



Condensed Consolidated
Interim Financial Information

30 September 2022

RAK Ceramics PJSC and its Subsidiaries

Condensed consolidated interim financial information
30 September 2022

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Report of the Board of Directors



On financial performance during the nine months period ending 30th September 2022
08 November 2022

Dear Members,

It is our pleasure to present the business & operations report for the nine months period ending 30th September 2022, along with the consolidated financial information for the Group for the same period.

Snapshots for Q3 2022

- *Total revenue in Q3 2022 increased by 32.4% YoY to AED 906.4 million*
- *Reported net profit increased by 42.0% YoY to AED 90.1 million in Q3 2022*
- *Q3 2022 total EBITDA increased by 18.3% YoY to AED 145.8 million*
- *Stake in RAK Porcelain reached 91% following 4% addition in Q3 2022*
- *Executed contract for sale of land in Australia for a consideration of AUD 28 million*

RAK Ceramics achieved a solid performance in Q3 2022 supported by strong operational capabilities despite navigating through challenging macro-economic conditions. This quarter the Company strengthened its foundation, especially in terms of brand positioning, productivity, efficiency and sustainability, to further solidify its growth and build shareholder value. Additionally, the Company progressed notably on various expansionary fronts, and the Company remains in line with our expansionary priorities set for this year. The Company also focused on advancing in terms of integration plan for KLUDI Group and on finalizing its position in its Tableware subsidiary, RAK Porcelain; the Company foresees the fruits of such acquisitions to be seen progressively over the upcoming quarters.

Today, the Company is humbly proud of its performance as the Company was capable not just to withstand current market dynamics, but also to continue recording growth in top-line and increase in profitability. It is truly its diversification strategy and its strong brand equity that allowed it to be well positioned against current macro-economic headwinds and the Company continues to invest its efforts to maintain both.

Strategic Highlights

RAK Ceramics realized further advancements in terms of expansionary plans and Greenfield projects. In the UAE, the Company is working on enhancement and additions to its capacity for Tiles, Sanitaryware and Tableware divisions; commercial production post completion of such projects are estimated to be materialized in 2023. In Bangladesh, the Company acquired land in Aug 2022 for the set-up of recently approved green-field project. As of 30 September 2022, the company acquired further 4% stake in RAK Porcelain, bringing RAK Ceramics ownership position up to 91% following an all-cash proposal shared to minority shareholders. In Saudi Arabia, RAK Ceramics signed a Conditional Investment Agreement with the Royal Commission of Jubail & Yanbu, which stipulates the allocation of Yanbu land to RAK Ceramics. Additionally, RAK Ceramics executed contract for sale of land in Australia for a consideration of AUD 28 million, which is equivalent to almost AED 65 million, recording a net gain of AED 18.5 million after tax for Q3 2022.

Operational Review

In the **UAE**, revenue grew by 28.2% YoY compared to same period last year, driven by growing real estate market and solid brand positioning following refurbishment showroom projects executed in Q3 2022. E-commerce sales continue to pick up QoQ basis as the company's online offering continues to grow and expand.

RAK Ceramics' performance in **Saudi Arabia** remained strong with an increase of 15.1% YoY compared to same period last year, given its continuous focus to secure projects and to expand its retail footprint amidst optimistic market outlook for Saudi Arabia's real estate sector.

In **Europe**, currency devaluation impacted revenue and reflected a 1.3% YoY decline whereas revenue in local currency increased by 12.6% YoY. High inflation and energy crisis continue to impact activity in the European market.

In the **Middle East (excluding UAE and KSA)**, RAK Ceramics continued its solid growth with revenue up by 19.3% YoY for the reported period compared to Q3 2021 underpinned by increased brand exposure and expanding the distribution network.

In **India**, revenue declined by 14.4% YoY given challenging macroeconomic conditions, however performance remained strong given growth in dealers network footprint and improved efficiency albeit energy price increase.

In **Bangladesh**, revenue recorded 4.4% YoY growth compared to same period last year, slight increase hindered by devaluating currency albeit better brand visibility, increase in prices and product mix shift.

Financial Highlights

RAK Ceramics delivered a robust performance supported by strong operational capabilities midst macroeconomic headwinds.

Total revenue for Q3 2022 increased 32.4% YOY to AED 906.4 million and 9M 2022 increased by 24.1% YoY to AED 2.62 billion compared to same period last year, driven by increase in tiles, Sanitaryware, Tableware and following faucets consolidation.

Reported net profit increased to AED 90.1 million for Q3 2022 and AED 262.1 million for 9M 2022.

Total gross profit margin decreased by 3.2% YoY to reach 35% for Q3 2022 and remained almost stable YoY at by 36.8% for 9M 2022 despite higher input prices, supply chain challenges, KLU DI Group consolidation and most recently disruption in Bangladesh operations.

Tiles revenue increased by 12.2% YoY at AED 527.0 million in Q3 2022 and by 12.0% YoY to reach 1.63 billion in 9M 2022. Growth was driven by increase in volumes and in selling price.

Sanitaryware revenue declined 2.7% in Q3 2022 due to the economic slowdown in European markets but increased by 6.1% in 9M 2022 at AED 428.2 million, driven by an increase in selling price.

Tableware revenue increased by 33.5% YoY to AED 90.3 million in Q3 2022 and 55.2% YoY to AED 255.2 million in 9M 2022 given market post-pandemic rebound and introduction of differentiated products.

Faucets revenue stood at AED 117.8 million in Q3 2022 and AED 180.5 million in 9M 2022, out of which KLU DI Group revenue amounted to AED 111.6 million and AED 162.0 million, respectively, following consolidation effective 1st of June 2022.

Net Debt position

Net debt increased QoQ by AED 89 million in Q3 2022 to reach AED 1.41 billion as of September 2022, following interim dividend payment of AED 99.4 million and RAK Porcelain minority stake acquisitions of AED 22 million. The net debt to EBITDA increased from 2.37x to 2.48x QoQ.

