

Mannai Corporation QSC

1H'15 Financial Summary



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- Future sales growth
- Market acceptance of our product and service offerings
- Our ability to secure adequate financing or equity capital to fund our operations
- Our ability to enter into strategic alliances or transactions
- Regulatory approval processes
- Changes in technology
- Price competition
- Other market conditions and associated risks

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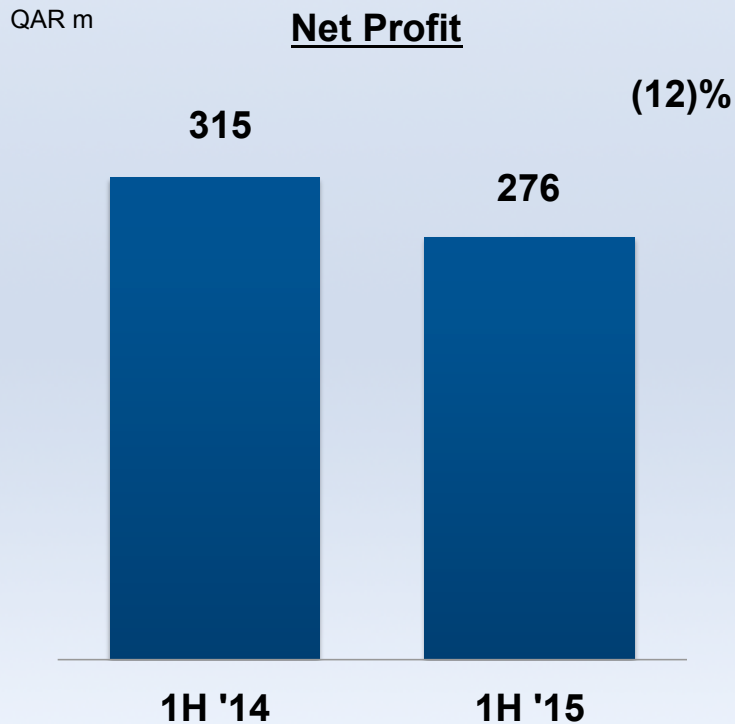
The Mannai Corporation undertakes no obligation to update publicly or otherwise any forward-looking statements, whether as a result of future events, new information, or otherwise.

1H'15 Highlights

Mannai Corporation Revenue Crosses QR3.1B in 1H'15

- Mannai Group Revenue increased by 11% to QR 3.1 Billion in the first half of this year compared to the same period in 2014.
- Gross Profit increased by 30% boosted by a strong contribution from infrastructure projects in Qatar.
- 'Other Income' of QR 308.8M in the previous period (QR 49.7M in this first half), was mainly due to the significant level of one-off income in DAMAS in the first half of 2014 from the culmination and success of the turnaround activity and restructuring of the DAMAS business.
- Consequently, Group Net Profit overall, reduced to QR 276.3M in the first half of 2015 compared to QR 315M in the same period last year.
- The Qatar businesses performed exceptionally well in the first 6 months, reflecting the strong Qatari economy, with our Information Technology business, Automotive, Energy & Industrial and Gulf Laboratories businesses delivering strong year-on-year growth in profits.
- Alekh Grewal, Group CEO and Director, said “the underlying core earnings of the Group grew by 22% in the first half year, and the ongoing healthy trend in our Qatari businesses coupled with the contribution from DAMAS gives confidence for a strong performance in the remainder of the year.”

Strong Underlying Performance Offset by 1H'14 Exceptional



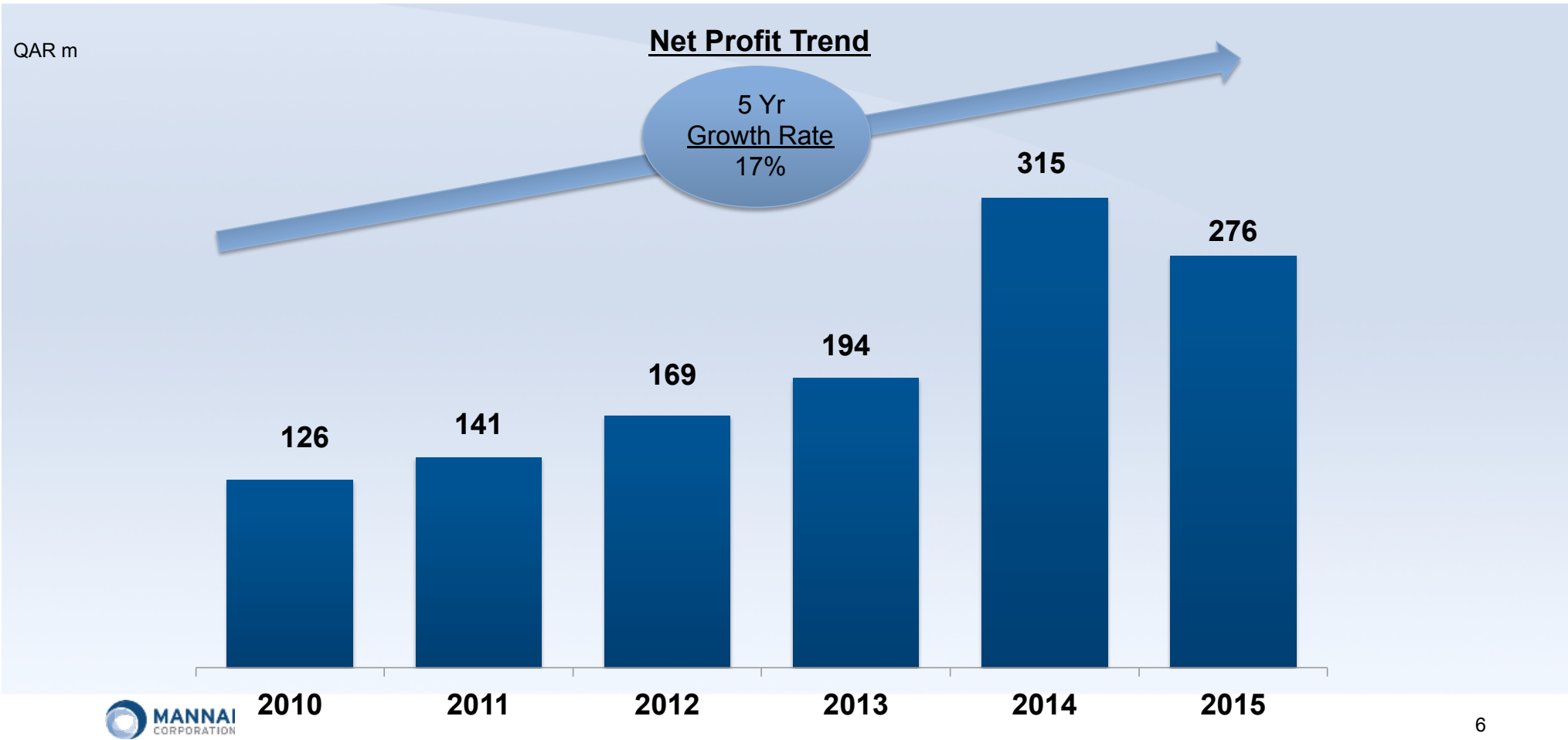
- Normalised Profits up 22% after adjustment for significant items
- ICT delivered net profit of 83m, up 49%
- Auto Division benefitting from new Escalade & Yukon models, driving net profit up 28%
- All Other Qatar up 83% driven by Gulf Labs and Energy and Industrial Markets
- Damas core profits lower due to headwinds facing UAE luxury retail
- Axiom core profits doubles to 6m

