ROY CERAMICS SE

HALF-YEAR REPORT

2015

LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

With the successful listing of the Company's shares on the Frankfurt Stock Exchange on April 30, 2015, we have achieved an important landmark in our Company's history.

In the first half of 2015 we continued to build on the growth of the business achieved in the PRC market in recent years. Revenue of EUR 61.0 million exceeded the first half revenue of 2014 by 33%, whilst net profit after tax of EUR 7.6 million exceeded the first half of 2014 by 1.8%. The continued growth of the business in the PRC was achieved due to the growth of the PRC economy together with accelerated urbanisation, an aggressive marketing campaign, and the increasing distributor network in the PRC.

However we are seeing signs that the PRC growth rate is slowing to less than 7% annual GDP growth and we are operating in a very competitive market where consumers are very price sensitive as well as quality conscious.

Consequently in the second half of 2015 we plan to start also focusing on building brand recognition for ROY in new international markets such as Europe and the USA. We aim to attend trade fairs in these new markets in order to raise the profile and awareness of the ROY brand on an international level. In the medium term we aim to achieve strategic alliances in both Europe and the USA that will help us gain a foothold in these new markets, whilst the PRC will remain the main market for us.

I would like to express my thanks to all our shareholders for supporting the Company, and to our business partners, employees and customers for their trust, hard work and loyalty.

Sincerely yours,

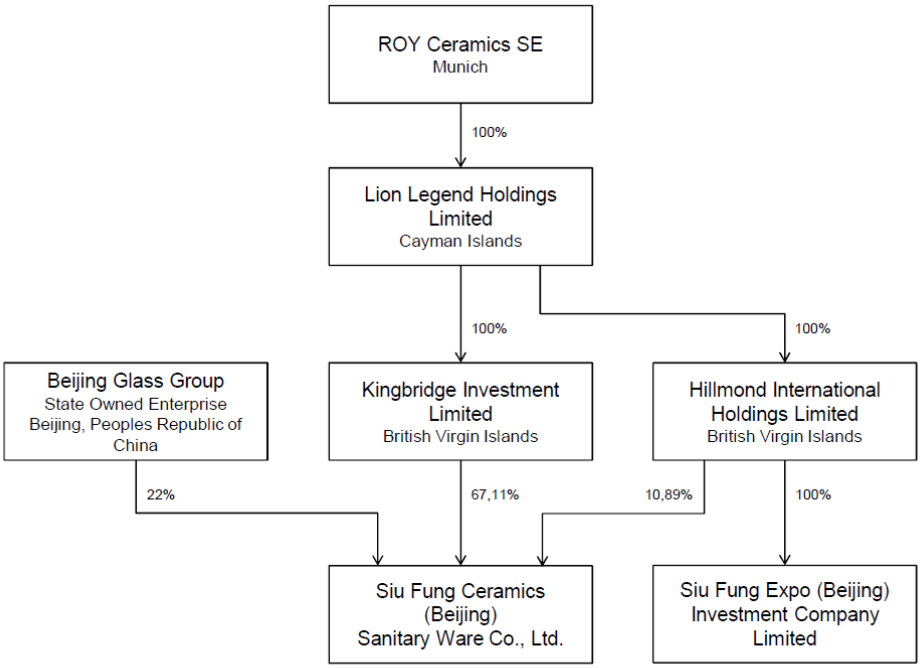
Dipl.-Ing. Harald Paul Goldau
Managing Director of ROY Ceramics SE

INTERIM GROUP MANAGEMENT REPORT

GENERAL INFORMATION ON ROY CERAMICS SE

No material changes were made to the Group's organisational structure or business operations in the first half of 2015. Please refer to the explanations given in the annual report 2014 and our Q1 interim report 2015.

The current structure chart of ROY is as follows:



BUSINESS AND OPERATING ENVIRONMENT

Overall economic environment

In 2014 the Chinese economy grew at 7.4%, which is 0.3% lower than 2013. And for the first half of 2015 the Chinese economy grew by 7.0%. The slowdown in GDP (Gross Domestic Product) was mainly attributable to the slowdown in fixed asset investment and domestic consumption. Besides, the slowdown also represents the challenging economic outlook in China for the remainder of 2015 whereby the sentiment is relatively weak and consumers are becoming more cautious in their spending. In addition, despite the Chinese economy being mainly driven by its domestic consumption, it will also be affected by the headwinds from the world's economy, to a certain extent. The recent incidents, for example, political unrest in Ukraine, slowing European economy, in particular, the economic crisis in Russia and Greece, plummeting crude oil price etc. are likely to have an adverse impact on China's economy in 2015.

Current sentiment indicators so far in 2015 point largely to unchanged levels from those described in the Group Management Report section of the 2014 Annual Report.

Sanitary ware industry globally and in China

Industry sentiment indicators point to largely unchanged levels from those described in the combined management report of the 2014 annual report and the Q1 interim report 2015.

Summary on business development and performance

ROY's business and financial performance in the first half of 2015 continued on the successful platform achieved in 2014 concentrating on the Mainland China market with an aggressive marketing campaign and growth in franchised outlets, distributors and marketing personnel in the PRC.

