



Condensed Consolidated  
Interim Financial Information

*30 September 2020*

# **RAK Ceramics PJSC and its Subsidiaries**

Condensed consolidated interim financial information  
*30 September 2020*

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## Report of the Board of Directors

On financial performance during the nine months period ending 30 September 2020  
03 November 2020

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**Dear Members,**

It is our pleasure to present the business & operations report for the nine months period ending 30 September 2020, along with the condensed consolidated interim financial information for the same period.

### **Performance improved across global operations**

RAK Ceramics' Q3 performance has gained momentum as markets are showing signs of recovery from the impact of Covid-19. The speed and trajectory of demand remains uncertain, however, quarter on quarter revenue has increased by 52.1%. Based on growing market demand, production in the UAE has scaled up to meet demand from Saudi Arabia. Production in India and Bangladesh have also resumed in phases. The tiles revenue increased by 7.1% year on year driven by growth in Saudi Arabia and Europe. The tableware business continues to suffer due to the impact of COVID-19 on the hospitality and airline sectors.

### **Covid-19 recovery leads to stable revenue**

Total revenue remained stable and increased by 0.2% year on year to AED 625.7 million for the quarter, driven by growth in Saudi Arabia and Europe. Excluding the tableware business, revenue increased by 4.8% year on year.

### **Growth in Saudi Arabia**

RAK Ceramics has positioned itself as a premier product supplier in Saudi Arabia, offering differentiated product lines compared to local manufacturers. Sales improved in the retail channel through the three showrooms. The business continues to roll-out the retail concept through a mix of flagship showrooms. The imposition of anti-dumping duties on tiles from China and India has been effective since June 2020 and has supported revenue growth during the quarter. Revenue from Saudi Arabia increased by 95.8% year on year to AED 137.8 million mainly driven by the tiles business.

### **Growth in Europe and stability in India**

Revenue in Europe increased by 12.9% to AED 91.5 million due to the easing of lockdowns resulting in improved economic activity. Revenue in India has also rebound to pre-Covid levels to AED 66.7 million.

## Financial highlights for the nine months period ending 30 September 2020

Particulars	Unit	30 September 2020	30 September 2019	Change
Total Revenue	AED Mio	1,629.8	1,890.0	-13.8%
Gross Profit	AED Mio	505.5	626.1	-19.3%
GP Margin	%	31.0%	33.1%	-210bps
EBITDA	AED Mio	240.1	348.5	-31.1%
EBITDA Margin	%	14.7%	18.4%	-370bps
Reported Net Income	AED Mio	44.5	155.8	-71.4%
Reported Net Income margin	%	2.7%	8.2%	-550bps
Net income before one-off, provisions & strategic gains	AED Mio	69.8	139.5	-50.0%
Net income margin before one-off, provisions & strategic gains	%	4.3%	7.4%	-310bps
Reported Profit after NCI (Minority)	AED Mio	47.2	129.3	-63.5%
Reported Earnings per share	AED	0.05	0.13	-
		<b>30 September 2020</b>	<b>31 December 2019</b>	<b>Change</b>
Total Assets	AED Mio	5,460.0	5,486.8	-0.5%
Share Capital	AED Mio	993.7	946.4	5%
Shareholder's Equity	AED Mio	2,297.5	2,426.3	-5.3%
Net Debt	AED Mio	1,421.6	1,374.3	3.4%
Net Debt / EBITDA	Times	3.8	2.9	-
Cost of Debt	%	4.3%	4.2%	10bps

### CSR activities, exhibitions, sponsorships and awards

During the nine month period, the Company participated in KBB exhibition in the UK and Revestir exhibition in Brazil and exhibited its latest range of products and innovations.

The Company has been awarded as 'Best Tiling Brand' as well as 'Best Sanitary-ware Brand' by BKU Awards (UK). The Company also secured 2nd Place in Environmental Sustainability Award in the Industrial Sector organized by Environment Protection and Development Authority (EPDA) of Ras Al Khaimah.

### Future Outlook

The operations have begun to see a return to pre-Covid-19 levels, across our global business. While the sanitary-ware and tableware businesses remain impacted, our tiles business has witnessed healthy growth in Europe and Saudi Arabia, leading to an increase in overall revenue. RAK Ceramics has shown great resilience given the disruptions that the pandemic has brought to our business. There is no escaping that our business was heavily impacted earlier in the year, but we are confident in our ability to adapt, recover and deliver value to our shareholders in the long term.

Looking ahead, we will continue to implement initiatives to manage the impact of Covid-19. We also plan to diversify and improve profitability in export markets, while focusing on improving operations in India and Europe.


**Financial Reporting**

The condensed consolidated interim financial information of the Company, prepared in accordance with International Financial Reporting Standards (IFRSs), fairly presents its financial position, the result of its operations, cash flows and changes in equity. Appropriate accounting policies have been consistently applied and accounting estimates are based on reasonable and prudent judgments. There are no matters which call into question the company's ability to continue as a going concern.

