a Sharia compliant company and have submitted an approval to the Shariah compliant board to be considered one.

WORKING CAPITAL HIGHLIGHTS

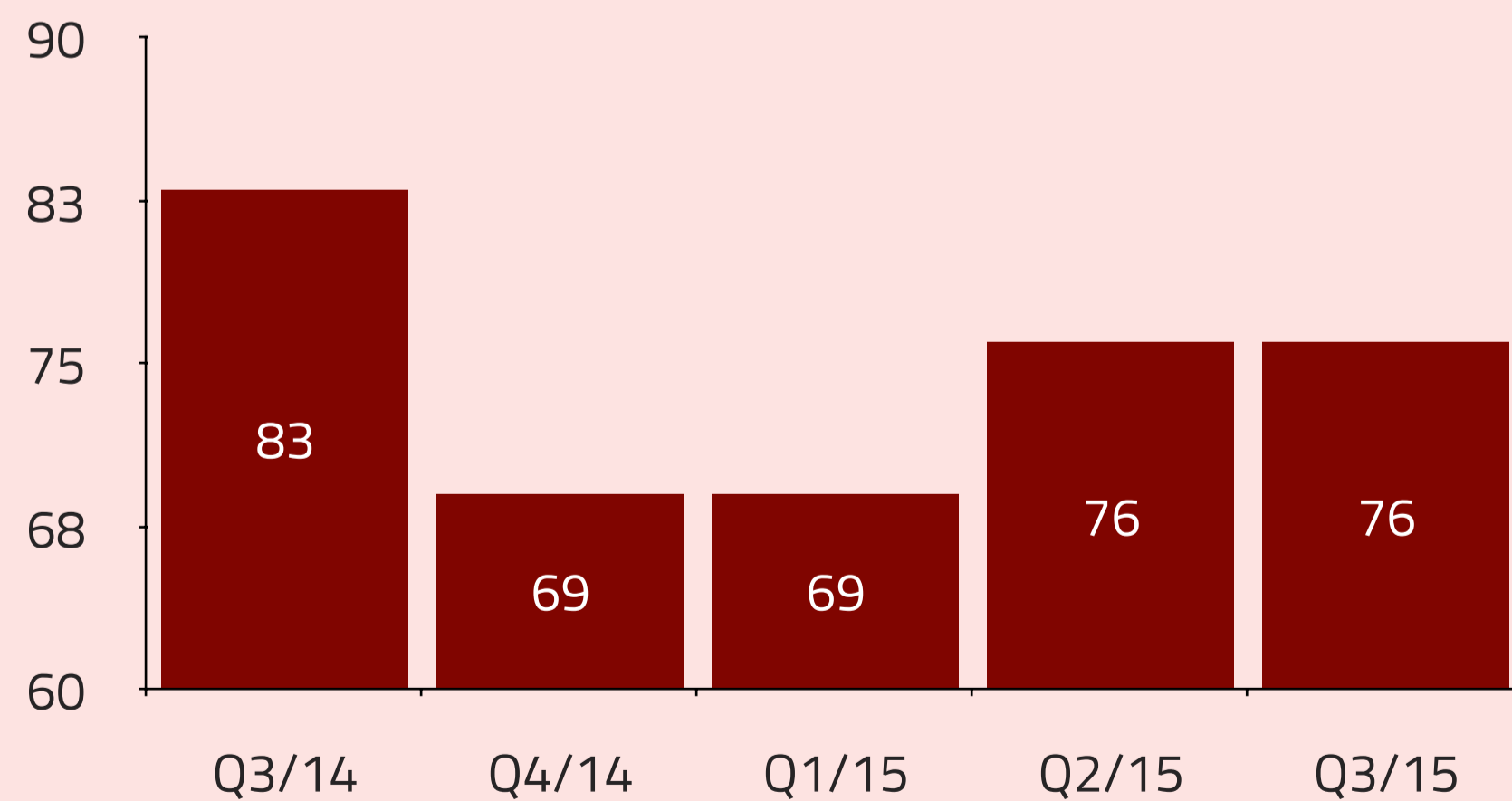
Trade Receivables Days



Inventory Days



Trade Payables Days



Receivables collections has improved marginally in terms of days from Q2/15. Tableware saw a small increase in the quarter but we expect to be able to collect these in next few quarters. We are still working with our distributors to convert outstanding receivables to equity or find alternate solutions.

