

World's No.1* Ceramics Manufacturing Company



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RAK Ceramics PSC 2015 2nd Quarter Financial Results

2015 2nd Quarter In Review – Key Highlights



Operational Performance

- ❑ Reported revenue decreased by 1.1% to AED 803.8 mn in Q2 2015, 0.1% decrease to AED 1,548.1 mn in H1 2015 .
- ❑ Restructuring in non-core activities resulted in an increase in revenues by 11.0% to AED 137.3mn, 20.9% increase in H1 2015 to AED 255.2mn and enhanced gross margins to 17.7% in H1 2015 from 12.4% in H1 2014
- ❑ Core revenue decreased by 3.3% to AED 666.6mn, 3.5% decrease to AED 1,292.8mn in H1 2015, due to headwinds from Euro currency, geopolitical events in GCC and weak Indian market performance
- ❑ However tiles sales in the UAE continue to witness buoyant growth (9.5% growth QoQ and YoY) and in Saudi Arabia tiles sales rebounded in Q2 2015 with a 4.7% increase from the previous quarter to AED 88.9mn
- ❑ Sanitaryware revenues remain stable at AED 116.2mn for the quarter and AED 227.1mn for the first half of the year
- ❑ Operating efficiencies due to technology improvement, savings in procurement of raw materials and higher tableware margins resulted in core gross profit margin improvement by 1.4% to 30.6% in Q2 2015 and 1.2% to 30.4% in H1 2015
- ❑ EBITDA in Q2 2015 decreased by 11.9% to AED 155.1mn and by 7.9% to AED 285.7mn in H1 2015 primarily to the suspension of the operations in Sudan and China
- ❑ Euro appreciated nearly 2.5% during the quarter (from Q1 2015 to Q2 2015) resulting in forex gain of AED 2.3mn, however in H1 2015 total forex losses amount to AED 18.9mn compared to a gain of AED 3.2mn in H1 2014
- ❑ We continue to account for hyperinflation losses from Sudan & Iran (AED 24.0mn in H1 2015)
- ❑ Reported net profit decreased in Q2 2015 by 5.7% to AED 85.9mn and by 2.4% for H1 2015 to AED 146.4mn

Operational Initiatives

- ❑ Multiple projects are in process of execution to enhance branding and positioning, reengineer processes and integrate European sales functions
- ❑ 88 Kaizen AET teams continued to operate across the factories in UAE
- ❑ Cost savings from raw material and freight procurement expected to bear continued fruits
- ❑ Further strengthened leadership team with new hiring
- ❑ Implementation of SAP in RAK Bangladesh in progress & Treasury Module in UAE

