



Condensed Consolidated  
Interim Financial Information

*31 March 2022*

# **RAK Ceramics PJSC and its Subsidiaries**

Condensed consolidated interim financial information  
*31 March 2022*

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on financial performance during the three months to 31 March 2022  
11 May 2022

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**Dear Members,**

It is our pleasure to present the report on business & operations performance during the three months period along with the consolidated interim financial information for the Group as on 31 March 2022. Below are the snapshots of the Company's performance -

- Total revenue increased by 8.3% to AED 783.1 million and total EBITDA increased by 2.9% to AED 129.7 million during Q1 2022 compared to Q1 2021.
- Total gross profit margin for Q1 2022 increased to 37%, an increase of 200bps year on year driven by improved efficiencies.
- Reported net profit increased to AED 69.7 million for Q1 2022 due to higher revenue and gross profit margins.
- RAK Ceramics maintained a stable capital structure with a net debt of AED 975.2 million as of March 2022, in spite of the payment of dividends.

The Company achieved a strong set of results in Q1 2022 despite the ongoing economic challenges weighing in namely on input prices, energy costs and supply chain. Our financial performance was supported by key initiatives realized in Q1 2022 aimed to drive further growth in the top-line by enhancing our brand positioning, strengthen our profitability by increasing production efficiencies and improve our liquidity position by tightening our collection policy. Additionally, we were successful in adjusting our prices selectively to partly offset additional costs while still maintaining our market share across markets.

### **Strategic Highlights**

On March 14, the Company announced a Share Purchase Agreement for the 100% acquisition of the Germany based KLUDI Group (including 49% of KLUDI RAK Joint Venture). KLUDI is an established European faucet brand with manufacturing footprint across Germany, Austria, Hungary, and UAE. The strategic acquisition of KLUDI Group represents an opportunity for the Company to spearhead expansion and strengthen its core businesses across European markets in addition to strengthening its position internationally as a fully integrated lifestyle solution provider. Both teams are currently working closely to satisfy all closing conditions by the 31<sup>st</sup> of May 2022.

### **Operational Review**

In the UAE, revenue remained stable year on year with slight increase of 0.7% during Q1 2022, supported by increased brand exposure through the launch of RAK Ceramics e-commerce platform, brand participation in international events and sponsoring high-profile architectural and interior design awards. The Company's position in Saudi Arabia continues to grow quarter-on-quarter, despite the imposition of a 12% customs duty, driven by the company's focus on strengthening its presence and brand positioning through increased retail footprint and secured projects. This resulted in increase of 19.8% quarter on quarter in tiles & sanitary-ware revenue in Q1 2022. In Europe, the Company witnessed a strong performance. Revenues increased by 8.8% year on year in Q1 2022 mainly driven by the increase in selling price to partially offset the increased logistics and input costs. Company continues to position the brand as a trusted ceramic solution provider, increasing customer base by adding further showrooms, expanding distribution network and tapping into E-commerce platform.

In the Middle East (excluding UAE and KSA), the Company registered a record growth of 56.8% year on year due to increased brand exposure and expanding distribution network. In India, revenue remained stable with increase of 3.4% year on year supported by expanding dealer's network presence in additional 12 districts. In Bangladesh, revenue increased by 13.9% year on year supported by price adjustments following increase in input costs and import freight and better brand visibility.

### Financial Highlights

The Company delivered a strong set of results during Q1 2022 despite the continued geopolitical and economic challenges. Total revenue for Q1 2022 increased by 8.3% compared to same period last year to AED 783.1 million, driven by a strong growth in sanitary-ware and tableware segments. Reported net profit increased to AED 69.7 million during Q1 2022 due to higher revenue & gross profit margins. Total gross profit margin for Q1 2022 increased to 37% compared to 35% in Q1 2021 despite increase in input, logistics costs and 12% custom duty imposed by Saudi Arabia effective 1<sup>st</sup> July 2021. Excluding the AED 10.6 million payment for customs duty in Saudi Arabia during Q1 2022, total gross profit margin increased to 38.3%. Tiles revenue remained stable with slight decrease of 0.8% year on year to reach AED 516.1 million in Q1 2022, supported by growth in all markets except United Arab Emirates & Saudi Arabian markets. Sanitary-ware revenue grew by 13.1% in Q1 2022 at AED 155.0 million driven by growth in all markets except Saudi Arabian market. Tableware revenue decreased by 15.8 % quarter on quarter to AED 75.7 million while still outperforming year on year levels by 84.3% as the markets situations across all our core markets is gradually improving.

### Stable Cash Position

The Company maintains a stable capital structure with a net debt of AED 975.2 million in March 2022, in spite of the payment of dividends. The net debt to EBITDA slightly decreased to 1.93x in Q1 2022.