CLOSING COMMENTS

Mr. Abdallah Massaad, *Chief Executive Officer*

STRATEGIC UPDATE

Q4/15 Outlook

Capacity Expansion Update

Order Book Update

India Plan

Asset Sale Update

Value Creation Plan Initiatives

APPENDIX

CAPACITY EXPANSION GUIDANCE

Tiles Production Capacity

Tiles Production Capacity	Year End 2014a	Year End 2015a	Year End 2016a	Expected completion
UAE	81.9	81.9	81.9	
India	8.0	8.0	8.0	
Bangladesh	8.0	8.0	11.6	Q1/16
Sudan+China	13.3	0.0	0.0	
Iran	6.0	6.0	6.0	
Sum	117.2	103.9	107.5	

Shown in Millions of Sqm

Sanitaryware Production Capacity

Tiles Production Capacity	Year End 2014a	Year End 2015a	Year End 2016a	Expected completion
UAE	2,700	2,700	3,294	Q1/16
India	700	700	1,065	Q4/16 but On Hold
Bangladesh	1,250	1,558	1,558	
Sum	4,650	4,958	5,917	

Shown in thousands of pieces

2015 NON CORE ASSET DISPOSALS

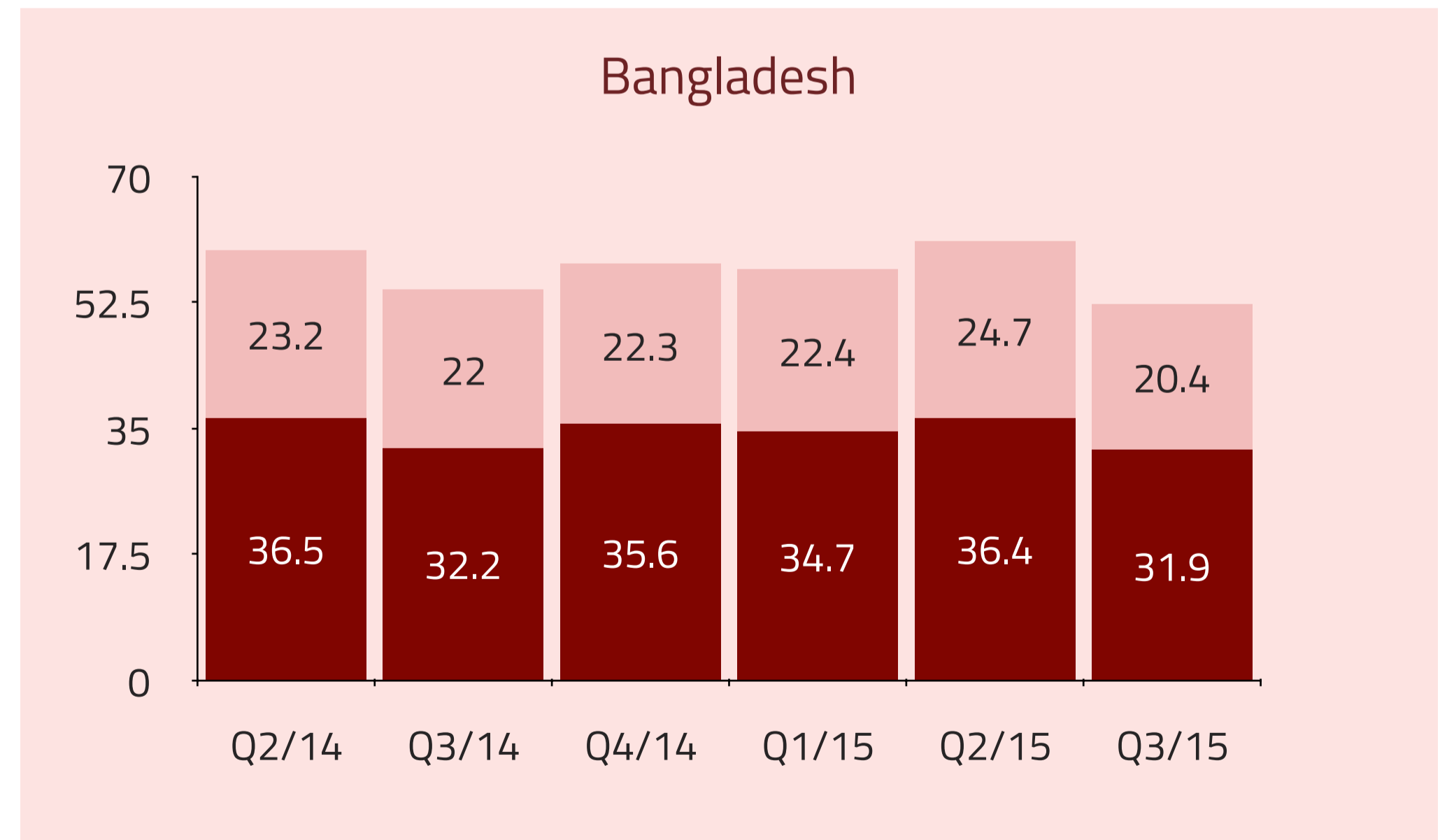
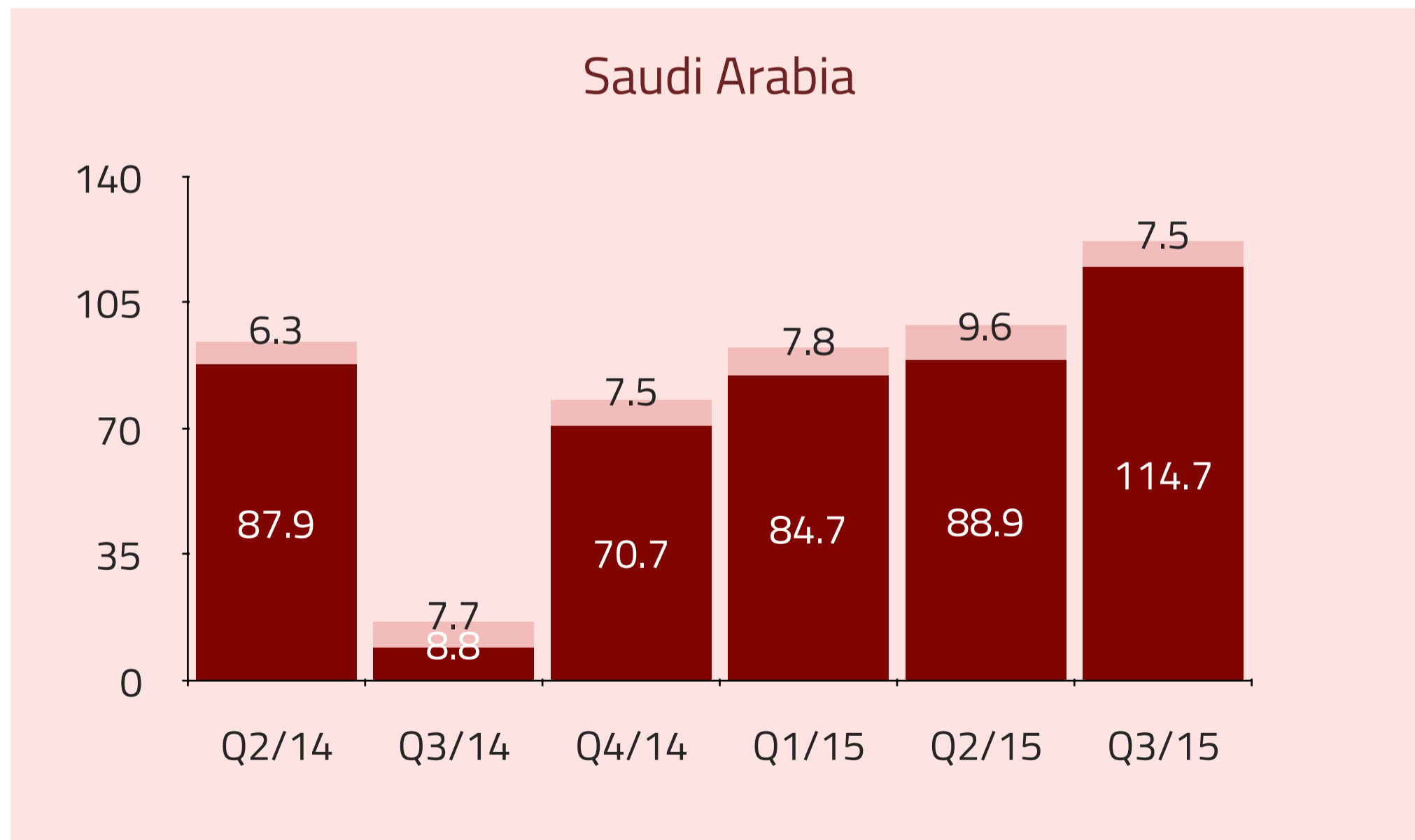
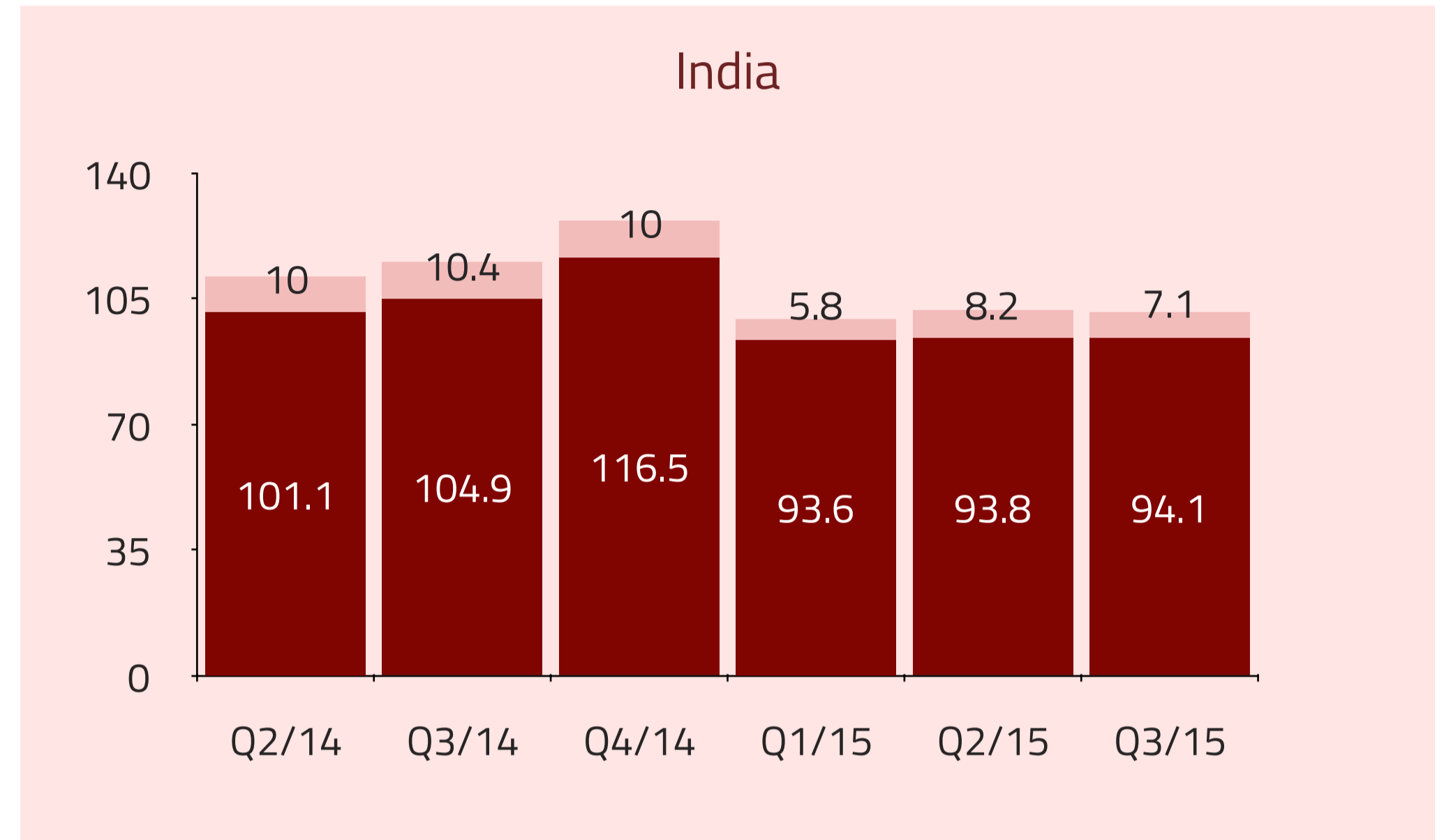
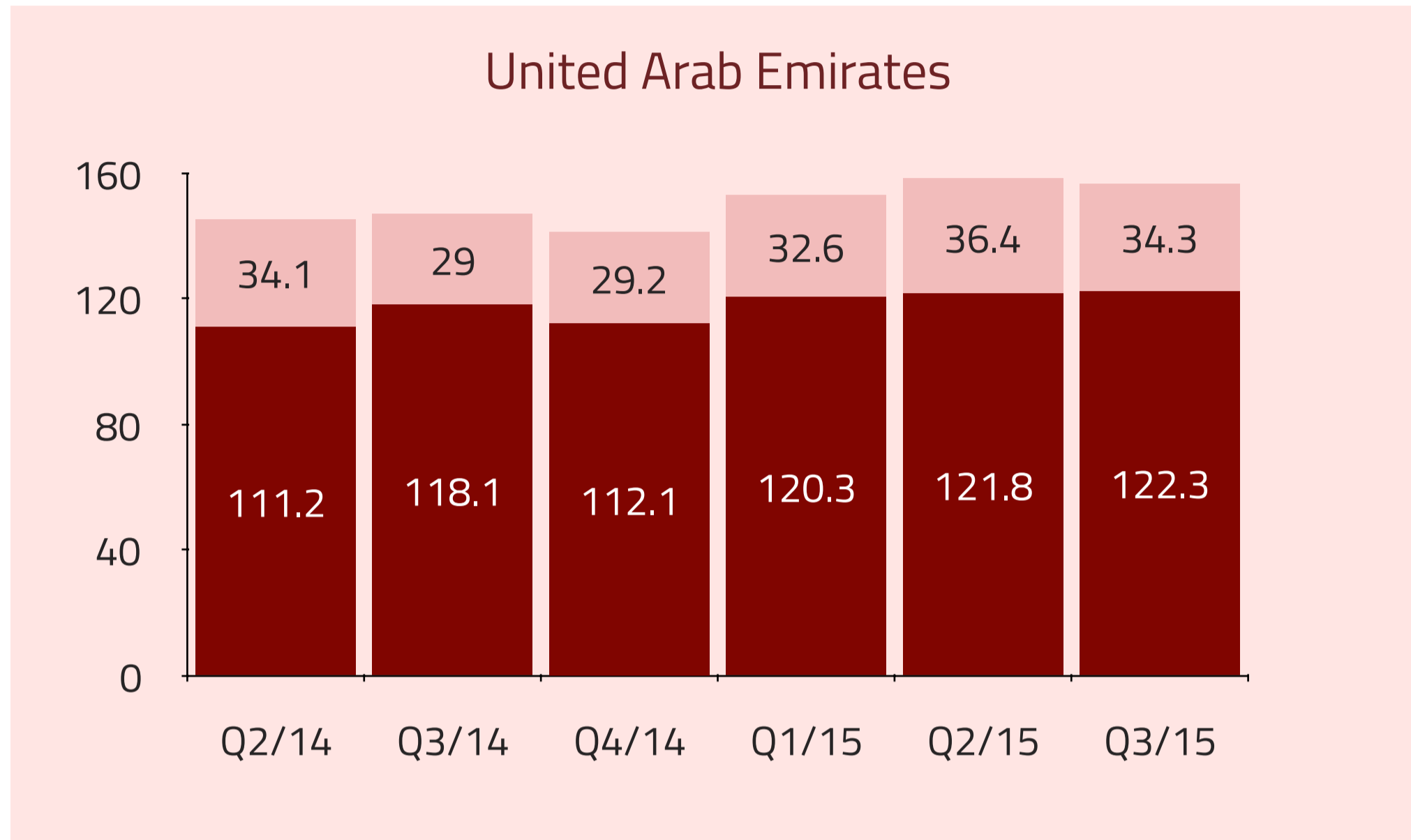
Disposals