Financial highlights for the nine months period ending 30th September 2022

Particulars	Unit	Nine months to 30 September 2022	Nine months to 30 September 2021	Change
Total Revenue	AED Mio	2,616.5	2,108.3	24.1%
Gross Profit	AED Mio	962.7	781.6	23.2%
GP Margin	%	36.8%	37.1%	-30bps
EBITDA *	AED Mio	412.2	379.2	8.7%
EBITDA Margin	%	15.8%	18.0%	-220bps
Reported Net Income	AED Mio	262.1	221.0	18.6%
Reported Net Income margin	%	10.0%	10.5%	-50bps
Net income before one-off, provisions & strategic gains	AED Mio	249.1	201.2	23.8%
Net income margin before one-off, provisions & strategic gains	%	9.5%	9.5%	-
Reported Profit after NCI (Minority)	AED Mio	232.9	201.3	15.7%
Reported Earnings per share	AED	0.23	0.20	-
		30 September 2022	31 December 2021	Change
Total Assets	AED Mio	5,495.2	5,096.7	7.8%
Share Capital	AED Mio	993.7	993.7	-
Shareholder's Equity	AED Mio	2,111.3	2,231.6	-5.4%
Net Debt	AED Mio	1,414.7	971.2	45.7%
Net Debt / EBITDA	Times	2.7	1.9	36.6%
Cost of Debt	%	3.7%	3.4%	30bps

* EBITDA amount and Net Debt/EBITDA for the nine months period ending 30th September 2022 is after considering extra-ordinary impairment loss on dues in relation to other receivables, AED 27.6 million.

CSR activities, exhibitions, sponsorships and awards

Events & Sponsorships

The Company sponsored following events-

- Future Arena Event in Italy
- Thessaloniki International Fair in Greece
- EFG Hermes Investor Conference in UAE
- Achieving Operation 300bn: "The Road Ahead for UAE manufacturing" UAE Ministry of Economy, UAE

Awards

- RAK Ceramics received Special Jury Prize at Tecna Awards, Italy

Future Outlook

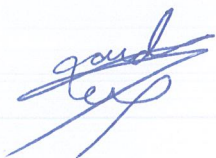
As the Company sets to wrap up this year, the Company remains cautiously optimistic about the future and the Company is confident that it is in a good position. The Company continues to work relentlessly through these unprecedented times to protect its market share by expanding its offering and solidifying its retail presence, and to boost its operations by optimizing production and investing in 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

08 NOV 2022



Group Chief Executive Officer

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

Condensed consolidated interim financial information
for the nine months period ended 30 September 2022

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

Condensed consolidated interim financial information
30 September 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 30 September 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 nine months period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this 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 this 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

8 November 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 nine months and three months period ended 30 September 2022

	Notes	Nine months period ended 30 September		Three months period ended 30 September	
		2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000
Revenue	5	2,616,484	2,108,304	906,398	684,763
Cost of sales	6	(1,653,818)	(1,326,704)	(589,419)	(423,193)
Gross profit		962,666	781,600	316,979	261,570
Administrative and general expenses	7	(162,152)	(153,322)	(52,748)	(49,589)
Selling and distribution expenses	8	(524,654)	(400,720)	(177,038)	(139,655)
Other income	26	107,559	62,109	65,392	13,904
Finance costs	9	(66,410)	(63,796)	(26,527)	(19,463)
Finance income	9	4,997	11,318	1,729	1,271
Loss on net monetary position	25	(3,349)	(1,999)	(987)	(940)
Share of profit in equity accounted investees	10	5,813	12,820	299	5,115
Profit before impairment losses and gain on acquisition		324,470	248,010	127,099	72,213
Impairment loss	7(i)	(49,210)	(15,517)	(6,633)	(5,113)
Impairment loss on property, plant and equipment		(2,906)	-	-	-
Gain on acquisition of subsidiaries	7(ii)	32,374	-	-	-
Profit before tax		304,728	232,493	120,466	67,100
Tax expense		(42,662)	(11,492)	(30,343)	(3,654)
Profit for the period		262,066	221,001	90,123	63,446
<i>Profit attributable to:</i>					
Owners of the Company		232,867	201,267	85,094	52,776
Non-controlling interests		29,199	19,734	5,029	10,670
Profit for the period		262,066	221,001	90,123	63,446
Earnings per share					
- basic and diluted (AED)	11	0.23	0.20	0.09	0.05

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 nine months and three months period ended 30 September 2022

	Nine months period ended 30 September		Three months period ended 30 September	
	2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000
Profit for the period	262,066	221,001	90,123	63,446
Other comprehensive income				
Foreign exchange differences on translation of foreign operations	(70,285)	(12,378)	(33,530)	(8,564)
Cash flow hedges – effective portion of changes in fair value gain/(loss) on hedging instruments	29,810	17,467	7,347	3,432
Effects of application of hyperinflation accounting (Note 25)	10,887	6,298	3,203	3,118
Total comprehensive income for the period	232,478	232,388	67,143	61,432
<i>Total comprehensive income attributable to:</i>				
Owners of the Company	220,847	214,336	69,785	51,550
Non-controlling interests	11,631	18,052	(2,642)	9,882
Total comprehensive income for the period	232,478	232,388	67,143	61,432

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 30 September 2022

	Notes	30 September 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Assets			
Non-current assets			
Property, plant and equipment	12	1,208,743	1,088,236
Goodwill	13	119,441	120,500
Right-of-use assets		90,238	69,881
Intangible assets		18,777	20,531
Investment properties	14	910,557	918,826
Investments in equity accounted investees	10	11,666	55,006
Long-term receivables	15(i)	3,828	2,505
Derivative financial assets	18	13,786	2,811
Deferred tax assets		5,594	3,720
Total non-current assets		2,382,630	2,282,016
Current assets			
Inventories	16	1,314,357	1,086,048
Trade and other receivables	15	1,291,359	1,124,477
Due from related parties	17	36,251	36,988
Derivative financial assets	18	13,742	1,866
Bank deposits with an original maturity of more than three months	19	100,913	202,339
Cash and cash equivalents	19	355,970	362,982
Total current assets		3,112,592	2,814,700
Total assets		5,495,222	5,096,716
Equity and liabilities			
Capital and reserves			
Share capital	20	993,703	993,703
Reserves		1,117,580	1,237,856
Equity attributable to owners of the Company		2,111,283	2,231,559
Non-controlling interests		131,515	226,535
Total equity		2,242,798	2,458,094
Non-current liabilities			
Islamic bank financing	21a(ii)	349,452	303,309
Interest bearing bank financing	21b(ii)	605,357	480,639
Provision for employees' end of service benefits		129,821	82,740
Lease liabilities		68,939	48,164
Derivative financial liabilities	18	-	1,157
Deferred tax liabilities		24,154	10,131
Total non-current liabilities		1,177,723	926,140
Current liabilities			
Islamic bank financing	21a(i)	367,730	212,365
Interest bearing bank financing	21b(i)	549,061	540,187
Trade and other payables	22	906,343	711,206
Due to related parties	17	43,558	28,343
Derivative financial liabilities	18	9,262	7,853
Lease liabilities		25,412	25,726
Provision for taxation		173,335	186,802
Total current liabilities		2,074,701	1,712,482
Total liabilities		3,252,424	2,638,622
Total equity and liabilities		5,495,222	5,096,716

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 consolidated financial position, financial performance and cash flows of the Group.