### Financial highlights for the three months period to 31 March

Particulars	Unit	2022	2021	Change
Total Revenue	AED Mio	783.1	722.8	8.3%
Gross Profit	AED Mio	289.4	253.0	14.3%
GP Margin	%	37.0%	35.0%	200bps
EBITDA	AED Mio	129.7	126.1	2.9%
EBITDA Margin	%	16.6%	17.4%	-80bps
Reported Net Income/(Loss)	AED Mio	69.7	62.7	11.3%
Reported Net Income / (Loss) margin	%	8.9%	8.7%	200bps
Net income before one-off, provisions & strategic gains	AED Mio	70.8	63.5	11.6%
Net income margin before one-off, provisions & strategic gains	%	9.0%	8.8%	20bps
Reported Profit / (Loss) after NCI (Minority)	AED Mio	56.6	60.7	-6.7%
Reported Earnings per share	AED	0.06	0.06	-
Particulars	Unit	31 March 2021	31 December 2021	Change
Total Assets	AED Mio	5,090.7	5,096.7	-0.1%
Share Capital	AED Mio	993.7	993.7	-
Shareholder's Equity	AED Mio	2,203.0	2,231.6	-1.3%
Net Debt	AED Mio	975.2	971.2	0.4%
Net Debt / EBITDA	Times	1.9	1.9	-
Cost of Debt	%	3.3%	3.4%	-80bps

## CSR activities, exhibitions, sponsorships and awards

While the exhibitions would be held in later part of the year, the Company participated in Earth Day tree plantation as well as Can Collection Campaign during the three months to 31 March 2022. During this period, the delegates from Kyrgyzstan, Israel Builders Association and Abassador of India to the UAE visited RAK facility.

## Future Outlook

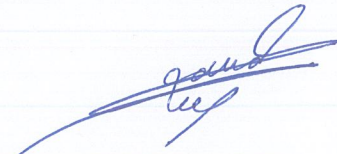
We remain focused on positioning ourselves as a trusted lifestyle solution provider and work towards growing and optimizing our portfolio. This included, most recently, our 100% acquisition of KLUDI Group, a significant step towards our shared vision of delivering world class service and quality products for our customers whilst also creating strong shareholder value. We continue working towards protecting our market share in our core markets by focusing on brand positioning, product differentiation, sustainable investments and digital transformation.

## Financial Reporting

The 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 of Directors 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.



Chairman

11 MAY 2022



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 2022*

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

Condensed consolidated interim financial information  
31 March 2022

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## INDEPENDENT AUDITOR'S REVIEW REPORT

**The Board of Directors  
R.A.K Ceramics P.J.S.C.  
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 2022 and the related condensed consolidated statements of profit or loss, profit or loss and other 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.

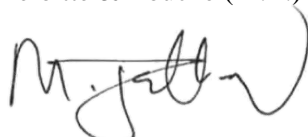
### *Scope of Review*

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 Jallad  
Registration No. 1164  
11 May 2022  
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 2022

	Three month period ended 31 March		
	Notes	2022 AED'000	2021 AED'000
<b>Revenue</b>	5	<b>783,063</b>	722,771
Cost of sales	6	<b>(493,711)</b>	(469,725)
<b>Gross profit</b>		<b>289,352</b>	253,046
Administrative and general expenses	7	<b>(50,131)</b>	(49,438)
Selling and distribution expenses	8	<b>(161,459)</b>	(125,616)
Other operating income		<b>20,144</b>	10,449
Finance costs	9	<b>(17,842)</b>	(29,097)
Finance income	9	<b>1,667</b>	11,685
Loss on net monetary position	25	<b>(683)</b>	(518)
Share of profit in equity accounted investees	10	<b>3,075</b>	3,455
<b>Profit before impairment loss</b>		<b>84,123</b>	73,966
Impairment loss on trade receivables and due from related parties	7(i)	<b>(7,480)</b>	(5,661)
<b>Profit before tax</b>		<b>76,643</b>	68,305
Tax expense		<b>(6,908)</b>	(5,630)
<b>Profit for the period</b>		<b>69,735</b>	62,675
<i>Profit attributable to:</i>			
Owners of the Company		<b>56,589</b>	60,674
Non-controlling interests		<b>13,146</b>	2,001
<b>Profit for the period</b>		<b>69,735</b>	62,675
<b>Earnings per share</b>			
- basic and diluted (AED)	11	<b>0.06</b>	0.06

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 2022

	Three month period ended 31 March	
	2022 AED'000	2021 AED'000
<b>Profit for the period</b>	<b>69,735</b>	62,675
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign exchange differences on translation of foreign operations	<b>(1,091)</b>	(1,406)
Cash flow hedges – effective portion of changes in fair value loss on hedging instruments	<b>16,087</b>	11,139
Effects of application of hyperinflation accounting (Note 25)	<b>1,665</b>	1,563
<b>Total comprehensive income for the period</b>	<b>86,396</b>	73,971
<i>Total comprehensive income attributable to:</i>		
Owners of the Company	<b>74,419</b>	72,154
Non-controlling interests	<b>11,977</b>	1,817
<b>Total comprehensive income for the period</b>	<b>86,396</b>	73,971

