



Condensed Consolidated  
Interim Financial Information

*31 March 2021*

# **RAK Ceramics PJSC and its Subsidiaries**

Condensed consolidated interim financial information  
*31 March 2021*

## ***Table of contents***

---

### **Section A:**

1. Report of the Board of Directors

### **Section B:**

1. Independent auditors' report on review of Condensed Consolidated Interim Financial Information.
2. Condensed Consolidated Interim Financial Information.

**On financial performance during the three month period ending 31 March 2021**

---

**Dear Members,**

It is our pleasure to present the business & operations report for the three month period ending 31 March 2021, along with the consolidated financial statements for the Group as on 31 March 2021.

**Snapshots:**

- The revenue surpassed pre-pandemic levels to AED 722.8 million with increase of 21.9% year on year, a five-year high
- The gross profit margin for Q1 2021 increased by +230 bps year on year to 35.0%, an all-time high
- The reported net profit for Q1 2021 increased by 107.2% year on year to AED 62.7 million.
- Total EBITDA increased by 32.5% year on year to AED 126.1 million
- Net debt decreased by AED 87.8 million to AED 1.14 billion
- Net debt to EBITDA ratio decreased to 2.79x

**Q1 2021 performance surpasses pre-pandemic levels, reflecting resilience and strong growth of the business**

Operations across global markets continued to improve in Q1 2021, leading to the strongest start to the year recorded by RAK Ceramics since year 2016. Total gross profit margin for Q1 2021 reached an all-time high of 35.0% driven by an increase in revenue, an improvement in efficiencies and the optimisation of production lines. Total revenue for Q1 2021 is the highest it has been in 5 years, increasing by 21.9% year on year to AED 722.8 million driven by growth in all core markets. Reported net profit stands at AED 62.7 million, outperforming pre-pandemic levels of profit (AED 36.9 million in Q1 2019). The Company has returned to a state of steady growth.

**Revenue growth in key markets**

Q1 2021 revenue grew by 78.5% in Saudi Arabia, 2.1% in the UAE, 67.0% in India, 18.9% in Bangladesh, and 22.7% in Europe when compared to the same period in 2020, driven by improved economic activity. In **Saudi Arabia**, the Company's strategy continues to yield results. The imposition of anti-dumping duties on tiles from India and China in the Kingdom initially led to an increase in demand for RAK Ceramics' products. Capitalising on this demand, the Company invested in differentiated tiles and new showrooms, developing significant brand equity in the market. RAK Ceramics is now the go-to provider of premium ceramic products in the Kingdom. In the **UAE**, despite the impact of COVID-19, workforce was not reduced, and production reached the highest level in 5 years due to increased demand from Saudi Arabia. In **India**, the Company implemented several initiatives to streamline the business. The sales strategy was improved. Improved economic activity and positive business sentiments in the real estate sector led to increased demand and steady growth in revenue.

In **Bangladesh**, production is running at optimum capacity. RAK Ceramics introduced new products for the rural and urban segments of the market, improving brand visibility. This has led to an increase in market share. In **Europe**, the business surpassed pre-pandemic levels of operation. RAK Ceramics was able to increase its customer base in Central Europe and the UK by differentiating itself from competitors and providing superior product management. With an eye on future growth, RAK Ceramics continues to invest in branding initiatives including collaborations with premium designers, franchising of retail concepts and the launch of outlet stores in the UAE and Saudi Arabia.

#### Financial highlights for the three month period ending 31 March 2020

| Particulars  | Unit    | Three month period to 31 March 2021 | Three month period to 31 March 2020 | Change        |
|--|---------|-------------------------------------|-------------------------------------|---------------|
| Total Revenue  | AED Mio | 722.8                               | 592.8                               | 21.9%         |
| Gross Profit   | AED Mio | 253.0                               | 193.7                               | 30.6%         |
| GP Margin  | %       | 35.0%                               | 32.7%                               | 230 bps       |
| EBITDA   | AED Mio | 126.1                               | 95.2                                | 32.5%         |
| EBITDA Margin  | %       | 17.4%                               | 16.1%                               | 130 bps       |
| Reported Net Income/ (loss)                                    | AED Mio | 62.7                                | 30.2                                | 107.2%        |
| Reported Net Income/ (loss) margin                             | %       | 8.7%                                | 5.1%                                | 360 bps       |
| Net income before one-off, provisions & strategic gains        | AED Mio | 69.2                                | 36.3                                | 90.5%         |
| Net income margin before one-off, provisions & strategic gains | %       | 9.6%                                | 6.1%                                | 350 bps       |
| Reported Profit/ (loss) after NCI (Minority)                   | AED Mio | 60.7                                | 25.7                                | 136.1%        |
| Reported Earnings/ (loss) per share                            | AED     | 0.06                                | 0.03                                | -             |
|  |         | <b>31 March 2021</b>                | <b>31 December 2020</b>             | <b>Change</b> |
| Total Assets   | AED Mio | 5,247.3                             | 5,247.5                             | 0.0%          |
| Share Capital  | AED Mio | 993.7                               | 993.7                               | -             |
| Shareholder's Equity   | AED Mio | 2,138.8                             | 2,143.0                             | -0.2%         |
| Net Debt   | AED Mio | 1,141.3                             | 1,229.2                             | -7.1%         |
| Net Debt / EBITDA  | Times   | 2.8                                 | 3.3                                 | -             |
| Cost of Debt   | %       | 3.4%                                | 3.9%                                | -50 bps       |

#### CSR activities, exhibitions, sponsorships and awards

- While the exhibitions are on hold worldwide owing to the pandemic, we welcomed to our head-quarter, the first delegation from Israel in the history of the UAE, headed by the Ambassador and the Consul General.
- Sponsorship of banner campaign in European football leagues – La Liga (Spain), Premier League (UK), Serie A (Italy) where in all 11 matches were broadcasted in the UAE & UK.
- the Company won Gold Winners SAP Quality Award – MENA 2020.
- Intense TV & social media visibility & the influencer campaigns in the UAE

## Future Outlook

While 2020 was a difficult year for the business, however early implementation of measures to manage the impact of the pandemic as led to an accelerated recovery beginning as early as Q3 2020. Today, RAK Ceramics is in a position of strong growth, surpassing pre-pandemic levels of operation, with gross profit margins reaching an all-time high.

Our production levels are at the highest they have been since 2016, on the back off increased demand across our key markets. We will capitalise on this demand by continuing to build our brand equity and positioning RAK Ceramics as a global provider of premium ceramic lifestyle solutions.

Revenue continues to recover across all markets; however, we expect revenue to be impacted by the second wave of COVID-19 crisis in India and Bangladesh. The health and safety of our employees will remain a priority as we manage our business in that market.

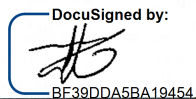
Looking ahead for the remainder of 2021, our priority will be to invest in brand equity, grow our business in Saudi Arabia and protect our market share in the UAE and Bangladesh.

## Financial Reporting

The condensed consolidated interim financial information of the Company, prepared in accordance with International Financial Reporting Standards (IFRSs), fairly presents 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 & support in achieving the Company's objectives.

DocuSigned by:  
  
BF39DDA5BA19454...

Chairman

09 MAY 2021



Group Chief Executive Officer

**R.A.K. Ceramics P.J.S.C.  
and its subsidiaries**

Condensed consolidated interim financial information  
for the three month period ended *31 March 2021*

# R.A.K. Ceramics P.J.S.C. and its subsidiaries

Condensed consolidated interim financial information  
31 March 2021

| <b>Contents</b>   | <b>Page</b> |
|---|-------------|
| Independent auditor's review report   | 1           |
| Condensed consolidated statement of profit or loss (unaudited)                                | 2           |
| Condensed consolidated statement of profit or loss and other comprehensive income (unaudited) | 3           |
| Condensed consolidated statement of financial position  | 4           |
| Condensed consolidated statement of cash flows (unaudited)                                    | 5 - 6       |
| Condensed consolidated statement of changes in equity   | 7 - 8       |
| Notes to the condensed consolidated interim financial information                             | 9 – 31      |

## INDEPENDENT AUDITOR'S REVIEW REPORT

**The Board of Directors  
R.A.K Ceramics PJSC  
Ras Al Khaimah  
United Arab Emirates**

### *Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of **R. A. K. Ceramics P.J.S.C. (the “Company”) and its subsidiaries (together the “Group”), Ras Al Khaimah, United Arab Emirates**, as at 31 March 2021 and the related condensed consolidated statements of profit or loss, profit or loss and comprehensive income, cash flows and changes in equity for the three month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of the condensed consolidated interim financial information in accordance with International Accounting Standard 34: Interim Financial Reporting as issued by International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on the condensed consolidated interim financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34: Interim Financial Reporting as issued by IASB.

Deloitte & Touche (M.E.)



Signed by:  
Mohammad Khamees Al Tah  
Registration No. 717  
09 May 2021  
Sharjah, United Arab Emirates



# R.A.K. Ceramics P.J.S.C. and its subsidiaries

Condensed consolidated statement of profit or loss (unaudited)  
for the three month period ended 31 March 2021

|   | Notes | Three month period ended 31 March |                 |
|---|-------|-----------------------------------|-----------------|
|   |       | 2021<br>AED'000                   | 2020<br>AED'000 |
| <b>Revenue</b>  | 5     | <b>722,771</b>                    | 592,759         |
| Cost of sales   | 6     | <b>(469,725)</b>                  | (399,032)       |
| <b>Gross profit</b>   |       | <b>253,046</b>                    | 193,727         |
| Administrative and general expenses                               | 7     | <b>(49,438)</b>                   | (52,102)        |
| Selling and distribution expenses                                 | 8     | <b>(125,616)</b>                  | (104,124)       |
| Other operating income  |       | <b>10,449</b>                     | 16,853          |
| Finance costs   | 9     | <b>(29,097)</b>                   | (25,209)        |
| Finance income  | 9     | <b>11,685</b>                     | 7,415           |
| Loss on net monetary position                                     | 25    | <b>(518)</b>                      | -               |
| Share of profit in equity accounted investees                     | 10    | <b>3,455</b>                      | 2,916           |
| <b>Profit before impairment loss</b>                              |       | <b>73,966</b>                     | 39,476          |
| Impairment loss on trade receivables and due from related parties | 7(i)  | <b>(5,661)</b>                    | (6,056)         |
| <b>Profit before tax</b>  |       | <b>68,305</b>                     | 33,420          |
| Tax expense   |       | <b>(5,630)</b>                    | (3,173)         |
| <b>Profit for the period</b>                                      |       | <b>62,675</b>                     | 30,247          |
| <i>Profit attributable to:</i>                                    |       |                                   |                 |
| Owners of the Company   |       | <b>60,674</b>                     | 25,694          |
| Non-controlling interests   |       | <b>2,001</b>                      | 4,553           |
| <b>Profit for the period</b>                                      |       | <b>62,675</b>                     | 30,247          |
| <b>Earnings per share</b>   |       |                                   |                 |
| - basic and diluted (AED)   | 11    | <b>0.06</b>                       | 0.03            |

The accompanying notes form an integral part of the condensed consolidated interim financial information.