Furthermore ROY is successful in gaining large-scale projects in China also in the current year, which contributes to the solid growth path the group is following. Compared to the first half of 2014, the group's revenue increased by 33% together with an EBIT-growth of 7%. Whilst overall revenues increased 33%, revenues from ceramics products fell 5.1% whilst revenues from non-ceramics products increased by 89%. The gross profit margin on ceramics products fell from 42.1% to 36.5% whilst the gross profit margin on non-ceramics products was steady at 36%. This reflects ROY's diversification towards a broader product range with more value added accessories. A new range of intelligent toilets is being developed and should be introduced by the end of 2015. Overall we are satisfied with the half year results which are in line with the outlook included in the 2014 year end's management report in a very competitive market.

RESULTS OF OPERATIONS

The table below shows the condensed consolidated income statements for the reporting period ended June 30, 2015 compared to the period ended June 30, 2014.

kEUR	Q2 2015	Q2 2014	Change in %	H1 2015	H1 2014	Change in %
Revenue	**30,118**	**26,987**	***11.6***	**61,015**	**45,821**	***33.2***
Cost of sales	18,682	16,494	*13.3*	38,820	27,660	*40.3*
Gross profit	**11,436**	**10,493**	***9.0***	**22,195**	**18,161**	***22.2***
Other operating income	0	0	*0*	0	0	*0*
Other operating expenses	0	0	*0*	0	0	*0*
Distribution expenses	1,776	1,853	*(9.6)*	4,871	3,965	*22.8*
Administrative expenses	3,623	2,168	*67.1*	6,373	3,954	*61.2*
Profits from operations/ EBIT	**6,037**	**6,472**	***(6.7)***	**10,951**	**10,242**	***6.9***
Finance income	53	30	*76.7*	105	65	*61.5*
Finance expenses	0	0	*0*	0	0	*0*
Profit before income tax	**6,090**	**6,502**	***(6.3)***	**11,056**	**10,307**	***7.3***
Income tax	2,086	1,837	*13.5*	3,496	2,880	*21.4*
Net profit for the period	**4,004**	**4,665**	***(14.2)***	**7,560**	**7,427**	***1.8***
Gross margin in %	38.0	38.9	*(0.9 pp)*	36.4	39.6	*(3.2 pp)*
EBIT margin in %	20.0	24.0	*(4.0 pp)*	17.9	22.4	*(4.5 pp)*
Net profit margin in %	13.3	17.3	*(4.0 pp)*	12.4	16.2	*(3.8 pp)*

Revenue

ROY's revenues are derived from ROY's two operating companies, SFC and SFE. Revenue represents the amount received and receivable for sales of sanitary ware products and accessories, net of sales related taxes.

The increase in ROY's revenues of 11.6% for the second quarter 2015 compared with the second quarter 2014 and of 33.2% for the first half year 2015 compared with the first half year 2014 was due to the continued growth of the business in the PRC resulting from an aggressive marketing campaign and increasing the distributor network in the PRC in 2015. Major projects with property developers and resort projects such as the Hainan White Horse Holdings Limited's property development on Hainan Island continued to drive the growth in revenues.

Cost of sales

The main components of ROY's cost of sales are raw materials, labour costs, manufacturing overhead costs (including energy, depreciation of factory plant and equipment, consumables and packaging) and the costs of non-ceramic goods and accessories purchased from external suppliers.

The cost of sales for the period under review are as follows:

	H1 2015		H1 2014	
	kEUR	% of total cost of sales	kEUR	% of total cost of sales
Raw materials	8,648	*22.3*	5,892	*21.3*
Labour costs	1,497	*3.9*	1,078	*3.9*
Manufacturing overhead costs	5,909	*15.2*	8,658	*31.3*
Non-ceramic goods and accessories	22,766	*58.6*	12,032	*43.5*
TOTAL	**38,820**	***100.0***	**27,660**	***100.0***

Raw materials comprise mainly clay, clay ball, kaolinite, quartz and feldspar and account for 22.3% of cost of sales in half year 2015 compared with 21.3% in half year 2014. Similarly labour costs are relatively static at 3.9% of cost of sales due to the highly automated production process in Beijing. Manufacturing overhead costs reduced from 31.3% of cost of sales in half year 2014 to 15.2% in the half year 2015 due to increased sales of non-ceramic goods and accessories. Non-ceramic goods and accessories accounted for 58.6% of total cost of sales in the half year 2015 compared with 43.5% for the half year 2014 due to a higher proportion of non-ceramic accessories sales in 2015.

Gross profit and gross margin

Gross profit increased by 22% from kEUR 18,161 in the half year 2014 to kEUR 22,195 in the half year 2015 as compared with an increase in revenue of 33%. The lower gross margin achieved of 38% in Q2 2015 compared with the gross margin of 38.9% achieved in Q2 2014 was due to toughening market conditions in the PRC which necessitated ROY providing discounts on prices in order to continue to increase volume of sales.

