



Condensed Consolidated  
Interim Financial Information

*31 March 2023*

# **RAK Ceramics PJSC and its Subsidiaries**

Condensed consolidated interim financial information  
*31 March 2023*

## ***Table of contents***

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### **Section A:**

1. Report of the Board of Directors

### **Section B:**

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

On financial performance during the three month period ended 31 March 2023  
11 May 2023

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**Dear Members,**

It is our pleasure to present the business & operations report for the three month period ended 31 March 2023, along with the consolidated financial information of RAK Ceramics PJSC, UAE (the “Group” or the “Company”) as on 31 March 2023.

### Snapshots

- Total revenue increased by 12.7% to AED 882.4 million and total EBITDA increased by 21% to AED 157.1 million during Q1 2023 compared to Q1 2022.
- Total gross profit margin for Q1 2023 increased to 37.9%, an increase of 90 bps year-on-year driven by improved efficiencies.
- Reported net profit increased by 14.9% year on year to AED 80.1 million for Q1 2023 due to higher revenue and gross profit margins.
- Net debt to EBITDA increased to 2.42x in March 2023 compared to 2.26x in December 2022 mainly driven by increase in net debt due to dividend payment and increase in working capital.

The Company continues to be resilient despite the ongoing economic challenges weighing in namely due to higher rates of interest, currency devaluation, recessionary fears in major markets and increased competition.

### Strategic Highlights

RAK Ceramics continues to make progress on its expansion plans across its various markets.

UAE Expansion projects: Commercial production of smart tiles factory has commenced. This factory features smart tiles automation and IoT technologies to revolutionize tile manufacturing. The tableware capacity expansion is still underway, with commercial production estimated for Q3 2023 for additional 10 million pieces.

Greenfield projects Regarding the greenfield projects in Bangladesh and Saudi Arabia, the Company is actively pursuing the necessary licenses and clearances.

### Operational Review

Tiles revenue witnesses steady growth of 0.9% year on year at AED 520.9 million driven by increase in selling price due to change in product mix. The Company continues to face challenges due to rising natural gas prices, competition from regional players and increasing imports. However it has been successful in maintaining the margin by differentiated product strategy, which has allowed to strengthen its position in the retail and projects segment.

Sanitary-ware revenue witnesses a year on year decline of 16.6% at AED 129.2 million due to lower off-take in European markets given on-going economic challenges and disruption in Bangladesh business due to intermittent lower pressure in gas supply. However, the Company remains confident about the growth prospects in Europe and Bangladesh, given the declining inflation and reduction in freight rates. Tableware business registered robust performance on the back of successful launch of new series of products and benefiting from the growing demand with revenue increase of 28.9% year on year at AED 97.6 million. Faucets revenue continues to grow at AED 111.6 million in Q1 2023, out of which contribution from KLUDI Group consolidation is AED 105.1 million.

### Financial Highlights

The Company delivered a strong set of results during Q1 2023 despite continued economic challenges. Total revenue for Q1 2023 increased by 12.7% compared to same period last year to AED 882.4 million. The tiles and sanitary-ware continues to contribute over 74% of the total revenue mix followed by the Kludi Group consolidation which added

AED 105.1m in Q1 2023. Total gross profit margin for Q1 2023 increased to 37.9% compared to 37% in Q1 2022 driven by increase in tiles and tableware margin. Reported net profit increased to AED 80.1 million during Q1 2023 compared to AED 69.7 million in Q1 2022 due to higher revenue & gross profit margins.

## Net Debt Position

Net debt increased by AED 157.7 million to AED 1.46 billion compared to Dec 2022 mainly due to payment of dividend of AED 112 million and increase in working capital. Net debt to EBITDA increased to 2.42x in March 2023 compared to 2.26x in December 2022.

Particulars	Unit	Three months to 31 March 2023	Three months to 31 March 2022	Change
Total Revenue	AED Mio	882.4	783.1	12.7%
Gross Profit	AED Mio	334.2	289.4	15.5%
GP Margin	%	37.9%	37.0%	90 bps
EBITDA	AED Mio	157.1	129.7	21.2%
EBITDA Margin	%	17.8%	16.6%	120 bps
Reported Net Profit	AED Mio	80.1	69.7	14.9%
Reported Net Profit margin	%	9.1%	8.9%	20 bps
Reported Profit after NCI (Minority)	AED Mio	73.4	56.6	29.7%
Reported Earnings per share	AED	0.07	0.06	0.01
		<b>31 March 2023</b>	<b>31 December 2022</b>	<b>Change</b>
Total Assets	AED Mio	5,395.6	5,417.6	-0.4%
Share Capital	AED Mio	993.7	993.7	-
Shareholder's Equity	AED Mio	2,117.3	2,164.6	-2.2%
Net Debt	AED Mio	1,458.8	1,301.1	12.1%
Net Debt / EBITDA*	Times	2.42	2.26	-
Cost of Debt	%	5.74%	4.10%	164 bps

\* EBITDA for trailing 12 months is considered for calculation of its ratio to Net Debt.

## Sustainability

Further, RAK Ceramics is deeply committed towards sustainability and reducing overall environmental footprint. Recent investments include efficient online mosaic production, environment-friendly processes for recovering and recycling tiles and an advanced scanning solution. The long-term investment includes waste utilization and energy consumption.