## R.A.K. Ceramics P.J.S.C. and its subsidiaries

### Condensed consolidated statement of profit or loss and other comprehensive income (unaudited)

for the three month period ended 31 March 2021

|   | Three month period ended 31 March |          |
|---|-----------------------------------|----------|
|   | 2021                              | 2020     |
|   | AED'000                           | AED'000  |
| <b>Profit for the period</b>  | <b>62,675</b>                     | 30,247   |
| <b>Other comprehensive income/(loss)</b>  |                                   |          |
| <i>Items that may be reclassified subsequently to profit or loss</i>                      |                                   |          |
| Foreign exchange differences on translation of foreign operations                         | <b>(1,406)</b>                    | (14,329) |
| Cash flow hedges – effective portion of changes in fair value loss on hedging instruments | <b>11,139</b>                     | (44,895) |
| Effects of application of hyperinflation accounting (Note 25)                             | <b>1,563</b>                      | -        |
| <b>Total comprehensive income/(loss) for the period</b>                                   | <b>73,971</b>                     | (28,977) |
| <i>Total comprehensive income/(loss) attributable to:</i>                                 |                                   |          |
| Owners of the Company   | <b>72,154</b>                     | (32,556) |
| Non-controlling interests   | <b>1,817</b>                      | 3,579    |
| <b>Total comprehensive income/(loss) for the period</b>                                   | <b>73,971</b>                     | (28,977) |

The accompanying notes form an integral part of the condensed consolidated interim financial information.

R.A.K. Ceramics P.J.S.C. and its subsidiaries  
 Condensed consolidated statement of financial position  
 as at 31 March 2021

|   | Notes   | 31 March<br>2021<br>AED'000<br>(unaudited) | 31 December<br>2020<br>AED'000<br>(audited) |
|---|---------|--|---|
| <b>Assets</b>   |         |  |   |
| <b>Non-current assets</b>   |         |  |   |
| Property, plant and equipment                                     | 12      | 1,114,236                                  | 1,152,280                                   |
| Goodwill  | 13      | 120,609                                    | 120,561                                     |
| Right-of-use assets   |         | 74,926                                     | 77,349                                      |
| Intangible assets   |         | 25,531                                     | 27,402                                      |
| Investment properties   | 14      | 924,264                                    | 926,159                                     |
| Investments in equity accounted investees                         | 10      | 53,667                                     | 50,596                                      |
| Long-term receivables   | 15(i)   | 23,761                                     | 31,125                                      |
| Derivative financial assets                                       | 18      | 6,551                                      | 4,793                                       |
| Deferred tax assets   |         | 3,805                                      | 4,066                                       |
| <b>Total non-current assets</b>                                   |         | <b>2,347,350</b>                           | <b>2,394,331</b>                            |
| <b>Current assets</b>   |         |  |   |
| Inventories   | 16      | 1,028,238                                  | 1,075,898                                   |
| Trade and other receivables                                       | 15      | 1,180,192                                  | 1,133,900                                   |
| Due from related parties  | 17      | 28,294                                     | 29,895                                      |
| Derivative financial assets                                       | 18      | 3,351                                      | -   |
| Bank deposits with an original maturity of more than three months | 19      | 165,959                                    | 143,671                                     |
| Cash and cash equivalents   | 19      | 474,633                                    | 469,793                                     |
| Assets classified as held for sale                                | 26      | 19,311                                     | -   |
| <b>Total current assets</b>                                       |         | <b>2,899,978</b>                           | <b>2,853,157</b>                            |
| <b>Total assets</b>   |         | <b>5,247,328</b>                           | <b>5,247,488</b>                            |
| <b>Equity and liabilities</b>                                     |         |  |   |
| <b>Capital and reserves</b>                                       |         |  |   |
| Share capital   | 20      | 993,703                                    | 993,703                                     |
| Reserves  |         | 1,145,070                                  | 1,149,294                                   |
| <b>Equity attributable to owners of the Company</b>               |         | <b>2,138,773</b>                           | <b>2,142,997</b>                            |
| Non-controlling interests   |         | 198,534                                    | 206,902                                     |
| <b>Total equity</b>   |         | <b>2,337,307</b>                           | <b>2,349,899</b>                            |
| <b>Non-current liabilities</b>                                    |         |  |   |
| Islamic bank financing  | 21a(ii) | 380,133                                    | 415,709                                     |
| Interest bearing bank financing                                   | 21b(ii) | 340,100                                    | 353,081                                     |
| Provision for employees' end of service benefits                  |         | 79,603                                     | 78,123                                      |
| Lease liabilities   |         | 56,066                                     | 58,913                                      |
| Derivative financial liabilities                                  | 18      | 8,596                                      | 16,118                                      |
| Deferred tax liabilities  |         | 10,662                                     | 10,697                                      |
| <b>Total non-current liabilities</b>                              |         | <b>875,160</b>                             | <b>932,641</b>                              |
| <b>Current liabilities</b>  |         |  |   |
| Islamic bank financing  | 21a(i)  | 375,099                                    | 402,482                                     |
| Interest bearing bank financing                                   | 21b(i)  | 686,596                                    | 671,350                                     |
| Trade and other payables  | 22      | 713,631                                    | 633,877                                     |
| Due to related parties  | 17      | 41,386                                     | 35,836                                      |
| Derivative financial liabilities                                  | 18      | 14,169                                     | 22,720                                      |
| Lease liabilities   |         | 23,967                                     | 22,737                                      |
| Provision for taxation  |         | 180,013                                    | 175,946                                     |
| <b>Total current liabilities</b>                                  |         | <b>2,034,861</b>                           | <b>1,964,948</b>                            |
| <b>Total liabilities</b>  |         | <b>2,910,021</b>                           | <b>2,897,589</b>                            |
| <b>Total equity and liabilities</b>                               |         | <b>5,247,328</b>                           | <b>5,247,488</b>                            |

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed consolidated interim financial information presents fairly in all material respects the condensed consolidated financial position, financial performance and cash flows of the Group.

Chairman

BF39DDA5BA19454

09 MAY 2021

Chief Executive Officer

The accompanying notes form an integral part of the condensed consolidated interim financial information.

# R.A.K. Ceramics P.J.S.C. and its subsidiaries

## Condensed consolidated statement of cash flows (unaudited)

for the three month period ended 31 March 2021

|   | Three month period ended 31 March |                |
|---|-----------------------------------|----------------|
|   | 2021                              | 2020           |
|   | AED'000                           | AED'000        |
| <b>Operating activities</b>                                 |                                   |                |
| Profit for the period before tax                            | 68,305                            | 33,420         |
| <i>Adjustments for:</i>                                     |                                   |                |
| Share of profit in equity accounted investees               | (3,455)                           | (2,916)        |
| Interest expense  | 12,144                            | 11,565         |
| Profit expense on Islamic bank financing                    | 3,581                             | 5,859          |
| Interest income   | (1,598)                           | (1,948)        |
| Profit on wakala deposits                                   | (44)                              | (108)          |
| Interest expense on lease liabilities                       | 1,200                             | 1,204          |
| Net change in derivative financial instruments              | (10,043)                          | 5,647          |
| Loss on disposal of property, plant and equipment           | 68                                | 4              |
| Depreciation on property, plant and equipment               | 32,291                            | 33,842         |
| Depreciation on investment properties                       | 2,519                             | 2,738          |
| Amortisation of intangible assets                           | 1,870                             | 1,771          |
| Depreciation of right-of-use assets                         | 5,770                             | 6,826          |
| Provision for employees' end-of-service benefits            | 3,551                             | 4,045          |
| Loss on net monetary position                               | 518                               | -              |
| Allowance for slow moving inventories                       | 18,018                            | 4,520          |
| Write-down of cost of finished goods                        | 2,457                             | 6,174          |
| Impairment loss on trade receivables                        | 5,646                             | 6,031          |
| Impairment loss on due from related parties                 | 15                                | 25             |
|   | <b>142,813</b>                    | 118,699        |
| Changes in:   |                                   |                |
| - inventories   | 27,185                            | (12,476)       |
| - trade and other receivables (including long-term portion) | (42,797)                          | (10,788)       |
| - due from related parties                                  | 1,586                             | 11,119         |
| - trade and other payables                                  | 41,060                            | 303            |
| - advance received against assets held for sale             | 30,899                            | -              |
| - due to related parties                                    | 5,550                             | 2,428          |
| Income tax paid   | (3,114)                           | (2,147)        |
| Employees' end-of-service benefits paid                     | (1,973)                           | (1,522)        |
| Currency translation adjustments                            | 2,262                             | 3,975          |
| <b>Net cash generated from operating activities</b>         | <b>203,471</b>                    | <b>109,591</b> |

The accompanying notes form an integral part of the condensed consolidated interim financial information.

**R.A.K. Ceramics P.J.S.C. and its subsidiaries**  
**Condensed consolidated statement of cash flows (unaudited)**  
*for the three month period ended 31 March 2021 (continued)*

|   | <b>Three month period ended 31 March</b> |                |
|---|--|----------------|
|   | <b>2021</b>                              | <b>2020</b>    |
|   | <b>AED'000</b>                           | <b>AED'000</b> |
| <b>Investing activities</b>   |  |                |
| Additions to property, plant and equipment  | <b>(16,178)</b>                          | (24,364)       |
| Proceeds from disposal of property, plant and equipment   | <b>207</b>                               | 82             |
| Additions to intangible assets  | <b>(105)</b>                             | (3,281)        |
| Dividend received from equity accounted investees   | <b>107</b>                               | 75             |
| Interest received   | <b>1,598</b>                             | 1,948          |
| Profit received on Wakala deposits  | <b>44</b>                                | 108            |
| (Deposits made)/proceeds on maturity of bank deposits with an original maturity of more than three months | <b>(22,288)</b>                          | 105,684        |
| <b>Net cash (used in)/generated from investing activities</b>   | <b>(36,615)</b>                          | 80,252         |
| <b>Financing activities</b>   |  |                |
| Bank financing availed  | <b>50,000</b>                            | -              |
| Bank financing repaid   | <b>(40,493)</b>                          | (43,830)       |
| Islamic bank financing repaid   | <b>(73,293)</b>                          | (37,525)       |
| Repayment of lease liabilities  | <b>(6,829)</b>                           | (7,413)        |
| Net movement in short-term bank financing   | <b>(36,329)</b>                          | 85,165         |
| Net movement in short-term Islamic bank financing   | <b>10,334</b>                            | 39,152         |
| Interest paid   | <b>(12,144)</b>                          | (11,565)       |
| Profit paid on Islamic bank financing   | <b>(3,581)</b>                           | (5,859)        |
| Remuneration paid to Board of Directors   | -  | (3,700)        |
| Dividend paid   | <b>(74,528)</b>                          | (141,958)      |
| Dividend paid to non-controlling interests  | <b>(4,240)</b>                           | (26,431)       |
| <b>Net cash used in financing activities</b>  | <b>(191,103)</b>                         | (153,964)      |
| <b>Net (decrease)/increase in cash and cash equivalents</b>   | <b>(24,247)</b>                          | 35,879         |
| Cash and cash equivalents at the beginning of the period  | <b>366,078</b>                           | 172,295        |
| <b>Net cash and cash equivalents at the end of the period</b>   | <b>341,831</b>                           | 208,174        |
| <b>Represented by:</b>  |  |                |
| Cash and cash equivalents   | <b>474,633</b>                           | 320,095        |
| Bank overdraft  | <b>(132,802)</b>                         | (111,921)      |
|   | <b>341,831</b>                           | 208,174        |

The accompanying notes form an integral part of the condensed consolidated interim financial information.