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 2022*

	Notes	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	1,078,604	1,088,236
Goodwill	13	120,317	120,500
Right-of-use assets		79,866	69,881
Intangible assets		19,198	20,531
Investment properties	14	917,466	918,826
Investments in equity accounted investees	10	58,061	55,006
Long-term receivables	15(i)	2,469	2,505
Derivative financial assets	18	9,015	2,811
Deferred tax assets		3,614	3,720
<b>Total non-current assets</b>		<b>2,288,610</b>	<b>2,282,016</b>
<b>Current assets</b>			
Inventories	16	1,091,147	1,086,048
Trade and other receivables	15	1,102,586	1,124,477
Due from related parties	17	32,880	36,988
Derivative financial assets	18	2,497	1,866
Bank deposits with an original maturity of more than three months	19	93,146	202,339
Cash and cash equivalents	19	479,795	362,982
<b>Total current assets</b>		<b>2,802,051</b>	<b>2,814,700</b>
<b>Total assets</b>		<b>5,090,661</b>	<b>5,096,716</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	20	993,703	993,703
Reserves		1,209,331	1,237,856
<b>Equity attributable to owners of the Company</b>		<b>2,203,034</b>	<b>2,231,559</b>
Non-controlling interests		218,698	226,535
<b>Total equity</b>		<b>2,421,732</b>	<b>2,458,094</b>
<b>Non-current liabilities</b>			
Islamic bank financing	21a(ii)	279,463	303,309
Interest bearing bank financing	21b(ii)	511,391	480,639
Provision for employees' end of service benefits		84,807	82,740
Lease liabilities		59,576	48,164
Derivative financial liabilities	18	-	1,157
Deferred tax liabilities		10,570	10,131
<b>Total non-current liabilities</b>		<b>945,807</b>	<b>926,140</b>
<b>Current liabilities</b>			
Islamic bank financing	21a(i)	254,589	212,365
Interest bearing bank financing	21b(i)	502,683	540,187
Trade and other payables	22	714,458	711,206
Due to related parties	17	34,443	28,343
Derivative financial liabilities	18	1,097	7,853
Lease liabilities		25,138	25,726
Provision for taxation		190,714	186,802
<b>Total current liabilities</b>		<b>1,723,122</b>	<b>1,712,482</b>
<b>Total liabilities</b>		<b>2,668,929</b>	<b>2,638,622</b>
<b>Total equity and liabilities</b>		<b>5,090,661</b>	<b>5,096,716</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

11 MAY 2022

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 2022

	Three month period ended 31 March	
	2022	2021
	AED'000	AED'000
<b>Operating activities</b>		
Profit for the period before tax	76,643	68,305
<i>Adjustments for:</i>		
Share of profit in equity accounted investees	(3,075)	(3,455)
Interest expense	10,556	12,144
Profit expense on Islamic bank financing	2,192	3,581
Interest income	(1,602)	(1,598)
Profit on wakala deposits	(65)	(44)
Interest expense on lease liabilities	1,145	1,200
Net change in derivative financial instruments	1,339	(10,043)
(Gain)/loss on disposal of property, plant and equipment	(40)	68
Depreciation on property, plant and equipment	30,521	32,291
Depreciation on investment properties	2,626	2,519
Amortisation of intangible assets	1,489	1,870
Depreciation of right-of-use assets	6,233	5,770
Provision for employees' end-of-service benefits	3,836	3,551
Loss on net monetary position	683	518
Allowance for slow moving inventories	7,558	18,018
Write-down of cost of finished goods	3,277	2,457
Impairment loss on trade receivables	7,480	5,646
Impairment loss on due from related parties	-	15
	<b>150,796</b>	<b>142,813</b>
Changes in:		
- inventories	(15,934)	27,185
- trade and other receivables (including long-term portion)	15,541	(42,797)
- due from related parties	4,108	1,586
- trade and other payables	(6,748)	41,060
- advance received against assets held for sale	-	30,899
- due to related parties	6,100	5,550
Income tax paid	(3,545)	(3,114)
Employees' end-of-service benefits paid	(1,695)	(1,973)
Currency translation adjustments	2,123	2,262
<b>Net cash generated from operating activities</b>	<b>150,746</b>	<b>203,471</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 2022 (continued)

	Three month period ended 31 March	
	2022	2021
	AED'000	AED'000
<b>Investing activities</b>		
Additions to property, plant and equipment	(23,654)	(16,178)
Proceeds from disposal of property, plant and equipment	155	207
Additions to intangible assets	(221)	(105)
Dividend received from equity accounted investees	289	107
Interest received	1,602	1,598
Profit received on Wakala deposits	65	44
Proceeds on/(deposits made) maturity of bank deposits with an original maturity of more than three months	109,193	(22,288)
<b>Net cash generated from/(used in) investing activities</b>	<b>87,429</b>	<b>(36,615)</b>
<b>Financing activities</b>		
Long-term bank financing availed	96,538	50,000
Long-term bank financing repaid	(51,148)	(40,493)
Long-term Islamic bank financing repaid	(28,270)	(73,293)
Repayment of lease liabilities	(7,482)	(6,829)
Short-term bank financing availed	142,558	161,056
Short-term bank financing repaid	(164,304)	(197,385)
Short-term Islamic bank financing availed	97,901	46,273
Short-term Islamic bank financing repaid	(51,253)	(35,939)
Interest paid	(10,556)	(12,144)
Profit paid on Islamic bank financing	(2,192)	(3,581)
Remuneration paid to Board of Directors	(888)	-
Dividend paid	(99,370)	(74,528)
Dividend paid to non-controlling interests	(12,500)	(4,240)
<b>Net cash used in financing activities</b>	<b>(90,966)</b>	<b>(191,103)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>147,209</b>	<b>(24,247)</b>
Cash and cash equivalents at the beginning of the period	294,081	366,078
<b>Net cash and cash equivalents at the end of the period</b>	<b>441,290</b>	<b>341,831</b>
<b>Represented by:</b>		
Cash and cash equivalents	479,795	474,633
Bank overdraft	(38,505)	(132,802)
	<b>441,290</b>	<b>341,831</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 changes in equity (unaudited)**  
*for the three month period ended 31 March 2022*