Financial Highlights

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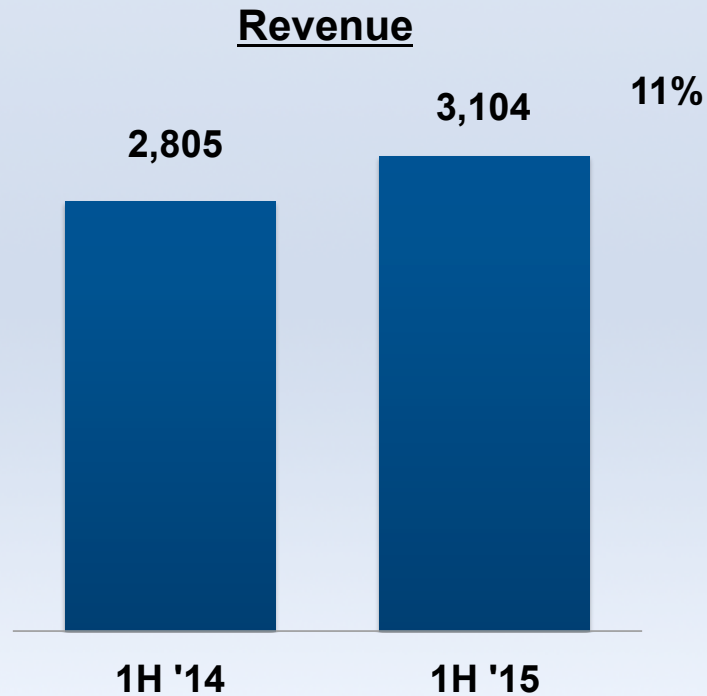
	<u>1H 2014</u>	<u>1H 2015</u>		
Net Profit	315m	276m	(12)%	▼
Revenues	2,805m	3,104m	11%	▲
Gross Profit %	19.3%	22.6%	3.3 pts	▲
Net Profit %	11.2%	8.9%	(2.3) pts	▼
Capital Employed	4,448m	5,076m	14%	▲
Earnings Per Share	6.91	6.06	(12)%	▼
Return on Equity	32%	26%	(6) pts	▼

Continued Track Record of Solid Double Digit Growth



Double Digit Revenue Growth Driven by booming Qatar, up 31%

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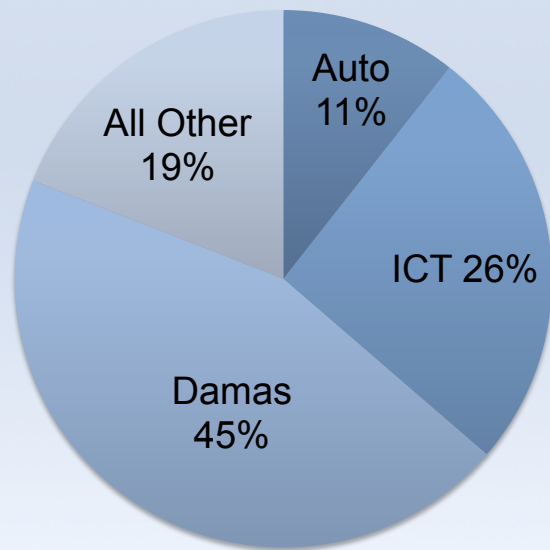


- Auto Sales up 58% driven by high demand for new Yukon & Escalade models
- ICT continues to post strong sustainable revenue growth, up 18%
- Infrastructure projects driving exceptional growth across multiple businesses; Energy and Industrial Markets up 83%, Geotechnical up 33% and Heavy Equipment up 35%
- Damas sales down 14% due to weakness in UAE luxury retail

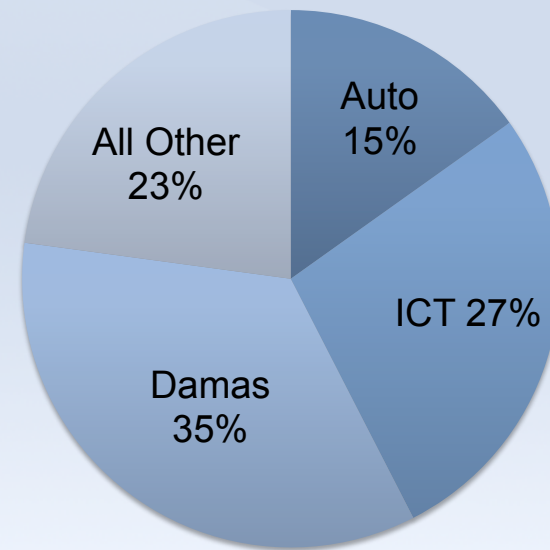
Dynamic Qatar Sales Driving Shift in Mix from Damas

Revenue Mix

1H '14



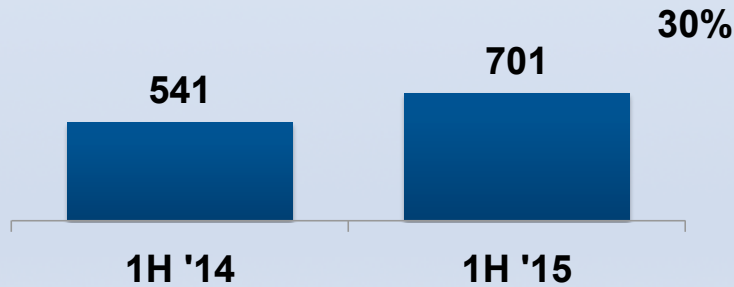
1H '15



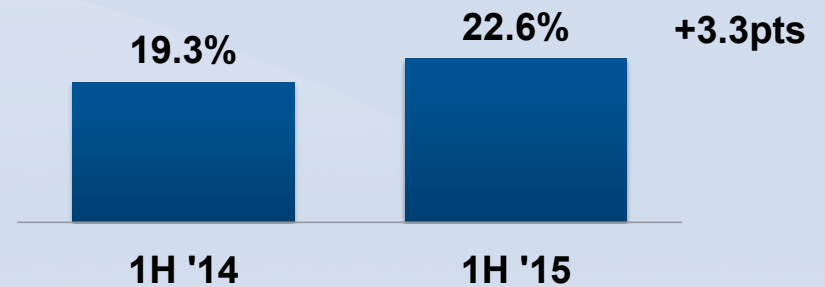
Outstanding Growth in Gross Profit of 30% with higher margins