R.A.K. Ceramics P.J.S.C. and its subsidiaries  
Condensed consolidated statement of changes in equity (unaudited)  
for the three month period ended 31 March 2021

|   | Attributable to owners of the Company |                |                |                     |                          |                 |                 |                 |                   |                  |                  | Non-controlling interests (NCI) | Total equity     |
|---|---------------------------------------|----------------|----------------|---------------------|--------------------------|-----------------|-----------------|-----------------|-------------------|------------------|------------------|---------------------------------|------------------|
|   | Reserves                              |                |                |                     |                          |                 |                 |                 |                   |                  |                  |                                 |                  |
|   | Share capital                         | Share premium  | Legal reserve  | Translation reserve | Hyper-inflation reserve* | Hedging reserve | General reserve | Capital reserve | Retained earnings | Total reserves   | Total            |                                 |                  |
|   | AED'000                               | AED'000        | AED'000        | AED'000             | AED'000                  | AED'000         | AED'000         | AED'000         | AED'000           | AED'000          | AED'000          | AED'000                         | AED'000          |
| Balance at 1 January 2021   | 993,703                               | 221,667        | 568,020        | (116,913)           | (175,012)                | (33,814)        | 82,805          | 75,040          | 527,501           | 1,149,294        | 2,142,997        | 206,902                         | 2,349,899        |
| <b>Total comprehensive income/(loss) for the period (unaudited)</b> |                                       |                |                |                     |                          |                 |                 |                 |                   |                  |                  |                                 |                  |
| Profit for the period   | -                                     | -              | -              | -                   | -                        | -               | -               | -               | 60,674            | 60,674           | 60,674           | 2,001                           | 62,675           |
| <b>Other comprehensive income/(loss)</b>                            |                                       |                |                |                     |                          |                 |                 |                 |                   |                  |                  |                                 |                  |
| Foreign exchange differences on translation of foreign operations   | -                                     | -              | -              | (1,509)             | 287                      | -               | -               | -               | -                 | (1,222)          | (1,222)          | (184)                           | (1,406)          |
| Changes in cash flow hedges   | -                                     | -              | -              | -                   | -                        | 11,139          | -               | -               | -                 | 11,139           | 11,139           | -                               | 11,139           |
| Effects of application of IAS 29 (refer Note 25)                    | -                                     | -              | -              | -                   | 1,563                    | -               | -               | -               | -                 | 1,563            | 1,563            | -                               | 1,563            |
| <b>Total comprehensive income/(loss) for the period</b>             | -                                     | -              | -              | (1,509)             | 1,850                    | 11,139          | -               | -               | 60,674            | 72,154           | 72,154           | 1,817                           | 73,971           |
| <b>Other equity movements (unaudited)</b>                           |                                       |                |                |                     |                          |                 |                 |                 |                   |                  |                  |                                 |                  |
| Directors' annual remuneration (refer Note 23(ii))                  | -                                     | -              | -              | -                   | -                        | -               | -               | -               | (1,850)           | (1,850)          | (1,850)          | -                               | (1,850)          |
| <b>Transaction with owners (unaudited)</b>                          |                                       |                |                |                     |                          |                 |                 |                 |                   |                  |                  |                                 |                  |
| Dividend paid (refer Note 23(i))                                    | -                                     | -              | -              | -                   | -                        | -               | -               | -               | (74,528)          | (74,528)         | (74,528)         | -                               | (74,528)         |
| Dividend declared to NCI  | -                                     | -              | -              | -                   | -                        | -               | -               | -               | -                 | -                | -                | (10,185)                        | (10,185)         |
| <b>Balance at 31 March 2021 (unaudited)</b>                         | <b>993,703</b>                        | <b>221,667</b> | <b>568,020</b> | <b>(118,422)</b>    | <b>(173,162)</b>         | <b>(22,675)</b> | <b>82,805</b>   | <b>75,040</b>   | <b>511,797</b>    | <b>1,145,070</b> | <b>2,138,773</b> | <b>198,534</b>                  | <b>2,337,307</b> |

\* The hyperinflation reserve comprises of foreign currency differences arising from the translation of the financial statements of RAK Ceramics (PJSC) Limited, Iran and the effect of translating the financial statements at the corresponding inflation index, in accordance with IAS 29: *Financial Reporting in Hyperinflationary Economies*.

The accompanying notes form an integral part of the condensed consolidated interim financial information.

R.A.K. Ceramics P.J.S.C. and its subsidiaries  
Condensed consolidated statement of changes in equity (unaudited)  
for the three month period 31 March 2021 (continued)

|   | Attributable to owners of the Company |                |                |                     |                          |                 |                 |                 |                   |                  |                  | Non-controlling interests (NCI) | Total equity     |         |
|---|---------------------------------------|----------------|----------------|---------------------|--------------------------|-----------------|-----------------|-----------------|-------------------|------------------|------------------|---------------------------------|------------------|---------|
|   | Reserves                              |                |                |                     |                          |                 |                 |                 |                   |                  |                  |                                 |                  |         |
|   | Share capital                         | Share premium  | Legal reserve  | Translation reserve | Hyper-inflation reserve* | Hedging reserve | General reserve | Capital reserve | Retained earnings | Total reserves   | Total            |                                 |                  |         |
|   | AED'000                               | AED'000        | AED'000        | AED'000             | AED'000                  | AED'000         | AED'000         | AED'000         | AED'000           | AED'000          | AED'000          | AED'000                         | AED'000          | AED'000 |
| <b>Balance at 1 January 2020</b>                                    | <b>946,384</b>                        | <b>221,667</b> | <b>567,053</b> | <b>(120,389)</b>    | <b>(183,848)</b>         | <b>(14,344)</b> | <b>82,805</b>   | <b>75,040</b>   | <b>851,949</b>    | <b>1,479,933</b> | <b>2,426,317</b> | <b>238,255</b>                  | <b>2,664,572</b> |         |
| <b>Total comprehensive income/(loss) for the period (unaudited)</b> |                                       |                |                |                     |                          |                 |                 |                 |                   |                  |                  |                                 |                  |         |
| Profit for the period   | -                                     | -              | -              | -                   | -                        | -               | -               | -               | 25,694            | 25,694           | 25,694           | 4,553                           | 30,247           |         |
| <b>Other comprehensive income/(loss)</b>                            |                                       |                |                |                     |                          |                 |                 |                 |                   |                  |                  |                                 |                  |         |
| Foreign exchange differences on translation of foreign operations   | -                                     | -              | -              | (9,975)             | (3,380)                  | -               | -               | -               | -                 | (13,355)         | (13,355)         | (974)                           | (14,329)         |         |
| Changes in cash flow hedges   | -                                     | -              | -              | -                   | -                        | (44,895)        | -               | -               | -                 | (44,895)         | (44,895)         | -                               | (44,895)         |         |
| <b>Total comprehensive income/(loss) for the period</b>             | <b>-</b>                              | <b>-</b>       | <b>-</b>       | <b>(9,975)</b>      | <b>(3,380)</b>           | <b>(44,895)</b> | <b>-</b>        | <b>-</b>        | <b>25,694</b>     | <b>(32,556)</b>  | <b>(32,556)</b>  | <b>3,579</b>                    | <b>(28,977)</b>  |         |
| <b>Other equity movements (unaudited)</b>                           |                                       |                |                |                     |                          |                 |                 |                 |                   |                  |                  |                                 |                  |         |
| Directors' annual remuneration (refer Note 23(ii))                  | -                                     | -              | -              | -                   | -                        | -               | -               | -               | (3,700)           | (3,700)          | (3,700)          | -                               | (3,700)          |         |
| <b>Transaction with owners (unaudited)</b>                          |                                       |                |                |                     |                          |                 |                 |                 |                   |                  |                  |                                 |                  |         |
| Dividend paid (refer Note 23(i))                                    | -                                     | -              | -              | -                   | -                        | -               | -               | -               | (141,958)         | (141,958)        | (141,958)        | -                               | (141,958)        |         |
| Bonus shares issued (refer Note 23(i))                              | 47,319                                | -              | -              | -                   | -                        | -               | -               | -               | (47,319)          | (47,319)         | -                | -                               | -                |         |
| Dividend paid to NCI  | -                                     | -              | -              | -                   | -                        | -               | -               | -               | -                 | -                | -                | (26,431)                        | (26,431)         |         |
| <b>Balance at 31 March 2020 (unaudited)</b>                         | <b>993,703</b>                        | <b>221,667</b> | <b>567,053</b> | <b>(130,364)</b>    | <b>(187,228)</b>         | <b>(59,239)</b> | <b>82,805</b>   | <b>75,040</b>   | <b>684,666</b>    | <b>1,254,400</b> | <b>2,248,103</b> | <b>215,403</b>                  | <b>2,463,506</b> |         |

The accompanying notes form an integral part of the condensed consolidated interim financial information.

# R.A.K. Ceramics P.J.S.C. and its subsidiaries

## Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2021

### 1. General information

R.A.K. Ceramics P.J.S.C. ("the Company" or "the Holding Company") was incorporated under Emiri Decree No. 6/89 dated 26 March 1989 as a limited liability company in the Emirate of Ras Al Khaimah, UAE. Subsequently, under Emiri Decree No. 9/91 dated 6 July 1991, the legal status of the Company was changed to Public Shareholding Company. The registered address of the Company is P.O. Box 4714, Al Jazeerah Al Hamra City, Ras Al Khaimah, United Arab Emirates. The Company is listed on Abu Dhabi Securities Exchange, UAE.