	Attributable to owners of the Company										Non-controlling interests (NCI)	Total equity	
	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
<b>Balance at 1 January 2022</b>	<b>993,703</b>	<b>221,667</b>	<b>568,803</b>	<b>(130,569)</b>	<b>(168,321)</b>	<b>(9,010)</b>	<b>82,805</b>	<b>75,040</b>	<b>597,441</b>	<b>1,237,856</b>	<b>2,231,559</b>	<b>226,535</b>	<b>2,458,094</b>
<b>Total comprehensive income/(loss) for the period (unaudited)</b>													
Profit for the period	-	-	-	-	-	-	-	-	56,589	56,589	56,589	13,146	69,735
<b>Other comprehensive income/(loss)</b>													
Foreign exchange differences on translation of foreign operations	-	-	-	(2,268)	2,346	-	-	-	-	78	78	(1,169)	(1,091)
Changes in cash flow hedges	-	-	-	-	-	16,087	-	-	-	16,087	16,087	-	16,087
Effects of application of IAS 29 (refer Note 25)	-	-	-	-	1,665	-	-	-	-	1,665	1,665	-	1,665
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,268)</b>	<b>4,011</b>	<b>16,087</b>	<b>-</b>	<b>-</b>	<b>56,589</b>	<b>74,419</b>	<b>74,419</b>	<b>11,977</b>	<b>86,396</b>
<b>Other equity movements (unaudited)</b>													
Directors' annual remuneration (refer Note 23(ii))	-	-	-	-	-	-	-	-	(3,574)	(3,574)	(3,574)	-	(3,574)
<b>Transaction with owners (unaudited)</b>													
Dividend paid (refer Note 23(i))	-	-	-	-	-	-	-	-	(99,370)	(99,370)	(99,370)	-	(99,370)
Dividend declared to NCI	-	-	-	-	-	-	-	-	-	-	-	(19,814)	(19,814)
<b>Balance at 31 March 2022 (unaudited)</b>	<b>993,703</b>	<b>221,667</b>	<b>568,803</b>	<b>(132,837)</b>	<b>(164,310)</b>	<b>7,077</b>	<b>82,805</b>	<b>75,040</b>	<b>551,086</b>	<b>1,209,331</b>	<b>2,203,034</b>	<b>218,698</b>	<b>2,421,732</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 2022 (continued)

	Attributable to owners of the Company										Non-controlling interests (NCI)	Total equity	
	Share capital	Share premium	Legal reserve	Translation reserve	Hyper-inflation reserve*	Reserves				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
<b>Balance at 1 January 2021</b>	<b>993,703</b>	<b>221,667</b>	<b>568,020</b>	<b>(116,913)</b>	<b>(175,012)</b>	<b>(33,814)</b>	<b>82,805</b>	<b>75,040</b>	<b>527,501</b>	<b>1,149,294</b>	<b>2,142,997</b>	<b>206,902</b>	<b>2,349,899</b>
<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>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,509)</b>	<b>1,850</b>	<b>11,139</b>	<b>-</b>	<b>-</b>	<b>60,674</b>	<b>72,154</b>	<b>72,154</b>	<b>1,817</b>	<b>73,971</b>
<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 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 2022

### 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 a Public Shareholding Company. The registered address of the Company is P.O. Box 4714, Al Jazeera 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 2022 comprises the financial information of the Company and its subsidiaries (collectively referred to as the “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, within the UAE as well as 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.

Federal Law No. 32 of 2021 on Commercial Companies (the “New Companies Law”) was issued on 20 September 2021 and has come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the “2015 Law”). The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

### 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 2021, 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 2022. 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 relating IAS 16, IAS 37, IFRS 3 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16.
- Amendments to IFRS 9 clarifying 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.

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 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 2022

### 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 of liabilities. Effective for annual period beginning on or after 1 January 2023.
- IFRS 4 ‘Insurance contracts’ 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 regarding Disclosure of Accounting policies (IAS 1 and IFRS practice statement 2), amendments to IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’—Definition of Accounting Estimates and Amendments to IAS 12 ‘Income Taxes’—Deferred Tax related to Assets and Liabilities arising from a Single Transaction (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 used in the preparation of this condensed consolidated interim financial information are consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 2021.

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 2021. No income of a seasonal nature was recorded in the condensed consolidated statement of profit or loss for the three month periods ended 31 March 2022 and 2021. In addition, results for the three month period ended 31 March 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

### 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 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 2022

### 5. Revenue

	Three month period ended 31 March	
	2022	2021
	AED'000	AED'000
	(unaudited)	(unaudited)
Sale of goods	778,009	720,827
Others	5,054	1,944
	<b>783,063</b>	<b>722,771</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	
	2022	2021
	AED'000	AED'000
	(unaudited)	(unaudited)
Raw materials consumed	254,755	206,485
Change in inventory of finished goods	(2,699)	36,666
Allowance for slow moving inventories	7,558	18,018
Direct labor	53,607	48,215
Power and fuel	26,880	31,612
LPG and natural gas	59,889	43,767
Depreciation on property, plant and equipment	25,007	27,129
Depreciation of right-of-use assets	13	145
Repairs and maintenance expense	26,653	24,407
Packing material expenses	29,866	25,517
Others	12,182	7,764
	<b>493,711</b>	<b>469,725</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 2022

### 7. Administrative and general expenses

	Three month period ended 31 March	
	2022	2021
	AED'000	AED'000
	(unaudited)	(unaudited)
Staff salaries and other associated costs	22,948	23,159
Depreciation on property, plant and equipment	2,904	3,197
Depreciation on investment properties	2,626	2,519
Depreciation of right-of-use assets	182	38
Amortization of intangible assets	1,489	1,870
Telephone, postal and office supplies	1,153	1,070
Repairs and maintenance expenses	1,627	1,286
Legal and professional fees	3,573	2,445
Utility expenses	1,016	900
Security charges	408	339
Information technology licenses and consultancy expenses	3,014	3,889
Expenses on investment properties	1,598	1,573
Others	7,593	7,153
	<b>50,131</b>	<b>49,438</b>