Distribution expenses

Distribution expenses comprise mainly advertising and promotional expenses, travelling and entertaining expenses, transportation costs incurred for the delivery of goods to customers and distributors and salaries as well as commissions paid to sales and marketing personnel.

Distribution expenses increased from kEUR 3,965 in the first half of 2014 to kEUR 4,871 in the first half of 2015. The increase of 23% is reasonable compared with the increase in revenue of 33%.

Administrative expenses

Administrative expenses comprise mainly of payroll and payroll related expenses of directors, management and administrative personnel, travelling and entertainment expenses incurred by management and directors, depreciation charges not related to manufacturing equipment, amortization of prepaid lease for the factory land, utilities, repairs and maintenance, rental, office expenses, transportation expenses and provision for impairment loss on trade and other receivables.

Administrative expenses increased from kEUR 3,954 in the first half of 2014 to kEUR 6,373 in the first half of 2015. The increase of 61% is due to the expansion of the business in the PRC and Hong Kong and costs of completing the listing of the Company's shares on the Frankfurt Stock Exchange, which necessitated incorporating a new holding company in Germany.

EBIT

EBIT increased by 6.9% from kEUR 10,242 in the half year 2014 to kEUR 10,951 in the half year of 2015. Whilst there was a reduction of 6.7% in EBIT from the Q2 2014 of kEUR 6,472 to Q2 2015 of kEUR 6,037 due to lower operating margins in an increasingly competitive market in the PRC.

Finance income

Finance income consists of bank interest income which increased slightly from kEUR 30 in Q2 2014 to kEUR 53 in Q2 2015.

Income tax

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI. Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rates of the PRC operating subsidiaries are 25%.

The income tax charge increased from kEUR 1,837 in Q2 2014 to 2,086 in Q2 2015. The increase was due to a higher component of expenses not deductible for PRC tax purposes.

Net profit

Net profit reduced from kEUR 4,665 in Q2 2014 to kEUR 4,004 in Q2 2015 as Q2 2014 was rather exceptional. Net profit for the half year 2015 of kEUR 7,560 was 1.8% higher

than the half year 2014, representing a reasonable result in toughening market conditions in the PRC with the additional costs of listing the Company on the Frankfurt Stock Exchange in 2015.

DEVELOPMENT OF THE MAIN PRODUCT LINES

The main product lines of the Group are ceramics products and non-ceramics accessories. In the half year 2015 and 2014, the Group's main product lines' revenue and gross profit developed as follows:

kEUR	H1 2015	H1 2014	Change in %
Ceramics products			
Revenue	25,260	26,988	*(5.1)*
% of total revenue	41.4	58.9	*(29.7)*
Gross profit margin in %	36.5	42.1	*(13.3)*
Non-Ceramics Accessories			
Revenue	35,755	18,833	*89.9*
% of total revenue	58.6	41.1	*42.6*
Gross profit margin in %	36.3	36.1	*0.6*

Ceramics products

Revenue from ceramics products dropped by 5.1% from first half of 2014 to the first half of 2015 and now accounts for 41.4% of total revenue. The market for ceramics products in the PRC is very competitive which results in a very price sensitive environment. This also explains the fall in gross profit margin on ceramics products from 42.1% achieved in the first half of 2014 to 36.5% achieved in the first half of 2015, as discounts were necessary in 2015 to retain market share. Sales of ceramics products were also offered on attractive terms as part of a package deal to include suitable non-ceramics accessories.

Non-Ceramics Accessories

Revenue from non-ceramics accessories increased significantly by 89.9% from the first half of 2014 compared with the first half of 2015 and now accounts for 58.6% of total revenue as ROY concentrates on shifting emphasis from lower margin core ceramics products to more value added non-ceramics accessories such as intelligent toilet seats with advanced automated features. The growth in sales of non-ceramics accessories is significant and achieved with a relatively constant gross profit margin of 36.3%.

Overall ROY is positioning itself in a very competitive market where the trend is for consumers to demand ceramics products with the latest technology accessories.

NET ASSETS AND FINANCIAL POSITION

NET ASSETS

The following table shows the condensed consolidated statement of financial position as at June 30, 2015 compared to the condensed consolidated statement of financial position as at December 31, 2014:

kEUR	Jun 30, 2015	Dec 31, 2014	Change in %
Non-current assets	140,140	129,110	*8.5*
Current assets	136,989	111,058	*23.3*
Equity & reserves	259,287	227,293	*14.1*
Non-current liabilities	0	0	*0*
Current liabilities	17,842	12,875	*38.6*

Non-current assets

Non-current assets comprise property, plant and equipment, prepaid lease payments and prepayments. The non-current assets increased by 8.5% from December 31, 2014 to June 30, 2015. The main impact are investments in property, plant and equipment. The book value increased from kEUR 120,656 at December 31, 2014 to kEUR 131,379 as at June 30, 2015. The prepaid lease payments amount to kEUR 8,155 and the longterm prepayments amount to kEUR 606.

Current assets

Current assets comprise inventories, bank balances and cash, trade and other receivables and prepaid lease payments. The current assets increased by 23.3% from December 31, 2014 to June 30, 2015.