Chairman

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

08 NOV 2022

Chief Executive Officer

R.A.K Ceramics P.J.S.C. and its subsidiaries
Condensed consolidated statement of cash flows (unaudited)
for the nine months period ended 30 September 2022

	Nine months period ended 30 September	
	2022	2021
	AED'000	AED'000
Operating activities		
Profit for the period before tax	304,728	232,493
<i>Adjustments for:</i>		
Share of profit in equity accounted investees	(5,813)	(12,820)
Interest expense	36,870	34,711
Profit expense on Islamic bank financing	11,546	9,161
Interest income	(4,574)	(4,252)
Profit on wakala deposits	(423)	(234)
Interest expense on lease liabilities	4,479	3,595
Net change in fair value of derivative financial instruments	7,211	(6,832)
Gain on disposal of property, plant and equipment	(42,230)	1,055
Gain on acquisition of subsidiaries	(32,374)	-
Gain on disposal of assets classified as held for sale	-	(50,118)
Loss on de-recognition of excess lease rent recognized in earlier years	-	27,184
Depreciation of property, plant and equipment	97,459	94,130
Depreciation of investment properties	8,153	7,764
Amortisation of intangible assets	4,607	5,645
Depreciation of right-of-use assets	20,946	18,045
Capital work in progress written off	36	-
Provision for employees' end-of-service benefits	15,737	13,877
Loss on net monetary position	3,349	1,999
Allowance for slow moving and obsolete inventories	7,309	25,548
Write-down of cost of finished goods	30,662	14,391
Impairment loss on trade receivables	21,409	18,205
Impairment reversal on due from related parties	-	(2,688)
Impairment loss on other receivables	27,551	-
Impairment loss on bank balances	250	-
Impairment loss on property, plant and equipment	2,906	-
	519,794	430,859
Changes in:		
- inventories	(114,975)	(36,036)
- trade and other receivables (including long-term portion)	(60,346)	(57,247)
- due from related parties	737	(4,363)
- trade and other payables	15,108	77,563
- due to related parties	25,914	(3,558)
Income tax paid	(12,867)	(10,643)
Employees' end-of-service benefits paid	(7,454)	(8,400)
Currency translation adjustments	(6,065)	557
Net cash generated from operating activities	359,846	388,732

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) (continued)

for the nine months period ended 30 September 2022

	Nine months period ended 30 September	
	2022	2021
		AED'000
Investing activities		
Additions to property, plant and equipment	(143,828)	(58,839)
Proceeds from disposal of property, plant and equipment	6,980	1,506
Additions to intangible assets	(255)	(366)
Dividend received from equity accounted investees	479	313
Interest received	4,574	4,252
Profit received on Wakala deposits	423	234
Proceeds from disposal of assets held for sale	-	69,648
Cash paid for acquisition of further shares in a subsidiary	(225,500)	-
Cash paid for settlement of liabilities of the acquired subsidiary	(17,332)	-
Cash paid for acquisition of subsidiaries	(56,760)	-
Cash acquired as part of acquisition of subsidiaries	(29,469)	-
Proceeds / (Deposits made) on maturity of bank deposits with an original maturity of more than three months	101,426	(18,542)
Net cash (used in) investing activities	(359,262)	(1,794)
Financing activities		
Long-term bank financing availed	347,253	284,249
Long-term bank financing repaid	(188,964)	(201,413)
Long-term Islamic bank financing availed	148,447	-
Long-term Islamic bank financing repaid	(99,861)	(126,292)
Repayment of lease liabilities	(32,292)	(24,541)
Short-term bank financing availed	199,422	522,974
Short-term bank financing repaid	(282,833)	(585,777)
Short-term Islamic bank financing availed	324,175	201,233
Short-term Islamic bank financing repaid	(171,253)	(340,548)
Interest paid	(36,870)	(34,711)
Profit paid on Islamic bank financing	(11,546)	(9,161)
Remuneration paid to Board of Directors	(3,574)	(1,850)
Dividend paid	(198,741)	(74,528)
Dividend paid to non-controlling interests	(19,814)	(10,185)
Net cash (used in) financing activities	(26,451)	(400,550)
Net decrease in cash and cash equivalents	(25,867)	(13,612)
Cash and cash equivalents at the beginning of the period	294,081	366,078
Net cash and cash equivalents at the end of the period	268,214	352,466
Represented by:		
Cash and cash equivalents	355,970	399,296
Bank overdrafts	(87,756)	(46,830)
	268,214	352,466

The accompanying notes form an integral of the part 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 nine months period ended 30 September 2022

	Attributable to owners of the Company											Non-controlling interests (NCI) AED'000	Total equity AED'000
	Share capital AED'000	Share premium AED'000	Legal reserve AED'000	Translation reserve AED'000	Hyper-inflation reserve* AED'000	Hedging reserve AED'000	General reserve AED'000	Capital reserve AED'000	Retained earnings AED'000	Total reserves AED'000	Total AED'000		
Balance at 1 January 2022	993,703	221,667	568,803	(130,569)	(168,321)	(9,010)	82,805	75,040	597,441	1,237,856	2,231,559	226,535	2,458,094
Total comprehensive income/(loss) for the period (unaudited)													
Profit for the period	-	-	-	-	-	-	-	-	232,867	232,867	232,867	29,199	262,066
Other comprehensive income/(loss)													
Foreign exchange differences on translation of foreign operations	-	-	-	(50,856)	(1,861)	-	-	-	-	(52,717)	(52,717)	(17,568)	(70,285)
Changes in cash flow hedges	-	-	-	-	-	29,810	-	-	-	29,810	29,810	-	29,810
Effects of application of IAS 29 (refer Note 25)	-	-	-	-	10,887	-	-	-	-	10,887	10,887	-	10,887
Total comprehensive income/(loss) for the period	-	-	-	(50,856)	9,026	29,810	-	-	232,867	220,847	220,847	11,631	232,478
Other equity movements (unaudited)													
Directors' annual remuneration (refer Note 23(ii))	-	-	-	-	-	-	-	-	(3,574)	(3,574)	(3,574)	-	(3,574)
Transaction with owners (unaudited)													
Dividend paid (refer Note 23(i)&(iii))	-	-	-	-	-	-	-	-	(198,741)	(198,741)	(198,741)	-	(198,741)
Dividend paid to NCI	-	-	-	-	-	-	-	-	-	-	-	(19,814)	(19,814)
Acquisition of NCI	-	-	-	-	-	-	-	-	(138,608)	(138,608)	(138,608)	(86,892)	(225,500)
Change in NCI due to acquisitions	-	-	-	-	-	-	-	-	(200)	(200)	(200)	55	(145)
Balance at 30 September 2022 (unaudited)	993,703	221,667	568,803	(181,425)	(159,295)	20,800	82,805	75,040	489,185	1,117,580	2,111,283	131,515	2,242,798

* 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 this condensed consolidated interim financial information.