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

	Three month period ended 31 March	
	2022	2021
	AED'000	AED'000
	(unaudited)	(unaudited)
Impairment loss on trade receivables	7,480	5,646
Impairment loss on due from related parties	-	15
	<b>7,480</b>	<b>5,661</b>

### 8. Selling and distribution expenses

	Three month period ended 31 March	
	2022	2021
	AED'000	AED'000
	(unaudited)	(unaudited)
Staff salaries and other associated costs	37,644	31,763
Freight and transportation	88,155	62,765
Agents' commission	8,258	7,146
Advertisement and promotions expenses	11,644	9,988
Rental expenses	593	943
Travel and entertainment expenses	1,099	343
Depreciation on property, plant and equipment	2,610	1,965
Depreciation of right-of-use assets	6,038	5,587
Others	5,418	5,116
	<b>161,459</b>	<b>125,616</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 2022

### 9. Finance costs and income

	Three month period ended 31 March	
	2022 AED'000 (unaudited)	2021 AED'000 (unaudited)
<b>Finance costs</b>		
Interest on bank financing	10,546	12,130
Profit expense on Islamic financing	2,192	3,581
Interest on amount due to related parties (refer Note 17)	10	14
Interest expense on lease liabilities	1,145	1,200
Net change in the fair value of derivatives	1,339	-
Bank charges	1,047	692
Net foreign exchange loss	1,563	11,480
<b>Total (A)</b>	<b>17,842</b>	<b>29,097</b>
<b>Finance income</b>		
Interest on bank deposits	1,602	1,598
Profit on wakala deposits	65	44
Net change in the fair value of derivatives	-	10,043
<b>Total (B)</b>	<b>1,667</b>	<b>11,685</b>
<b>Net finance costs (A-B)</b>	<b>16,175</b>	<b>17,412</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 2022 amounted to AED 3.08 million (unaudited) (three month period ended 31 March 2021 (unaudited): AED 3.46 million).

The Group has received AED 0.29 million (unaudited) as dividends during the current period from its equity accounted investees (three month period ended 31 March 2021 (unaudited): AED 0.11 million).

### 11. Earnings per share

	Three month period ended 31 March	
	2022 (unaudited)	2021 (unaudited)
Profit attributable to the owners of the Company (AED'000)	56,589	60,674
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>0.06</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 2022

### 12. Property, plant and equipment

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

During the three month period ended 31 March 2022, the Group has acquired property, plant and equipment and made additions to capital work in progress amounting to AED 23.65 million (three month period ended 31 March 2021: AED 16.18 million).

Property, plant and equipment with a carrying amount of AED 0.12 million were disposed of during the current period (three month period ended 31 March 2021: AED 0.28 million) resulting in a gain on disposal of AED 0.04 million (loss on disposal, three month period ended 31 March 2021: AED 0.07 million) 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 30.52 million (three month period ended 31 March 2021: AED 32.29 million). Below is the breakdown of property, plant and equipment inside and outside the U.A.E:

	<b>31 March 2022 AED'000 (unaudited)</b>	31 December 2021 AED'000 (audited)
Inside U.A.E	<b>719,012</b>	723,047
Outside U.A.E	<b>359,592</b>	365,189
	<b>1,078,604</b>	1,088,236

### 13. Goodwill

	<b>31 March 2022 AED'000 (unaudited)</b>	31 December 2021 AED'000 (audited)
Opening balance	<b>120,500</b>	120,561
Effects of movements in exchange rate	<b>(183)</b>	(61)
Closing balance	<b>120,317</b>	120,500

Goodwill comprises AED 50.4 million, AED 5.5 million, AED 5.9 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 2022

### 14. Investment properties

	<b>31 March 2022 AED'000 (unaudited)</b>	31 December 2021 AED'000 (audited)
Inside U.A.E	<b>877,876</b>	880,222
Outside U.A.E	<b>39,590</b>	38,604
	<hr/> <b>917,466</b> <hr/>	<hr/> 918,826 <hr/>

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 2021 (audited) amounted to AED 1,028.05 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 2022.

The fair value of the Group's investment properties as at 31 December 2021 and the prior year has been arrived at on the basis of an independent property valuation as of those dates. 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 current and prospective economic impact of the COVID 19 pandemic, the valuers have 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 2022 (31 December 2021: 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 2022

### 15. Trade and other receivables

	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Trade receivables	895,138	965,755
Less: Allowance for expected credit loss	(194,147)	(229,633)
<b>Subtotal (A)</b>	<b>700,991</b>	<b>736,122</b>
Other receivables	124,136	119,886
Less: Allowance for expected credit loss	(6,239)	(9,933)
<b>Subtotal (B)</b>	<b>117,897</b>	<b>109,953</b>
Advances and prepayments (C)	254,759	250,762
Deposits (D)	28,939	27,640
<b>Total (A+B+C+D)</b>	<b>1,102,586</b>	<b>1,124,477</b>