The condensed consolidated interim financial information as at and for the three month period ended 31 March 2021 comprises the financial information of the Company and its subsidiaries (collectively referred to as "Group" and individually as "Group entities") and the Group's interest in equity accounted investees.

The principal activities of the Group are manufacturing and sale of a variety of ceramic products including tiles, bathroom sets, sanitary wares and table wares. The Company and certain Group entities are also engaged in investing in other entities, in UAE or globally, that undertake similar or ancillary activities. Accordingly, the Company also acts as a Holding Company of the Group entities. The Group is also engaged in contracting and other industrial manufacturing activities.

### 2. Application of new and revised International Financial Reporting Standards ("IFRSs")

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, and the notes attached thereto, except for the adoption of certain new and revised standards, that became effective in the current period as set out below.

#### 2.1 New and revised IFRSs adopted by the Group

In the current period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2021. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current period but may affect the accounting for the Group's future transactions or arrangements.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to 'Interest Rate Benchmark Reform — Phase 2', that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.

The Group is exposed to the USD LIBOR (1-month & 3-month settings) and GBP LIBOR (3-month settings) [collectively 'IBORs'] interest rate benchmarks within its hedge accounting relationships, which are subject to interest rate benchmark reform. The Group has been closely monitoring the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by the IBOR regulators. The regulators have made clear that all LIBOR settings for all currencies will either cease or no longer be representative immediately after the following dates:

- 31 December 2021, for GBP, Euro, Swiss Franc and Japanese Yen LIBOR settings in all tenors, and US Dollar LIBOR 1-week and 2-month settings; and
- 30 June 2023, for US Dollar Overnight, 1-month, 3-month, 6-month and 12-month settings.

None of the Group's USD LIBOR or GBP LIBOR legacy contracts include adequate and robust fallback clauses for a cessation of the referenced benchmark interest rate. Different working groups in the industry are working on fallback language for different instruments and different IBORs, which the Group is monitoring closely and it will look to implement these when appropriate.

For the Group's derivatives, the International Swaps and Derivatives Association's (ISDA) fall-back clauses were made available at the end of 2020 and the Group is in discussion with its bankers with the aim of implementing this language into its ISDA agreements.

For the Group's floating rate debt, the Group has started discussions with Banks to change benchmark reference rates and aims to finalize these amendments for GBP contracts during the course of the year and for USD contracts in 2022.



# R.A.K. Ceramics P.J.S.C. and its subsidiaries

## Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2021

### 2. Application of new and revised International Financial Reporting Standards (“IFRSs”) (continued)

#### 2.1 New and revised IFRSs adopted by the Group (continued)

The Group will continue to apply the amendments to IFRS 9 until the end of the uncertainty arising from the interest rate benchmark reforms to which the Group is exposed with respect to the timing and the amount of the underlying cash flows. The Group has assumed that this uncertainty will not end until the Group’s contracts that reference IBORs are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment. This will, in part, be dependent on the introduction of fallback clauses which have yet to be added to the Group’s contracts and negotiations with lenders.

Below are details of the hedging instruments and the related hedged items that have been or will be subject to transition to alternative benchmark rates, by hedge type. The terms including the maturity and nominal amount of the hedged items listed below match with those of the corresponding hedging instruments.

| Instrument type  | Maturing in | Nominal amount in original currency (million) | Nominal amount in AED (million) | Hedged item           | Transition progress |
|--|-------------|---|---------------------------------|-----------------------|---------------------|
| <b>Cash flow hedges</b>  |             |   |                                 |                       |                     |
| Receive 1-month USD LIBOR, pay US dollar fixed interest rates swap | 2026-27     | USD 68.39                                     | <b>251.24</b>                   | Bank borrowing in USD | Expected in 2022.   |
| Receive 3-month USD LIBOR, pay US dollar fixed interest rates swap | 2022-24     | USD 143.46                                    | <b>527.01</b>                   | Bank borrowing in USD | Expected in 2022.   |
| Receive 3-month GBP LIBOR, pay US dollar fixed interest rates swap | 2025        | GBP 21.94                                     | <b>111.05</b>                   | Bank borrowing in GBP | Expected in 2021.   |
| <b>Fair value hedges</b>   |             |   |                                 |                       |                     |
| Receive 3-month USD LIBOR, pay EUR fixed interest rates swap       | 2022        | USD 6.40                                      | <b>23.51</b>                    | Bank borrowing in USD | Expected in 2022.   |
| <b>Total</b>   |             |   | <b>912.81</b>                   |                       |                     |

In the case of derivatives, transition is expected based following International Swaps and Derivatives Association protocols.

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2021.

# R.A.K. Ceramics P.J.S.C. and its subsidiaries

## Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2021

### 2. Application of new and revised International Financial Reporting Standards (“IFRSs”) (continued)

#### 2.2 New and revised IFRS standards and interpretations but not yet effective

Management do not expect that the adoption of the below standards will have material impact on the condensed consolidated interim financial information.

- IFRS 17 ‘Insurance Contracts’ relating to providing a more uniform measurement and presentation approach for all insurance contracts (effective for annual periods beginning after 1 January 2023).
- Amendments to IFRS 10 ‘Consolidated Financial Statements’ and IAS 28 ‘Investments in Associates and Joint Ventures’ (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture (effective date deferred indefinitely, early adoption permitted).
- IAS 1 ‘Presentation of Financial Statements’ – Amendments on Classifications. Effective for annual period beginning on or after 1 January 2023.
- Amendments relating IAS 16, IAS 37, IFRS 3 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective for annual periods beginning on or after 1 January 2022).
- IFRS 4 relating to amendments regarding the expiry date of the deferral approach. The fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 is now 1 January 2023.
- Amendments to IFRS 9 that clarifies that for the purpose of performing the “10 per cent test” for derecognition of financial liabilities in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. The amendments are effective for annual periods beginning on or after 1 January 2022, with earlier application permitted.
- Amendments to IFRS 16 to extend the exemption from assessing whether a COVID-19 related rent concession is a lease modification (effective for annual periods beginning on or after 1 April 2021).
- Amendments regarding Disclosure of Accounting policies (IAS 1 and IFRS practice statement 2) and amendments regarding Definition of Accounting estimates, IAS 8 (effective for annual periods beginning on or after 1 January 2023).

### 3 Summary of significant accounting policies

#### Basis of preparation

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard (“IAS”) No. 34 ‘Interim Financial Reporting’.

The condensed consolidated interim financial information is presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Group’s transactions are denominated and all values are rounded to the nearest thousand (AED ‘000) except when otherwise indicated.

This condensed consolidated interim financial information has been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

The accounting policies, presentation and methods in this condensed consolidated interim financial information are consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 2020.

This condensed consolidated interim financial information does not include all the information required for annual consolidated financial statements and should be read in conjunction with the Group’s audited annual consolidated financial statements as at and for the year ended 31 December 2020. In addition, results for the three month period ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

#### COVID-19 impact

With the rapid development of the COVID-19 outbreak, the world economy entered an unprecedented public health crisis which has caused considerable global disruption in business activities and everyday life. Many countries adopted extraordinary containment measures with complete or partial lock-down including restrictions on day to day activities. The Group was proactive in implementing a raft of measures designed to mitigate the impact of Covid-19 and to fully implement governmental regulations and recommendations to ensure the safety and security of staff and provide, to the extent possible, uninterrupted service to its customers.

# R.A.K. Ceramics P.J.S.C. and its subsidiaries

## Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2021

### 3 Summary of significant accounting policies (continued)

#### COVID-19 impact (continued)

The Group continues to monitor closely the situation through its crisis management processes and a COVID 19 Command Center, with representation of heads of all departments, and take timely decisions as appropriate.

Management has considered the unique circumstances of the global pandemic that could have a material impact on the business operations, assets and liabilities of the Group and has concluded that the main impact on the Group's profitability/ liquidity position could arise from the following possible risks:

- interruption of production,
- supply chain disruptions,
- unavailability of personnel,
- reduction in sales due to closure of projects sites,
- increase in expected credit losses from trade receivables, and
- impairment of non-financial assets (including goodwill).

Management remains wholly satisfied that it is appropriate for the condensed consolidated interim financial information to be prepared on a going concern basis. In some cases, in particular in relation to the carrying values of non-financial assets, which normally require considerable judgement, it is challenging to reliably assess the possible impact during the initial phases of the crisis and whether any potential changes in certain key assumptions are a temporary (in-year) reaction to the consequences of the initial relevant responses to the situation. Accordingly, management will continue to monitor and evaluate the validity of such assumptions at each reporting date and take appropriate actions.

In relation to the quarter ended 31 March 2020, the construction industry in the UAE continued to operate and the Group's production lines in the UAE were running throughout the period as they were not subject to many of the restrictions. During the first quarter of the previous year, the shutdown of production in India and Bangladesh only started in the last week of the March 2020. Accordingly, management considered the potential impact of the crisis on the Group's condensed consolidated statement of financial position at 31 March 2020 and the first quarter 2020 results was immaterial.

In relation to the quarter ended 31 March 2021, management has concluded that at the date of the approval of this condensed consolidated interim financial information there is no significant impact on the Group's financial position or performance, except its tableware division where the relevant market recovery is gradual and may take some time. In addition, management is monitoring the potential impact of the rapid rise in infection rates in India after 31 March 2021.

### 4. Changes in judgements and estimation uncertainty

The critical judgements and estimates used in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the Group's audited annual consolidated financial statements for the year ended 31 December 2020.

# R.A.K. Ceramics P.J.S.C. and its subsidiaries

## Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2021

### 5. Revenue

|               | Three month period ended 31 March |                |
|---------------|-----------------------------------|----------------|
|               | 2021                              | 2020           |
|               | AED'000                           | AED'000        |
|               | (unaudited)                       | (unaudited)    |
| Sale of goods | 720,827                           | 585,423        |
| Others        | 1,944                             | 7,336          |
|               | <b>722,771</b>                    | <b>592,759</b> |

The Group derives its revenue from contracts with customers for transfer of goods at a point in time.