(The alignment gets corrected when the comments are deleted)

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

Condensed consolidated statement of changes in equity (unaudited)(continued)

for the nine months period ended 30 September 2022

	Attributable to owners of the Company											Non-controlling interests (NCI)	Total equity
	Reserves												
	Share capital AED'000	Share premium AED'000	Legal reserve AED'000	Translation reserve AED'000	Hyper-inflation reserve* AED'000	Hedging reserve AED'000	General reserve AED'000	Capital reserve AED'000	Retained earnings AED'000	Total reserves AED'000	Total 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
Total comprehensive income/(loss) for the period (unaudited)													
Profit for the period	-	-	-	-	-	-	-	-	201,267	201,267	201,267	19,734	221,001
Other comprehensive income/(loss)													
Foreign exchange differences on translation of foreign operations	-	-	-	(8,301)	(2,395)	-	-	-	-	(10,696)	(10,696)	(1,682)	(12,378)
Changes in cash flow hedges	-	-	-	-	-	17,467	-	-	-	17,467	17,467	-	17,467
Effects of application of IAS 29 (refer Note 25)	-	-	-	-	6,298	-	-	-	-	6,298	6,298	-	6,298
Total comprehensive income/(loss) for the period	-	-	-	(8,301)	3,903	17,467	-	-	201,267	214,336	214,336	18,052	232,388
Other equity movements (unaudited)													
Directors' annual remuneration (refer Note 23(ii))	-	-	-	-	-	-	-	-	(1,850)	(1,850)	(1,850)	-	(1,850)
Transaction with owners (unaudited)													
Dividend paid (refer Note 23(i))	-	-	-	-	-	-	-	-	(74,528)	(74,528)	(74,528)	-	(74,528)
Dividend paid to NCI	-	-	-	-	-	-	-	-	-	-	-	(10,185)	(10,185)
Balance at 30 September 2021 (unaudited)	993,703	221,667	568,020	(125,214)	(171,109)	(16,347)	82,805	75,040	652,390	1,287,252	2,280,955	214,769	2,495,724

* 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

Notes to the condensed consolidated interim financial information (continued)

for the nine months period ended 30 September 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 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 nine months period ended 30 September 2022 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 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.

Federal Law No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on 20 September 2021 and came 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

During the nine months 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 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 nine months period ended 30 September 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 a 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

The 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.

The 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 the condensed consolidated interim financial information are consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 2021.

The 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 nine months period ended 30 September 2022 and 2021. In addition, results for the nine months period ended 30 September 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 nine months period ended 30 September 2022

5. Revenue

	Nine months period ended 30 September		Three months period ended 30 September	
	2022 AED'000 (unaudited)	2021 AED'000 (unaudited)	2022 AED'000 (unaudited)	2021 AED'000 (unaudited)
Sale of goods	2,603,970	2,102,444	903,765	682,352
Others	12,514	5,860	2,633	2,411
	2,616,484	2,108,304	906,398	684,763

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

6. Cost of sales

	Nine months period ended 30 September		Three months period ended 30 September	
	2022 AED'000 (unaudited)	2021 AED'000 (unaudited)	2022 AED'000 (unaudited)	2021 AED'000 (unaudited)
Raw materials consumed	884,524	597,420	316,665	194,115
Change in inventory of finished goods	(51,458)	50,873	(27,230)	2,391
Allowance for slow moving inventories	30,662	25,548	17,442	4,635
Direct labor	208,137	162,509	78,419	53,983
Power and fuel	91,088	98,270	34,843	32,504
LPG and natural gas	202,200	139,814	70,003	47,246
Depreciation of property, plant and equipment	79,006	78,929	27,952	25,462
Depreciation of right-of-use assets	1,159	38	761	13
Amortization of intangible assets	88	-	62	-
Repairs and maintenance expense	87,351	76,339	30,192	26,857
Packing material expenses	99,946	83,273	32,977	29,789
Insurance	5,444	5,440	1,901	1,822
Clearing Charges	3,109	2,976	1,292	966
Hire Charges	2,986	980	1,716	646
Sub-contractors Fee	3,918	717	892	370
Others	5,658	3,578	1,532	2,394
	1,653,818	1,326,704	589,419	423,193

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

Notes to the condensed consolidated interim financial information (continued)

for the nine months period ended 30 September 2022

7. Administrative and general expenses

	Nine months period ended 30 September		Three months period ended 30 September	
	2022 AED'000 (unaudited)	2021 AED'000 (unaudited)	2022 AED'000 (unaudited)	2021 AED'000 (unaudited)
Staff salaries and other associated costs	78,837	69,643	27,405	22,007
Depreciation of property, plant and equipment	9,754	9,224	3,710	3,001
Depreciation of investment properties	8,153	7,764	2,775	2,656
Depreciation of right-of-use assets	563	554	185	197
Amortization of intangible assets	4,519	5,645	1,527	1,904
Telephone, postal and office supplies	4,361	3,663	1,606	1,131
Repairs and maintenance expenses	5,551	3,901	2,129	1,416
Legal and professional fees	10,048	8,755	2,982	2,345
Utility expenses	3,282	3,633	972	1,585
Security charges	1,240	1,810	693	566
Information technology licenses and consultancy expenses	8,050	7,973	1,754	1,685
Expenses on investment properties	5,631	7,147	2,266	3,448
Insurance	1,880	1,996	597	677
Managerial remuneration and workers' participation fund	2,504	2,749	467	808
Vehicles on hire	1,706	1,432	512	657
Travelling	705	419	285	115
Others	15,368	17,014	2,883	5,391
	162,152	153,322	52,748	49,589

7(i) Impairment loss

	Nine months period ended 30 September		Three months period ended 30 September	
	2022 AED'000 (unaudited)	2021 AED'000 (unaudited)	2022 AED'000 (unaudited)	2021 AED'000 (unaudited)
Impairment loss on trade receivables	21,409	18,205	6,633	5,110
Impairment loss on other receivables	27,551	-	-	-
Impairment reversal on due from related parties	-	(2,688)	-	3
Impairment loss on bank balances (refer Note 19)	250	-	-	-
	49,210	15,517	6,633	5,113