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Gross Profit



Gross Margin %



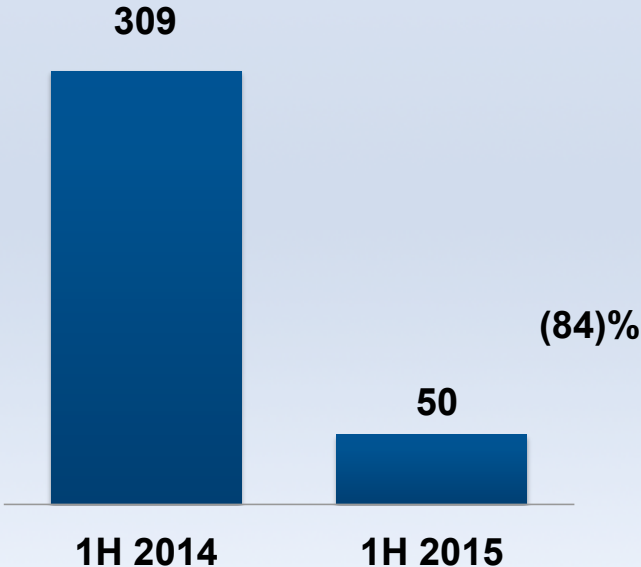
- Auto up 24% on strong unit sales; margins down from mix shift to lower margin unit sales
- ICT up 34% with margins benefitting from strong closure of projects
- Damas margins improvement due to non-repeat of one-off inventory provision in 1H'14; down 12% on normalisation with improved GP of 80bps
- All Other Qatar up 36% with improved margins

	<u>2015%</u>	<u>V pts</u>
Auto	17.7%	(4.8) pts
ICT	15.6%	2.0 pts
Damas	30.1%	9.6 pts
All Other Qatar	22.9%	0.5 pts

Other Income Decreases Due to Significant Items in 2014

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Other Income

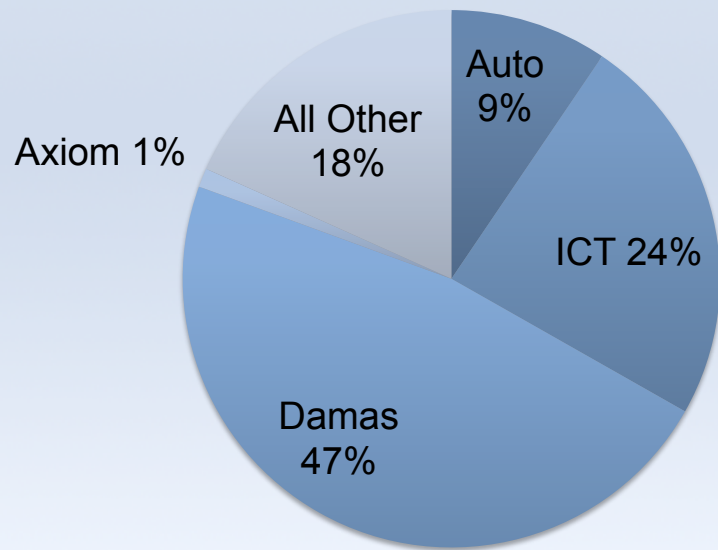


- Reduction in other income due to significant recovery related to Damas in 1H'14 of 273m
- Settlement of remaining receivables continues at reduced level with 26m in 1H'15

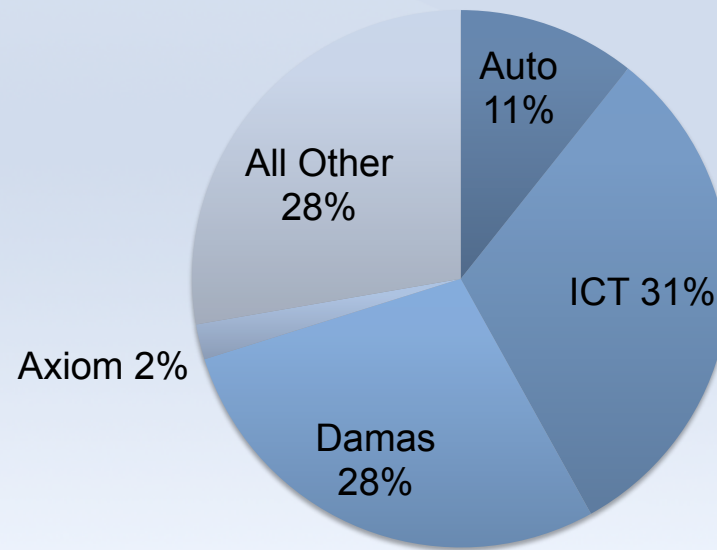
Net Profit Mix Shift to Qatar Infrastructure Driven Business Units