#### (i) Long-term receivables

	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Trade receivables	3,184	3,262
Less: Allowance for expected credit loss	(210)	(252)
	<b>2,974</b>	<b>3,010</b>
Less : current portion included in trade receivables	(505)	(505)
<b>Long-term trade receivables (A)</b>	<b>2,469</b>	<b>2,505</b>
Other receivables	108,114	108,114
Less : Allowance for expected credit loss	(32,808)	(32,808)
	<b>75,306</b>	<b>75,306</b>
Less: current portion included in other receivables	(75,306)	(75,306)
<b>Long-term other receivables (B)</b>	<b>-</b>	<b>-</b>
<b>Long-term receivables (A+B)</b>	<b>2,469</b>	<b>2,505</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 2022

### 16. Inventories

	<b>31 March 2022 AED'000 (unaudited)</b>	31 December 2021 AED'000 (audited)
Finished goods (net of net realizable value adjustments)	<b>848,320</b>	840,895
Less : Allowance for slow moving inventories	<b>(138,287)</b>	(136,305)
<b>Subtotal (A)</b>	<b>710,033</b>	704,590
Raw materials	<b>220,066</b>	227,212
Consumables, stores and spares	<b>189,070</b>	186,545
	<b>409,136</b>	413,757
Less : Allowance for slow-moving inventories	<b>(73,375)</b>	(72,848)
<b>Subtotal (B)</b>	<b>335,761</b>	340,909
Goods-in-transit (C)	<b>24,622</b>	19,314
Work-in-progress (D)	<b>20,731</b>	21,235
<b>Total (A+B+C+D)</b>	<b>1,091,147</b>	1,086,048

At 31 March 2022, the Group has recognized a cumulative loss due to write-down of finished goods inventories of AED 161.83 million against cost of AED 433.85 million (*31 December 2021 (audited): AED 158.84 million against cost of AED 408.73 million*) to bring it to its net realizable value which was lower than the cost. The difference in the write down of AED 3.28 million (unaudited) (*three month period ended 31 March 2021 (unaudited): AED 2.46 million*) is included in cost of sales in the condensed consolidated statement of profit or loss with a currency loss of AED 0.28 million for the period (unaudited) (*three month period ended 31 March 2021 (unaudited): AED 0.02 million*).

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>2022</b>	2021
	<b>AED'000</b>	AED'000
	<b>(unaudited)</b>	(unaudited)
Sale of goods and services and construction contracts	<b>36,666</b>	29,482
Purchase of goods and rendering of services	<b>61,584</b>	57,315
Interest expense (refer Note 9)	<b>10</b>	14



# 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 2022

### 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	
	2022 AED'000 (unaudited)	2021 AED'000 (unaudited)
Short-term benefits	2,919	2,397
Staff terminal benefits	60	58
Board of Directors' remuneration	3,574	1,850

#### Due from related parties

	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Equity accounted investees	40,340	40,485
Other related parties	32,820	36,785
	73,160	77,270
Less : Allowance for expected credit loss	(40,280)	(40,282)
	32,880	36,988

#### Due to related parties

	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Equity accounted investees	12,696	10,056
Other related parties	21,747	18,287
	34,443	28,343

# 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 2022

### 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 2022 AED'000 (unaudited)</b>	31 December 2021 AED'000 (audited)
<b>Non-current</b>		
<b>Derivative financial assets</b>		
Interest rate swaps used for hedging	8,174	-
Other currency and interest rate swaps	841	2,811
	<b>9,015</b>	<b>2,811</b>
<b>Non-current</b>		
<b>Derivative financial liabilities</b>		
Interest rate swaps used for hedging	-	1,157
	-	1,157
<b>Current</b>		
<b>Derivative financial assets</b>		
Forward exchange contracts	1,666	396
Other currency and interest rate swaps	831	1,470
	<b>2,497</b>	<b>1,866</b>
<b>Current</b>		
<b>Derivative financial liabilities</b>		
Interest rate swaps used for hedging	1,097	7,853
	<b>1,097</b>	<b>7,853</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 2022

### 19. Bank balances and cash

	<b>31 March 2022 AED'000 (unaudited)</b>	31 December 2021 AED'000 (audited)
Cash in hand	2,017	1,429
Cash at bank		
- in bank deposits with maturity of less than three months	62,291	-
- in current accounts	384,447	333,243
- in margin deposits	5,811	5,223
- in call accounts	25,412	23,270
Cash and cash equivalents	479,978	363,165
Less : Allowance for expected credit loss	(183)	(183)
Cash and cash equivalents (A)	479,795	362,982
Bank deposits with an original maturity of more than three months (B)	93,146	202,339
Bank balances and cash (A+B)	572,941	565,321

Cash in hand and cash at bank includes AED 0.33 million (31 December 2021 (audited): AED 0.49 million) and AED 163.32 million (31 December 2021 (audited): AED 139.98 million) respectively, held outside UAE.

All bank deposits carry interest at normal commercial rates and include AED 0.45 million (31 December 2021 (audited): AED 0.46 million) which are held by bank under lien against bank facilities availed by the Group.