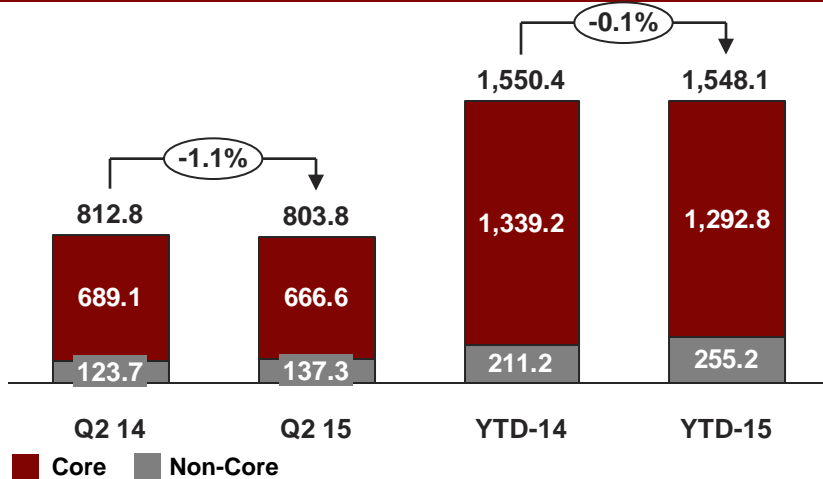
Corporate Actions

- ❑ SPA for sale of Sudan unit was executed in March 2015 and therefore operations are not consolidated since 1st April-2015. Continued classification as held for sale until final transaction closing procedures are executed
- ❑ SPA executed in Q2 2015 for sale of loss making non-core units (Al Hamra Aluminium & RAK Gypsum) and classified as held for sale until final transaction closing procedures are executed
- ❑ In July 2015, Board of Directors approved acquisition the minority stakes for India (7.6%) and Iran (20%) increased the ownership in such subsidiaries to 100%
- ❑ In July 2015, Bangladesh Board of Directors approved acquisition of 43% of RAK Power and 65% of RAK Security increasing the ownership of the Bangladeshi subsidiary in these business units to 100% and also approved the divestment of our 47% ownership in RAK Paints.
- ❑ All the above transaction are expected to be completed in H2 2015.

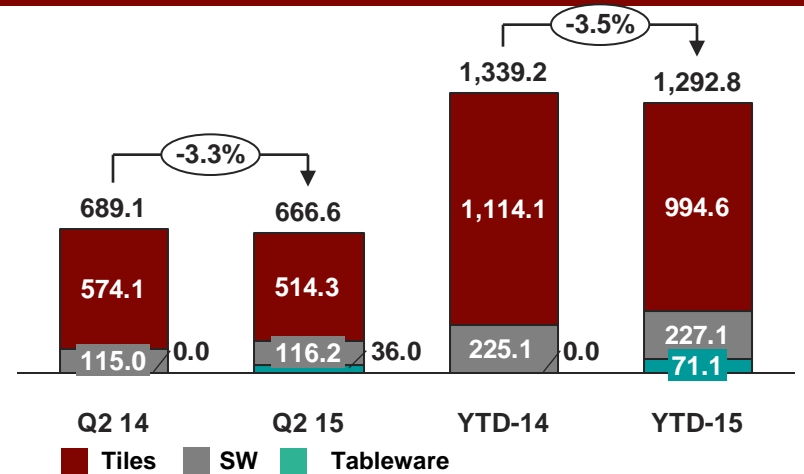
Quarterly Revenues & Profit Snapshot



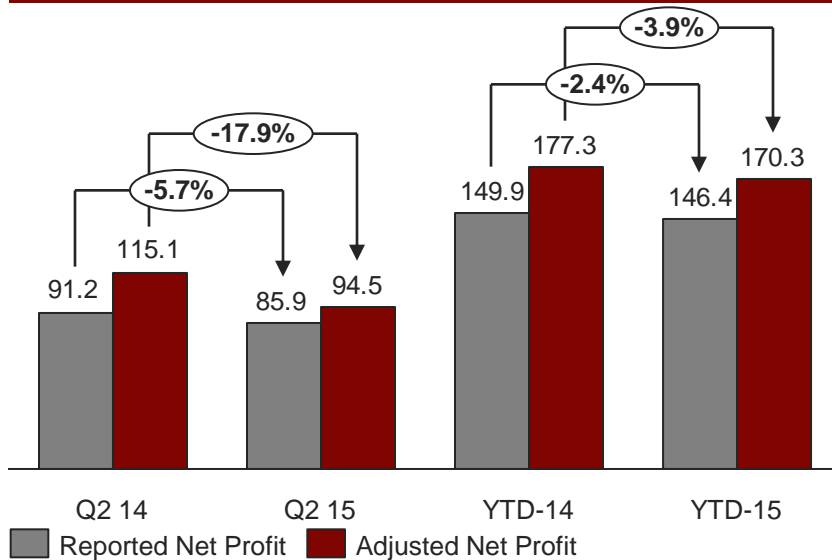
Reported Revenue: Core & Non-Core (AED mn)



