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RAK CERAMICS ANNOUNCES THIRD QUARTER 2016 FINANCIAL RESULTS

- Value Creation Plan continues to support future long term growth offsetting near term weakness in volumes in GCC, Europe, and India; continued investments in people, technology, and brand equity to drive long term revenue and margins.
- Group revenues recorded AED 2.14 billion YTD; down by 8.3% YoY reflecting the volatile global trading conditions.

Ras Al Khaimah, United Arab Emirates, 10 November 2016 – RAK Ceramics PJSC (Ticker: RAKCEC: Abu Dhabi), one of the largest ceramics brands in the world, today announced its results for the third quarter ended 30 September 2016.

The third quarter of 2016 was characterised by a significant decline in volumes in the GCC due to seasonal effects as well as weaker business sentiment, in particular in Saudi Arabia. Volumes to Europe were also lower as the company undertook the centralisation of its European logistics causing some shipping delays, however these should be made up to some extent in the fourth quarter. Performance of the Indian operation stayed flat QoQ but was lower than in 2015, on lower volumes, and average selling prices. Offsetting these, was the performance of operations in Bangladesh, as a result of increased sales post recent capacity additions and sales growth in tableware from a more favourable product mix.

For the nine months ending 30 September 2016, overall group revenue reached AED 2.14 billion; decreasing by 8.3% YoY. Core revenue from the three core business activities: tiles, sanitaryware, and tableware decreased by 5.1% YoY reflecting market conditions. The Group's consolidated gross margin increased by 90 bps to 29.7% YTD driven by an 840 basis point improvement in non-core gross margins whereas the core gross margin fell slightly.

Despite a challenging environment, there is strong momentum underpinned by the foundations of the business

The prevailing situation in Saudi Arabia and other GCC markets is likely to stay challenging for the foreseeable future and the company is adjusting its production capacity to better reflect changing tastes, in line with market demand. At the same time, the company continues to look beyond the current environment to long term drivers of growth. In India, under the leadership of a new CEO, a restructuring of the business is underway to reduce costs near term and grow revenues in 2017 onwards. The integration of Germany and the UK in Q1 2016, and Italy in Q3 2016 were significant milestones and will provide a foundation for long term growth with cost synergies expected in 2017.

The highlight of Q3 2016 was perhaps the launch of a new corporate brand identity at the CERSAIE tile and sanitaryware show in Bologna in September. A new "Mix and Match" product collection was unveiled supported by new marketing materials, new packaging, a new logo, and a new product website (rakceramics.com). The launch is a first step in a multi-year effort to strengthen the RAK Ceramics brand; a marketing campaign under the tagline "Room for Imagination" is currently being undertaken in trade and architectural magazines across Europe and the GCC to support the launch.

A global brand with a long term vision

Abdallah Massaad, RAK Ceramics' Group Chief Executive Officer said: "From 2014, we invested heavily in strategic activities to drive RAK Ceramics' profitability and unlock value for shareholders. We are optimistic about our long term growth opportunities as a result of our ongoing investments in our people, our brand, and in world-class manufacturing technologies. Our Q3 results are reflective of the challenging construction environment in the GCC and did not come as a surprise. With a strong balance sheet, managerial depth, and global distribution capabilities, we are better positioned than most to navigate the current environment."

Key highlights for the period (9 months ending September 2016)

- Overall revenue decreased by 8.3% YoY to AED 2.14 billion.
- Core revenue decreased 5.1% YoY to 1.87 billion impacted by European consolidation and warehouse centralisation.
- Non-core revenue decreased by 25.8% to AED 268.5 million.
- Reported net profit decreased by 34.7% to AED 149.4 million on account of lower revenue globally.
- EBITDA decreased by 13% to AED 382.8 million.
- Operating profit decreased by 18.3% to AED 200.1 million.
- **Revenues by Segment (9 months ending)**
- Overall tiles revenues decreased by 8.1% YoY to AED 1.4 billion.
- Tableware revenues increased by 20.0% YoY to AED 129.0 million.
- Sanitaryware revenues were largely flat at 337.4 million.
- **Revenues by Country / Region (9 months ending):**
- Revenues from the UAE rose 1.3% YoY to AED 473.9 million.
- India fell by 24.7% YoY to AED 227.9 million.
- Bangladesh increased by 7.4% YoY to AED 183.1 million.
- Europe operations grew 4% YoY (like for like), however performance from an end market point of view declined 1.7% YoY.
- Consolidated gross margin increased by 90 bps to 29.7% from 28.8% YoY.
- Core gross margin was 29.8%, a slight decrease from 30.3% for the same period in 2015.