7(ii) Gain on acquisition of subsidiaries

	Nine months period ended 30 September		Three months period ended 30 September	
	2022 AED'000 (unaudited)	2021 AED'000 (unaudited)	2022 AED'000 (unaudited)	2021 AED'000 (unaudited)
Gain on fair valuation of pre-existing share in equity accounted investee (refer Note 10)	9,114	-	-	-
Gain on bargain purchase (refer Note 27(A))	23,260	-	-	-
	32,374	-	-	-

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

Notes to the condensed consolidated interim financial information (continued)

for the nine months period ended 30 September 2022

8. Selling and distribution expenses

	Nine months period ended 30 September		Three months period ended 30 September	
	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Staff salaries and other associated costs	134,338	99,996	51,594	34,773
Freight and transportation	266,518	208,016	78,579	72,251
Agents' commission	21,533	25,913	6,654	10,132
Advertisement and promotions expense	45,949	24,800	17,953	7,873
Rental expenses	2,582	2,470	1,301	702
Travel and entertainment expenses	4,407	1,394	1,850	694
Depreciation of property, plant and equipment	8,699	5,977	3,506	1,992
Depreciation of right-of-use assets	19,224	17,453	6,739	5,875
Repairs, maintenance & consumables	3,191	2,316	1,075	923
Postal, courier charge & stationary	1,736	1,751	893	422
Others	16,477	10,634	6,894	4,018
	524,654	400,720	177,038	139,655

9. Finance costs and income

	Nine months period ended 30 September		Three months period ended 30 September	
	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Finance costs				
Interest on bank financing	36,812	34,674	14,257	11,136
Profit expense on Islamic bank financing	11,546	9,161	5,939	2,644
Interest on amount due to related parties	58	37	38	11
Interest expense on lease liabilities	4,479	3,595	1,692	1,207
Net change in the fair value of derivatives	7,211	-	1,469	1,620
Bank charges	3,363	2,941	1,235	1,288
Net foreign exchange loss	2,941	13,388	1,897	1,557
Total (A)	66,410	63,796	26,527	19,463
Finance income				
Interest on bank deposits	4,574	4,252	1,464	1,104
Profit on wakala deposits	423	234	265	167
Net change in the fair value of derivatives	-	6,832	-	-
Total (B)	4,997	11,318	1,729	1,271
Net finance costs (A-B)	61,413	52,478	24,798	18,192

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

Notes to the condensed consolidated interim financial information (continued)

for the nine months period ended 30 September 2022

10. Investments in equity accounted investees

The Group's share of profit in equity accounted investees for the nine months period ended 30 September 2022 amounted to AED 5.81 million (unaudited) (nine months period ended 30 September 2021 (unaudited): AED 12.82 million).

The Group has received AED 0.48 million (unaudited) as dividends during the current period from its equity accounted investees (nine months period ended 30 September 2021 (unaudited): AED 0.31 million).

Prior to acquiring the remaining 49% equity interest in Kludi RAK LLC, UAE on 31 May 2022, the carrying value of the Group's 51% equity interest amounted to AED 47.28 million. Accordingly, the Group has fair valued its pre-existing 51% equity interest on acquisition at AED 56.39 million and recognized a fair value gain of AED 9.11 million at the date of acquisition. Also refer Note 27 (A).

11. Earnings per share

	Nine months period ended 30 September		Three months period ended 30 September	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Profit attributable to the owners of the Company (AED'000)	232,867	201,267	85,094	52,776
Weighted average number of ordinary shares ('000s)	993,703	993,703	993,703	993,703
Basic and diluted earnings per share (AED)	0.23	0.20	0.09	0.05

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.

12. Property, plant and equipment

Additions, disposals and depreciation (unaudited)

During the nine months period ended 30 September 2022, the Group acquired property, plant and equipment and made additions to capital work in progress amounting to AED 143.83 million (nine months period ended 30 September 2021: AED 58.84 million). Also refer Note 27 (A).

During the nine months period ended 30 September 2022, the Group sold a land in Australia having carrying value of AED 28.40 million for a consideration of AED 71.79 million. The Group has incurred costs to sell amounting to AED 1.15 million.

Property, plant and equipment with a carrying amount of AED 31.64 million was disposed of during the nine months period (nine months period ended 30 September 2021: AED 2.56 million) resulting in a gain on disposal of AED 59.0 thousand (loss on disposal, nine months period ended 30 September 2021: AED 1.06 million) which is included in other income in the condensed consolidated statement of profit or loss.

Depreciation of property, plant and equipment for the nine months period amounted to AED 97.46 million (nine months period ended 30 September 2021: AED 94.13 million). Below is the breakdown of property, plant and equipment inside and outside the U.A.E:

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

Notes to the condensed consolidated interim financial information (continued)

for the nine months period ended 30 September 2022

12. Property, plant and equipment (continued)

	30 September 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Inside U.A.E	766,836	723,047
Outside U .A.E	441,907	365,189
	1,208,743	1,088,236

13. Goodwill

	30 September 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Opening balance	120,500	120,561
Effects of movements in exchange rate	(1,059)	(61)
Closing balance	119,441	120,500

Goodwill comprises AED 50.4 million, AED 5.5 million, AED 5.0 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 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 that no indicators of impairment have been identified.

14. Investment properties

	30 September 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Inside U.A.E	873,215	880,222
Outside U.A.E	37,342	38,604
	910,557	918,826

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 nine months period ended 30 September 2022.

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

Notes to the condensed consolidated interim financial information (continued)

for the nine months period ended 30 September 2022

14. Investment properties (continued)

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 30 September 2022 (31 December 2021: Level 3).

15. Trade and other receivables

	30 September 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Trade receivables	1,076,075	965,755
Less: Allowance for expected credit loss	(213,004)	(229,633)
Subtotal (A)	863,071	736,122
Other receivables	188,281	119,886
Less: Allowance for expected credit loss	(33,791)	(9,933)
Subtotal (B)	154,490	109,953
Advances and prepayments (C)	245,684	250,762
Deposits (D)	28,114	27,640
Total (A+B+C+D)	1,291,359	1,124,477

Other receivables include receivables due from a Sudanese Group of AED 53.8 million (gross AED 115.2 million) (2021: AED 81.3 million; gross AED 115.2 million). Post-dated cheques are held against some of the balance.

Considering the continued uncertain political situation in Sudan, resulting in consequential delays in recovery, the Group's management has made a provision of AED 27.6 million during the nine months period ended 30 September 2022, against the carrying value of these receivables (2021: AED 7.5 million- in December 2021). Group management continues to monitor the situation closely.