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

### 20. Share Capital

	<b>31 March 2022 AED'000 (unaudited)</b>	31 December 2021 AED'000 (audited)
<b>Authorised, issued and paid up</b>		
170,000,000 shares of AED 1 each paid up in cash	170,000	170,000
823,703,958 shares of AED 1 each issued as bonus shares	823,703	823,703
	993,703	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 2022

### 21. Bank financing arrangements

#### (a) Islamic bank financing

	<b>31 March 2022 AED'000 (unaudited)</b>	31 December 2021 AED'000 (audited)
<b>(i) Short-term</b>		
Mudaraba facilities (A)	95,310	50,000
Commodity Murabaha facilities (B)	62,591	61,253
Current portion of long-term financing (refer note (ii) below)	96,688	101,112
	<b>254,589</b>	<b>212,365</b>
	<b>31 March 2022 AED'000 (unaudited)</b>	31 December 2021 AED'000 (audited)
<b>(ii) Long-term – Islamic bank financing</b>		
Commodity Murabaha facilities (B)	166,894	184,668
Ijarah facilities (C)	209,257	219,753
Less : current portion of long-term financing	(96,688)	(101,112)
	<b>279,463</b>	<b>303,309</b>
	<b>31 March 2020 AED'000 (unaudited)</b>	31 December 2021 AED'000 (audited)
<b>Movement:</b>		
Balance as at 1 January	404,421	556,138
Availed during the period/ year	-	-
Repaid during the period/ year	(28,270)	(151,717)
<b>Balance as at end of the period/ year</b>	<b>376,151</b>	<b>404,421</b>
Less : current portion included in short-term (refer 21 (a)(i))	(96,688)	(101,112)
	<b>279,463</b>	<b>303,309</b>

The securities provided against these facilities are the same as those mentioned in the audited annual consolidated financial statements of the Group for the year ended 31 December 2021.

- (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 2022

### 21. Bank financing arrangements (continued)

#### (b) Interest bearing bank financing

	<b>31 March 2022 AED'000 (unaudited)</b>	31 December 2021 AED'000 (audited)
<b>(i) Short-term</b>		
Bank overdraft	38,505	68,901
Short-term loan	232,368	254,114
Current portion of long-term financing (refer note (ii) below)	231,810	217,172
	<b>502,683</b>	540,187
<b>(ii) Long-term bank loans</b>		
Balance as at 1 January	697,811	591,226
Availed during the period/ year	96,538	386,618
Repaid during the period/ year	(51,148)	(280,033)
Balance as at end of the period/ year	743,201	697,811
Less : current portion of long-term financing (refer 21 (b)(i))	(231,810)	(217,172)
	<b>511,391</b>	480,639

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 2021.

### 22. Trade and other payables

	<b>31 March 2022 AED'000 (unaudited)</b>	31 December 2021 AED'000 (audited)
Trade payables	312,962	310,796
Accrued and other expenses	204,845	215,169
Advance from customers	86,622	78,450
Commission and rebates payable	55,689	60,847
Other payables	54,340	45,944
	<b>714,458</b>	711,206

### 23. Dividend and Directors' fee

- (i) At the Annual General Meeting (AGM) held on 15 March 2022, the shareholders approved a cash dividend of 10 % amounting to AED 99,370 thousand (2020: cash dividend of 7.5% amounting to AED 74,528 thousand).
- (ii) At the Annual General Meeting (AGM) held on 15 March 2022, the shareholders approved the Directors' remuneration amounting to AED 3,700 thousand for the year ended 31 December 2021, the actual payout was AED 3,574 thousand based on the number of Directors in post (for the year ended 31 December 2020: approved and paid AED 1,850 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 2022

### 24. Contingent liabilities and commitments

	<b>31 March 2022 AED'000 (unaudited)</b>	31 December 2021 AED'000 (audited)
<b>Contingent liabilities</b>		
Letters of guarantee	<b>65,685</b>	59,010
Letters of credit	<b>94,357</b>	35,250
Value added tax and other tax contingencies	<b>95,156</b>	95,183
<b>Commitments</b>		
Capital commitments	<b>26,994</b>	64,349

### 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 2021 or during the three month period ended 31 March 2022. The total assets of the Iranian subsidiary were 0.70% of the Group's consolidated total assets as at 31 March 2022 (31 December 2021 (audited): 0.61%)

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 2022	<b>401.50</b>	1.0588
31 December 2021	<b>379.20</b>	1.3514
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 impact resulting from changes in the general purchasing power until 31 December 2021 were reported in Hyperinflation reserve directly as a component of equity and the impacts of changes in the general purchasing power from 1 January 2022 are reported through the condensed consolidated statement of profit or loss in a separate line as a loss on net monetary position, besides having the impact on depreciation charge for the period.
- All items in the consolidated statement of profit or loss are restated by applying the relevant quarterly average or year-end conversion factors.

# 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 2022

### 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 2022 AED'000 (unaudited)</b>	1 January 2021 AED'000 (unaudited)
<b><i>Impact on condensed consolidated statement of financial position</i></b>		
Increase in property, plant and equipment	<b>494</b>	457
Increase in investment properties	<b>587</b>	551
Increase in other assets	<b>584</b>	555
Increase in equity	<b>1,665</b>	1,563
<i>Allocated to:</i>		
Increase in opening equity due to cumulative hyperinflation	<b>1,665</b>	1,563
<b>Three month period ended 31 March</b>		
	<b>2022 AED'000 (unaudited)</b>	2021 AED'000 (unaudited)
<b><i>Impact on condensed consolidated statement of profit or loss</i></b>		
Increase in depreciation charge for the period	<b>422</b>	301
Loss on net monetary position	<b>683</b>	518
	<b>1,105</b>	819

### 26. Other information

In March 2022, the Group signed a Share Purchase Agreement to acquire 100% of the shares of KLUDI Group, including the balance of 49% shares in KLUDI RAK LLC, UAE, it did not own, at a purchase consideration of EUR 18.8 million (AED 76 million). The transaction is subject to closing conditions, which have not been met until this condensed consolidated interim financial information is authorized for issue. Therefore it will be accounted for once all the conditions are satisfied.