Company/Assets disposed	Total consideration
RAK Pharmaceuticals Pvt Ltd, Bangladesh	
RAK Moshfly Pvt Ltd, Bangladesh	
15 Townhouses at Al Hamra Village, RAK	
Laticrete RAK LLC, RAK	
RAK Piling LLC, RAK	
RAK Watertech LLC, RAK (39% stake sold)	
Al Hamra Aluminium & Glass Industries LLC, UAE	
RAK Gypsum & Decorations LLC, UAE	
Total Proceeds	95.5

Held

Held for Sale	Year of disposal	Carrying Value	Total consideration	Provision for
RAK Ceramics Sudanese Investment Co., Sudan	Q4/2015	268.8	220.4	(48.4)

FOCUS MARKET SALES TRENDS



■ Tiles ■ Sanitaryware

CONSOLIDATED NET INCOME

	Q3'14	Q3 '15 (Actual)	YTD Sep 14	YTD Sep 15 (Actual)
<i>Revenue (excluding discontinued operations)</i>	784.9	782.8	2,335.2	2,330.9
Cost of sales	(575.3)	(542.5)	(1,713.7)	(1,652.8)
Gross profit	209.6	240.3	621.6	678.1
Administrative and general expenses	(60.0)	(73.3)	(218.1)	(231.0)*
Selling and distribution expenses	(79.0)	(88.7)	(247.0)	(251.7)
Other income	14.4	15.4	40.8	48.9
Results from operating activities	84.9	93.7	197.3	244.3
Finance cost	(26.6)	(21.9)	(55.5)**	(64.8)**
Finance income	6.3	1.6	15.1	6.8
Share of profit in equity accounted	12.1	7.2	31.6	19.1
Gain on settlement of related party	0.0	0.0	59.1	0.0
Profit on sale of investment	0.0	-	0.0	38.5
Gain on disposal of subsidiary		2.0		5.1
Loss on net monetary position	1.1	(1.4)	(2.8)	(4.2)
Profit from discontinued operation	(17.2)	3.9	(19.1)	(0.4)
Contingencies	0.0	0.0	0.0	0.0
Sudan and China Loss	0.0	0.0	0.0	0.0
Profit before tax	60.8	85.2	225.6	244.3
Tax (expense)/income	(3.4)	(3.1)	(18.3)	(15.9)
Profit after tax	57.4	82.1	207.3	228.4

CONSOLIDATED BALANCE SHEET

Assets	Dec 2014	Sep 2015
Non-current assets		
Property, plant and equipment	1,180.6	1,074.3
Capital work-in-progress	73.3	179.4
Goodwill	50.4	50.4
Intangible assets	19.4	17.3
Investment properties	1,113.9	1,156.0
Investments in equity accounted	151.3	145.2
Long term portion of receivable	-	0.0
Deferred tax assets	0.3	0.2
Total Non Current Assets	2,589.1	2,622.7
Current assets		
Inventories	1,139.4	1,146.7
Trade and other receivables	1,170.1	1,131.6
Contract work-in-progress	28.6	16.2
Due from related parties	292.8	525.3
Cash in hand and at bank	448.4	508.1
Assets classified as held for sale	331.6	254.6
Derivative financial assets	0.0	-
Total Current Assets	3,410.8	3,582.5
Total assets	5,999.9	6,205.2