### 6. Cost of sales

|   | Three month period ended 31 March |                |
|---|-----------------------------------|----------------|
|   | 2021                              | 2020           |
|   | AED'000                           | AED'000        |
|   | (unaudited)                       | (unaudited)    |
| Raw materials consumed                        | 206,485                           | 178,524        |
| Change in inventory of finished goods         | 36,666                            | (3,882)        |
| Allowance for slow moving inventories         | 18,018                            | 4,520          |
| Direct labor                                  | 48,215                            | 51,294         |
| Power and fuel                                | 31,612                            | 33,309         |
| LPG and natural gas                           | 43,767                            | 48,066         |
| Depreciation on property, plant and equipment | 27,129                            | 27,784         |
| Depreciation of right-of-use assets           | 145                               | 37             |
| Repairs and maintenance expense               | 24,407                            | 22,056         |
| Packing material expenses                     | 25,517                            | 23,901         |
| Others  | 7,764                             | 13,423         |
|   | <b>469,725</b>                    | <b>399,032</b> |

# R.A.K. Ceramics P.J.S.C. and its subsidiaries

## Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2021

### 7. Administrative and general expenses

|  | Three month period ended 31 March |               |
|--|-----------------------------------|---------------|
|  | 2021                              | 2020          |
|  | AED'000                           | AED'000       |
|  | (unaudited)                       | (unaudited)   |
| Staff salaries and other associated costs                | 23,159                            | 22,691        |
| Depreciation on property, plant and equipment            | 3,197                             | 4,537         |
| Depreciation on investment properties                    | 2,519                             | 2,738         |
| Depreciation of right-of-use assets                      | 38                                | 468           |
| Amortization of intangible assets                        | 1,870                             | 1,771         |
| Telephone, postal and office supplies                    | 1,070                             | 1,114         |
| Repairs and maintenance expenses                         | 1,286                             | 1,189         |
| Legal and professional fees                              | 2,445                             | 5,680         |
| Utility expenses   | 900                               | 938           |
| Security charges   | 339                               | 381           |
| Information technology licenses and consultancy expenses | 3,889                             | 2,513         |
| Expenses on investment properties                        | 1,573                             | 2,092         |
| Others   | 7,153                             | 5,990         |
|  | <b>49,438</b>                     | <b>52,102</b> |

### 7(i) Impairment loss on trade receivables and due from related parties

|   | Three month period ended 31 March |              |
|---|-----------------------------------|--------------|
|   | 2021                              | 2020         |
|   | AED'000                           | AED'000      |
|   | (unaudited)                       | (unaudited)  |
| Impairment loss on trade receivables        | 5,646                             | 6,031        |
| Impairment loss on due from related parties | 15                                | 25           |
|   | <b>5,661</b>                      | <b>6,056</b> |

### 8. Selling and distribution expenses

|   | Three month period ended 31 March |                |
|---|-----------------------------------|----------------|
|   | 2021                              | 2020           |
|   | AED'000                           | AED'000        |
|   | (unaudited)                       | (unaudited)    |
| Staff salaries and other associated costs     | 31,763                            | 34,238         |
| Freight and transportation                    | 62,765                            | 32,113         |
| Agents' commission                            | 7,146                             | 6,240          |
| Advertisement and promotions expenses         | 9,988                             | 17,374         |
| Rental expenses                               | 943                               | 1,061          |
| Travel and entertainment expenses             | 343                               | 1,234          |
| Depreciation on property, plant and equipment | 1,965                             | 1,521          |
| Depreciation of right-of-use assets           | 5,587                             | 6,321          |
| Others  | 5,116                             | 4,022          |
|   | <b>125,616</b>                    | <b>104,124</b> |

# R.A.K. Ceramics P.J.S.C. and its subsidiaries

## Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2021

### 9. Finance costs and income

|   | Three month period ended 31 March |                                |
|---|-----------------------------------|--------------------------------|
|   | 2021<br>AED'000<br>(unaudited)    | 2020<br>AED'000<br>(unaudited) |
| <b>Finance costs</b>                        |                                   |                                |
| Interest on bank financing                  | 12,130                            | 11,565                         |
| Profit expense on Islamic financing         | 3,581                             | 5,859                          |
| Interest on amount due to related parties   | 14                                | -                              |
| Interest expense on lease liabilities       | 1,200                             | 1,204                          |
| Net change in the fair value of derivatives | -                                 | 5,647                          |
| Bank charges                                | 692                               | 934                            |
| Net foreign exchange loss                   | 11,480                            | -                              |
| <b>Total (A)</b>                            | <b>29,097</b>                     | <b>25,209</b>                  |
| <b>Finance income</b>                       |                                   |                                |
| Interest on bank deposits                   | 1,598                             | 1,930                          |
| Profit on wakala deposits                   | 44                                | 108                            |
| Interest on amount due from related parties | -                                 | 18                             |
| Net change in the fair value of derivatives | 10,043                            | -                              |
| Net foreign exchange gain                   | -                                 | 5,359                          |
| <b>Total (B)</b>                            | <b>11,685</b>                     | <b>7,415</b>                   |
| <b>Net finance costs (A-B)</b>              | <b>17,412</b>                     | <b>17,794</b>                  |

### 10. Investments in equity accounted investees

The Group's share of profit in equity accounted investees for the three month period ended 31 March 2021 amounted to AED 3.46 million (unaudited) (three month period ended 31 March 2020 (unaudited): AED 2.92 million).

The Group has received AED 0.11 million (unaudited) as dividends during the current period from its equity accounted investees (three month period ended 31 March 2020 (unaudited): AED 0.08 million).

### 11. Earnings per share

|  | Three month period ended 31 March |                     |
|--|-----------------------------------|---------------------|
|  | 2021<br>(unaudited)               | 2020<br>(unaudited) |
| Profit attributable to the owners of the Company (AED'000) | 60,674                            | 25,694              |
| Weighted average number of ordinary shares ('000s)         | 993,703                           | 993,703             |
| <b>Basic and diluted earnings per share (AED)</b>          | <b>0.06</b>                       | <b>0.03</b>         |

There was no dilution effect on the basic earnings per share as the Company does not have any such outstanding share commitments as at the reporting date.

# R.A.K. Ceramics P.J.S.C. and its subsidiaries

## Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2021

### 12. Property, plant and equipment

#### **Additions, disposals and depreciation (unaudited)**

During the three month period ended 31 March 2021, the Group has acquired property, plant and equipment and made additions to capital work in progress amounting to AED 16.18 million (three month period ended 31 March 2020: AED 24.36 million).

Property, plant and equipment with a carrying amount of AED 0.28 million were disposed of during the current period (three month period ended 31 March 2020: AED 0.09 million) resulting in a loss on disposal of AED 0.07 million (gain on disposal, three month period ended 31 March 2020: AED 4 thousand) which is included in other income in the condensed consolidated statement of profit or loss (also refer Note 26).

Depreciation on property, plant and equipment for the current period amounted to AED 32.29 million (three month period ended 31 March 2020: AED 33.84 million). Below is the breakdown of property, plant and equipment inside and outside the U.A.E:

|               | <b>31 March<br/>2021<br/>AED'000<br/>(unaudited)</b> | 31 December<br>2020<br>AED'000<br>(audited) |
|---------------|--|---|
| Inside U.A.E  | <b>729,737</b>                                       | 737,309                                     |
| Outside U.A.E | <b>384,499</b>                                       | 414,971                                     |
|               | <b>1,114,236</b>                                     | 1,152,280                                   |

### 13. Goodwill

|  | <b>31 March<br/>2021<br/>AED'000<br/>(unaudited)</b> | 31 December<br>2020<br>AED'000<br>(audited) |
|--|--|---|
| Opening balance                            | <b>120,561</b>                                       | 120,378                                     |
| Add: effects of movements in exchange rate | <b>48</b>  | 183   |
| Closing balance                            | <b>120,609</b>                                       | 120,561                                     |

Goodwill comprises AED 50.4 million, AED 5.5 million, AED 6.2 million, and AED 58.5 million recognized on acquisition, respectively of Ceramin FZ LLC, RAK Ceramics UK Limited, RAK Distribution Europe S.A.R.L, and the entities in Saudi Arabia namely ARK International Trading Company Limited (AED 27.0 million), and RAK Saudi LLC (AED 31.5 million).

During the current period, Management has performed an analysis of the sensitivity of the impairment test to changes in key assumptions used to determine the recoverable amount of each cash generating unit to which goodwill is allocated and concluded there are no indicators of impairment.

# R.A.K. Ceramics P.J.S.C. and its subsidiaries

## Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2021

### 14. Investment properties

|               | <b>31 March<br/>2021<br/>AED'000<br/>(unaudited)</b> | 31 December<br>2020<br>AED'000<br>(audited) |
|---------------|--|---|
| Inside U.A.E  | <b>882,109</b>                                       | 884,408                                     |
| Outside U.A.E | <b>42,155</b>  | 41,751                                      |
|               | <b>924,264</b>                                       | 926,159                                     |

Investment properties comprise land and buildings that are located in the United Arab Emirates, Bangladesh, Lebanon and Iran.

The fair value of the Group's investment properties as at 31 December 2020 (audited) amounted to AED 1,049.96 million and was arrived at on the basis of valuations carried out by external valuers who have appropriate market experience in the valuation of properties. Management estimates that there has been no significant change in the fair value of investment properties during the three month period ended 31 March 2021.

The fair value of the Group's investment properties at 31 December 2020 has been arrived at on the basis of an independent property valuation as of that date. The valuers possess appropriate qualifications and recent experience in the valuation of properties in the location and category of the property being valued. As a result of the prevailing and prospective economic impact of the COVID 19 pandemic, the valuers reported fair market values on the basis of 'material valuation uncertainty' as per VPS-3 and VPGA-10 of the RICS Red Book Global edition. In particular, the valuers noted that "consequently, less certainty and a higher degree of caution should be attached to the valuation than what would normally be the case. As such, lesser weight could be attached to previous market evidence for comparison purposes. The current response to COVID 19 means that we are faced with an unprecedented set of circumstances on which to base a judgement."

Investment properties are classified as Level 3 in the fair value hierarchy as at 31 March 2021 (31 December 2020: Level 3).



# R.A.K. Ceramics P.J.S.C. and its subsidiaries

## Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2021

### 15. Trade and other receivables

|  | 31 March<br>2021<br>AED'000<br>(unaudited) | 31 December<br>2020<br>AED'000<br>(audited) |
|--|--|---|
| Trade receivables                        | 1,070,833                                  | 1,029,676                                   |
| Less: Allowance for expected credit loss | (232,022)                                  | (226,655)                                   |
| <b>Subtotal (A)</b>                      | <b>838,811</b>                             | <b>803,021</b>                              |
| Other receivables                        | 132,172                                    | 123,833                                     |
| Less: Allowance for expected credit loss | (8,866)                                    | (8,866)                                     |
| <b>Subtotal (B)</b>                      | <b>123,306</b>                             | <b>114,967</b>                              |
| Advances and prepayments (C)             | 188,226                                    | 186,427                                     |
| Deposits (D)                             | 29,849                                     | 29,485                                      |
| <b>Total (A+B+C+D)</b>                   | <b>1,180,192</b>                           | <b>1,133,900</b>                            |

#### (i) Long-term receivables

|  | 31 March<br>2021<br>AED'000<br>(unaudited) | 31 December<br>2020<br>AED'000<br>(audited) |
|--|--|---|
| Trade receivables                                    | 3,650                                      | 3,805                                       |
| Less: Allowance for expected credit loss             | (387)                                      | (452)                                       |
|  | <b>3,263</b>                               | <b>3,353</b>                                |
| Less : current portion included in trade receivables | (544)                                      | (583)                                       |
| <b>Long-term trade receivables (A)</b>               | <b>2,719</b>                               | <b>2,770</b>                                |
| Other receivables                                    | 108,030                                    | 107,995                                     |
| Less : Allowance for expected credit loss            | (26,375)                                   | (26,375)                                    |
|  | <b>81,655</b>                              | <b>81,620</b>                               |
| Less: current portion included in other receivables  | (60,613)                                   | (53,265)                                    |
| <b>Long-term other receivables (B)</b>               | <b>21,042</b>                              | <b>28,355</b>                               |
| <b>Long-term receivables (A+B)</b>                   | <b>23,761</b>                              | <b>31,125</b>                               |

The long-term other receivables represent amounts receivable on disposal of a subsidiary and is partially secured by post-dated cheques.