The cash position of the Group improved from kEUR 34,888 at December 31, 2014 to kEUR 45,420 at June 30, 2015.

Inventories comprise of raw materials, work in progress, and finished goods products in stock.

	Jun 30, 2015 kEUR	Dec 31, 2014 kEUR
Raw materials	382	165
Finished goods	25,790	15,234
TOTAL	**26,172**	**15,399**

The trade and other receivables increased from kEUR 59,300 at December 31, 2014 to kEUR 65,397 at June 30, 2015.

Equity

The group's equity increased from kEUR 227,293 at December 31, 2014 to kEUR 259,287 at June 30, 2015. The equity ratio amounts to 93.6% (December 31, 2014: 94.6%).

Current liabilities

The current liabilities increased by 38.6% from December 31, 2014 to June 30, 2015. The trade and other payables increased from kEUR 10,785 to kEUR 15,759. The income tax payables dropped from kEUR 2,090 to kEUR 2,083.

FINANCIAL POSITION

kEUR	**H1 2015**	**H1 2014**	***Change in %***
Cash inflow/(outflow) from operating activities	6,612	4,434	*49.1*
Cash inflow/(outflow) from investing activities	104	65	*60*
Cash outflow from financing activities	0	0	*0*

The Group continues to sustain itself from external revenues generated internally and without assistance of any financing activities from external sources. The cash position of the Group is healthy and improved from kEUR 34,888 at December 31, 2014 to kEUR 45,420 at June 30, 2015.

HUMAN RESOURCES

ROY's employees are employed in separate departments as follows. The number of employees increased from 475 at June 30, 2014 to 505 at June 30, 2015 mainly due to additional sales and marketing personnel recruited to drive the growth of the business in the PRC.

Department	**H1 2015**	**H1 2014**
Research and design development	18	15
Sales and marketing	188	170
Management and administration	86	80
High pressure and micro casting	60	60
Raw materials	18	17
Glazing and finishing	25	25
Quality control and testing	25	24
Molding workshop	15	15
Equipment maintenance	14	13
Boiler	9	9
Electricity and natural gas	14	14
Cleaning	11	11
Internal security	10	10
Guards	12	12
Total permanent employees	**505**	**475**
Temporary contract workers	0	0
Total employees and temporary contract workers	**505**	**475**

RESEARCH AND DEVELOPMENT ("R&D")

ROY has a dedicated team of 18 experienced personnel concentrating on research and design development including product development and improvement of production technology and processes.

Design concepts introduced by Mr. Enrico Taranta are refined into functional product designs by ROY's in house engineering design team using the latest CAD software. The completed designs drawings are vetted and passed to the factory for manufacturing assessment including any new molds and components.

Two to three series of new products are developed every year. There is a dedicated mold development centre on the factory site in Beijing concentrating on improving production methods.

Accordingly the main focus of research and development activities since 2011 until today has been threefold:

- Firstly, developing new design concepts into functional products using ROY's in house engineering team;

- Secondly, developing and completing the design for the universal outlet adaptor for ROY's toilets which enables ROY's toilets to comply with both European and American industry standards. This has taken 3 years to perfect and the patent application has recently been filed in the PRC;

- Thirdly, developing a set of bespoke bathroom designs specifically suitable for use by the elderly and physically handicapped in collaboration with Henderson Land Group (a major property developer listed on the Hong Kong Stock Exchange);

- Fourthly developing a new range of intelligent toilets with fully automated functions.

RISK AND OPPORTUNITY REPORT

In the Combined Management Report section of the 2014 Annual Report, the Group reported extensively on the opportunities and risks arising from business activities and other resources. There have been no significant risks identified beyond those previously reported which might have a significant impact on the results of operations and financial position of the Group within the remainder of 2015.

DEVELOPMENTS AFTER THE END OF THE REPORTING PERIOD

On August 7, 2015, Lion Legend Holdings Ltd, "LLH" – the principal subsidiary of ROY Ceramics SE ("ROY") – signed a Heads of Agreement with Stone Master Corporation Berhad ("Stone Master"), a company listed on the Bursa Malaysia Main Market, regarding an agreement in principle according to which Stone Master shall for a period of five years act as exclusive agent for ROY's products in Malaysia and Singapore. The parties intend to conclude definitive agreements within the next two months. It is contemplated that Stone Master will render an initial consideration to LLH in an amount equivalent to EUR 36 million in a manner and timeframe to be mutually agreed. ROY believes that this business relationship may have significant potential for the sale of ROY's products.

On August 26, 2015, the Administrative Board of ROY resolved to accept an offer to LLH from White Horse Holdings Limited regarding the sale of all the issued share capital of LLH's subsidiaries, Kingbridge Investment Limited and Hillmond International Holdings Limited, including their interests in the two operating subsidiaries in China but excluding moveable plant and machinery and all intellectual property, such as manufacturing processes, patents and trademarks under the ROY name. The proposed purchase price amounts to approximately USD 80 million. The closing of the transaction is scheduled for September 30, 2015 and subject to, among others, a detailed due diligence of the purchaser. Subject to certain conditions, the purchaser has a right to pay the purchase price at closing by means of a promissory note, which would fall due on or before June 30, 2016.