Net Profit Mix

1H '14



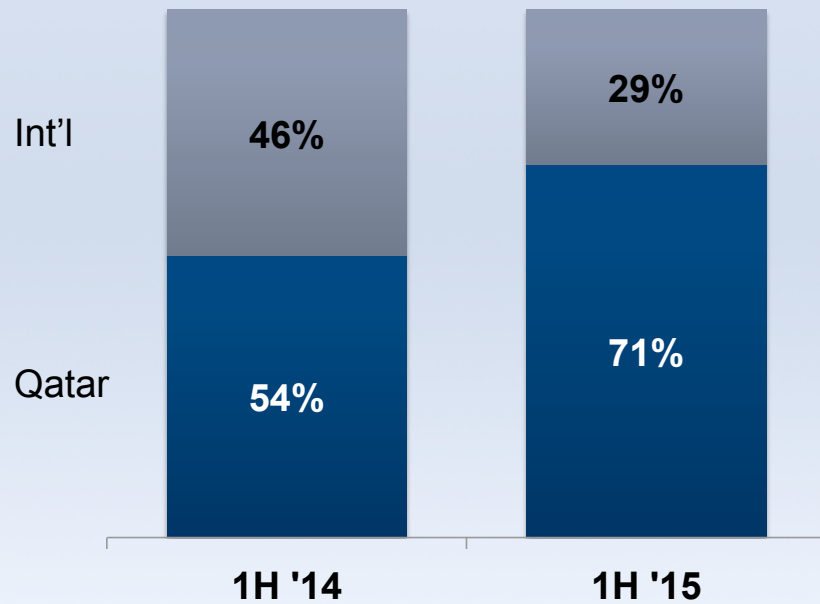
1H '15



*Profit before significant items and corporate expenses

Strong Qatar Results Boosting Share of Profit

Net Profit



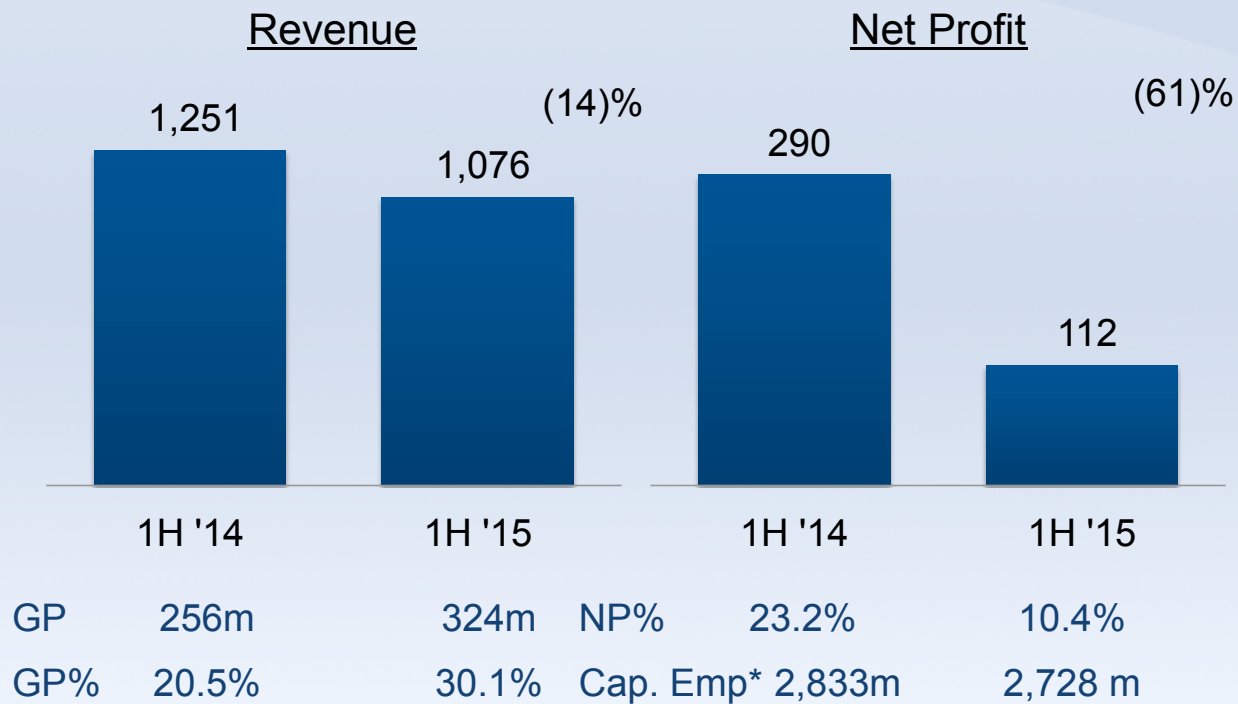
- Strong Qatar performance driving change in mix

Profit before significant items and corporate expenses

Damas Jewellery



QAR m



- Revenues down as a result of pressure on UAE luxury retail due to lower Russian & Chinese tourists, exchange rate pressure & lower gold price
- Gross Profit up due to non-repeat of 110m inventory provision in 1H'14; Core GP down 12%; continuing to sustain margins above 30%
- Net Profits down due to significant other income of 293m in 1H'14
- Normalised profits down 32% from 110m to 75m after adjusting for all significant items
- Further 15 new stores opened during 1H'15

*after adjusting for parent level goodwill and Debt Liabilities held in UAE

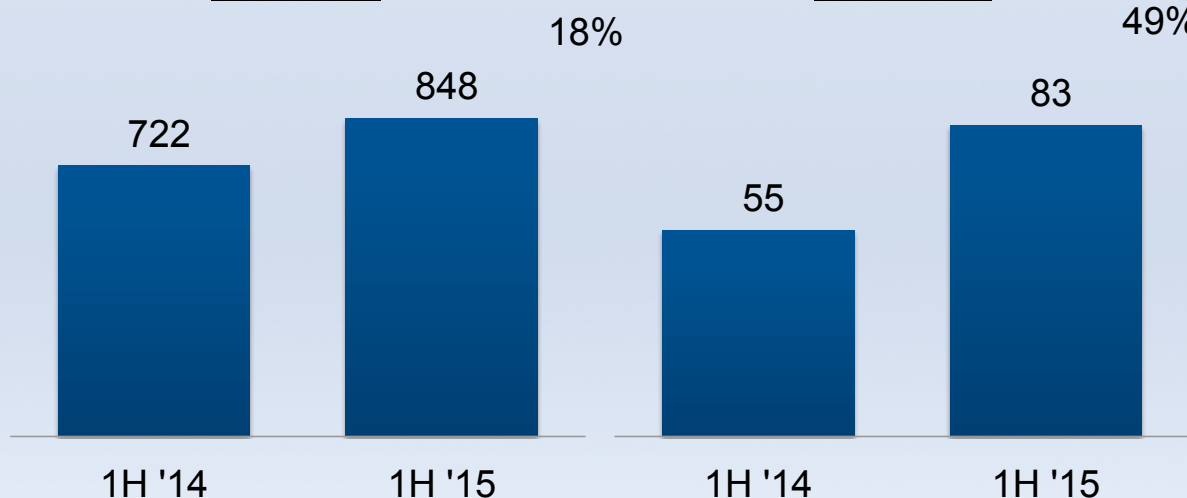
Information & Communication Technology Group



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Revenue

Net Profit



- Continue to experience double-digit growth in revenues seen during last 3 years; Strong backlog of 1.44B
- Margin improvement as a result of improved leverage of direct cost base and improved closure of projects during 1H'15
- Increase in capital employed during the year as a result of more competitive payment terms experienced in market

GP	98m	132m	NP%	7.7%	9.7%
GP%	13.6%	16.0%	Cap. Emp.	96m	446m

Auto Division



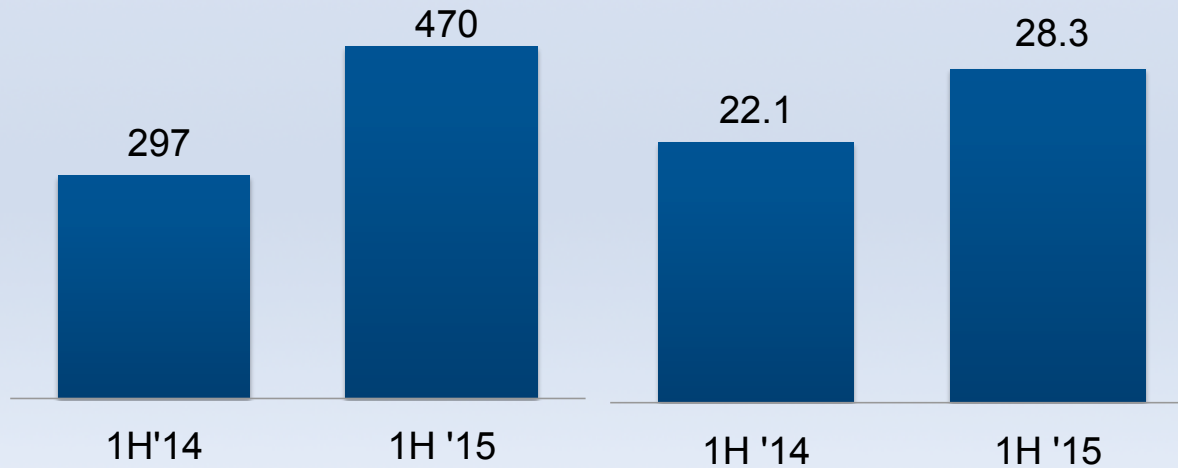
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Revenue