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

Notes to the condensed consolidated interim financial information (continued)

for the nine months period ended 30 September 2022

15. Trade and other receivables (continued)

(i) Long-term receivables

	30 September 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Trade receivables	3,029	3,262
Less: Allowance for expected credit loss	(158)	(252)
	2,871	3,010
Less : current portion included in trade receivables	(466)	(505)
Long-term trade receivables (A)	2,405	2,505
Other receivables	1,423	108,114
Less : Allowance for expected credit loss	-	(32,808)
	1,423	75,306
Less: current portion included in other receivables	-	(75,306)
Long-term other receivables (B)	1,423	-
Long-term receivables (A+B)	3,828	2,505

16. Inventories

	30 September 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Finished goods (net of net realizable value adjustments)	933,968	840,895
Less : Allowance for slow moving inventories	(161,784)	(136,305)
Subtotal (A)	772,184	704,590
Raw materials	294,815	227,212
Stores and spares	245,144	186,545
	539,959	413,757
Less : Allowance for slow-moving inventories	(78,167)	(72,848)
Subtotal (B)	461,792	340,909
Goods-in-transit (C)	21,110	19,314
Work-in-progress (D)	59,271	21,235
Total (A+B+C+D)	1,314,357	1,086,048

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

Notes to the condensed consolidated interim financial information (continued)

for the nine months period ended 30 September 2022

16. Inventories (continued)

In the nine months period ending 30 September 2022, the Group recognized a cumulative loss due to write-down of finished goods inventories of AED 156.92 million against cost of AED 404.01 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 1.92 million (unaudited) (nine months period ended 30 September 2021 (unaudited): AED 14.39 million) is included in cost of sales in the condensed consolidated statement of profit or loss with a currency loss of AED 1.4 million for the period (unaudited) (nine months period ended 30 September 2021 (unaudited): AED 0.25 million).

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

17. Related party balances and transactions

The transactions of the Group with its related parties are at arm's length. 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:

	Nine months period ended 30 September		Three months period ended 30 September	
	2022 AED'000 (unaudited)	2021 AED'000 (unaudited)	2022 AED'000 (unaudited)	2021 AED'000 (unaudited)
Sale of goods and services and construction contracts	96,035	78,756	26,875	24,648
Purchase of goods and rendering of services	200,586	194,024	73,504	56,289
Interest expense (refer note 9)	58	37	38	11

Key management personnel compensation

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

	Nine months period ended 30 September		Three months period ended 30 September	
	2022 AED'000 (unaudited)	2021 AED'000 (unaudited)	2022 AED'000 (unaudited)	2021 AED'000 (unaudited)
Short-term benefits	8,774	7,312	2,936	2,443
Staff terminal benefits	186	190	65	61
Board of Directors' remuneration	3,574	1,850	-	-

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

Notes to the condensed consolidated interim financial information (continued)

for the nine months period ended 30 September 2022

17. Related party balances and transactions (continued)

Due from related parties

	30 September 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Equity accounted investees	40,394	40,485
Other related parties	36,096	36,785
	76,490	77,270
Less : Allowance for expected credit loss	(40,239)	(40,282)
	36,251	36,988

Due to related parties

	30 September 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Equity accounted investees	1,443	10,056
Other related parties	42,115	18,287
	43,558	28,343

18. Derivative financial instruments

The Group uses derivative financial instruments for risk management purposes. The Group classifies 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.

	30 September 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Non-current		
Derivative financial assets		
Interest rate swaps used for hedging	13,786	-
Other currency and interest rate swaps	-	2,811
	13,786	2,811
Non-current		
Derivative financial liabilities		
Interest rate swaps used for hedging	-	1,157
	-	1,157

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

Notes to the condensed consolidated interim financial information (continued)

for the nine months period ended 30 September 2022

18. Derivative financial instruments (Continued)

	30 September 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Current		
Derivative financial assets		
Interest rate swaps used for hedging	7,014	-
Forward exchange contracts	6,470	396
Other currency and interest rate swaps	258	1,470
	13,742	1,866
	30 September 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Current		
Derivative financial liabilities		
Other currency and interest rate swaps	9,262	-
Interest rate swaps used for hedging	-	7,853
	9,262	7,853

19. Bank balances and cash

	30 September 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Cash in hand	2,585	1,429
Cash at bank		
- in bank deposits with an original maturity of less than three months	70,250	-
- in Wakala deposits with an original maturity of less than three months	25,000	-
- in current accounts	238,822	333,243
- in margin deposits	2,613	5,223
- in call accounts	17,133	23,270
Cash and cash equivalents	356,403	363,165
Less : Allowance for expected credit loss	(433)	(183)
Cash and cash equivalents (A)	355,970	362,982
Bank deposits with an original maturity of more than three months (B)	100,913	202,339
Bank balances and cash (A+B)	456,883	565,321

Cash in hand and cash at bank includes AED 0.8 million (31 December 2021 (audited): AED 0.49 million) and AED 114.34 million (31 December 2021 (audited): AED 139.98 million) respectively, held outside the UAE.

All bank deposits carry interest at normal commercial rates and include AED 0.43 million (31 December 2021 (audited): AED 0.46 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.

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

Notes to the condensed consolidated interim financial information (continued)

for the nine months period ended 30 September 2022

19. Bank balances and cash(Continued)

The expected credit loss method is applied to assess the probable impairment loss on balances with banks using those banks' 'credit rating', 'forward adjusted probability of default' and the 'loss given default rates' linked to such ratings. During the nine months period ended 30 September 2022, an additional loss provision of AED 0.25 million was made against the balances with banks having relatively lower credit rating.

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

20. Share capital

	30 September 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Authorised, issued and paid up		
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

21. Bank financing arrangements

(a) Islamic bank financing

	30 September 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
(i) Short-term		
Mudaraba facilities (A)	92,002	50,000
Commodity Murabaha facilities (B)	172,173	61,253
Current portion of long-term financing (refer note (ii) below)	103,555	101,112
	367,730	212,365

(ii) Long-term – Islamic bank financing

	30 September 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Mudaraba facilities	75,000	-
Commodity Murabaha facilities (B)	189,741	184,668
Ijarah facilities (C)	188,266	219,753
Less : current portion of long-term financing	(103,555)	(101,112)
	349,452	303,309

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

Notes to the condensed consolidated interim financial information (continued)

for the nine months period ended 30 September 2022

21. Bank financing arrangements (Continued)

	30 September 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Movement:		
Balance as at 1 January	404,421	556,138
Availed during the period/ year	148,447	-
Repaid during the period/ year	(99,861)	(151,717)
Balance as at end of the period/ year	453,007	404,421
Less : current portion included in short-term (refer 21 (a)(i))	(103,555)	(101,112)
	349,452	303,309

The securities provided against these facilities are the same as those mentioned in the 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 the other 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.