OUTLOOK

Overall economic environment and industry development

The medium-term outlook is for a further easing of growth to 6.7% in 2015 and a stable outlook thereafter, reflecting a gradual slowdown in China, which will be offset by a pick-up in the rest of the Asian region in 2016-17. In China, structural reforms, a gradual withdrawal of fiscal stimulus, and continued prudential measures to slow non-bank credit expansion will result in slowing growth to 6.5% by 2017 (from 7.4% in 2014). In the rest of the Asian region growth will strengthen to 5.5% by 2017 (from 4.6% in 2014) supported by firming exports, improved political stability, and strengthening investment.

Forecast ROY Ceramics

The half year 2015 revenue and net profit achieved was in line with what we had expected. The business continues to grow in the PRC but operating margins decrease and overhead costs are increasing in a very competitive environment.

We expect the third and fourth quarters of 2015 to reflect the slower growth rate in the PRC and the slowdown in major new property development projects. In order to mitigate the impact of the slower growth rate in the PRC, we are planning to commence sales of ROY's products in Europe, the USA and Malaysia/Singapore in the final quarter of 2015. These will be three new markets for ROY and there will be an investment cost before we begin to generate profits in these markets.

Consequently we expect that the net profit level achievable for the financial year 2015 will only be on a par with or slightly better than in financial year 2014.

Frankfurt am Main, August 26, 2015
ROY Ceramics SE

The Administrative Board

DAVID HIRST SURASAK LELALERTSUPHAKUN DIPL.-ING. HARALD PAUL GOLDAU

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Condensed Consolidated Statement of Comprehensive Income

kEUR	Q2 2015	Q2 2014	H1 2015	H1 2014
Revenue	**30,118**	**26,987**	**61,015**	**45,821**
Cost of sales	18,682	16,494	38,820	27,660
Gross profit	**11,436**	**10,493**	**22,195**	**18,161**
Other income	0	0	0	0
Distribution expenses	1,776	1,853	4,871	3,965
Administrative expenses	3,623	2,168	6,373	3,954
Profit from operations	**6,037**	**6,472**	**10,951**	**10,242**
Finance income	53	30	105	65
Finance expenses	0	0	0	0
Profit before income tax	**6,090**	**6,502**	**11,056**	**10,307**
Income tax	2,086	1,837	3,496	2,880
Net profit for the period	**4,004**	**4,665**	**7,560**	**7,427**
Other comprehensive income for the period that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on foreign currency translation	(4,864)	(295)	24,434	(3,151)
Total comprehensive income for the period:	**(860)**	**4,370**	**31,994**	**4,276**
Profit for the period attributable to:				
– Owners of the parent	3,639	4,065	6,560	6,426
Total comprehensive profit for the period attributable to:				
– Owners of the parent	(1,225)	3,770	30,994	3,275
Basic and diluted earnings per share (in EUR)	0.28	0.31	0.50	0.49

Condensed Consolidated Statement of Financial Position

kEUR	June 30, 2015	Dec 31, 2014
Assets		
Non-current assets		
Property, plant and equipment	131,379	120,656
Prepaid lease payments	8,155	7,492
Prepayments	606	962
Total non-current assets	**140,140**	**129,110**
Current assets		
Bank balances and cash	45,420	34,888
Trade and other receivables	65,116	59,300
Inventories	26,172	15,399
Amount due from director	0	1,047
Prepaid lease payments	281	254
Amount due from a related company	0	170
Total current assets	**136,989**	**111,058**
Total assets	**277,129**	**240,168**
Equity and liabilities		
Equity		
Share capital	13,110	13,110
Reserves	214,788	183,794
Non-controlling interests	31,389	30,389
Total equity	**259,287**	**227,293**
Current liabilities		
Amount due to director	910	0
Trade and other payables	14,849	10,785
Income tax payables	2,083	2,090
Total liabilities	**17,842**	**12,875**
Total equity and liabilities	**277,129**	**240,168**

Condensed Consolidated Statement of Changes in Equity

kEUR	Share capital	Statutory reserve	Capital reserve	Translation reserve	Retained earnings	Total	Non-Controlling interest	Total
Balance as at Dec 31, 2013/ Jan 1, 2014	**91,317**	**1,062**	**21,148**	**20,444**	**25,320**	**159,291**	**28,471**	**187,762**
Exchange differences	0	0	0	24,480	0	24,480	0	24,480
Profit	0	0	0	0	12,813	12,813	1,918	14,731
Total comprehensive income	0	0	0	24,480	12,813	37,293	1,918	39,211
Transfer	0	649	0	0	(649)	0	0	0
Paid Share Capital at founding	120	0	0	0	0	120	0	120
Increase of Capital Stock contributing payment	0	0	200	0	0	200	0	200
Increase of Capital Stock contribution in kind	12,990	0	0	0	0	12,990	0	12,990
Arising from contribution in kind	(91,317)	0	78,327	0	0	(12,990)	0	(12,990)
Balance at Dec 31, 2014/ Jan 1, 2015	**13,110**	**1,711**	**99,675**	**44,924**	**37,484**	**196,904**	**30,389**	**227,293**
Exchange differences	0	0	0	24,434	0	24,434	0	24,434
Profit	0	0	0	0	6,560	6,560	1,000	7,560
Total comprehensive income	0	0	0	24,434	6,560	30,994	1,000	31,994
Balance at June 30, 2015	**13,110**	**1,711**	**99,675**	**69,358**	**44,044**	**227,898**	**31,389**	**259,287**