## CSR activities, exhibitions, sponsorships and awards

### Exhibitions

- Participated in ISH exhibition at Frankfurt, Germany showcasing sanitary-wares product range

### Events & Sponsorships in Q1 2023

- Gold sponsor for Architect Awards 2023 – Design ME
- Ramadan campaign for tiles, sanitary-wares and faucets
- National Day campaign for tiles, sanitary-wares and faucets
- Collaboration with local artist Mohamed Ahmed Ibrahim to promote local art
- Iftar events for business partners

### Awards received in Q1 2023

- Stevie Gold Honorary Award for Excellence and Good Reputation
- Stevie Silver Award for Excellence in Innovation in Manufacturing Industries

## Future Outlook

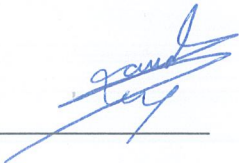
Performance of the Company in the UAE market remains solid, allowing it to maintain a strong position as it encounters challenges in other major markets in the form of local competition, recessionary fears and currency devaluation. Despite these obstacles, the unwavering commitment of the Company lies in positioning itself as a trusted premium supplier and it will continue to actively expand its retail presence in the region.

## Financial Reporting

The consolidated financial information of the Group, 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 2023



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 2023*

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

Condensed consolidated interim financial information  
31 March 2023

<b>Contents</b>	<b>Page</b>
Independent auditor's review report	1
Condensed consolidated statement of profit or loss (unaudited)	2
Condensed consolidated statement of profit or loss and other comprehensive income (unaudited)	3
Condensed consolidated statement of financial position	4
Condensed consolidated statement of cash flows (unaudited)	5 - 6
Condensed consolidated statement of changes in equity	7 - 8
Notes to the condensed consolidated interim financial information	9 – 28

## 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") Ras Al Khaimah, United Arab Emirates and its subsidiaries (together referred to as the "Group")**, as at 31 March 2023 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 2023

Dubai, 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 2023

	<i>Notes</i>	Three month period ended 31 March	
		2023 AED'000	2022 AED'000
<b>Revenue</b>	5	<b>882,378</b>	783,063
Cost of sales	6	<b>(548,149)</b>	(493,711)
<b>Gross profit</b>		<b>334,229</b>	289,352
Administrative and general expenses	7	<b>(57,796)</b>	(50,131)
Selling and distribution expenses	8	<b>(173,473)</b>	(161,459)
Other operating income	9	<b>15,039</b>	20,144
Finance costs	10	<b>(28,555)</b>	(17,842)
Finance income	10	<b>2,247</b>	1,667
Loss on net monetary position	25	<b>(690)</b>	(683)
Share of profit in equity accounted investees	11	<b>22</b>	3,075
<b>Profit before impairment loss</b>		<b>91,023</b>	84,123
Impairment loss on trade receivables	7(i)	<b>(5,924)</b>	(7,480)
<b>Profit before tax</b>		<b>85,099</b>	76,643
Tax expense		<b>(4,998)</b>	(6,908)
<b>Profit for the period</b>		<b>80,101</b>	69,735
<i>Profit attributable to:</i>			
Owners of the Company		<b>73,412</b>	56,589
Non-controlling interests		<b>6,689</b>	13,146
<b>Profit for the period</b>		<b>80,101</b>	69,735
<b>Earnings per share</b>			
- basic and diluted (AED)	12	<b>0.07</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 2023

	Three month period ended 31 March	
	2023 AED'000	2022 AED'000
<b>Profit for the period</b>	<b>80,101</b>	69,735
<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>(20,493)</b>	(1,091)
Cash flow hedges – effective portion of changes in fair value (loss)/gain on hedging instruments	<b>(3,497)</b>	16,087
Effects of application of hyperinflation accounting (Note 25)	<b>2,630</b>	1,665
<b>Total comprehensive income for the period</b>	<b>58,741</b>	86,396
<i>Total comprehensive income attributable to:</i>		
Owners of the Company	<b>55,539</b>	74,419
Non-controlling interests	<b>3,202</b>	11,977
<b>Total comprehensive income for the period</b>	<b>58,741</b>	86,396

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 2023

	Notes	31 March 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	1,246,318	1,243,400
Goodwill	14	119,964	119,855
Right-of-use assets		95,036	95,697
Intangible assets		17,475	18,545
Investment properties	15	899,526	904,191
Investments in equity accounted investees	11	10,114	10,587
Long-term receivables	16(i)	3,639	3,560
Derivative financial assets	19	7,281	9,658
Deferred tax assets		6,486	6,398
<b>Total non-current assets</b>		<b>2,405,839</b>	<b>2,411,891</b>
<b>Current assets</b>			
Inventories	17	1,294,496	1,309,292
Trade and other receivables	16	1,263,731	1,205,067
Due from related parties	18	29,112	41,826
Derivative financial assets	19	9,804	10,924
Bank deposits with an original maturity of more than three months	20	96,923	117,321
Cash and cash equivalents	20	295,747	321,291
<b>Total current assets</b>		<b>2,989,813</b>	<b>3,005,721</b>
<b>Total assets</b>		<b>5,395,652</b>	<b>5,417,612</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	21	993,703	993,703
Reserves		1,123,591	1,170,866
<b>Equity attributable to owners of the Company</b>		<b>2,117,294</b>	<b>2,164,569</b>
Non-controlling interests		123,813	133,440
<b>Total equity</b>		<b>2,241,107</b>	<b>2,298,009</b>
<b>Non-current liabilities</b>			
Islamic bank financing	22a(ii)	362,624	372,628
Interest bearing bank financing	22b(ii)	626,218	595,649
Provision for employees' end of service benefits		134,259	132,450
Lease liabilities		72,637	72,318
Deferred tax liabilities		25,889	25,397
<b>Total non-current liabilities</b>		<b>1,221,627</b>	<b>1,198,442</b>
<b>Current liabilities</b>			
Islamic bank financing	22a(i)	299,103	284,767
Interest bearing bank financing	22b(i)	563,509	486,686
Trade and other payables	23	828,772	903,666
Due to related parties	18	39,957	39,495
Derivative financial liabilities	19	5,207	4,548
Lease liabilities		27,317	27,626
Provision for taxation		169,053	174,373
<b>Total current liabilities</b>		<b>1,932,918</b>	<b>1,921,161</b>
<b>Total liabilities</b>		<b>3,154,545</b>	<b>3,119,603</b>
<b>Total equity and liabilities</b>		<b>5,395,652</b>	<b>5,417,612</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 2023