Equity and liabilities	Dec 2014	Sep 2015
Equity		
Share capital	817.5	817.5
Reserves	1,990.8	1,914.5
Equity	2,808.3	2,732.1
Non-controlling interests	226.5	180.6
Total equity	3,034.8	2,912.6
Non-current liabilities		
Long term bank loans	770.4	1,350.3
Provision for Gratuity	78.9	76.8
Deferred tax liabilities	8.8	7.7
Total Non Current Liabilities	858.0	1,434.8
Current liabilities		
Short-term bank borrowings	1,099.2	751.0
Trade and other payables	806.9	868.6
Billings in excess of valuation	3.3	8.4
Provision for taxation	103.1	117.6
Due to related parties	63.7	96.1
Liabilities classified as held for sale	30.8	12.5
Derivative financial liabilities	0.0	3.5
Total Current Liabilities	2,107.0	1,857.7
Total liabilities	2,965.1	3,292.6
Total equity and liabilities	5,999.9	6,205.2

CASH FLOW STATEMENT

	Sep-15	Sep-14
Operating activities		
Profit for the period before tax	244.4	225.6
Adjustments for:		
Share in profit of equity accounted investees	(19.1)	(31.6)
Loss on net monetary position	6.5	21.1
Gain on settlement of related party balances	-	(59.1)
Interest expense	33.6	44.5
Interest income	(5.5)	(14.9)
Gain on disposal of property, plant and	(7.7)	(2.5)
Gain on disposal of property, plant and	(2.0)	-
Gain on sale of a subsidiary	(5.1)	-
Gain on sale of equity accounted investees	(38.5)	-
Depreciation on property, plant and	147.8	137.5
Amortization of intangible assets	2.3	2.0
Capital work-in-progress written off	1.4	5.0
Depreciation on investment property	6.9	5.4
Provision for employees' end-of-service	9.8	17.6
	374.9	371.5
Change in:		
inventories (including contract work-in-	(6.1)	(22.0)
trade and other receivables	3.1	(168.4)
due from related parties (including long term)	(193.9)	8.5
assets classified as held for sale	66.7	-
trade and other payables (including billings-	69.2	(29.2)
due to related parties	42.4	(16.6)
liabilities classified as held for sale	1.3	1.2
derivative financial assets	3.5	-
deferred tax assets	0.0	2.5
deferred tax liabilities	(1.0)	0.1
Income tax refund / (paid)	(5.1)	16.7
Employees' end-of-service benefits paid	(11.1)	(20.5)
Currency translation adjustment	(6.6)	(16.6)
Net cash from operating activities	337.2	104.0

	Sep-15	Sep-14
Investing activities		
Acquisition of property, plant and equipment	(205.5)	(239.0)
Acquisition of investment property	-	0.0
Change in bank deposits	(19.3)	11.5
Proceeds from sale of property, plant and	10.3	2.9
Proceeds from disposal of a subsidiary	17.0	-
Proceeds from sale of investment properties	17.8	-
Acquisition of intangible assets	(0.2)	(0.5)
Proceed from sale of equity accounted	49.0	-
Dividend received from equity accounted	15.6	32.4
Interest income received	5.5	11.9
Net cash from / (used in) investing activities	(109.8)	(180.8)
Financing activities		
Long term bank loans availed	1466.2	168.0
Long term bank loans repaid	(1091.4)	(219.3)
Net movement in short term bank borrowings	(142.1)	10.5
Interest paid	(33.6)	(44.5)
Dividend paid to non-controlling interests	(33.0)	(7.2)
Dividend paid	(286.1)	(111.5)
Directors' fees	(4.2)	(2.4)
Acquisition of non-controlling interest	(33.8)	-
Funds invested by non-controlling interests	-	0.8
Net cash used in financing activities	(158.1)	(203.3)
Net increase / (decrease) in cash and cash	69.3	(280.1)
Cash and cash equivalents at the beginning of	331.5	436.0
Cash and cash equivalents at the end of the	400.8	155.9
Represented by:		
Cash in hand and at bank (net of bank	522.1	314.4
Bank overdraft	(121.3)	(158.5)
	400.8	155.9