58%

Net Profit

28%



- 24% increase in new vehicle sales from continued strong demand for new Yukon and Escalade models driving increase in revenues
- Reduced gross and net margins as a result of mix-shift to lower margin unit sales
- Growth in units leads to growth in higher margin after-sales revenues

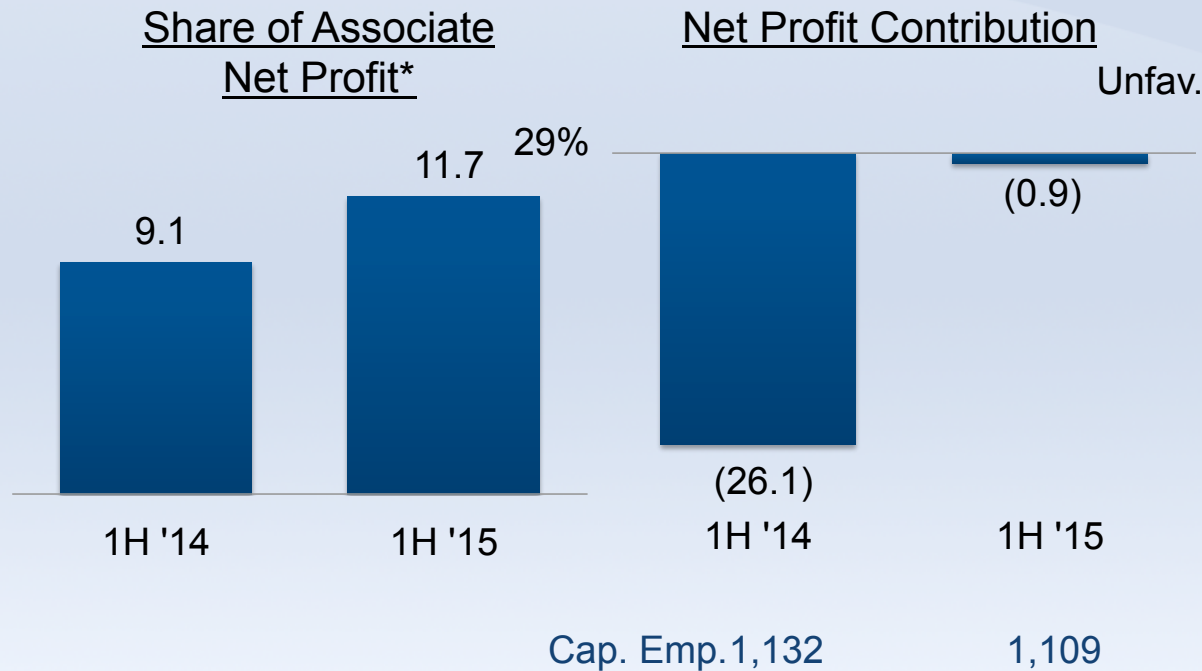
GP	67m	83m	NP%	7.4%	6.0%
GP%	22.6%	17.7%	Cap. Emp.	322m	324m

2014 results restated for movement of HED-related parts and accessories product lines to Heavy Equipment Division

Axiom Telecom



QAR m



- Improved contribution from Axiom following restructuring steps undertaken by management; 28% growth in Gross Profits compared to 1H'14
- Non-repeat of 29m impairment to acquisition-related intangibles in 1H'14
- 1Q'15 impacted by 6.5m due to finalisation of 2014 profits post-Mannai's financial close

*35% of Axiom profits before impairment of acquisition-related intangibles and prior year adjustments in 1Q'15

Heavy Equipment Division

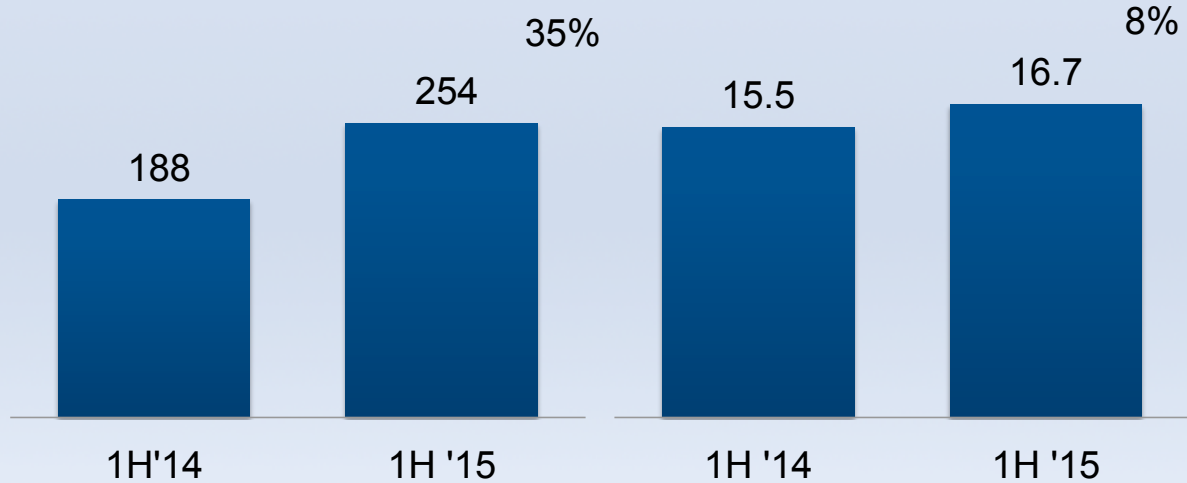
GROVE



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Revenue

Net Profit



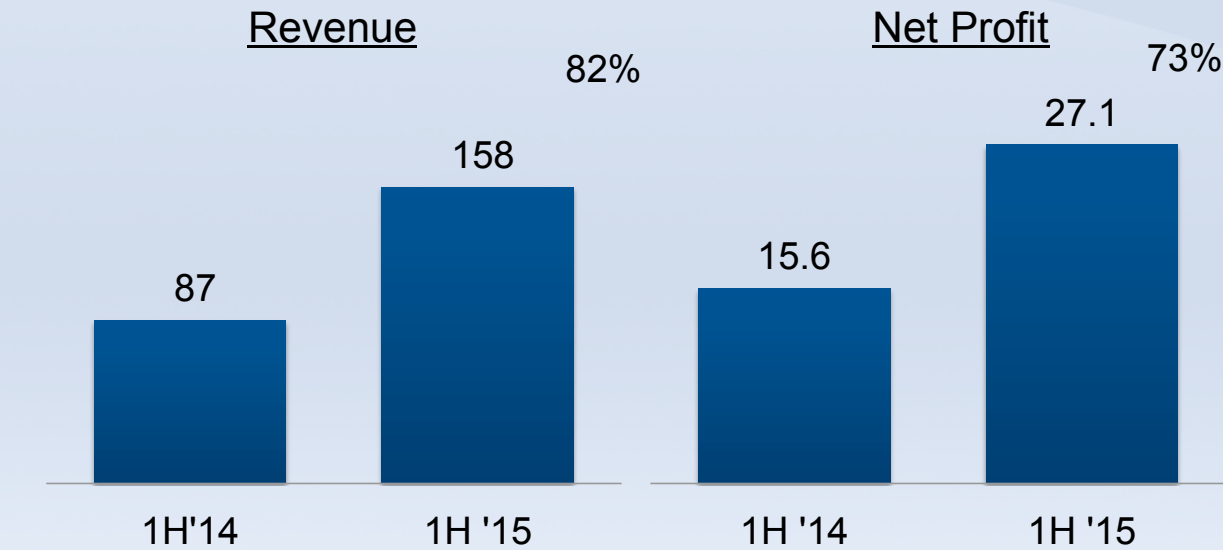
- Revenue growth of 35% as a result of major infrastructure project requirements
- Margin pressure continues in competitive bidding process resulting in further deterioration to gross and net margins
- Increased capital employed from higher inventory and receivables
- Delivers double-digit growth in net profits