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 2023

	Three month period ended 31 March	
	2023	2022
	AED'000	AED'000
<b>Operating activities</b>		
Profit for the period before tax	85,099	76,643
<i>Adjustments for:</i>		
Share of profit in equity accounted investees	(22)	(3,075)
Interest expense	16,378	10,556
Profit expense on Islamic bank financing	8,806	2,192
Interest income	(1,680)	(1,602)
Profit on wakala deposits	(472)	(65)
Interest expense on lease liabilities	1,778	1,145
Net change in fair value of derivative financial instruments	659	1,339
Gain on disposal of property, plant and equipment	(207)	(40)
Depreciation on property, plant and equipment	34,766	30,521
Depreciation on investment properties	2,580	2,626
Amortisation of intangible assets	1,654	1,489
Depreciation of right-of-use assets	8,461	6,233
Provision for employees' end-of-service benefits	4,192	3,836
Loss on net monetary position	690	683
Allowance for slow moving and obsolete inventories	12,106	7,558
Write (up)/down of cost of finished goods	(1,340)	3,277
Impairment loss on trade receivables	5,924	7,480
	<b>179,372</b>	<b>150,796</b>
Changes in:		
- inventories	4,030	(15,934)
- trade and other receivables (including long-term portion)	(69,754)	15,541
- due from related parties	12,714	4,108
- trade and other payables	(74,894)	(6,748)
- due to related parties	462	6,100
Income tax paid	(4,827)	(3,545)
Employees' end-of-service benefits paid	(2,565)	(1,695)
Currency translation adjustments	(7,028)	2,123
<b>Net cash generated from operating activities</b>	<b>37,510</b>	<b>150,746</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 2023 (continued)

	Three month period ended 31 March	
	2023 AED'000	2022 AED'000
<b>Investing activities</b>		
Additions to property, plant and equipment	(44,724)	(23,654)
Proceeds from disposal of property, plant and equipment	3,034	155
Additions to intangible assets	(543)	(221)
Additions to investment property	(1,980)	-
Dividend received from equity accounted investees	261	289
Interest received	1,680	1,602
Profit received on wakala deposits	472	65
Proceeds from maturity of bank deposits with an original maturity of more than three months	20,398	109,193
<b>Net cash (used in)/generated from investing activities</b>	<b>(21,402)</b>	<b>87,429</b>
<b>Financing activities</b>		
Long-term bank financing availed	71,178	96,538
Long-term bank financing repaid	(53,799)	(51,148)
Long-term Islamic bank financing availed	20,000	-
Long-term Islamic bank financing repaid	(24,319)	(28,270)
Short-term bank financing availed	389,264	142,558
Short-term bank financing repaid	(374,467)	(164,304)
Short-term Islamic bank financing availed	182,961	97,901
Short-term Islamic bank financing repaid	(174,310)	(51,253)
Repayment of lease liabilities	(12,550)	(7,482)
Interest paid	(16,378)	(10,556)
Profit paid on Islamic bank financing	(8,806)	(2,192)
Remuneration paid to board of directors	(3,444)	(888)
Dividend paid	(99,370)	(99,370)
Dividend paid to non-controlling interests	(12,829)	(12,500)
<b>Net cash used in financing activities</b>	<b>(116,869)</b>	<b>(90,966)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(100,761)</b>	<b>147,209</b>
Cash and cash equivalents at the beginning of the period	242,628	294,081
<b>Net cash and cash equivalents at the end of the period</b>	<b>141,867</b>	<b>441,290</b>
<b>Represented by:</b>		
Cash and cash equivalents	295,747	479,795
Bank overdraft	(153,880)	(38,505)
	<b>141,867</b>	<b>441,290</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 2023

	Attributable to owners of the Company											Non-controlling interests (NCI)	Total equity	
	Reserves													
	Share capital	Share premium	Legal reserve	Translation reserve	Hyper-inflation reserve*	Hedging reserve	General reserve	Capital reserve	Retained earnings	Total reserves	Total			
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2023	993,703	221,667	578,603	(182,291)	(166,881)	20,582	82,805	75,040	541,341	1,170,866	2,164,569	133,440	2,298,009	
<b>Total comprehensive income/(loss) for the period (unaudited)</b>														
Profit for the period	-	-	-	-	-	-	-	-	73,412	73,412	73,412	6,689	80,101	
<b>Other comprehensive income/(loss)</b>														
Foreign exchange differences on translation of foreign operations	-	-	-	(9,317)	(7,689)	-	-	-	-	(17,006)	(17,006)	(3,487)	(20,493)	
Changes in cash flow hedges	-	-	-	-	-	(3,497)	-	-	-	(3,497)	(3,497)	-	(3,497)	
Effects of application of IAS 29 (refer Note 25)	-	-	-	-	2,630	-	-	-	-	2,630	2,630	-	2,630	
<b>Total comprehensive income/(loss) for the period</b>	-	-	-	(9,317)	(5,059)	(3,497)	-	-	73,412	55,539	55,539	3,202	58,741	
<b>Other equity movements (unaudited)</b>														
Directors' annual remuneration (refer Note 21(ii))	-	-	-	-	-	-	-	-	(3,444)	(3,444)	(3,444)	-	(3,444)	
<b>Transaction with owners (unaudited)</b>														
Dividend paid (refer Note 21(i))	-	-	-	-	-	-	-	-	(99,370)	(99,370)	(99,370)	-	(99,370)	
Dividend declared to NCI	-	-	-	-	-	-	-	-	-	-	-	(12,829)	(12,829)	
<b>Balance at 31 March 2023 (unaudited)</b>	<b>993,703</b>	<b>221,667</b>	<b>578,603</b>	<b>(191,608)</b>	<b>(171,940)</b>	<b>17,085</b>	<b>82,805</b>	<b>75,040</b>	<b>511,939</b>	<b>1,123,591</b>	<b>2,117,294</b>	<b>123,813</b>	<b>2,241,107</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 2023 (continued)