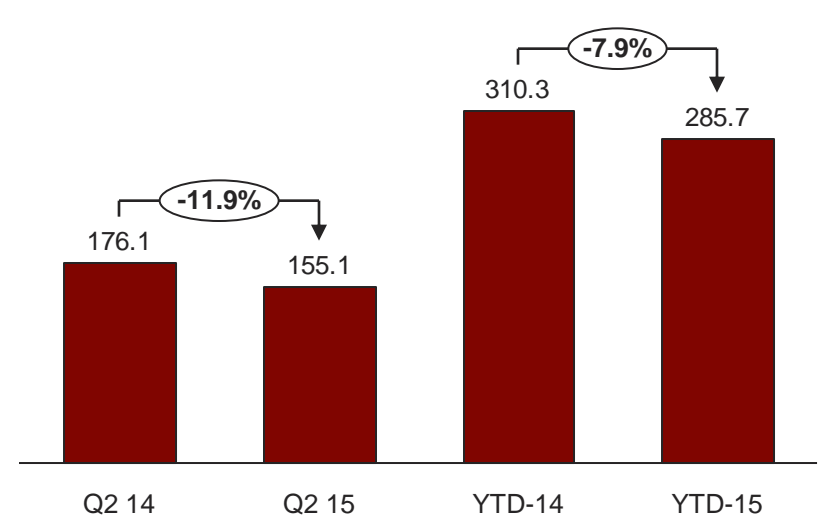
Total Core Revenue: Tiles, SW & Tableware (AED mn)



Reported & Adjusted Net Profit: Core & Non-Core (AEDmn)



Total EBITDA: (AED mn)



Core Revenues Breakdowns



Tile Revenues: By Production location

(AED mn)	Q2 14	Q2 15	YoY Change	H1 2014	H1 2015	YoY Change
UAE	419.9	383.0	-8.8%	801.4	734.2	-8.4%
India	106.0	102.8	-3.0%	210.4	200.2	-4.8%
Bangladesh	36.4	36.3	-0.4%	77.6	71.0	-8.5%
Sub-Total	562.3	522.1	-7.1%	1,089.4	1,005.4	-7.7%
China & Iran	33.3	6.3	-81.2%	54.0	14.6	-73.0%
Total Gross	595.6	528.4	-11.3%	1,143.4	1,020.0	-10.8%
Less: Elimination	(21.5)	(14.1)	-34.1%	(29.3)	(25.4)	-13.1%
Total Net	574.1	514.3	-10.4%	1,114.1	994.6	-10.7%

Tile Revenues: By End Market

(AED mn)	Q2 14	Q2 15	YoY Change	H1 2014	H1 2015	YoY Change
UAE	111.2	121.8	9.5%	220.9	242.1	9.6%
India	101.1	93.8	-7.2%	204.9	187.4	-8.5%
Saudi Arabia	87.9	88.9	1.1%	173.1	173.6	0.3%
Bangladesh	36.5	36.4	-0.2%	77.7	71.1	-8.5%
Germany	37.2	24.0	-35.6%	68.1	41.5	-39.1%
China & Iran	33.3	6.3	-81.2%	54.0	14.6	-73.0%
Rest of GCC	37.4	30.6	-18.2%	70.3	55.1	-21.6%
Others	129.5	112.6	-13.0%	245.1	209.3	-14.6%
Total	574.1	514.3	-10.4%	1,114.1	994.6	-10.7%

SW Revenues: By Production Location

(AED mn)	Q2 14	Q2 15	YoY Change	H1 2014	H1 2015	YoY Change
UAE	82.4	84.2	2.2%	159.1	167.6	5.3%
India	10.0	8.2	-18.0%	19.7	13.9	-29.4%
Bangladesh	23.2	24.7	6.5%	47.5	47.1	-0.8%
Total Gross	115.6	117.2	1.4%	226.3	228.6	1.0%
Less: Elimination	(0.6)	(1.0)	-66.7%	(1.2)	(1.5)	25.0%
Total Net	115.0	116.2	1.1%	225.1	227.1	0.9%