# R.A.K. Ceramics P.J.S.C. and its subsidiaries

## Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2021

### 16. Inventories

|  | <b>31 March<br/>2021<br/>AED'000<br/>(unaudited)</b> | 31 December<br>2020<br>AED'000<br>(audited) |
|--|--|---|
| Finished goods (net of net realizable value adjustments) | <b>835,531</b>                                       | 882,886                                     |
| Less : Allowance for slow moving inventories             | <b>(138,156)</b>                                     | (124,139)                                   |
| <b>Subtotal (A)</b>                                      | <b>697,375</b>                                       | 758,747                                     |
| Raw materials  | <b>177,424</b>                                       | 174,640                                     |
| Consumables, stores and spares                           | <b>196,329</b>                                       | 192,847                                     |
|  | <b>373,753</b>                                       | 367,487                                     |
| Less : Allowance for slow-moving inventories             | <b>(91,641)</b>                                      | (88,033)                                    |
| <b>Subtotal (B)</b>                                      | <b>282,112</b>                                       | 279,454                                     |
| Goods-in-transit (C)                                     | <b>30,281</b>  | 20,416                                      |
| Work-in-progress (D)                                     | <b>18,470</b>  | 17,281                                      |
| <b>Total (A+B+C+D)</b>                                   | <b>1,028,238</b>                                     | 1,075,898                                   |

At 31 March 2021, the Group has recognized a cumulative loss due to write-down of finished goods inventories of AED 153.74 million against cost of AED 416.18 million (31 December 2020 (audited): AED 151.30 million against cost of AED 346.92 million) to bring it to its net realizable value which was lower than the cost. The difference in the write down of AED 2.46 million (unaudited) (three month period ended 31 March 2020 (unaudited): AED 6.17 million) is included in cost of sales in the condensed consolidated statement of profit or loss.

Certain inventories are subject to a charge in favour of banks against facilities obtained by the Group.

### 17. Related party balances and transactions

The significant transactions entered into by the Group with related parties during the period, other than those disclosed elsewhere in this condensed consolidated interim financial information are as follows:

#### Equity accounted investees and companies under common management:

|   | <b>Three month period ended 31 March</b> |                                |
|---|--|--------------------------------|
|   | <b>2021<br/>AED'000<br/>(unaudited)</b>  | 2020<br>AED'000<br>(unaudited) |
| Sale of goods and services and construction contracts | <b>29,482</b>                            | 28,952                         |
| Purchase of goods and rendering of services           | <b>57,315</b>                            | 61,185                         |
| Interest expense (refer Note 9)                       | <b>14</b>                                | -                              |
| Interest income (refer Note 9)                        | -  | 18                             |

# R.A.K. Ceramics P.J.S.C. and its subsidiaries

## Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2021

### 17. Related party balances and transactions (continued)

#### Key management personnel compensation

The remuneration of Directors and other key management personnel of the Group during the period were as follows:

|                                  | Three month period ended 31 March |                                |
|----------------------------------|-----------------------------------|--------------------------------|
|                                  | 2021<br>AED'000<br>(unaudited)    | 2020<br>AED'000<br>(unaudited) |
| Short-term benefits              | 2,397                             | 2,514                          |
| Staff terminal benefits          | 58                                | 63                             |
| Board of Directors' remuneration | 1,850                             | 3,700                          |

#### Due from related parties

|   | 31 March<br>2021<br>AED'000<br>(unaudited) | 31 December<br>2020<br>AED'000<br>(audited) |
|---|--|---|
| Equity accounted investees                | 43,759                                     | 43,530                                      |
| Other related parties                     | 30,349                                     | 32,164                                      |
|   | <b>74,108</b>                              | 75,694                                      |
| Less : Allowance for expected credit loss | (45,814)                                   | (45,799)                                    |
|   | <b>28,294</b>                              | 29,895                                      |

#### Due to related parties

|                            | 31 March<br>2021<br>AED'000<br>(unaudited) | 31 December<br>2020<br>AED'000<br>(audited) |
|----------------------------|--|---|
| Equity accounted investees | 6,146                                      | 4,905                                       |
| Other related parties      | 35,240                                     | 30,931                                      |
|                            | <b>41,386</b>                              | 35,836                                      |

# R.A.K. Ceramics P.J.S.C. and its subsidiaries

## Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2021

### 18. Derivative financial instruments

The Group uses derivative financial instruments for risk management purposes. The Group classified interest rate swaps and commodity derivatives as cash flow hedges in accordance with the recognition criteria of IFRS 9, as it is mitigating the risk of cash flow variations due to movements in interest rates and commodity prices.

The table below shows the fair values of derivative financial instruments, which are equivalent to the market values.

|   | <b>31 March<br/>2021<br/>AED'000<br/>(unaudited)</b> | 31 December<br>2020<br>AED'000<br>(audited) |
|---|--|---|
| <b>Non-current</b>                      |  |   |
| <b>Derivative financial assets</b>      |  |   |
| Other currency and interest rate swaps  | 6,551  | 4,793                                       |
|   | <b>6,551</b>   | <b>4,793</b>                                |
| <b>Non-current</b>                      |  |   |
| <b>Derivative financial liabilities</b> |  |   |
| Interest rate swaps used for hedging    | 8,596  | 16,118                                      |
|   | <b>8,596</b>   | <b>16,118</b>                               |
| <b>Current</b>                          |  |   |
| <b>Derivative financial assets</b>      |  |   |
| Commodity derivatives used for hedging  | 90   | -   |
| Forward exchange contracts              | 3,261  | -   |
|   | <b>3,351</b>   | <b>-</b>                                    |
| <b>Current</b>                          |  |   |
| <b>Derivative financial liabilities</b> |  |   |
| Interest rate swaps used for hedging    | 14,169   | 16,305                                      |
| Commodity derivatives used for hedging  | -  | 1,391                                       |
| Forward exchange contracts              | -  | 5,024                                       |
|   | <b>14,169</b>  | <b>22,720</b>                               |

# R.A.K. Ceramics P.J.S.C. and its subsidiaries

## Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2021

### 19. Bank balances and cash

|   | <b>31 March<br/>2021<br/>AED'000<br/>(unaudited)</b> | 31 December<br>2020<br>AED'000<br>(audited) |
|---|--|---|
| Cash in hand  | 1,971  | 1,687                                       |
| Cash at bank  |  |   |
| - in bank deposits with maturity of less than three months            | 94,003   | 89,576                                      |
| - in Wakala deposits with maturity of less than three months          | 25,000   | 45,000                                      |
| - in current accounts   | 324,862  | 313,727                                     |
| - in margin deposits  | 5,996  | 11,409                                      |
| - in call accounts  | 22,984   | 8,577                                       |
| Cash and cash equivalents   | <b>474,816</b>                                       | 469,976                                     |
| Less : Allowance for expected credit loss                             | <b>(183)</b>   | (183)                                       |
| Cash and cash equivalents (A)   | <b>474,633</b>                                       | 469,793                                     |
| Bank deposits with an original maturity of more than three months (B) | <b>165,959</b>                                       | 143,671                                     |
| Bank balances and cash (A+B)  | <b>640,592</b>                                       | 613,464                                     |

Cash in hand and cash at bank includes AED 0.55 million (31 December 2020 (audited): AED 0.63 million) and AED 190.37 million (31 December 2020 (audited): AED 145.67 million) respectively, held outside UAE.

All bank deposits carry interest at normal commercial rates and include AED 0.72 million (31 December 2020 (audited): AED 1.63 million) which are held by bank under lien against bank facilities availed by the Group. Wakala deposits carry profit at rates agreed with Islamic banks and placed with the banks for an original maturity period of less than three months.

Current accounts and margin deposits are non-interest bearing accounts.

### 20. Share Capital

|   | <b>31 March<br/>2021<br/>AED'000<br/>(unaudited)</b> | 31 December<br>2020<br>AED'000<br>(audited) |
|---|--|---|
| <b>Authorised, issued and paid up</b>                   |  |   |
| 170,000,000 shares of AED 1 each paid up in cash        | <b>170,000</b>                                       | 170,000                                     |
| 823,703,958 shares of AED 1 each issued as bonus shares | <b>823,703</b>                                       | 823,703                                     |
|   | <b>993,703</b>                                       | 993,703                                     |

# R.A.K. Ceramics P.J.S.C. and its subsidiaries

## Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2021

### 21. Bank financing arrangements

#### (a) Islamic bank financing

|   | <b>31 March<br/>2021<br/>AED'000<br/>(unaudited)</b> | 31 December<br>2020<br>AED'000<br>(audited) |
|---|--|---|
| <b>(i) Short-term</b>   |  |   |
| Mudaraba facilities (A)   | <b>75,000</b>  | 75,000                                      |
| Commodity Murabaha facilities (B)                               | <b>197,387</b>                                       | 187,053                                     |
| Current portion of long-term financing (refer note (ii) below)  | <b>102,712</b>                                       | 140,429                                     |
|   | <b>375,099</b>                                       | 402,482                                     |
|   |  |   |
|   | <b>31 March<br/>2021<br/>AED'000<br/>(unaudited)</b> | 31 December<br>2020<br>AED'000<br>(audited) |
| <b>(ii) Long-term – Islamic bank financing</b>                  |  |   |
| Commodity Murabaha facilities (B)                               | <b>231,605</b>                                       | 294,401                                     |
| Ijarah facilities (C)   | <b>251,240</b>                                       | 261,737                                     |
| Less : current portion of long-term financing                   | <b>(102,712)</b>                                     | (140,429)                                   |
|   | <b>380,133</b>                                       | 415,709                                     |
|   |  |   |
|   | <b>31 March<br/>2021<br/>AED'000<br/>(unaudited)</b> | 31 December<br>2020<br>AED'000<br>(audited) |
| <b>Movement:</b>  |  |   |
| Balance as at 1 January   | <b>556,138</b>                                       | 633,355                                     |
| Availed during the period/ year                                 | -  | 75,000                                      |
| Less : repaid during the period/ year                           | <b>(73,293)</b>                                      | (152,217)                                   |
|   | <b>482,845</b>                                       | 556,138                                     |
| <b>Balance as at end of the period/ year</b>                    | <b>482,845</b>                                       | 556,138                                     |
| Less : current portion included in short-term (refer 21 (a)(i)) | <b>(102,712)</b>                                     | (140,429)                                   |
|   | <b>380,133</b>                                       | 415,709                                     |

The securities provided against these facilities are same as those mentioned in the audited annual consolidated financial statements of the Group for the year ended 31 December 2020.