	Attributable to owners of the Company											Non-controlling interests (NCI)	Total equity
	Reserves												
	Share capital	Share premium	Legal reserve	Translation reserve	Hyper-inflation reserve*	Hedging reserve	General reserve	Capital reserve	Retained earnings	Total reserves	Total		
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
<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 21(ii))	-	-	-	-	-	-	-	-	(3,574)	(3,574)	(3,574)	-	(3,574)
<b>Transaction with owners (unaudited)</b>													
Dividend paid (refer Note 21(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 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 2023

### 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 2023 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 the manufacturing and sale of a variety of ceramic products including tiles, bathroom sets, sanitary wares, table wares and faucets. 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 abides by the New Companies Law of the UAE.

### 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 2022, 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 2023. 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.

- IFRS 17 ‘Insurance Contracts’ relating to providing a more uniform measurement and presentation approach for all insurance contracts.
- 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.
- IFRS 4 ‘Insurance contracts’ relating to amendments relating to the expiry date of the deferral approach. The fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 was 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.

Other than the above, there are no significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2023.



# 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 2023

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

#### 2.2 New and revised IFRS in issue but not yet effective and not early adopted

The Group has not early adopted the following new and revised IFRSs that have been issued but are not yet effective:

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) - The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale (effective from January 1, 2024).
- Non-current Liabilities with Covenants (Amendments to IAS 1) - The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability (effective from January 1, 2024).
- Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 ‘Consolidated Financial Statements’ and IAS 28 ‘Investments in Associates and Joint Ventures’ (Effective date deferred indefinitely, available for early adoption)).

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group’s consolidated financial statements as and when they are applicable and adoption of these new standards and amendments may have no material impact on the condensed consolidated interim financial information of the Group in the period of initial application.

### 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 2022.

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 2022. 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 2023 and 31 March 2022. In addition, results for the three month period ended 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

#### 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 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 2023

### 5. Revenue

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

	Three month period ended 31 March	
	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)
Sale of goods	880,128	778,009
Others	2,250	5,054
	<b>882,378</b>	<b>783,063</b>

### 6. Cost of sales

	Three month period ended 31 March	
	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)
Raw materials consumed	314,928	254,755
Change in inventory of finished goods	(53,638)	(2,699)
Allowance for slow moving inventories	12,106	7,558
Direct labor	74,082	53,607
Power and fuel	37,968	26,880
LPG and natural gas	59,528	59,889
Depreciation on property, plant and equipment	27,499	25,007
Depreciation of right-of-use assets	726	13
Amortization of intangible assets	299	-
Repairs and maintenance expense	29,218	26,653
Packing material expenses	29,324	29,866
Others	16,109	12,182
	<b>548,149</b>	<b>493,711</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 2023

### 7. Administrative and general expenses

	Three month period ended 31 March	
	2023	2022
	AED'000	AED'000
	(unaudited)	(unaudited)
Staff salaries and other associated costs	27,092	22,948
Depreciation on property, plant and equipment	3,234	2,904
Depreciation on investment properties	2,580	2,626
Depreciation of right-of-use assets	154	182
Amortization of intangible assets	1,355	1,489
Telephone, postal and office supplies	1,591	1,153
Repairs and maintenance expenses	1,730	1,627
Legal and professional fees	4,026	3,573
Utility expenses	1,120	1,016
Security charges	131	408
Directors' remuneration*	925	-
Information technology licenses and consultancy expenses	4,406	3,014
Expenses on investment properties	1,454	1,598
Others	7,998	7,593
	<b>57,796</b>	<b>50,131</b>

\* From 1 January 2023 the remuneration of members of the Board of Directors has been recognized as an administrative expense on an accrual basis. In previous years, such remuneration was accounted for on a cash basis as a distribution of profits. Had it been recognized as an administrative expense on the accrual basis in 2022, the profit for the three month period ended 31 March 2022 would have been lower by AED 925 thousand, with an immaterial impact on the basic and diluted earnings per share for that period.