SW Revenues: By End Market

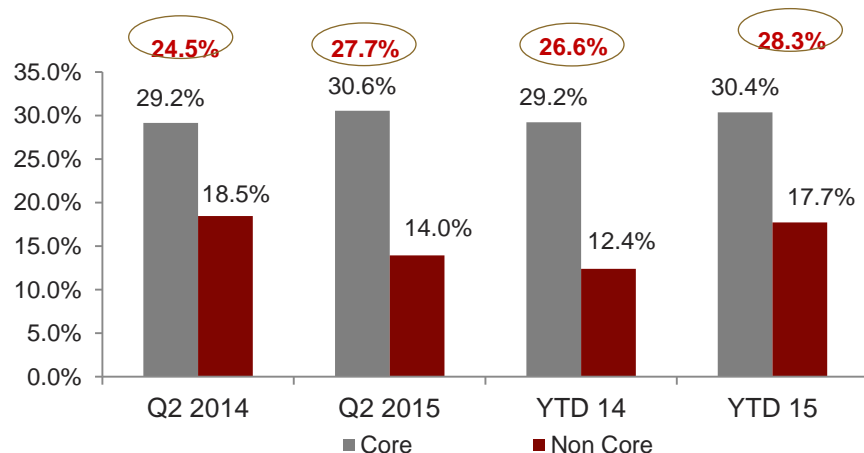
(AED mn)	Q2 14	Q2 15	YoY Change	H1 2014	H1 2015	YoY Change
UAE	34.1	36.4	6.7%	65.6	69.0	5.2%
Bangladesh	23.2	24.7	6.5%	47.5	47.1	-0.8%
UK	20.7	14.1	-31.9%	40.2	33.0	-17.9%
India	10.0	8.2	-18.0%	19.7	14.0	-28.9%
Saudi Arabia	6.3	9.6	52.4%	12.7	17.4	37.0%
Rest of GCC	3.0	3.8	26.7%	5.2	7.9	51.9%
Jordan	1.5	1.2	-20.0%	2.6	2.1	-19.2%
Italy	5.0	5.2	4.0%	8.5	10.5	23.5%
Germany	0.4	0.3	-25.0%	1.1	0.8	-27.3%
Others	10.8	12.7	17.6%	22.0	25.3	15.0%
Total	115.0	116.2	1.1%	225.1	227.1	0.9%

Gross Margins Snapshot

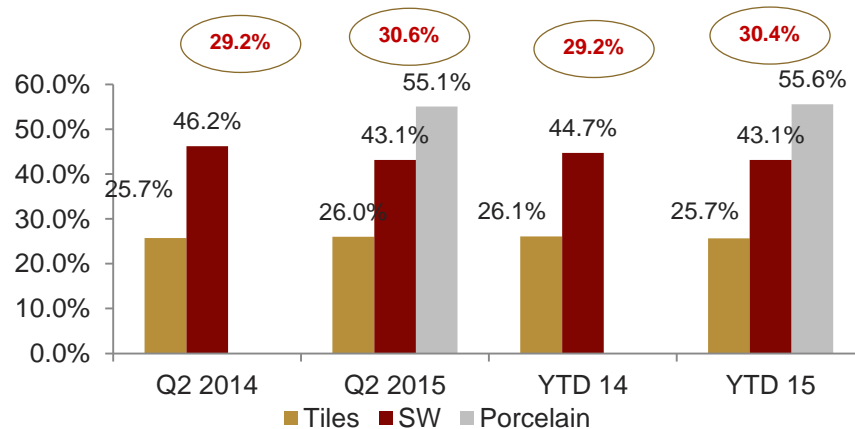


Overall tiles gross margin is increased by 30bps in Q2 2015 due to procurement cost savings (AED17.5mn) more than offsetting higher natural gas costs. Weaker Sanitary Ware margins in the UAE are as a result of increase in cost of production & reduction in sale price

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



Core Gross Margins: Tiles and SWD (%)



Tiles Gross Margins: By Production Locations

	Q2 2014	Q2 2015	YTD 2014	YTD 2015
UAE	32.1%	31.4%	33.4%	31.6%
B'desh	27.5%	38.3%	29.5%	36.0%
India*	12.4%	16.0%	11.0%	15.9%
Total Gross Profit Margin	25.7%	26.0%	26.1%	25.7%

SWD Gross Margins: By Production Location

	Q2 2014	Q2 2015	YTD 2014	YTD 2015
UAE	48.0%	42.8%	45.4%	42.7%
B'desh	47.8%	46.0%	48.4%	47.5%
India	25.4%	32.4%	28.8%	28.4%
Total Gross Profit Margin	46.2%	43.1%	44.7%	43.1%

Summary Income Statement



Income Statement (AED mn)