- (A) Mudaraba is a mode of Islamic financing where a contract is entered into by two parties whereby one party (Bank) provides funds to another party (the Group) who then invest in an activity deploying its experience and expertise for a specific pre-agreed share in the resultant profit.
- (B) In Murabaha Islamic financing, a contract is entered into between two parties whereby one party (Bank) purchases an asset and sells it to another party (the Group), on a deferred payment basis at a pre-agreed profit.
- (C) Ijarah is another mode of Islamic financing where a contract is entered into between two parties whereby one party (Bank) purchases/acquires an asset, either from a third party or from the Group, and leases it to the Group against certain rental payments and for a specific lease period.

# R.A.K. Ceramics P.J.S.C. and its subsidiaries

## Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2021

### 21. Bank financing arrangements (continued)

#### (b) Interest bearing bank financing

|   | <b>31 March<br/>2021<br/>AED'000<br/>(unaudited)</b> | 31 December<br>2020<br>AED'000<br>(audited) |
|---|--|---|
| <b>(i) Short-term</b>   |  |   |
| Bank overdraft  | <b>132,802</b>                                       | 103,715                                     |
| Short-term loan   | <b>293,161</b>                                       | 329,490                                     |
| Current portion of long-term financing (refer note (ii) below)  | <b>260,633</b>                                       | 238,145                                     |
|   | <b>686,596</b>                                       | 671,350                                     |
| <b>(ii) Long-term bank loans</b>                                |  |   |
| Balance as at 1 January   | <b>591,226</b>                                       | 719,404                                     |
| Availed during the period/ year                                 | <b>50,000</b>  | 104,630                                     |
| Less : repaid during the period/ year                           | <b>(40,493)</b>                                      | (232,808)                                   |
| Balance as at end of the period/ year                           | <b>600,733</b>                                       | 591,226                                     |
| Less : current portion of long-term financing (refer 21 (b)(i)) | <b>(260,633)</b>                                     | (238,145)                                   |
|   | <b>340,100</b>                                       | 353,081                                     |

The details of the long term bank loans, including terms of repayment, interest rate and security provided are mentioned in the audited annual consolidated financial statements of the Group for the year ended 31 December 2020.

### 22. Trade and other payables

|   | <b>31 March<br/>2021<br/>AED'000<br/>(unaudited)</b> | 31 December<br>2020<br>AED'000<br>(audited) |
|---|--|---|
| Trade payables                                | <b>314,601</b>                                       | 283,312                                     |
| Accrued and other expenses                    | <b>174,803</b>                                       | 175,184                                     |
| Advance from customers                        | <b>62,648</b>  | 53,995                                      |
| Advance received against assets held for sale | <b>30,899</b>  | -   |
| Commission and rebates payable                | <b>71,128</b>  | 65,308                                      |
| Other payables                                | <b>59,552</b>  | 56,078                                      |
|   | <b>713,631</b>                                       | 633,877                                     |

### 23. Dividend and Directors' fee

- (i) At the Annual General Meeting (AGM) held on 30 March 2021, the shareholders approved a cash dividend of 7.5 % amounting to AED 74,528 thousand (2020: cash dividend of 15% amounting to AED 141,958 thousand and stock dividend of 5% amounting to AED 47,319 thousand).
- (ii) At the Annual General Meeting (AGM) held on 30 March 2021, the shareholders approved the Directors' remuneration amounting to AED 1,850 thousand for the year ended 31 December 2020 (for the year ended 31 December 2019: AED 3,700 thousand).

# R.A.K. Ceramics P.J.S.C. and its subsidiaries

## Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2021

### 24. Contingent liabilities and commitments

|   | <b>31 March<br/>2021<br/>AED'000<br/>(unaudited)</b> | 31 December<br>2020<br>AED'000<br>(audited) |
|---|--|---|
| <b>Contingent liabilities</b>               |  |   |
| Letters of guarantee                        | <b>88,495</b>  | 13,752                                      |
| Letters of credit                           | <b>42,705</b>  | 46,521                                      |
| Value added tax and other tax contingencies | <b>91,421</b>  | 94,136                                      |
| <b>Commitments</b>                          |  |   |
| Capital commitments                         | <b>32,588</b>  | 20,266                                      |

### 25. Hyperinflationary economy

The Group has a subsidiary in the Islamic Republic of Iran, which did not have material operations during the year ended 31 December 2020 or during the three month period ended 31 March 2021. The total assets of the Iranian subsidiary were 0.55% of the Group's consolidated total assets as at 31 March 2021.

The hyperinflation impact has been calculated by means of conversion factors derived from the Consumer Price Index (CPI). The conversion factors used to restate the financial statements of the subsidiary are as follows:

|                  | <b>Index</b>  | <b>Conversion factor</b> |
|------------------|---------------|--------------------------|
| 31 March 2021    | <b>298.10</b> | 1.0624                   |
| 31 December 2020 | <b>280.60</b> | 1.4479                   |
| 31 December 2019 | <b>193.80</b> | 1.2775                   |
| 31 December 2018 | <b>151.70</b> | 1.3558                   |
| 31 December 2017 | <b>111.90</b> |                          |

The above mentioned restatement is affected as follows:

- Hyperinflation accounting was applied as of 1 January 2020;
- The condensed consolidated statement of profit or loss is adjusted at the end of each reporting period using the change in the general price index and is converted at the closing exchange rate of each period (rather than the year to date average rate for non-hyperinflationary economies), thereby restating the year to date condensed consolidated statement of profit or loss accounts both for inflation index and currency conversion;
- Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the date of the condensed consolidated statement of financial position. Monetary items are money held and items to be recovered or paid in money; and
- Non-monetary assets and liabilities are stated at historical cost (e.g. property plant and equipment, investment properties etc.) and equity of the subsidiary is restated using an inflation index. The hyperinflation impacts resulting from changes in the general purchasing power until 31 December 2020 were reported in Hyperinflation reserve directly as a component of equity and the impacts of changes in the general purchasing power from 1 January 2021 are reported through the condensed consolidated statement of profit or loss in a separate line mentioned as a loss on net monetary position, besides having the impact on depreciation charge for the period.
- The Group has opted not to restate the condensed consolidated statement of profit or loss items published for the first and second quarters of 2020, as permitted by the Standard, and has recognized the effects of restatement for those two quarters, along with the third quarter effect, in full in the 2020 third quarter's statement.



# R.A.K. Ceramics P.J.S.C. and its subsidiaries

## Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2021

### 25. Hyperinflationary economy (continued)

The impact of hyperinflationary accounting on the condensed consolidated interim financial information due to the subsidiary in Iran is as follows:

|   | <b>1 January 2021</b><br><b>AED'000</b><br><b>(unaudited)</b>                                   |
|---|---|
| <b>Impact on condensed consolidated statement of financial position</b> |   |
| Increase in property, plant and equipment                               | <b>457</b>  |
| Increase in investment properties                                       | <b>551</b>  |
| Increase in other assets  | <b>555</b>  |
| <hr/>   |   |
| Increase in equity  | <b>1,563</b>  |
| <hr/>   |   |
| <i>Allocated to:</i>  |   |
| Increase in opening equity due to cumulative hyperinflation             | <b>1,563</b>  |
| <hr/>   |   |
|   | <b>Three month period</b><br><b>ended 31 March 2021</b><br><b>AED'000</b><br><b>(unaudited)</b> |
| <b>Impact on condensed consolidated statement of profit or loss</b>     |   |
| Increase in depreciation charge for the period                          | <b>301</b>  |
| Loss on net monetary position   | <b>518</b>  |
| <hr/>   |   |
|   | <b>819</b>  |
| <hr/>   |   |

### 26. Assets classified as held for sale

In March 2021, management entered into agreements to sell the property, plant and equipment including the land use rights of its subsidiary in China. The Group has not recognised any impairment loss on the re-measurement of the assets classified as held for sale as their carrying values were lower than fair value less costs to sell.

Assets amounting to AED 19.31 million of this entity as at the reporting date have been classified as held for sale in this condensed consolidated statement of financial position as at 31 March 2021.

### 27. Segment reporting

#### ***Basis for segmentation***

An operating segment is a component of the Group which engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Segment results which are reported to the Company's CEO (chief operating decision maker) include items directly attributable to a segment as well as those which can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

The Group has broadly three reportable segments as discussed below, which are the Group's strategic business units. The strategic business units operate in different sectors and are managed separately because they require different strategies. The following summary describes the operation in each of the Group's reportable segments:

# R.A.K. Ceramics P.J.S.C. and its subsidiaries

## Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2021

### 27. Segment reporting (continued)

|                          |  |
|--------------------------|--|
| <i>Ceramics products</i> | includes manufacture and sale of ceramic wall and floor tiles, gres porcellanato, bath-ware and table ware products. |
| <i>Other industrial</i>  | includes manufacturing and distribution of power, paints, plastics, mines, chemicals, and faucets.                   |
| <i>Others</i>            | includes security services, material movement, real estate, construction projects and civil works.                   |

Information regarding the operations of each separate segment is included below. Performance is measured based on segment profit as management believes that profit is the most relevant factor in evaluating the results of certain segments relative to other entities that operate within these industries. There are regular transactions between the segments and any such transaction is priced on mutually agreed terms.