### 7(i) Impairment loss on trade receivables

	Three month period ended 31 March	
	2023	2022
	AED'000	AED'000
	(unaudited)	(unaudited)
Impairment loss on trade receivables	5,924	7,480
	<b>5,924</b>	<b>7,480</b>

### 8. Selling and distribution expenses

	Three month period ended 31 March	
	2023	2022
	AED'000	AED'000
	(unaudited)	(unaudited)
Staff salaries and other associated costs	56,943	37,644
Freight and transportation	61,725	88,155
Agents' commission	4,932	8,258
Advertisement and promotions expenses	22,546	11,644
Rental expenses	1,516	593
Travel and entertainment expenses	3,038	1,099
Depreciation on property, plant and equipment	4,033	2,610
Depreciation of right-of-use assets	7,581	6,038
Others	11,159	5,418
	<b>173,473</b>	<b>161,459</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 2023

### 9. Other operating income

	Three month period ended 31 March	
	2023	2022
	AED'000	AED'000
	(unaudited)	(unaudited)
Rental income from investment properties	7,389	7,768
Sale of scrap and miscellaneous items	979	1,817
Insurance claims	759	131
Net gain on disposal of property, plant and equipment	207	40
Discounts earned on purchases and freight	2,431	3,804
Dividend received from equity accounted investees	261	289
Other miscellaneous income	3,013	6,295
	<b>15,039</b>	<b>20,144</b>

### 10. Finance costs and income

	Three month period ended 31 March	
	2023	2022
	AED'000	AED'000
<b>Finance costs</b>		
Interest on bank financing	16,378	10,546
Profit expense on Islamic financing	8,806	2,192
Interest on amount due to related parties	-	10
Interest expense on lease liabilities	1,778	1,145
Net change in the fair value of derivatives	659	1,339
Bank charges	934	1,047
Net foreign exchange loss	-	1,563
<b>Total (A)</b>	<b>28,555</b>	<b>17,842</b>
<b>Finance income</b>		
Interest on bank deposits	1,680	1,602
Profit on wakala deposits	472	65
Net change in the fair value of derivatives	95	-
<b>Total (B)</b>	<b>2,247</b>	<b>1,667</b>
<b>Net finance costs (A-B)</b>	<b>26,308</b>	<b>16,175</b>

### 11. Investments in equity accounted investees

The Group's share of profit in equity accounted investees for the three month period ended 31 March 2023 amounted to AED 0.02 million (unaudited) (three month period ended 31 March 2022 (unaudited): AED 3.08 million).

The Group received AED 0.26 million (unaudited) as dividends during the current period from its equity accounted investees (three month period ended 31 March 2022 (unaudited): AED 0.29 million).

# 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 2023

### 12. Earnings per share

	Three month period ended 31 March	
	2023 (unaudited)	2022 (unaudited)
Profit attributable to the owners of the Company (AED'000)	73,412	56,589
Weighted average number of ordinary shares ('000s)	993,703	993,703
<b>Basic and diluted earnings per share (AED)</b>	<b>0.07</b>	0.06

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.

### 13. Property, plant and equipment

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

During the three month period ended 31 March 2023, the Group has acquired property, plant and equipment and made additions to capital work in progress amounting to AED 44.72 million (three month period ended 31 March 2022: AED 23.65 million).

Property, plant and equipment with a carrying amount of AED 2.83 million was disposed of during the current period (three month period ended 31 March 2022: AED 0.12 million) resulting in a gain on disposal of AED 0.21 million (gain on disposal, three month period ended 31 March 2022: AED 0.04 million) which is included in other income in the condensed consolidated statement of profit or loss (also refer Note 9).

Depreciation on property, plant and equipment for the current period amounted to AED 34.77 million (three month period ended 31 March 2022: AED 30.52 million). Below is the breakdown of property, plant and equipment inside and outside the U.A.E:

	31 March 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Inside U.A.E	797,275	791,503
Outside U.A.E	449,043	451,897
	<b>1,246,318</b>	1,243,400

### 14. Goodwill

	31 March 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Opening balance	119,855	120,500
Effects of movements in exchange rate	109	(645)
Closing balance	<b>119,964</b>	119,855

# 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 2023

### 14. Goodwill (continued)

Goodwill comprises AED 50.36 million, AED 5.31 million, AED 5.84 million, and AED 58.45 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.

### 15. Investment properties

	<b>31 March 2023 AED'000 (unaudited)</b>	31 December 2022 AED'000 (audited)
Inside U.A.E	<b>875,314</b>	877,181
Outside U.A.E	<b>24,212</b>	27,010
	<hr/> <b>899,526</b>	<hr/> 904,191

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 2022 (audited) amounted to AED 1,032.31 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 2023.

The fair value of the Group's investment properties as at 31 December 2022 and the prior years 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.

The fair value measurement has been categorized as a Level 3 fair value based on the inputs to the valuation technique used and in estimating the fair value, the highest and best use of the properties in their current use (31 December 2022: 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 2023

### 16. Trade and other receivables

	<b>31 March 2023 AED'000 (unaudited)</b>	31 December 2022 AED'000 (audited)
Trade receivables	<b>1,086,967</b>	1,076,543
Less: Allowance for expected credit loss	<b>(164,059)</b>	(211,859)
<b>Subtotal (A)</b>	<b>922,908</b>	864,684
Other receivables	<b>123,997</b>	129,730
Less: Allowance for expected credit loss	<b>(33,791)</b>	(33,791)
<b>Subtotal (B)</b>	<b>90,206</b>	95,939
Advances and prepayments (C)	<b>223,247</b>	214,495
Deposits (D)	<b>27,370</b>	29,949
<b>Total (A+B+C+D)</b>	<b>1,263,731</b>	1,205,067

### 16(i) Long-term receivables

	<b>31 March 2023 AED'000 (unaudited)</b>	31 December 2022 AED'000 (audited)
Trade receivables	<b>4,664</b>	4,570
Less: Allowance for expected credit loss	<b>(213)</b>	(272)
	<b>4,451</b>	4,298
Less : current portion included in trade receivables	<b>(812)</b>	(738)
<b>Long-term receivables</b>	<b>3,639</b>	3,560