	Q2 14	Q2 15	H1 14	H1 15
Tiles Revenue	519.5	528.3	1,114.1	1,049.9
SW Revenue	115.6	117.2	226.3	228.6
Table Ware Revenue	-	36.2	-	71.2
Total Core Gross Revenue	758.3	681.7	1,463.6	1,349.8
Less:- Eliminations	(22.0)	(15.0)	(30.4)	(26.9)
Total Core Net Revenue	736.3	666.6	1,433.1	1,322.9
Total Non Core Gross Revenue	37.9	228.4	228.1	415.5
Less:- Eliminations	(48.2)	(90.9)	(142.5)	(160.3)
Total Non- Core Net Revenue	132.2	137.5	228.1	255.3
Total Revenue	868.5	804.1	1,661.2	1,578.1
Less:-Discontinued Operations*	(55.6)	(0.3)	(110.9)	(30.0)
Reported Revenue	812.8	803.8	1,550.4	1,548.1
Tiles COGS	418.5	394.7	823.2	764.8
SW COGS	62.4	67.0	125.6	130.7
Table Ware COGS	-	16.3	-	31.7
Non Core COGS	177.0	189.3	320.5	334.2
Less:- Eliminations	(44.3)	(86.1)	(130.9)	(151.1)
Total COGS-Net	613.6	581.5	1,138.4	1,110.2
Total Gross Profit	199.2	222.3	412.0	437.9
<i>Gross Profit Margins (calculated on reported revenue excluding Sudan & Pharma)</i>	24.5%	27.7%	26.6%	28.3%
Selling, General and Admin Expenses	(168.3)	(146.7)	(326.0)	(320.7)**
Other Income	11.3	17.0	26.5	33.6
Share of profits	11.0	6.2	19.5	11.9
EBIT	53.2	98.7	131.9	162.7
<i>EBIT Margins</i>	6.5%	12.3%	8.5%	10.5%
Net Finance costs	(10.5)	(6.6)	(20.4)	(37.8)***
Loss on Monetary position	(6.5)	(1.2)	(3.9)	(2.9)
Gain on settlement of related party receivables	59.1	-	59.1	-
Profit/(loss)from discontinued operation*	4.3	(1.4)	(1.9)	(4.4)
Profit on Sale of Investments- Laticrete, Pharma, Moshfly & RAK Watertech, RAK Piling	-	2.6	-	41.7
Profit Before Tax	99.6	92.0	164.8	159.2
Tax Expense	(8.4)	(6.2)	(14.9)	(12.8)
Profit for the period	91.2	85.9	149.9	146.4
<i>Profit Margin</i>	11.2%	10.7%	9.7%	9.5%
Adjusted Net Profit	115.1	94.5	177.3	170.3
<i>Margin</i>	14.2%	11.8%	11.4%	11.0%

EBITDA Calculation (AED mn)

	Q214	Q215	H1 14	H1 15
Net Profit	91.2	85.9	149.9	146.4
Tax	8.4	6.2	14.9	12.8
Depreciation and Amortization	44.5	43.0	85.0	87.2
Finance Expense (Net)	17.9	7.4	27.4	15.3
Provisions – Net	-12.1	1.7	5.7	(9.6)
Gain/(loss) on disposals of fixed assets and Investments	2.1	(2.1)	-	(4.2)
Loss on Net monetary position	24.0	8.6	27.4	24.0
Loss on sale of Investment		4.4	0.0	13.7
EBITDA	176.1	155.1	310.3	285.7
<i>Margin %</i>	21.7%	19.3%	20.0%	18.5%

*Revenue & expenses of RAK Sudan is reclassified as profit/(loss) from discontinued operations.