|   | Ceramic<br>products<br>AED'000 | Other<br>industrial<br>AED'000 | Others<br>AED'000 | Elimination<br>AED'000 | Total<br>AED'000 |
|---|--------------------------------|--------------------------------|-------------------|------------------------|------------------|
| <b>Three month period ended 31 March 2021 (unaudited)</b> |                                |                                |                   |                        |                  |
| External revenue  | 699,403                        | 21,424                         | 1,944             | -                      | 722,771          |
| Intersegment revenue                                      | 196,629                        | 23,654                         | 382               | (220,665)              | -                |
| <b>Segment revenue</b>                                    | <b>896,032</b>                 | <b>45,078</b>                  | <b>2,326</b>      | <b>(220,665)</b>       | <b>722,771</b>   |
| Segment profit  | 76,991                         | 4,340                          | (386)             | (18,270)               | 62,675           |
| Segment EBITDA  | 138,591                        | 5,739                          | 977               | (19,201)               | 126,106          |
| <b>As at 31 March 2021 (unaudited)</b>                    |                                |                                |                   |                        |                  |
| Segment assets  | 7,033,104                      | 190,143                        | 300,209           | (2,276,128)            | 5,247,328        |
| Segment liabilities                                       | 3,759,779                      | 78,855                         | 99,470            | (1,028,083)            | 2,910,021        |
| <hr/>   |                                |                                |                   |                        |                  |
|   | Ceramic<br>products<br>AED'000 | Other<br>industrial<br>AED'000 | Others<br>AED'000 | Elimination<br>AED'000 | Total<br>AED'000 |
| <b>Three month period ended 31 March 2020 (unaudited)</b> |                                |                                |                   |                        |                  |
| External revenue  | 559,737                        | 25,686                         | 7,336             | -                      | 592,759          |
| Intersegment revenue                                      | 124,066                        | 19,495                         | 575               | (144,136)              | -                |
| <b>Segment revenue</b>                                    | <b>683,803</b>                 | <b>45,181</b>                  | <b>7,911</b>      | <b>(144,136)</b>       | <b>592,759</b>   |
| Segment profit  | 48,849                         | 5,316                          | 3,878             | (27,796)               | 30,247           |
| Segment EBITDA  | 112,474                        | 6,413                          | 4,808             | (28,522)               | 95,173           |
| <b>As at 31 December 2020 (audited)</b>                   |                                |                                |                   |                        |                  |
| Segment assets  | 6,991,837                      | 182,139                        | 311,576           | (2,238,064)            | 5,247,488        |
| Segment liabilities                                       | 3,704,481                      | 73,633                         | 110,363           | (990,888)              | 2,897,589        |

# R.A.K. Ceramics P.J.S.C. and its subsidiaries

## Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2021

### 27. Segment reporting (continued)

EBITDA is earnings for the period before net interest expense, net profit expense on Islamic financing, income tax expense, depreciation, amortization, gain or loss on sale of assets and impairment loss of investment properties, if any.

#### Reconciliation of reportable segment

|   | Three month period ended 31 March |               |
|---|-----------------------------------|---------------|
|   | 2021                              | 2020          |
|   | AED'000                           | AED'000       |
|   | (unaudited)                       | (unaudited)   |
| Total profit or loss for reportable segments  | 77,490                            | 55,127        |
| Elimination of inter-segment profits          | (18,270)                          | (27,796)      |
| Share of profit of equity accounted investees | 3,455                             | 2,916         |
| <b>Reported profit</b>                        | <b>62,675</b>                     | <b>30,247</b> |

# R.A.K. Ceramics P.J.S.C. and its subsidiaries

## Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2021

### 28. Financial instruments

#### Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

|   | -----Carrying value-----                        |                                   |   |  |                  | -----Fair value----- |                    |                    |                  |  |
|---|---|-----------------------------------|---|--|------------------|----------------------|--------------------|--------------------|------------------|--|
|   | Fair value<br>hedging<br>instruments<br>AED'000 | Mandatory<br>at FVTPL*<br>AED'000 | Financial assets<br>at amortised<br>cost<br>AED'000 | Financial<br>liabilities at<br>amortised cost<br>AED'000 | Total<br>AED'000 | Level 1<br>AED'000   | Level 2<br>AED'000 | Level 3<br>AED'000 | Total<br>AED'000 |  |
| <b>31 March 2021 (unaudited)</b>                        |   |                                   |   |  |                  |                      |                    |                    |                  |  |
| <b>Financial assets measured at fair value</b>          |   |                                   |   |  |                  |                      |                    |                    |                  |  |
| Commodity derivative used for hedging                   | 90  | -                                 | -   | -  | 90               | -                    | 90                 | -                  | 90               |  |
| Forward exchange contracts                              | -   | 3,261                             | -   | -  | 3,261            | -                    | 3,261              | -                  | 3,261            |  |
| Other currency and interest rate swap                   | -   | 6,551                             | -   | -  | 6,551            | -                    | 6,551              | -                  | 6,551            |  |
|   | <b>90</b>                                       | <b>9,812</b>                      | <b>-</b>  | <b>-</b>   | <b>9,902</b>     | <b>-</b>             | <b>9,902</b>       | <b>-</b>           | <b>9,902</b>     |  |
| <b>Financial assets measured at amortised cost</b>      |   |                                   |   |  |                  |                      |                    |                    |                  |  |
| Long-term receivables                                   | -   | -                                 | 23,761  | -  | 23,761           | -                    | -                  | -                  | -                |  |
| Trade and other receivables                             | -   | -                                 | 991,966   | -  | 991,966          | -                    | -                  | -                  | -                |  |
| Due from related parties                                | -   | -                                 | 28,294  | -  | 28,294           | -                    | -                  | -                  | -                |  |
| Bank balances and cash                                  | -   | -                                 | 640,592   | -  | 640,592          | -                    | -                  | -                  | -                |  |
|   | <b>-</b>  | <b>-</b>                          | <b>1,684,613</b>                                    | <b>-</b>   | <b>1,684,613</b> | <b>-</b>             | <b>-</b>           | <b>-</b>           | <b>-</b>         |  |
| <b>Financial liabilities measured at fair value</b>     |   |                                   |   |  |                  |                      |                    |                    |                  |  |
| Interest rate swaps used for hedging                    | 22,765  | -                                 | -   | -  | 22,765           | -                    | 22,765             | -                  | 22,765           |  |
|   | <b>22,765</b>                                   | <b>-</b>                          | <b>-</b>  | <b>-</b>   | <b>22,765</b>    | <b>-</b>             | <b>22,765</b>      | <b>-</b>           | <b>22,765</b>    |  |
| <b>Financial liabilities measured at amortised cost</b> |   |                                   |   |  |                  |                      |                    |                    |                  |  |
| Islamic bank financing                                  | -   | -                                 | -   | 755,232  | 755,232          | -                    | -                  | -                  | -                |  |
| Interest bearing bank financing                         | -   | -                                 | -   | 1,026,696  | 1,026,696        | -                    | -                  | -                  | -                |  |
| Trade and other payables                                | -   | -                                 | -   | 620,084  | 620,084          | -                    | -                  | -                  | -                |  |
| Due to related parties                                  | -   | -                                 | -   | 41,386   | 41,386           | -                    | -                  | -                  | -                |  |
| Lease liabilities                                       | -   | -                                 | -   | 80,033   | 80,033           | -                    | -                  | -                  | -                |  |
|   | <b>-</b>  | <b>-</b>                          | <b>-</b>  | <b>2,523,431</b>   | <b>2,523,431</b> | <b>-</b>             | <b>-</b>           | <b>-</b>           | <b>-</b>         |  |

\*FVTPL: fair value through profit or loss

# R.A.K. Ceramics P.J.S.C. and its subsidiaries

## Notes to the condensed consolidated interim financial information (continued)

for the three month period ended 31 March 2021

### 28. Financial instruments (continued)

#### Accounting classifications and fair values (continued)

|   | -----Carrying value-----                        |                                   |   |  |                  | -----Fair value----- |                    |                    |                  |
|---|---|-----------------------------------|---|--|------------------|----------------------|--------------------|--------------------|------------------|
|   | Fair value<br>hedging<br>instruments<br>AED'000 | Mandatory<br>at FVTPL*<br>AED'000 | Financial assets<br>at amortized<br>cost<br>AED'000 | Other<br>financial<br>liabilities<br>AED'000 | Total<br>AED'000 | Level 1<br>AED'000   | Level 2<br>AED'000 | Level 3<br>AED'000 | Total<br>AED'000 |
| <b>31 December 2020 (audited)</b>                       |   |                                   |   |  |                  |                      |                    |                    |                  |
| <b>Financial assets measured at fair value</b>          |   |                                   |   |  |                  |                      |                    |                    |                  |
| Other currency and interest swaps                       | -   | 4,793                             | -   | -  | 4,793            | -                    | 4,793              | -                  | 4,793            |
|   | -   | 4,793                             | -   | -  | 4,793            | -                    | 4,793              | -                  | 4,793            |
| <b>Financial assets measured at amortized cost</b>      |   |                                   |   |  |                  |                      |                    |                    |                  |
| Long-term receivables                                   | -   | -                                 | 31,125  | -  | 31,125           | -                    | -                  | -                  | -                |
| Trade and other receivables                             | -   | -                                 | 947,473   | -  | 947,473          | -                    | -                  | -                  | -                |
| Due from related parties                                | -   | -                                 | 29,895  | -  | 29,895           | -                    | -                  | -                  | -                |
| Bank balances and cash                                  | -   | -                                 | 613,464   | -  | 613,464          | -                    | -                  | -                  | -                |
|   | -   | -                                 | 1,621,957   | -  | 1,621,957        | -                    | -                  | -                  | -                |
| <b>Financial liabilities measured at fair value</b>     |   |                                   |   |  |                  |                      |                    |                    |                  |
| Commodity derivatives used for hedging                  | 1,391   | -                                 | -   | -  | 1,391            | -                    | 1,391              | -                  | 1,391            |
| Interest rate swaps used for hedging                    | 32,423  | -                                 | -   | -  | 32,423           | -                    | 32,423             | -                  | 32,423           |
| Forward exchange contracts                              | -   | 5,024                             | -   | -  | 5,024            | -                    | 5,024              | -                  | 5,024            |
|   | 33,814  | 5,024                             | -   | -  | 38,838           | -                    | 38,838             | -                  | 38,838           |
| <b>Financial liabilities measured at amortized cost</b> |   |                                   |   |  |                  |                      |                    |                    |                  |
| Islamic bank financing                                  | -   | -                                 | -   | 818,191                                      | 818,191          | -                    | -                  | -                  | -                |
| Interest bearing bank financing                         | -   | -                                 | -   | 1,024,431                                    | 1,024,431        | -                    | -                  | -                  | -                |
| Trade and other payables                                | -   | -                                 | -   | 579,882                                      | 579,882          | -                    | -                  | -                  | -                |
| Due to related parties                                  | -   | -                                 | -   | 35,836                                       | 35,836           | -                    | -                  | -                  | -                |
| Lease liabilities                                       | -   | -                                 | -   | 81,650                                       | 81,650           | -                    | -                  | -                  | -                |
|   | -   | -                                 | -   | 2,539,990                                    | 2,539,990        | -                    | -                  | -                  | -                |

# R.A.K. Ceramics P.J.S.C. and its subsidiaries

## Notes to the condensed consolidated interim financial information (continued)

*for the three month period ended 31 March 2021*

### **29. Seasonality of results**

No income of seasonal nature was recorded in the condensed consolidated statement of profit or loss for the three month periods ended 31 March 2021 and 2020. The impact of the Covid-19 pandemic is described in Note 3.

### **30. Approval of the condensed consolidated interim financial information**

This condensed consolidated interim financial information was approved by the Board of Directors and authorized for issue on 09 May 2021.