Condensed Statement of Cash Flows

kEUR	H1 2015	H1 2014
Operating activities		
Profit before taxation	11,056	10,307
Adjustments for		
Amortisation of prepaid lease payments	139	127
Depreciation	2,211	2,072
Write-down of inventories	0	0
Impairment loss on trade and other receivables	1,245	0
Non-cash consultancy fee	454	387
Operation cash flow before changes in working capital	**15,105**	**12,893**
Decrease (increase) in inventories	(9,122)	(2,382)
Decrease (increase) in trade and other receivables	(717)	(5,737)
Decrease (increase) in amount due from a director	(1,957)	1,260
(Decrease) Increase in trade and other payables and accruals	2,942	139
Decrease (increase) in amounts due from a related party	170	0
Cash generated from operations	**10,336**	**6,173**
Income tax paid	(3,724)	(1,739)
Net cash generated from operating activities	**6,612**	**4,434**
Investing activities		
Interest received	104	65
Purchase of property, plant and equipment	0	0
Cash aquired on acquisition of subsidiaries	0	0
Net cash used in investing activities	**104**	**65**
Financing activities		
Proceeds from issue of shares	0	0
Net cash generated from financing activities	**0**	**0**
Net increase in cash and cash equivalents	**6,716**	**4,499**
Adjustments due to currency translation	3,816	(1,287)
Cash and cash equivalents at the beginning of the period	34,888	21,375
Cash and cash equivalents at the end of the period	**45,420**	**24,587**

Selected Notes to the Condensed Consolidated Interim Financial Statements of ROY Ceramics SE

1. Nature of operations

ROY Ceramics SE (the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacturing and sales of ceramic sanitary wares and accessories. The Company acts as an investment holding company. The principal activities of its subsidiaries and the proportion of ownership interest and voting power held by the company are set out in note 29 of our Annual Report for the financial year 2014.

2. General Information and Statement of compliance with IFRS

The Group prepared these interim consolidated financial statements in compliance with IAS 34, Interim Financial Reporting. They should be read in connection with the Group's consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") for the financial year ended December 31, 2014.

ROY Ceramics SE is the parent company of the Group. The Company is an European stock corporation, founded on May 8, 2014, recorded in the commercial register (HRB 211752) of Munich, Germany, with business address at Bockenheimer Landstraße 17/19, 60325 Frankfurt am Main. The Shine Eagle Trust Reg., Balzers, Liechtenstein was the sole shareholder at the founding of the company.

On 5 and 14 November 2014 all shareholders of LION LEGEND HOLDINGS LIMITED (LLH), incorporated in the Cayman Islands, entered into a contribution agreement with the Company whereby they undertook to transfer and arrange for the transfer of all issued shares in LLH, 12,990,000,000 shares of USD 0.01 each, to the company against the issuance of 12,990,000 no par value ordinary bearer shares in the Company in proportion to their stakes in the share capital of LLH. The contribution agreement and the capital increase by way of contribution in kind was approved by an extraordinary shareholders' resolution dated November 21, 2014 and has been registered with the commercial register of the local court of Munich on December 15, 2014. The new no par value ordinary bearer shares in the company were issued to the former shareholders of LLH. The total notional value of the newly issued shares in the amount of EUR 12,990,000 is booked as registered share capital of the company. Shine Eagle Trust Reg. now holds 64.77% of the Company's shares.

In December 2014, when the Company acquired 100% of the shares in LLH by a contribution in kind the relative percentage of ownership in the Company as compared with the relative percentage ownership in LLH has not changed with this transaction. The transaction is considered to be a transaction under common control within the meaning of IFRS 3.B1, for which IFRS 3 is not applicable. The accounting as a reverse acquisition in terms if IFRS 3.B19 is also not applicable, because the presence of a business of ROY Ceramics SE prior to the transaction would have been required to apply the rules of IFRS 3.B19. The contribution of the shares of LLH into the Company has been recognised, considering the economic substance of the transaction analogous to a reverse acquisition, as described in the note for significant accounting policies.

The interim consolidated financial statements are presented in thousand units of Euro (kEUR). The functional currency of the Group is Renminbi (RMB). Rounding differences

may arise when individual amounts or percentages are added together. The exchange rates used in the preparation of the interim consolidated financial statements are presented in note 4 of these interim consolidated financial statements.

Comparative figures for H1 2014 and Q2 2014 relate to the H1 2014 and Q2 2014 unaudited consolidated financial information of Lion Legend Holdings Limited.

The interim consolidated financial statements for H1 and Q2 2015 were authorised for issue by the Managing Director to the Administrative Board on August 26, 2015.