**Includes Provision on Sudan impairment of AED 48.4 mn

***Includes Net Foreign exchange loss of AED 18.9mn mainly on account of Euro depreciation.

Balance Sheet Highlights

Net debt increased from AED 1.37bn in Q1 2015 to AED 1.60bn in Q2 2015 mainly due to the cash dividend payment. Cost of debt decreased as we converted USD 135mn loan from ST to LT. Total CAPEX spend YTD was AED 99.3mn out of ~ AED 300 mn total CAPEX expected this year

Working Capital (AED mn/Days)

	Dec 14	Days	Mar 15	Days	Jun 15	Days
Trade Receivables (Net of Provision)	937.4	110	973.8	118	1,011.3	117
Inventory (Net of Provision)	1139.4	180	1113.9	189	1,138.3	184
Due from Related Parties (J/V's)	292.8	35	310.2	37	416.7	48
Trade Payables	439.5	69	405.1	69	470.1	76

CAPEX (AED mn)

Capex for 2015	FYE Dec 14	YTD Mar 15	YTD June-15
RAKC UAE	93.2	26	48.7
Bangladesh	19.7	14.5	32.0
India	19.3	1.5	7.4
Other Core	6.9	2.6	2.4
Total Core	139.1	44.6	90.5
AHCC -Rough Grading	141.8	4.8	5.2
Other Non core	1.4	-	3.6
Total Non Core	143.2	4.8	8.8
Total CAPEX	282.3	49.4	99.3

Net Debt (AED mn)

Net Debt	Dec-14	Mar-15	Jun-15
Long Term Loan	770.4	809.3	1,244.5
STL & TR	976.9	1,045.3	803.8
Overdraft	122.3	164.7	177.1
Gross Debt	1,869.6	2,019.3	2,225.4
Cash & Bank	(448.4)	(652.5)	(627.2)
Net Debt	1,421.2	1,366.7	1,598.3
Cost of Debt*	3.0%	2.8%	2.6%
Net Debt to EBITDA	2.4	2.6	2.8

FINANCIAL STATEMENTS

Consolidated Net Income



AED million

	Q2'14	Q2 '15	YTD Jun 14	YTD June 15
Revenue	812.8	803.8	1,550.4	1,548.1
Cost of sales	(613.6)	(581.5)	(1,138.4)	(1,110.3)
Gross profit	199.9	222.3	412.0	437.9
Administrative and general expenses	(86.3)	(68.4)	(158.1)	(158.0)
Selling and distribution expenses	(82.1)	(78.2)	(168.0)	(162.9)
Other income	11.3	17.0	26.5	33.6
Results from operating activities	42.2	92.7	112.4	150.7
Finance cost	(14.4)	(8.9)	(31.9)	(42.9)
Finance income	3.9	2.4	11.5	5.2
Share of profit in equity accounted investees	11.0	6.2	19.5	11.9
Gain on settlement of related party receivables	59.1	0.0	59.1	0.0
Gain on disposal of equity accounted investees	0.0	2.6	0.0	38.4
Gain on disposal of subsidiary	0.0	0.0	0.0	3.1
Loss on net monetary position	(6.5)	(1.2)	(3.9)	(2.9)
Tax (expense)/income	(8.4)	(6.1)	(14.9)	(12.8)
Profit From Continuing Operations	86.9	87.4	151.8	150.8
Profit/(loss) from discontinued operation	4.3	(1.4)	(1.9)	(4.4)
Profit for the period	91.2	85.9	149.9	146.4
<i>Profit attributable to:</i>				
Owners of the Company	93.3	79.1	151.3	137.0
Non-controlling interests	(2.1)	6.8	(1.4)	9.4
Profit for the period	91.2	85.9	149.9	146.4
Earning Per Share – Continuing Operations	0.11	0.10	0.19	0.17
Earning Per Share	0.11	0.10	0.19	0.17

Consolidated Balance Sheet



AED million

Assets	Dec 14	June 2015
Non-current assets		
Property, plant and equipment	1,180.6	1,166.9
Capital work-in-progress	73.3	98.2
Goodwill	50.4	50.4
Intangible assets	19.4	18.1
Investment properties	1,113.9	1,096.3
Investments in equity accounted investees	151.3	143.0
Long term portion of receivable from related parties	-	0.0
Deferred tax assets	0.3	0.3
Total Non Current Assets	2,589.1	2,573.1
Current assets		
Inventories	1,139.4	1,138.3
Trade and other receivables	1,170.1	1,241.9
Contract work-in-progress	28.6	20.9
Due from related parties	292.8	416.7
Cash in hand and at bank	448.4	627.2
Assets classified as held for sale	331.6	254.9
Derivative financial assets	0.0	-
Total Current Assets	3,410.8	3,699.8
Total assets	5,999.9	6,272.9