GP	29m	35m	NP%	8.2%	6.6%
GP%	15.5%	13.7%	Cap. Emp.	88m	162m

2014 results restated for movement of HED-related parts and accessories product lines from Auto Division

Energy and Industrial Markets

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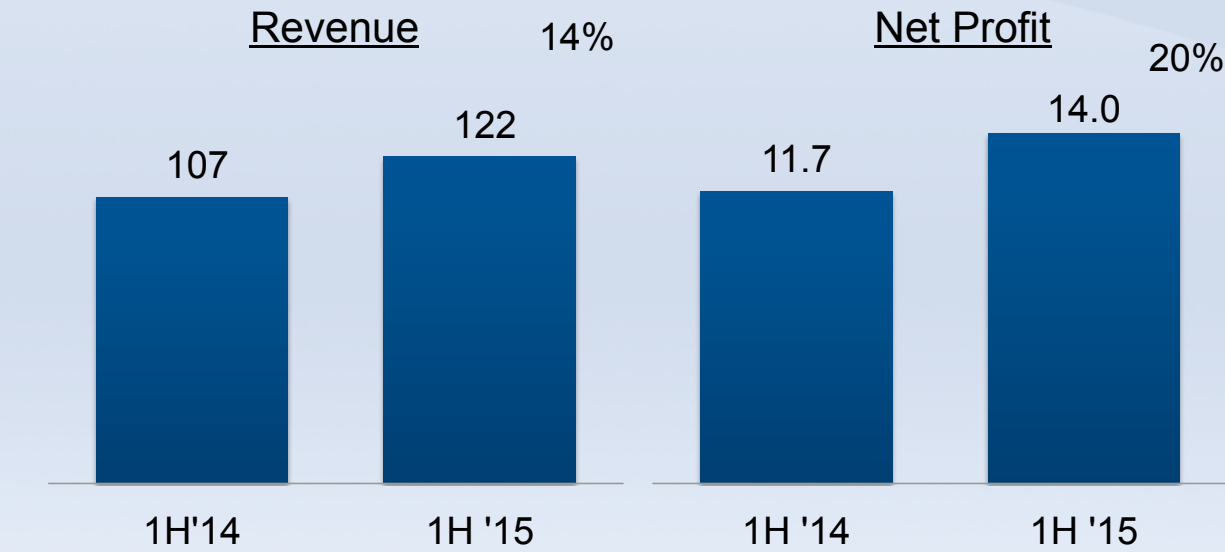


- Strong growth from Direct Sales representation business; driven by contracts to supply mega-reservoir project which ramped up in 2015
- HVAC delivered significant revenue growth of 57%
- Increased levels of working capital as a result of increased pipeline of orders

GP	22m	36m	NP%	17.9 %	17.1%
GP%	25.3%	23.0%	Cap. Emp.	51m	112m

Industrial Supplies and Building Materials

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- Revenues up driven by continued success of Gas Turbine service operation