### 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 2022

### 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 products AED'000	Other industrial AED'000	Others AED'000	Elimination AED'000	Total AED'000
<b>Three month period ended 31 March 2022 (unaudited)</b>					
External revenue	753,468	24,541	5,054	-	783,063
Intersegment revenue	154,068	24,177	439	(178,684)	-
<b>Segment revenue</b>	<b>907,536</b>	<b>48,718</b>	<b>5,493</b>	<b>(178,684)</b>	<b>783,063</b>
Segment profit	87,801	7,280	2,688	(28,034)	69,735
Segment EBITDA	146,114	8,630	4,062	(29,108)	129,698
<b>As at 31 March 2022 (unaudited)</b>					
Segment assets	6,347,260	199,353	284,459	(1,740,411)	5,090,661
Segment liabilities	3,422,642	75,486	103,411	(932,610)	2,668,929
<hr/>					
	Ceramic products AED'000	Other industrial AED'000	Others AED'000	Elimination AED'000	Total 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 December 2021 (audited)</b>					
Segment assets	6,341,163	192,576	284,241	(1,721,264)	5,096,716
Segment liabilities	3,366,230	73,754	105,224	(906,586)	2,638,622



# 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 2022

### 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	
	2022	2021
	AED'000	AED'000
	(unaudited)	(unaudited)
Total profit or loss for reportable segments	94,694	77,490
Elimination of inter-segment profits	(28,034)	(18,270)
Share of profit of equity accounted investees	3,075	3,455
<b>Reported profit</b>	<b>69,735</b>	<b>62,675</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 2022

### 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 hedging instruments AED'000	Mandatory at FVTPL* AED'000	Financial assets at amortised cost AED'000	Financial liabilities at amortised cost AED'000	Total AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000	
<b>31 March 2022 (unaudited)</b>										
<b>Financial assets measured at fair value</b>										
Interest rate swaps used for hedging	8,174	-	-	-	8,174	-	8,174	-	8,174	
Forward exchange contracts	-	1,666	-	-	1,666	-	1,666	-	1,666	
Other currency and interest rate swap	-	1,672	-	-	1,672	-	1,672	-	1,672	
	<b>8,174</b>	<b>3,338</b>	-	-	<b>11,512</b>	-	<b>11,512</b>	-	<b>11,512</b>	
<b>Financial assets measured at amortised cost</b>										
Long-term receivables	-	-	2,469	-	2,469	-	-	-	-	
Trade and other receivables	-	-	847,827	-	847,827	-	-	-	-	
Due from related parties	-	-	32,880	-	32,880	-	-	-	-	
Bank balances and cash	-	-	572,941	-	572,941	-	-	-	-	
	-	-	<b>1,456,117</b>	-	<b>1,456,117</b>	-	-	-	-	
<b>Financial liabilities measured at fair value</b>										
Interest rate swaps used for hedging	1,097	-	-	-	1,097	-	1,097	-	1,097	
	<b>1,097</b>	-	-	-	<b>1,097</b>	-	<b>1,097</b>	-	<b>1,097</b>	
<b>Financial liabilities measured at amortised cost</b>										
Islamic bank financing	-	-	-	534,052	534,052	-	-	-	-	
Interest bearing bank financing	-	-	-	1,014,074	1,014,074	-	-	-	-	
Trade and other payables	-	-	-	627,836	627,836	-	-	-	-	
Due to related parties	-	-	-	34,443	34,443	-	-	-	-	
Lease liabilities	-	-	-	84,714	84,714	-	-	-	-	
	-	-	-	<b>2,295,119</b>	<b>2,295,119</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 2022

### 28. Financial instruments (continued)

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

	-----Carrying value-----					-----Fair value-----			
	Fair value hedging instruments AED'000	Mandatory at FVTPL* AED'000	Financial assets at amortized cost AED'000	Financial liabilities at amortised cost AED'000	Total AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
<b>31 December 2021 (audited)</b>									
<b>Financial assets measured at fair value</b>									
Forward exchange contracts	-	396	-	-	396	-	396	-	396
Other currency and interest swaps	-	4,281	-	-	4,281	-	4,281	-	4,281
	-	4,677	-	-	4,677	-	4,677	-	4,677
<b>Financial assets measured at amortized cost</b>									
Long-term receivables	-	-	2,505	-	2,505	-	-	-	-
Trade and other receivables	-	-	873,715	-	873,715	-	-	-	-
Due from related parties	-	-	36,988	-	36,988	-	-	-	-
Bank balances and cash	-	-	565,321	-	565,321	-	-	-	-
	-	-	1,478,529	-	1,478,529	-	-	-	-
<b>Financial liabilities measured at fair value</b>									
Interest rate swaps used for hedging	9,010	-	-	-	9,010	-	9,010	-	9,010
	9,010	-	-	-	9,010	-	9,010	-	9,010
<b>Financial liabilities measured at amortized cost</b>									
Islamic bank financing	-	-	-	515,674	515,674	-	-	-	-
Interest bearing bank financing	-	-	-	1,020,826	1,020,826	-	-	-	-
Trade and other payables	-	-	-	632,756	632,756	-	-	-	-
Due to related parties	-	-	-	28,343	28,343	-	-	-	-
Lease liabilities	-	-	-	73,890	73,890	-	-	-	-
	-	-	-	2,271,489	2,271,489	-	-	-	-

# 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 2022*

## **29. 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 11 May 2022.