(b) Interest bearing bank financing

	30 September 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
(i) Short-term		
Bank overdrafts	87,756	68,901
Short-term loan	200,302	254,114
Current portion of long-term financing (refer note (ii) below)	261,003	217,172
	549,061	540,187
(ii) Long-term bank loans		
Balance as at 1 January	697,811	591,226
Availed during the period/ year	347,253	386,618
Additions on acquisition	10,260	-
Repaid during the period/ year	(188,964)	(280,033)
Balance as at end of the period/ year	866,360	697,811
Less : current portion of long-term financing (refer 21 (b)(i))	(261,003)	(217,172)
	605,357	480,639

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

Notes to the condensed consolidated interim financial information (continued)

for the nine months period ended 30 September 2022

21. Bank financing arrangements (Continued)

The details of the long term bank loans, including terms of repayment, interest rate and security provided are mentioned in the consolidated financial statements of the Group for the year ended 31 December 2021.

22. Trade and other payables

	30 September 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Trade payables	408,481	310,796
Accrued and other expenses	279,715	215,169
Advance from customers	72,197	78,450
Commission and rebates payable	86,097	60,847
Other payables	59,853	45,944
	906,343	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 approved at March 2021 AGM 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).
- (iii) In their meeting held on 02 August 2022, the Board of Directors resolved to distribute a semi-annual cash dividend of 10% amounting to AED 99,370 thousand for the first half of the year 2022 which was paid in August 2022.

24. Contingent liabilities and commitments

	30 September 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Contingent liabilities		
Letters of guarantee	61,995	59,010
Letters of credit	35,035	35,250
Value added tax and other tax contingencies	80,707	95,183
Commitments		
Capital commitments	75,353	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 nine months period ended 30 September 2022. The total assets of the Iranian subsidiary were 0.69% of the Group's consolidated total assets as at 30 September 2022 (31 December 2021 (audited): 0.61%)

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

Notes to the condensed consolidated interim financial information (continued)

for the nine months period ended 30 September 2022

25. Hyperinflationary economy (Continued)

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:

	Index	Conversion factor
30 September 2022	525.00	1.3845
31 December 2021	379.20	1.3514
31 December 2020	280.60	1.4479
31 December 2019	193.80	1.2775
31 December 2018	151.70	1.3558
31 December 2017	111.90	

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.

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

	1 January 2022 AED'000 (unaudited)	1 January 2021 AED'000 (unaudited)
<i>Impact on condensed consolidated statement of financial position</i>		
Increase in property, plant and equipment	3,230	929
Increase in investment properties	3,837	1,121
Increase in other assets	3,820	1,130
Increase in equity	10,887	3,180
<i>Allocated to:</i>		
Increase in opening equity due to cumulative hyperinflation	10,887	3,180

25. Hyperinflationary economy (Continued)

Nine months period

Three months period

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

Notes to the condensed consolidated interim financial information (continued)

for the nine months period ended 30 September 2022

	ended 30 September		ended 30 September	
	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000
<i>Impact on condensed consolidated statement of profit or loss</i>	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Increase in depreciation charge for the period	1,681	1,118	634	452
Loss on net monetary position	3,349	1,999	987	940
	5,030	3,117	1,621	1,392

26. Other income

	Nine months period		Three months period	
	ended 30 September	ended 30 September	ended 30 September	ended 30 September
	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net Gain/ (loss) on disposal of property, plant and equipment (i) & (ii)	42,230	49,063	42,217	(1,256)
Reversal due to cancellation of long term lease rent contract (iii)	-	(27,184)	-	-
Rental income from investment properties	25,798	19,829	9,084	7,281
Sale of scrap and miscellaneous items	4,305	2,728	999	1,083
Insurance claims	3,544	436	180	140
Discounts earned on purchases and freight	13,604	8,464	8,911	374
Net write back of unclaimed balances	8,004	1,443	3,073	1,097
Income from Leasing of plant and equipment	1,562	1,706	499	548
Other net miscellaneous income	8,512	5,624	429	4,637
	107,559	62,109	65,392	13,904

Above other income includes -

- (i) The nine months period ended 30 September 2022 Includes the gain on sale of land amounting to AED 42.24 million.
- (ii) In March 2021, management entered into agreements to sell the property, plant and equipment including the land use rights of its subsidiary in China and had classified these assets as "Assets held for sale". These assets with a carrying amount of AED 19.53 million were disposed of during the period ended 30 September 2021 resulting in a gain of AED 50.12 million.
- (iii) During the nine months period ended 30 September 2021, the long term operating lease of an investment property leased to a hotel operator was cancelled midway through the lease term. In accordance with the requirements of IFRS, a loss of AED 27.18 million, being the excess of cumulative lease rent recognized as compared to the lease rent due as per the lease agreement, was recognized during that period.

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

Notes to the condensed consolidated interim financial information (continued)

for the nine months period ended 30 September 2022

27. Acquisition of subsidiaries

- A. On 31 May 2022, the Group acquired a consortium of Kludi entities in Europe through its SPV in Austria, "RAK Ceramics Austria GmbH". The Group also acquired the remaining 49% equity interest in its previously held equity accounted investee, Kludi RAK LLC, UAE, and converted it into a wholly owned subsidiary. The Group paid an aggregate consideration of Euro 18.8 million (AED 74.1 million) including Euro 4.4 million (AED 17.3 million) towards settlement of Kludi Group's liabilities and payables.

The provisional amounts recognized in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:-

	Kludi Europe AED'000 (unaudited)	Kludi RAK AED'000 (unaudited)	Total AED'000 (unaudited)
Assets			
Property, plant and equipment	133,331	25,675	159,006
Intangible assets	1,081	553	1,634
Right-of-use assets	14,661	4,803	19,464
Other financial assets	1,645	-	1,645
Deferred tax assets	2,508	11	2,519
Inventories	100,234	51,071	151,305
Trade and other receivables	64,942	54,554	119,496
Cash and bank balance	7,762	7,575	15,337
Total assets	326,164	144,242	470,406
Liabilities			
Bank borrowings	(39,859)	-	(39,859)
Bank overdrafts	(44,606)	-	(44,606)
Provision for employees' end-of-service benefits	(38,352)	(4,173)	(42,525)
Deferred tax liabilities	(16,708)	-	(16,708)
Lease Liabilities	(16,078)	(4,782)	(20,860)
Trade and other payables	(144,663)	(24,722)	(169,385)
Total liabilities	(300,266)	(33,677)	(333,943)
Net assets	25,898	110,565	136,463
Less:- Non-controlling interest	(55)	-	(55)
Fair value of pre-existing interest	-	(56,388)	(56,388)
Net assets acquired (A)	25,843	54,177	80,020
Gross consideration			(74,092)
Less:- Settlement of liabilities			17,332
Net consideration paid (B)			(56,760)
Gain on bargain purchase (A + B)			23,260
Cash acquired as part of acquisition of subsidiaries			AED'000
Cash and bank balance			15,337
Bank overdrafts			(44,606)
Cash acquired as part of acquisition of subsidiaries			(29,269)