GP	17.4m	21.0m	NP%	11.0%	11.4%
GP%	16.3%	17.2%	Cap. Emp.	44m	43m

Travel Division



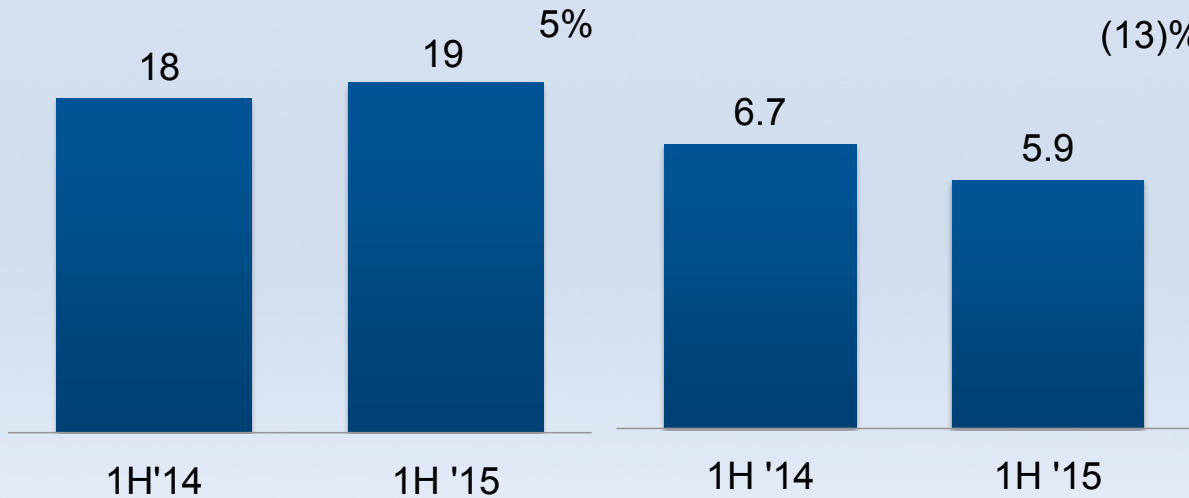
MANNAI AIR TRAVEL
MANNAI CORPORATION QSC



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Revenue

Net Profit

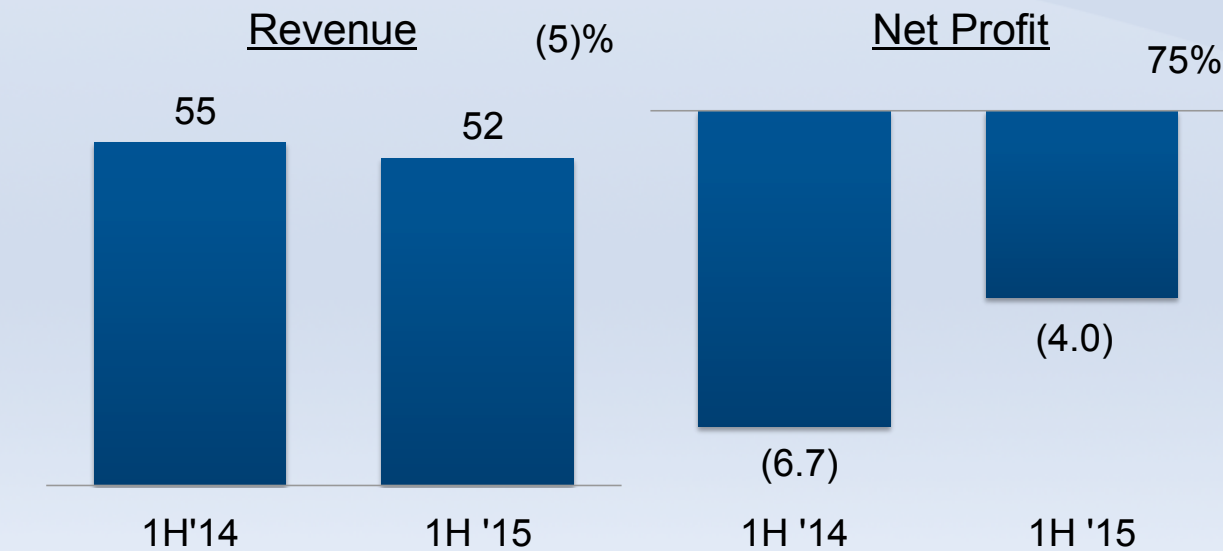


- Revenues growth impeded by slower corporate travel business and continued pressure on ticket sale commissions and increased competition amongst airlines reducing average ticket prices
- Slower collections of receivables increasing cost of capital charges and bad debt provisions reducing net margins
- Healthy return on capital employed of 29%

GP	18.6m	18.0m	NP%	37%	31%
GP%	102%	93%	Cap. Emp.	50m	41m

Engineering

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GP	7.5m	9.6m	NP%	(12)%	(8)%
GP%	13.6%	18.3%	Cap. Emp.	2m	0.7m

- Revenues impacted by slowing expenditures in Oil and Gas industry
- Market continues to be challenged by overcapacity and competition
- Steps taken by management to improve efficiency resulting in reduced 1H'15 losses
- Further right-sizing actions underway



Geotechnical Services

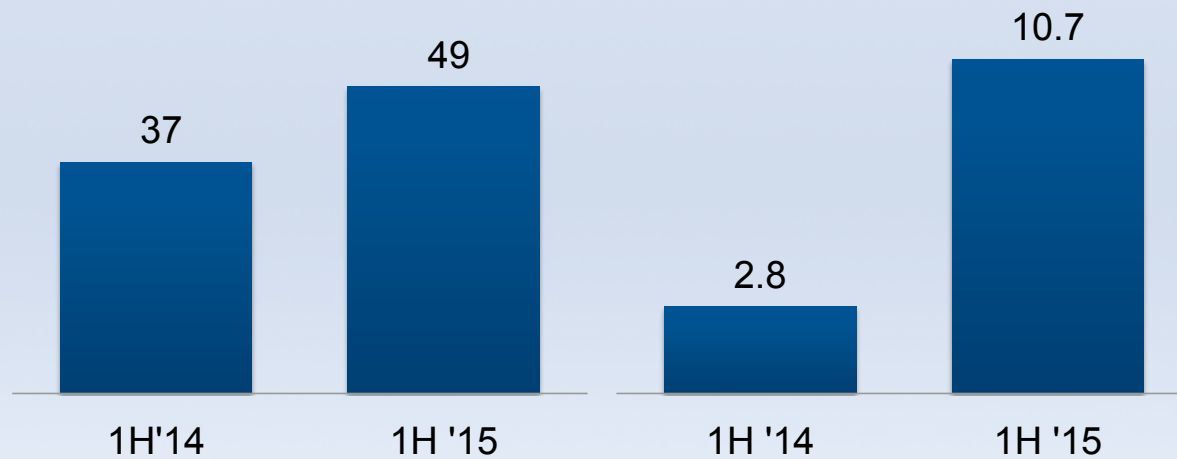
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Revenue

33%

Net Profit

285%



GP	13.0m	22.0m	NP%	7.5%	21.8%
GP%	35 %	45%	Cap. Emp.	33m	29m

- Outstanding growth in revenues as a result of strong order book of infrastructure-related projects won during the last 2 years
- Improved margins as a result of increased revenue and leverage of fixed cost base
- In process of completing second larger laboratory in Salwa industrial area to serve increased pipeline of work
- Further boost to profits from restructure of loss-making Oman operation