# 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 2023

### 17. Inventories

	31 March 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Finished goods (net of net realizable value adjustments)	951,306	907,383
Less : Allowance for slow moving inventories	(160,607)	(152,962)
<b>Subtotal (A)</b>	<b>790,699</b>	<b>754,421</b>
Raw materials	259,259	301,923
Consumables, stores and spares	256,450	254,125
Less : Allowance for slow-moving inventories	(82,700)	(80,170)
<b>Subtotal (B)</b>	<b>433,009</b>	<b>475,878</b>
Goods-in-transit (C)	17,542	23,255
Work-in-progress (D)	53,246	55,738
<b>Total (A+B+C+D)</b>	<b>1,294,496</b>	<b>1,309,292</b>

At 31 March 2023, the Group has recognized a cumulative loss due to write-down of finished goods inventories of AED 165.02 million against cost of AED 456.00 million (31 December 2022 (audited): AED 165.96 million against cost of AED 425.99 million) to bring it to its net realizable value which was lower than the cost. The difference in the write down of AED (0.94) million (unaudited) (three month period ended 31 March 2022 (unaudited): AED 3.28 million) is included in cost of sales in the condensed consolidated statement of profit or loss with a currency loss of AED 0.31 million for the period (unaudited) (three month period ended 31 March 2022 (unaudited): AED 0.28 million).

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

### 18. 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:

	Three month period ended 31 March	
	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)
Sale of goods and services and construction contracts	28,167	36,666
Purchase of goods and rendering of services	60,880	61,584
Royalty	25	48
Interest expense	-	10



# 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 2023

### 18. 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	
	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)
Short-term benefits	3,226	2,919
Staff terminal benefits	58	60
Board of Directors' remuneration	3,444	3,574

#### Due from related parties

	31 March 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Equity accounted investees	41,743	39,807
Other related parties	27,577	42,235
	69,320	82,042
Less : Allowance for expected credit loss	(40,208)	(40,216)
	29,112	41,826

#### Due to related parties

	31 March 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Other related parties	39,957	39,495
	39,957	39,495

### 19. Derivative financial instruments

The Group uses derivative financial instruments for risk mitigation purposes. The Group has 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.

	31 March 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
<b>Non-current</b>		
<b>Derivative financial assets</b>		
Interest rate swaps used for hedging	7,281	9,658
	7,281	9,658

# 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 2023

### 19. Derivative financial instruments (continued)

	<b>31 March 2023 AED'000 (unaudited)</b>	31 December 2022 AED'000 (audited)
<b>Current</b>		
<b>Derivative financial assets</b>		
Interest rate swaps used for hedging	9,804	10,924
	<b>9,804</b>	<b>10,924</b>
	<b>31 March 2023 AED'000 (unaudited)</b>	31 December 2022 AED'000 (audited)
<b>Current</b>		
<b>Derivative financial liabilities</b>		
Forward exchange contracts	2,634	570
Other currency and interest rate swaps	2,573	3,978
	<b>5,207</b>	<b>4,548</b>

### 20. Bank balances and cash

	<b>31 March 2023 AED'000 (unaudited)</b>	31 December 2022 AED'000 (audited)
Cash in hand	1,980	2,024
Cash at bank		
- in bank deposits with maturity of less than three months	3,867	76,545
- in Wakala deposits with maturity less than three months	-	25,000
- in current accounts	253,204	194,301
- in margin deposits	1,154	1,536
- in call accounts	35,975	22,318
Cash and cash equivalents (excluding allowance for expected credit loss)	<b>296,180</b>	321,724
Less : Allowance for expected credit loss	<b>(433)</b>	(433)
Cash and cash equivalents (A)	<b>295,747</b>	321,291
Bank deposits with an original maturity of more than three months (B)	<b>96,923</b>	117,321
Bank balances and cash (A+B)	<b>392,670</b>	438,612

Cash in hand and cash at bank includes AED 0.37 million (31 December 2022 (audited): AED 0.50 million) and AED 138.00 million (31 December 2022 (audited): AED 123.15 million) respectively, held outside UAE.

All bank deposits carry interest at normal commercial rates and include AED 0.55 million (31 December 2022 (audited): AED 0.45 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.

# 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 2023

### 21. Share Capital

	<b>31 March 2023 AED'000 (unaudited)</b>	31 December 2022 AED'000 (audited)
<b>Authorised, issued and paid up</b>		
170,000,000 shares of AED 1 each paid up in cash	<b>170,000</b>	170,000
823,703,958 shares of AED 1 each issued as bonus shares	<b>823,703</b>	823,703
	<b>993,703</b>	993,703

#### (i) Dividend

At the Annual General Meeting (AGM) held on 10 March 2023, the shareholders approved a cash dividend of 10% amounting to AED 99,370 thousand apart from the interim cash dividend of 10% amounting to AED 99,370 thousand for the year 2022; (For the year 2021: cash dividend of 7.5% amounting to AED 74,528 thousand).

#### (ii) Directors' remuneration

At the Annual General Meeting (AGM) held on 10 March 2023, the shareholders approved the Directors' remuneration amounting to AED 3,700 thousand for the year ended 31 December 2022, the actual payout was AED 3,444 thousand based on the number of Directors in post (for the year ended 31 December 2021: approved AED 3,700 thousand and paid AED 3,574 thousand based on the number of Directors in post) (Also refer note 7).