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

Notes to the condensed consolidated interim financial information (continued)

for the nine months period ended 30 September 2022

27. Acquisition of subsidiaries (continued)

Gain on bargain purchase represents the difference between purchase consideration and fair value of net assets acquired and is recognized in the condensed consolidated statement of profit or loss. The fair value of the assets and liabilities have been determined by an external expert.

The above fair values have been determined on a provisional basis. If new information is obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date, which identify any adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised.

During the period from the date of acquisition to 30 September 2022, the acquired units contributed aggregate revenue of AED 161.99 million and a net loss of AED 18.2 million to the Group's result.

- B. During the nine months period ended 30 September 2022, the Group acquired a further 41% of interest in one of its subsidiaries, RAK Porcelain LLC, UAE, for a consideration of AED 225.5 million, thereby increasing the shareholding of the Group to 91%. The Group recognized:

	AED'000 (unaudited)
- Decrease in non-controlling interest	(86,695)
- Decrease in retained earnings	(138,805)
Total consideration paid	(225,500)

28. 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 four 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:

<i>Ceramics products</i>	includes manufacture and sale of ceramic wall and floor tiles, gres porcellanato, bath-ware and table ware products.
<i>Faucets</i>	includes manufacture and sale of Taps and Faucets *
<i>Other industrial</i>	includes manufacturing and distribution of power, paints, plastics, mines and chemicals.
<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.

* Following the acquisition described in Note 27 the Group has now added Faucets as a new segment with effect from the quarter ended 30 September 2022.

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

Notes to the condensed consolidated interim financial information (continued)

for the nine months period ended 30 September 2022

28. Segment reporting (continued)

	Ceramic products AED'000	Faucets AED,000	Other industrial AED'000	Others AED'000	Elimination AED'000	Total AED'000
Nine months period ended 30 September 2022 (unaudited)						
External revenue	2,340,103	161,993	101,874	12,514	-	2,616,484
Intersegment revenue	553,377	11,280	80,361	1,387	(646,405)	-
Segment revenue	2,893,480	173,273	182,235	13,901	(646,405)	2,616,484
Segment profit	245,616	24,660	11,171	6,163	(25,544)	262,066
Segment EBITDA	414,120	33,676	(17,216)	10,323	(28,739)	412,164
As at 30 September 2022(unaudited)						
Segment assets	6,785,056	462,869	166,043	282,081	(2,200,827)	5,495,222
Segment liabilities	3,843,010	370,032	70,504	97,920	(1,129,042)	3,252,424

	Ceramic products AED'000	Faucets AED'000	Other industrial AED'000	Others AED'000	Elimination AED'000	Total AED'000
Nine months period ended 30 September 2021 (unaudited)						
External revenue	2,038,953	-	63,491	5,860	-	2,108,304
Intersegment revenue	569,521	-	78,416	1,244	(649,181)	-
Segment revenue	2,608,474	-	141,907	7,104	(649,181)	2,108,304
Segment profit	255,135	-	16,557	(27,621)	(23,070)	221,001
Segment EBITDA	380,480	-	20,511	3,720	(25,532)	379,179
As at 31 December 2021 (audited)						
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

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, loss on de-recognition of excess lease rent recognized in earlier years, impairment loss of investment properties and impairment loss of property, plant and equipment, if any.

Reconciliation of reportable segments

	Nine months period ended 30 September	
	2022	2021
	AED'000	AED'000
	(unaudited)	(unaudited)
Total profit for reportable segments	281,797	231,251
Elimination of inter-segment profits	(25,544)	(23,070)
Share of profit of equity accounted investees	5,813	12,820
Reported profit	262,066	221,001

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

Notes to the condensed consolidated interim financial information (continued)

for the nine months period ended 30 September 2022

29. 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
30 September 2022 (unaudited)									
Financial assets measured at fair value									
Interest rate swaps used for hedging	20,800	-	-	-	20,800	-	20,800	-	20,800
Other currency and interest rate swaps	-	258	-	-	258	-	258	-	258
Forward exchange contracts	-	6,470	-	-	6,470	-	6,470	-	6,470
	20,800	6,728	-	-	27,528	-	27,528	-	27,528
Financial assets measured at amortised cost									
Long-term receivables	-	-	3,828	-	3,828	-	-	-	-
Trade and other receivables	-	-	1,045,675	-	1,045,675	-	-	-	-
Due from related parties	-	-	36,251	-	36,251	-	-	-	-
Bank balances and cash	-	-	456,883	-	456,883	-	-	-	-
	-	-	1,542,637	-	1,542,637	-	-	-	-
Financial liabilities measured at fair value									
Interest rate swaps used for hedging	9,262	-	-	-	9,262	-	9,262	-	9,262
	9,262	-	-	-	9,262	-	9,262	-	9,262
Financial liabilities measured at amortised cost									
Islamic bank financing	-	-	-	717,182	717,182	-	-	-	-
Interest bearing bank financing	-	-	-	1,154,418	1,154,418	-	-	-	-
Trade and other payables	-	-	-	834,146	834,146	-	-	-	-
Due to related parties	-	-	-	43,558	43,558	-	-	-	-
Lease Liabilities	-	-	-	94,351	94,351	-	-	-	-
	-	-	-	2,843,655	2,843,655	-	-	-	-

*FVTPL: fair value through profit or loss

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Notes to the condensed consolidated interim financial information (continued)

for the nine months period ended 30 September 2022

29. 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
31 December 2021 (audited)									
Financial assets measured at fair value									
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
Financial assets measured at amortized cost									
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	-	-	-	-
Financial liabilities measured at fair value									
Interest rate swaps used for hedging	9,010	-	-	-	9,010	-	9,010	-	9,010
	9,010	-	-	-	9,010	-	9,010	-	9,010
Financial liabilities measured at amortized cost									
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	-	-	-	-

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Notes to the condensed consolidated interim financial information (continued)

for the nine months period ended 30 September 2022

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 08 November 2022.