Equity and liabilities	Dec 14	June 2015
Equity		
Share capital	817.5	817.5
Reserves	1,990.8	1,848.9
Equity	2,808.3	2,666.4
Non-controlling interests	226.5	210.3
Total equity	3,034.8	2,876.6
Non-current liabilities		
Long term bank loans	770.4	1,244.5
Provision for Gratuity	78.9	76.5
Deferred tax liabilities	8.8	8.8
Total Non Current Liabilities	858.0	1,329.8
Current liabilities		
Short-term bank borrowings	1,099.2	980.9
Trade and other payables	806.9	846.1
Billings in excess of valuation	3.3	6.6
Provision for taxation	103.1	109.0
Due to related parties	63.7	98.5
Liabilities classified as held for sale	30.8	22.3
Derivative financial liabilities	0.0	3.1
Total Current Liabilities	2,107.0	2,066.5
Total liabilities	2,965.1	3,396.3
Total equity and liabilities	5,999.9	6,272.9

Consolidated Cash Flow



	June-2015 AED mn	June-2014 AED mn		June-2015 AED mn	June-2014 AED mn
Profit for the period before tax	159.2	164.8	Investing activities		
<i>Adjustments for:</i>			Acquisition of property, plant and equipment and capital work in progress	(99.3)	(118.4)
Share of profit in equity accounted investees	(11.9)	(19.5)	Change in bank deposits	(16.0)	5.8
Loss on net monetary position	5.2	15.7	Additions to investment property	-	(0.0)
Gain on settlement of related party balances (net)		(48.1)	Proceeds from disposal of property, plant and equipment	3.8	2.9
Interest expense	20.6	26.9	Proceeds from disposal of subsidiary	17.0	-
Interest income	(5.2)	(8.8)	Proceeds from sale of investment properties	17.3	-
Gain on disposal of property, plant and equipment	(3.6)	(2.5)	Acquisition of intangible assets	(0.2)	(0.5)
Gain on disposal of Investment Property	(1.6)	-	Investment in equity accounted investees	-	-
Gain on sale of subsidiaries	(3.1)	-	Dividend received from equity accounted investees	11.4	28.4
Gain on sale of equity accounting investees	(38.5)	-	Interest received	5.2	5.8
Depreciation on property, plant and equipment	100.4	85.8	Net cash used in investing activities	(60.8)	(76.1)
Amortization of intangible assets	1.7	1.3			
Capital work in progress written off	1.0	3.4	Financing activities		
Depreciation on investment property	3.5	3.6	Long term bank loans availed	990.2	167.9
Provision for employees' end-of-service benefits	6.8	2.7	Long term bank loans repaid	(627.3)	(135.7)
	234.4	225.8	Net movement in short term bank borrowings (net)	(61.9)	(80.4)
<i>Change in:</i>			Interest paid	(20.6)	(26.9)
inventories (including contract work in progress)	3.1	(13.7)	Dividend paid	(286.1)	(111.5)
trade and other receivables	(22.5)	(198.5)	Directors' fees	(4.2)	(2.4)
due from related parties (including long term)	(123.9)	20.8	Dividend paid to non-controlling interests	(33.0)	(7.2)
asset classified as held for sale	83.5	-	Funds invested by non-controlling interests	-	0.8
trade and other payables (including billing-in-excess of valuation)	49.6	(9.1)	Net cash used in financing activities	(42.9)	(195.4)
due to related parties	35.0	1.5			
liabilities classified as held for sale	(15.3)		Net increase / (decrease) in cash and cash equivalents	134.4	(235.8)
derivative financial liabilities	3.2	1.4	Cash and cash equivalents at the beginning of the period	331.4	436.0
deferred tax assets	0.0	2.4			
deferred tax liabilities	(0.0)	2.5	Cash and cash equivalents at the end of the period	465.8	200.2
Income tax (paid) / refund	(3.8)	15.8			
Employees' end-of-service benefits paid	(8.1)	(5.8)			
Currency translation adjustment	3.0	(6.7)			
Net cash from operating activities	238.1	33.7			

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