### 22. Bank financing arrangements

#### (a) Islamic bank financing

	<b>31 March 2023 AED'000 (unaudited)</b>	31 December 2022 AED'000 (audited)
<b>(i) Short-term</b>		
Mudaraba facilities (A)	<b>96,474</b>	48,379
Commodity Murabaha facilities (B)	<b>88,398</b>	127,842
Current portion of long-term financing (refer note 22(a)(ii) below)	<b>114,231</b>	108,546
	<b>299,103</b>	284,767

	<b>31 March 2023 AED'000 (unaudited)</b>	31 December 2022 AED'000 (audited)
<b>(ii) Long-term – Islamic bank financing</b>		
Mudaraba facilities(A)	<b>140,000</b>	120,000
Commodity Murabaha facilities (B)	<b>169,581</b>	183,404
Ijarah facilities (C)	<b>167,274</b>	177,770
Less : current portion of long-term financing (refer Note 22 (a)(i))	<b>(114,231)</b>	(108,546)
	<b>362,624</b>	372,628

# 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 2023

### 22. Bank financing arrangements (continued)

#### (a) Islamic bank financing

##### (ii) Long-term – Islamic bank financing

	<b>31 March 2023 AED'000 (unaudited)</b>	31 December 2022 AED'000 (audited)
<b>Movement:</b>		
Balance as at 1 January	<b>481,174</b>	404,421
Availed during the period/ year	<b>20,000</b>	193,447
Repaid during the period/ year	<b>(24,319)</b>	(116,694)
<b>Balance as at end of the period/ year</b>	<b>476,855</b>	481,174
Less : current portion included in short-term (refer 22 (a)(i))	<b>(114,231)</b>	(108,546)
	<b>362,624</b>	372,628

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 2022.

- (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.

#### (b) Interest bearing bank financing

	<b>31 March 2023 AED'000 (unaudited)</b>	31 December 2022 AED'000 (audited)
<b>(i) Short-term</b>		
Bank overdraft	<b>153,880</b>	78,663
Short-term loan	<b>177,101</b>	162,305
Current portion of long-term financing (refer note 22 (b)(ii) below)	<b>232,528</b>	245,718
	<b>563,509</b>	486,686

# 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 2023

### 22. Bank financing arrangements (Continued)

#### (b) Interest bearing bank financing

	31 March 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
<b>(ii) Long-term bank loans</b>		
Balance as at 1 January	841,367	697,811
Availed during the period/ year	71,178	412,555
Repaid during the period/ year	(53,799)	(268,999)
Balance as at end of the period/ year	858,746	841,367
Less : current portion of long-term financing (refer 22 (b)(i))	(232,528)	(245,718)
	<b>626,218</b>	<b>595,649</b>

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 2022.

### 23. Trade and other payables

	31 March 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Trade payables	355,564	417,804
Accrued and other expenses	257,255	249,795
Advance from customers	80,042	106,394
Commission and rebates payable	70,364	73,898
Other payables	65,547	55,775
	<b>828,772</b>	<b>903,666</b>

### 24. Contingent liabilities and commitments

	31 March 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
<b>Contingent liabilities</b>		
Letters of guarantee	63,517	65,820
Letters of credit	94,926	60,931
Value added tax and other tax contingencies	62,806	62,979
<b>Commitments</b>		
Capital commitments	59,514	83,382

# 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 2023

### 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 2022 or during the three month period ended 31 March 2023. The total assets of the Iranian subsidiary were 0.42% of the Group's consolidated total assets as at 31 March 2023 (31 December 2022 (audited): 0.53%)

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
31 March 2023	<b>620.00</b>	1.1012
31 December 2022	<b>563.00</b>	1.4847
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

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 2022 are reported in Hyperinflation reserve directly as a component of equity and the impacts of changes in the general purchasing power from 1 January 2023 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 2023

### 25. Hyperinflationary economy

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

	<b>1 January 2023 AED'000 (unaudited)</b>	1 January 2022 AED'000 (unaudited)
<b>Impact on condensed consolidated statement of financial position</b>		
Increase in property, plant and equipment	<b>783</b>	494
Increase in investment properties – Net	<b>910</b>	587
Increase in other assets	<b>937</b>	584
Increase in equity	<b>2,630</b>	1,665
<i>Allocated to:</i>		
Increase in opening equity due to cumulative hyperinflation	<b>2,630</b>	1,665
<b>Three month period ended 31 March</b>		
	<b>2023 AED'000 (unaudited)</b>	2022 AED'000 (unaudited)
<b>Impact on condensed consolidated statement of profit or loss</b>		
Increase in depreciation charge for the period	<b>379</b>	422
Loss on net monetary position	<b>690</b>	683
	<b>1,069</b>	1,105

### 26. Other Information

#### Acquisitions during the year 2022

- (a) 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 concluded on 31 May 2022.
- (b) During the last year the Group acquired (i) further 42% interest in one of its subsidiary, RAK Porcelain LLC, UAE, for a consideration of AED 231 million, thereby increasing the shareholding of the Group to 92% and (ii) through RAK Porcelain LLC, UAE, the remaining 9% stake in its subsidiary, RAK Porcelain Europe for a consideration of AED 3.46 million.

#### Corporate Income Tax

On 3 October 2022, the United Arab Emirates (UAE) Ministry of Finance (“MoF”) issued Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law (“CT Law”) to implement a new CT regime in the UAE. The new CT regime is applicable for accounting periods beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate, however a rate of 0% could be applied to taxable income not exceeding a particular threshold or to certain types of entities, to be prescribed by way of a Cabinet Decision.

