



Condensed Consolidated
Interim Financial Information

30 June 2018

RAK Ceramics PJSC and its Subsidiaries

Condensed consolidated interim financial information
30 June 2018

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Report of the Board of Directors

On financial performance during the six month period ending 30 June 2018

01 August 2018

Dear Members,

It is our pleasure to present the business & operations report for the six month period ending 30 June 2018, along with the Condensed Consolidated Interim Financial Information for the same period. The results of the core business for the period continued to enhance while the company reported stable 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.

The business in India witnessed a gradual turnaround this quarter. There is an expansion as well as a green-field project at Morbi underway, both due to begin the commercial production by the end of the year.

Financial & Operating Results

While the core revenue for the six month period amounted to AED 1,305.2 million, higher by +1.8%, compared to same period of last year, the reported revenue amounted to AED 1,381.1 million, lower by -1.5%, compared to the same period of last year. The decrease is on account of lower revenue from non-core business by -31.9%, reflecting the complete discontinuation of the rough-grading business, in line with the company's value creation plan.

During the second quarter, the company reported stable year on year performance with total revenues stable at AED 719.2 million and core revenues growing by 2.6% to AED 678.4 million.

Tile and sanitaryware revenues in United Arab Emirates, Saudi Arabia, India and Europe increased by 2.7%, 17.2%, 2.2% & 6.0% respectively year on year. Revenue in Bangladesh and Middle East reduced by 9.6% and 31% due to Eid holidays

Core gross profit margins reached an all-time high of 34.7%, increasing by 50bps year on year. Total gross profit margins increased by 110bps to all-time high of 34.4%, 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 decreased by 16.9% to AED 107m compared to Q2 2017 with margins of 15.8%, and reported net profit for the second quarter decreased to AED 55.1 million from AED 113.2 million year on year, however this is due to AED 34.8 million of net extraordinary gain from the sale of the stake in RAK Warehouse Leasing LLC included in Q2 2017 net profit.

Lower net profit is due to increase in energy cost, administrative and general expenses & selling and distribution expenses due to the consolidation of Saudi Arabian entities and higher expenses in India for branding and the tableware business in the US market. Finance costs also increased due to foreign exchange losses and higher LIBOR.

Financial highlights for the six month period ending 30 June 2018

Particulars	Unit	YTD June 2018	YTD June 2017	Change
Total Revenue	AED Mio	1,381.0	1,402.2	-1.5%
Gross Profit	AED Mio	457.9	455.6	0.5%
GP Margin	%	33.2%	32.5%	0.7%
EBITDA	AED Mio	228.8	261.6	-12.6%
EBITDA Margin	%	16.6%	18.7%	-
Reported Net Income	AED Mio	120.5	177.7	-32.2%
Reported Net Income margin	%	8.7%	12.7%	-
Net income before one-off, provisions & strategic gains	AED Mio	108.3	136.3	-20.5%
Net income margin before one-off, provisions & strategic gains	%	7.8%	9.7%	-
Reported Profit after NCI (Minority)	AED Mio	100.8	156.1	-35.4%
Reported Earnings per share	AED	0.11	0.17	-
		30 June 2018	31 December 2017	Change
Total Assets	AED Mio	5,516.5	5,800.9	-4.9%
Share Capital	AED Mio	901.3	858.4	5%
Shareholders' Equity	AED Mio	2,636.7	2,850.9	-7.5%
Net Debt	AED Mio	1,516.9	1,407.9	7.7%
Net Debt / EBITDA	Times	3.03	2.64	-
Cost of Debt	%	3.78%	3.15%	63bps

Corporate Social Responsibility, Exhibitions, Awards & Other Activities

Awards

The Company received

- BKU Awards – for Best Tile Brand
- EPDA Award for Collaboration
- Emirates Environmental Group (EEG) Award - UAE Top 10 in Aluminium Can Collection
- Rebrand 100 Award

Corporate Social Responsibility

- Participation in RAK Waste Management Recycling Programme

Visits to corporate facilities -

- Consul General of Singapore
- Traders from India
- Business Delegation from Pakistan

Future Outlook

Looking ahead to 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 AUG 2018

Chief Executive Officer