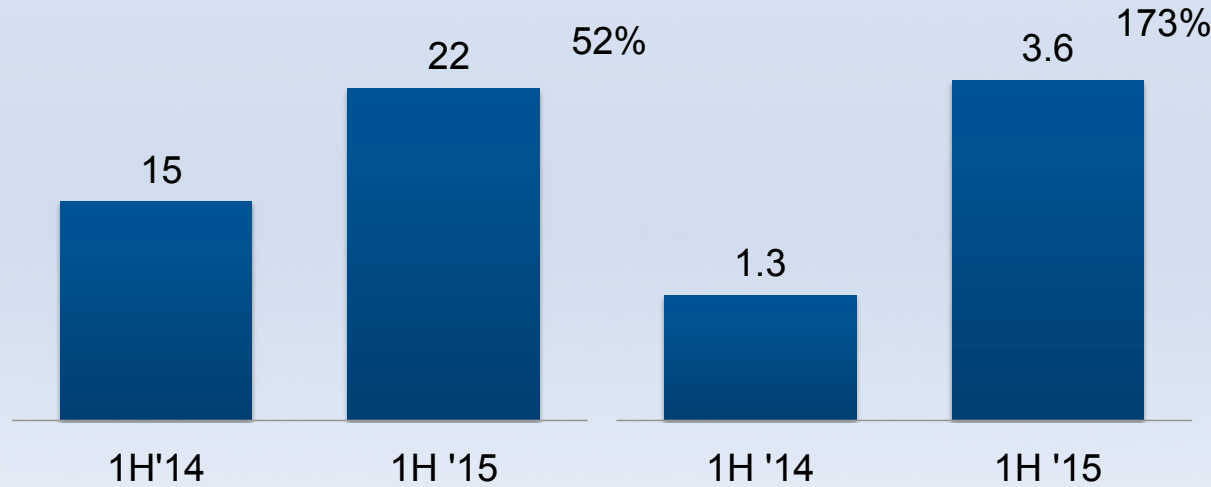
Logistics



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Revenue

Net Profit

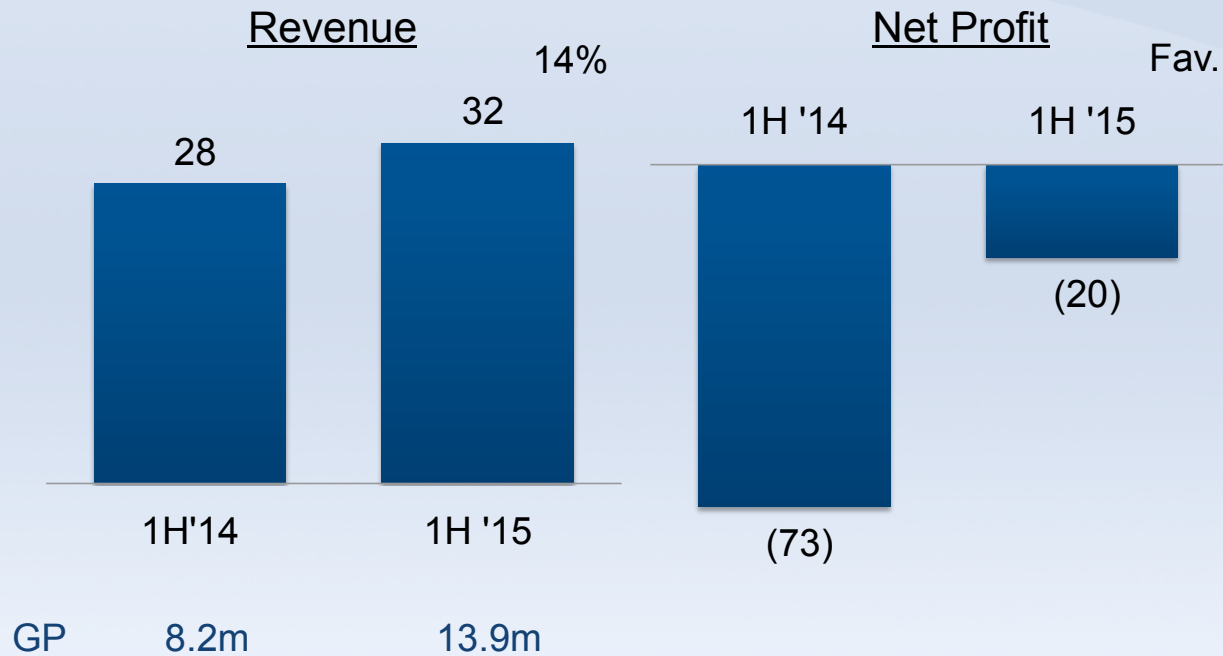


- 1H'14 impacted by fire at warehouse at Salwa industrial area
- Primarily focused on internal logistics of Mannai Corporation while warehouse is rebuilt
- Improved revenue and profitability as a result of increasing rates reflecting market pricing for warehouse space

GP	3.8m	6.6m	NP%	9.1 %	16.4%
GP%	26.4 %	29.6%	Cap. Emp.	7m	10m

Others

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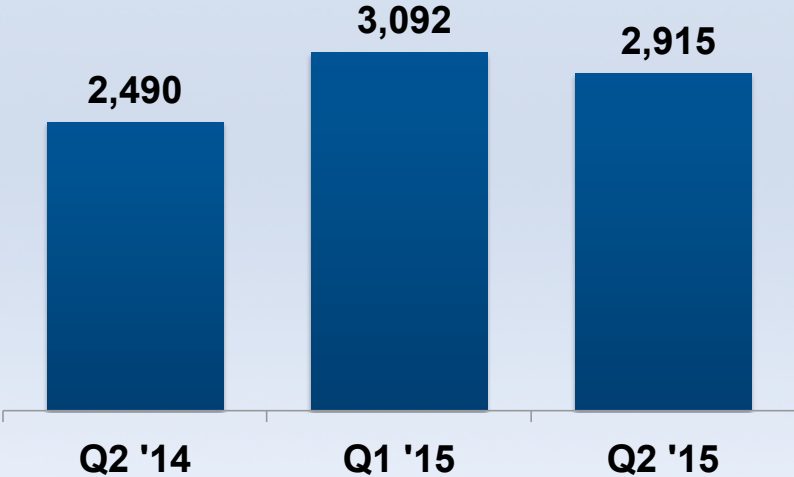


- Improvement in contribution driven by non-repeat of significant items charged in 1H'14

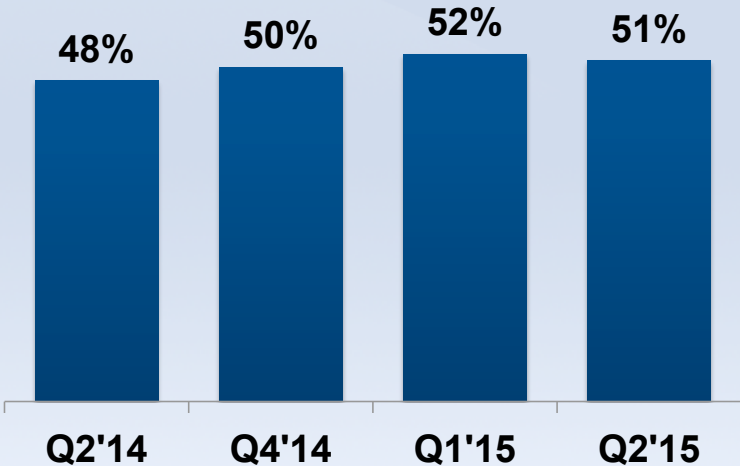
Managing Debt Levels Despite Increased Working Capital Requirements Driven by Qatar Infrastructure Projects

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Net Debt



Net Debt to Total Capital*



*Total Capital adjusted for Acquisition Reserves

Normalisation of key lines for significant items

	1Q'15	1Q14	VLY%	2Q'15	2Q'14	VLY%	1H YTD'15	1H YTD'14	VLY%
Gross Profit	383.3	335.9	14%	318.1	205.4	55%	701.4	541.3	30%
Inventory Provisions					110.0			110.0	
Norm. Gross Profit	383.3	335.9	14%	318.1	315.4	1%	701.4	651.3	8%
Other Income	20.3	80.3	(75%)	29.4	228.5	(87%)	49.7	308.8	(84%)
Gain on Sale/Revaluation of Properties		(8.6)		(11.5)	(11.0)		(11.5)	(19.6)	
Damas Recoveries	(14.3)	(62.3)		(11.7)	(210.9)		(26.0)	(273.2)	
Norm. Other Income	6.0	9.4	(36%)	6.2	6.6	(6%)	12.2	16.0	(24%)
Share of Profit from Assoc. & JVs	18.9	13.5	40%	12.9	(7.2)	(280%)	31.8	6.3	404%
Adj. for 2014 late closing items/impairment	6.5				28.7		6.5	28.7	
Norm. Share of Profit	25.4	13.5	89%	12.9	21.5	(40%)	38.3	35.0	9%
General & Administrative Expenses	118.2	127.8	(8%)	112.9	126.6	(11%)	231.1	254.4	(9%)
Adj. for one-off Expenses/Provisions		(15.4)			(25.0)			(40.4)	
Norm. G&A Expense	118.2	112.4	5%	112.9	101.6	11%	231.1	214.0	8%
Net profit	165.2	150.1	10%	111.2	164.9	(33%)	276.4	315.0	(12%)
Adj. for Significant Items	(7.8)	(55.5)		(23.2)	(58.2)		(31.0)	(113.7)	
Norm. Net Profit	157.4	94.6	66%	88.0	106.7	(18%)	245.4	201.3	22%

- Large reduction in significant items leads to improved quality of earnings
- Continued tail of recoveries of previously provisioned receivables in Damas
- Drop in core net profit in Damas during Q2'15 offsetting solid Qatar performance
- Overall Core up 22% in 1H'15

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