The Group/Company is currently assessing the impact of these laws and regulations and will apply the requirements as further guidance is provided by the relevant tax authorities.

# 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 2023

### 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:

Ceramics products	includes manufacture and sale of ceramic wall and floor tiles, gres porcellanato, bath-ware and table ware products.
Faucets	includes manufacture and sale of Taps and Faucets
Other industrial	includes manufacturing and distribution of power, paints, plastics, mines and chemicals.
Others	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	Faucets AED'000	Other industrial AED'000	Others AED'000	Elimination AED'000	Total AED'000
<b>Three month period ended 31 March 2023 (unaudited)</b>						
External revenue	754,090	105,137	21,366	1,785	-	882,378
Intersegment revenue	165,079	9,950	35,766	465	(211,260)	-
<b>Segment revenue</b>	<b>919,169</b>	<b>115,087</b>	<b>57,132</b>	<b>2,250</b>	<b>(211,260)</b>	<b>882,378</b>
Segment profit/(loss)	105,194	(10,811)	2,983	1,406	(18,671)	80,101
Segment EBITDA	173,487	(2,706)	4,322	1,845	(19,854)	157,094
<b>At 31 March 2023 (unaudited)</b>						
Segment assets	6,771,515	518,863	162,644	285,559	(2,342,929)	5,395,652
Segment liabilities	3,804,280	457,785	68,511	98,324	(1,274,355)	3,154,545



# 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 2023

### 27. Segment reporting (continued)

	Ceramic products AED'000	Faucets 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>-</b>	<b>48,718</b>	<b>5,493</b>	<b>(178,684)</b>	<b>783,063</b>
Segment profit/(loss)	87,801	-	7,280	2,688	(28,034)	69,735
Segment EBITDA	146,114	-	8,630	4,062	(29,108)	129,698
<b>At 31 December 2022 (audited)</b>						
Segment assets	6,775,248	483,804	155,298	282,547	(2,279,285)	5,417,612
Segment liabilities	3,743,743	411,181	64,693	96,613	(1,196,627)	3,119,603

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

	<b>Three month period ended 31 March</b>	
	<b>2023</b>	<b>2022</b>
	<b>AED'000</b>	<b>AED'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Total profit or loss for reportable segments	<b>98,750</b>	94,694
Elimination of inter-segment profits	<b>(18,671)</b>	(28,034)
Share of profit of equity accounted investees	<b>22</b>	3,075
<b>Reported profit</b>	<b>80,101</b>	69,735

# 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 2023

### 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 2023 (unaudited)</b>									
<b>Financial assets measured at fair value</b>									
Interest rate swaps used for hedging	-	-	17,085	-	17,085	-	17,085	-	17,085
	-	-	17,085	-	17,085	-	17,085	-	17,085
<b>Financial assets measured at amortised cost</b>									
Long-term receivables	-	-	3,639	-	3,639	-	-	-	-
Trade and other receivables	-	-	1,040,484	-	1,040,484	-	-	-	-
Due from related parties	-	-	29,112	-	29,112	-	-	-	-
Bank balances and cash	-	-	392,670	-	392,670	-	-	-	-
	-	-	1,465,905	-	1,465,905	-	-	-	-
<b>Financial liabilities measured at fair value</b>									
Forward exchange contracts / Options	-	2,634	-	-	2,634	-	2,634	-	2,634
Other currency and interest rate swaps	-	2,573	-	-	2,573	-	2,573	-	2,573
	-	5,207	-	-	5,207	-	5,207	-	5,207
<b>Financial liabilities measured at amortised cost</b>									
Islamic bank financing	-	-	-	661,727	661,727	-	-	-	-
Interest bearing bank financing	-	-	-	1,189,727	1,189,727	-	-	-	-
Trade and other payables	-	-	-	748,730	748,730	-	-	-	-
Due to related parties	-	-	-	39,957	39,957	-	-	-	-
Lease liabilities	-	-	-	99,954	99,954	-	-	-	-
	-	-	-	2,740,095	2,740,095	-	-	-	-

\*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 2023

### 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 2022 (audited)</b>									
<b>Financial assets measured at fair value</b>									
Interest rate swaps used for hedging	-	20,582	-	-	20,582	-	20,582	-	-
	-	20,582	-	-	20,582	-	20,582	-	-
<b>Financial assets measured at amortized cost</b>									
Long-term receivables	-	-	3,560	-	3,560	-	-	-	-
Trade and other receivables	-	-	990,572	-	990,572	-	-	-	-
Due from related parties	-	-	41,826	-	41,826	-	-	-	-
Bank balances and cash	-	-	438,612	-	438,612	-	-	-	-
	-	-	1,474,570	-	1,474,570	-	-	-	-
<b>Financial liabilities measured at fair value</b>									
Forward exchange contracts / Options	-	570	-	-	570	-	570	-	570
Other currency and interest rate swaps	-	3,978	-	-	3,978	-	3,978	-	3,978
	-	4,548	-	-	4,548	-	4,548	-	4,548
<b>Financial liabilities measured at amortized cost</b>									
Islamic bank financing	-	-	-	657,395	657,395	-	-	-	-
Interest bearing bank financing	-	-	-	1,082,335	1,082,335	-	-	-	-
Trade and other payables	-	-	-	797,272	797,272	-	-	-	-
Due to related parties	-	-	-	39,495	39,495	-	-	-	-
Lease liabilities	-	-	-	99,944	99,944	-	-	-	-
	-	-	-	2,676,441	2,676,441	-	-	-	-

# 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 2023*

## **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 2023.