



Condensed Consolidated
Interim Financial Information

30 September 2018

RAK Ceramics PJSC and its Subsidiaries

Condensed consolidated interim financial information
30 September 2018

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Report of the Board of Directors

On financial performance during the nine month period ending 30 September 2018

01 November 2018

Dear Members,

It is our pleasure to present the business & operations report for the nine month period ending 30 September 2018, along with the Condensed Consolidated Interim Financial Information for the same period. The results of the core business for the period continued to remain stable while the company reported steady year on year performance.

In the first quarter of the current year, we had (i) completed acquisition of further stake of 30% in the distribution entity in KSA enhancing our control on Saudi operations, (ii) completed sale of rough grading equipment in one of the contracting subsidiary of the group in continuation of downsizing the non-core business, and (iii) successfully implemented VAT in the UAE & KSA with filing monthly returns on time. During the third quarter, we have acquired remaining 20% stake in distribution entity in KSA making it a wholly owned subsidiary.

Production trials began in the recently expanded facility in Morbi, Gujarat in October 2018. The greenfield project in India is progressing as scheduled and is due to begin commercial production early 2019.

Financial & Operating Results

While the core revenue for the nine month period amounted to AED 1,945.0 million, higher by +1.0%, compared to same period of last year, the reported revenue amounted to AED 2,050.6 million, lower by -2.7%, compared to the same period of last year. The decrease is on account of lower revenue from non-core business by -58.2%, reflecting the complete discontinuation of the rough-grading business, in line with the company's value creation plan.

During the third quarter, the company reported stable year on year performance with total revenues at AED 669.5 million and core revenues at par at AED 639.6 million.

Core gross profit margins increased by 50 bps year on year to reach 33.2%, despite an increase in raw material costs and energy prices. The company continued to invest in upgrading of machines and the installation of co-gen and heat recovery systems to reduce consumption of gas and power.

Core EBITDA for the third quarter decreased by 24.3% to AED 108.5 million, year on year, with margins of 15.3%.

The reported net profit declined by 14% quarter on quarter to AED 47.4 million due to an increase in energy and raw material costs; costs driven by expenses associated with the consolidation of Saudi Arabian entities and foreign exchange losses due to adverse currency impact and increase in LIBOR.

Financial highlights for the nine-month period ending 30 September 2018

Particulars	Unit	YTD September 2018	YTD September 2017	Change
Total Revenue	AED Mio	2,050.6	2,107.4	-2.7%
Gross Profit	AED Mio	681.1	677.5	0.5%
GP Margin	%	33.2%	32.1%	110 bps
EBITDA	AED Mio	337.1	410.6	-17.9%
EBITDA Margin	%	16.4%	19.5%	-
Reported Net Income	AED Mio	167.9	262.3	-36.0%
Reported Net Income margin	%	8.2%	12.4%	-
Net income before one-off, provisions & strategic gains	AED Mio	160.2	223.3	-28.3%
Net income margin before one-off, provisions & strategic gains	%	7.8%	10.6%	-280 bps
Reported Profit after NCI (Minority)	AED Mio	139.3	230.3	-39.5%
Reported Earnings per share	AED	0.15	0.26	-
		30 September 2018	31 December 2017	Change
Total Assets	AED Mio	5,514.1	5,800.9	-4.9%
Share Capital	AED Mio	901.3	858.4	5%
Shareholders' Equity	AED Mio	2,465.0	2,664.3	-7.5%
Net Debt	AED Mio	1,485.5	1,407.9	5.5%
Net Debt / EBITDA	Times	3.23	2.64	-
Cost of Debt	%	3.89%	3.15%	74bps

Corporate Social Responsibility, Exhibitions, Awards & Other Activities

Awards

The Company and the Group CEO received

- Outstanding CEO - Global Business Excellence Awards
- Executive of the Year - BIG Awards for Business
- 2018 CEO of the Year, UAE - CEO Monthly Magazine

Exhibitions

- **Cersaie, Italy:** We showcased most innovative and stylish tiles and sanitaryware collections including the 'M-Project' and the 'RAK Cloud' series

Future Outlook

Looking ahead of 2018, there are a number of external factors that might affect our business with increased competition, gas and oil price volatility and geo-political headwinds. However, we see that GDP is growing in all of our core markets and the UAE and KSA have higher government infrastructure budgets this year giving positive trends for growth.

Financial Reporting

Consolidated Financial Statements of the Company, prepared in accordance with International Financial Reporting Standards (IFRSs), fairly present its financial position, the result of its operations, cash flows and changes in equity.

Appropriate accounting policies have been consistently applied and accounting estimates are based on reasonable and prudent judgments. There are no matters which call into question the company's ability to continue as a going concern.

Vote of Thanks

The Board would like to take this opportunity to thank Government bodies, the shareholders, investors, bankers & employees for their continuous commitment, co-operation, confidence & continuous support in achieving the company's objectives.



Chairman



Director

01 NOV 2018



Chief Executive Officer