3. Significant accounting policies and changes in estimates

The preparation of interim consolidated financial statements in compliance with IAS 34 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the annual financial statements for the financial year 2014.

The Group applied with no material impact the following accounting pronouncements for the first time as of the beginning of the current financial year 2015, which started on January 1, 2015:

Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions
Amendments to IFRSs - Annual Improvements to IFRSs 2010-2012 Cycle
Amendments to IFRSs - Annual Improvements to IFRSs 2011-2013 Cycle

Apart from the aforementioned first time adoptions the ROY Ceramics Group applies the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2014 annual financial statements.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments to IAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

The *Annual Improvements to IFRSs 2010-2012 Cycle* include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 2 (i) change the definitions of “vesting condition” and “market condition”; and (ii) add definitions for “performance condition” and “service condition” which were previously included within the definition of “vesting condition”. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial Instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognized in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after July 1, 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The *Annual Improvements to IFRSs 2011-2013 Cycle* include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of IAS 40; and

(b) the transaction meets the definition of a business combination under IFRS 3.

Significant accounting policies - merger accounting for the contribution of shares of LLH:

Acquisitions of businesses are accounted for using the acquisition method other than those resulting in a business combination involving only common control entities, which are outside the scope of IFRS 3. The merger accounting is used by the consolidated group to account for such common control business combinations. The contribution of shares of LLH in the Company in November/December 2014 has been accounted for applying the merger accounting for common control business combinations as follows:

Merger accounting for common control business combinations
A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are controlled by the same party or parties both before and after the business combination, and that control is not transitory.

Subsidiaries acquired, which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been in effect throughout the current financial year.

The assets and liabilities consolidated are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.

When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of the shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is included in the capital reserve. The results of the subsidiaries being merged are included for the full financial year. The merger accounting as described was applied in the financial statements of the Group regarding the contribution in kind of the shares in LLH, the major transaction for the Group in 2014 as described in Notes 2 of these notes to the consolidated interim financial statements (General Information) and summarized as follows from an accounting policy point of view. In December 2014 ROY Ceramics SE acquired 100% of the shares in LLH by a contribution in kind. Since the relative percentage of ownership of the shares in ROY Ceramics SE after the transaction has not changed as compared with the relative percentage ownership in LLH before the transaction, the transaction is to be considered a transaction under common control within the meaning of IFRS 3.B1, for which IFRS 3 is not applicable. The accounting as a reverse acquisition in terms if IFRS 3.B19 is also not applicable, because the presence of a business of ROY Ceramics SE prior to the transaction would have been required to apply the rules of IFRS 3.B19. The contribution of the shares of LLH into the Company has been recognised, considering the economic substance of the transaction analogous to a reverse acquisition within the principles of merger accounting.

Additional information on business combination
On 5 and 14 November 2014 all shareholders of LLH entered into a contribution agreement with the Company whereby they undertook to transfer and arrange to transfer all the issued shares in LLH to the Company. This contribution agreement and the capital increase in the Company by way of contribution in kind was approved by an extraordinary shareholders' resolution dated November 21, 2014 and was formally

registered with the commercial register in the Munich local court on December 15, 2014. Consequently the effective date of acquisition of LLH is considered to be November 21, 2014.

The primary reason for the acquisition of the LLH Group by the Company is for the purpose of acquiring the ROY Ceramics business in the PRC owned by LLH and thereby facilitating the listing of the Company's shares on the regulated market segment of the Frankfurt Stock Exchange.

Effective from the acquisition date of November 21, 2014 the Company acquired 100% of the assets and liabilities of LLH which included LLH's 100% shareholding in Kingbridge Investment Limited (which owns 67.11% of the shares issued by Siu Fung Ceramics (Beijing) Sanitary Ware Co., Ltd.) and LLH's 100% shareholding in Hillmond International Holdings Limited (which owns 10.89% of the shares issued by Siu Fung Ceramics (Beijing) Sanitary Ware Co., Ltd.) and 100% of the shares issued by Siu Fung Expo (Beijing) Investment Company Limited.

4. Currency translation

	RMB/EUR	
	Closing rate	**Average rate**
June 30, 2014	8.50	8.48
December 31, 2014	7.48	8.16
June 30, 2015	**6.76**	**6.83**

The development of the currency translation difference, mainly based on the appreciation of the forex-rate RMB/EUR is shown on the following table:

	H1 2015 kEUR	H1 2014 kEUR
At the beginning of the period	44,924	20,444
Net currency translation difference for the period recognised in other comprehensive income	24,434	(3,151)
At the end of the period	69,358	17,293

5. Significant events and transactions

In Q1 2015, on 26 March, the company submitted a Prospectus to BaFin for admission to trading on the regulated market of the Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) and a Public Offering in the Federal Republic of Austria of all the Company's issued non-par value shares. On April 29, 2015 the Company's shares were admitted to the Frankfurt Stock Exchange.

6. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares issued and outstanding during the financial period. Over the whole H1 2015 period, the number of outstanding ordinary shares was 13,110,000. In order to provide a meaningful comparison the same number of shares issued has been applied to the H1 2014 earnings per share calculation. Exchange differences arising on translation are excluded from the earnings per share calculations.

	H1 2015	H1 2014
Profit for the financial period attributable to equity holders of the parent (kEUR)	6,560	6,426
Weighted average number of issued and outstanding no par shares (in thousands; H1 2014 for comparative purposes)	13,110	13,110
Basic and diluted earnings per share (EUR)	**0.50**	**0.49**

7. Fair values of financial instruments

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are presented in the financial statements:

	As at June 30, 2015		As at December 31, 2014	
	Carrying amount	Fair Value	Carrying amount	Fair value
	kEUR	kEUR	kEUR	kEUR
Financial assets				
Loans and receivables (including trade and other receivables, prepayments, amount due from a director and bank and cash balances)	110,817	110,817	95,659	95,659
Total	**110,817**	**110,817**	**95,659**	**95,659**
Financial liabilities				
Liabilities measured at amortised cost (including trade and other payables, excluding accruals and other tax payables, and amount due to a director)	14,345	14,345	9,149	9,149
Total	**14,345**	**14,345**	**9,149**	**9,149**

8. Commitments and contingencies

There are no commitments or contingencies other than as lessee for future minimum lease payments under non-cancellable leases, which fall due as follows:

	As at June 30, 2015 kEUR
Within one year	383
In the second to fifth years inclusive	362
Total	. 745

The lease payments represent rentals payable by the Group for its office and warehouse premises. The lease terms are fixed for periods of two to five years.

9. Related party disclosures – Significant related party transactions

The Group had the following material related party transactions during the period:

	H1 2015 kEUR	H1 2014 kEUR
Consultancy fee paid to:		
Hi Scene Industrial Ltd.	132	71
Siu Fung Concept Ltd.	0	28
Luck Connection Limited	454	494

Hi Scene Industrial Ltd. is controlled by a key management of SFE.
Siu Fung Concept Ltd. is controlled by Surasak Lelalertsuphakun, a member of the Administrative Board and a director of LLH.
Luck Connection Ltd. is controlled by Deng Yun, a director of LLH until May 12, 2015.

The above transactions were entered into with normal commercial terms.

10. Events after the reporting date

On August 7, 2015, Lion Legend Holdings Limited, “LLH” – the principal subsidiary of ROY Ceramics SE (“ROY”) – signed a Heads of Agreement with Stone Master Corporation Berhad (“Stone Master”), a company listed on the Bursa Malaysia Main Market, regarding an agreement in principle according to which Stone Master shall for a period of five years act as exclusive agent for ROY’s products in Malaysia and Singapore. It is contemplated that Stone Master will render an initial consideration to LLH in an amount equivalent to EUR 36 million in a manner and timeframe to be mutually agreed. ROY believes that this business relationship may have significant potential for the sale of ROY’s products.

On August 26, 2015, the Administrative Board of ROY resolved to accept an offer to LLH from White Horse Holdings Limited regarding the sale of all the issued share capital of LLH's subsidiaries, Kingbridge Investment Limited and Hillmond International Holdings Limited, including their interests in the two operating subsidiaries in China but excluding moveable plant and machinery and all intellectual property, such as manufacturing processes, patents and trademarks under the ROY name. The proposed purchase price amounts to approximately USD 80 million. The closing of the transaction is scheduled for September 30, 2015 and subject to, among others, a detailed due diligence of the purchaser. Subject to certain conditions, the purchaser has a right to pay the purchase price at closing by means of a promissory note, which would fall due on or before June 30, 2016.

Frankfurt am Main, August 26, 2015
ROY Ceramics SE

The Administrative Board

DAVID HIRST SURASAK LELALERTSUPHAKUN DIPL.-ING. HARALD PAUL GOLDAU

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements, which are based on the current estimates and assumptions by the corporate management of ROY Ceramics SE. Forward-looking statements are characterized by the use of words such as expect, intend, plan, predict, assume, believe, estimate, anticipate and similar formulations. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and the results actually achieved by ROY Ceramics SE and its affiliated companies depend on a number of risks and uncertainties and may therefore differ materially from the forward-looking statements. Many of these factors are outside ROY Ceramic SE's control and cannot be accurately estimated in advance, such as the future economic environment or the actions of competitors and others involved in the marketplace. ROY Ceramics SE neither undertakes nor plans to update any forward-looking statements.

IMPRINT

Published by

ROY Ceramics SE

Bockenheimer Landstr. 17/19
60325 Frankfurt
Germany

Phone: +49 (0)69 71 04 55 15 5
Fax: +49 (0)69 71 04 55 45 0

E-mail: ir@royceramics.de
www.royceramics.de

FINANCIAL CALENDAR 2015

Annual General Meeting
August 27

Publication of Q3/9M report
November 25

ROY Ceramics SE

Bockenheimer Landstr. 17/19
60325 Frankfurt

Phone: +49 (0)69 71 04 55 15 5
Fax: +49 (0)69 71 04 55 45 0

E-mail: ir@royceramics.de
www.royceramics.de