**Vote of Thanks**

The Board would like to take this opportunity to thank Government bodies, the shareholders, investors, bankers & employees for their continuous commitment, co-operation, confidence & support in achieving the Company's objectives.

**DocuSigned by:**

  
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Chairman  
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03 NOV 2020

  
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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 2020

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

Condensed consolidated interim financial information  
30 September 2020

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## INDEPENDENT AUDITOR'S REVIEW REPORT

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

### *Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of **R. A. K. Ceramics P.J.S.C. (the "Company") and its subsidiaries (together the "Group")**, Ras Al Khaimah, United Arab Emirates, as at 30 September 2020 and the related condensed consolidated statements of profit or loss, profit or loss and 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.

### *Emphasis of Matter*

We draw attention to Note 14 of the condensed consolidated interim financial information, which describes details about the carrying amount of plots of land. Our conclusion is not modified in respect of this matter.

### *Conclusion*

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

Deloitte & Touche (M.E.)



Signed by:  
Mohammad Khamees Al Tah  
Registration No. 717  
3 November 2020  
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 2020

	Notes	Nine months period ended 30 September		Three months period ended 30 September	
		2020 AED'000	2019 AED'000	2020 AED'000	2019 AED'000
Revenue	5	1,629,768	1,890,028	625,697	624,718
Cost of sales	6	(1,124,261)	(1,263,928)	(431,209)	(416,554)
<b>Gross profit</b>		<b>505,507</b>	626,100	<b>194,488</b>	208,164
Administrative and general expenses	7	(144,455)	(162,213)	(48,907)	(53,073)
Impairment (loss)/reversal on trade receivables and due from related parties	7(i)	(18,121)	16,276	(6,032)	(3,559)
Selling and distribution expenses	8	(298,648)	(300,054)	(106,959)	(98,033)
Other income		41,727	36,860	14,305	13,325
<b>Operating profit</b>		<b>86,010</b>	216,969	<b>46,895</b>	66,824
Finance costs	9	(62,661)	(68,051)	(20,113)	(24,631)
Finance income	9	16,181	4,227	7,685	1,735
Share of profit in equity accounted investees	10	11,478	9,305	4,408	2,848
Loss on net monetary position	25	(2,122)	-	(2,122)	-
<b>Profit before tax</b>		<b>48,886</b>	162,450	<b>36,753</b>	46,776
Income tax		(4,388)	(6,625)	(2,750)	(1,218)
<b>Profit for the period</b>		<b>44,498</b>	155,825	<b>34,003</b>	45,558
<i>Profit/(loss) attributable to:</i>					
Owners of the Company		47,177	129,290	33,073	39,119
Non-controlling interests		(2,679)	26,535	930	6,439
<b>Profit for the period</b>		<b>44,498</b>	155,825	<b>34,003</b>	45,558
<b>Earnings per share</b>					
- basic and diluted (AED)	11	0.05	0.13	0.03	0.04

The accompanying notes form an integral part of this 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 2020

	Nine months period ended 30 September 2020		Three months period ended 30 September 2020	
	AED'000	2019 AED'000	AED'000	2019 AED'000
<b>Profit for the period</b>	<b>44,498</b>	155,825	<b>34,003</b>	45,558
<b>Other comprehensive (loss)/income</b>				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Foreign exchange differences on translation of foreign operations	<b>(30,632)</b>	(76,751)	<b>(15,837)</b>	(836)
Cash flow hedges – effective portion of changes in fair value loss on hedging instruments	<b>(29,827)</b>	(19,822)	<b>9,405</b>	(4,485)
Effects of application of hyperinflation accounting (note 25)	<b>29,851</b>	-	<b>29,851</b>	-
<b>Total comprehensive income for the period</b>	<b>13,890</b>	59,252	<b>57,422</b>	40,237
<i>Total comprehensive income/(loss) attributable to:</i>				
Owners of the Company	<b>16,799</b>	34,905	<b>55,745</b>	34,498
Non-controlling interests	<b>(2,909)</b>	24,347	<b>1,677</b>	5,739
<b>Total comprehensive income for the period</b>	<b>13,890</b>	59,252	<b>57,422</b>	40,237


The accompanying notes form an integral part of this 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 2020

	Notes	30 September 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	1,120,127	1,153,992
Goodwill	13	120,220	120,378
Right-of-use assets		76,720	83,264
Intangible assets		25,517	25,833
Investment properties	14	1,169,732	1,176,393
Investments in equity accounted investees	10	52,279	40,042
Long-term receivables	15(i)	49,309	65,724
Deferred tax assets		4,225	3,966
<b>Total non-current assets</b>		<b>2,618,129</b>	<b>2,669,592</b>
<b>Current assets</b>			
Inventories	16	1,148,982	1,213,477
Trade and other receivables	15	1,173,781	1,178,973
Due from related parties	17	21,510	37,363
Derivative financial assets	18	1,067	4,319
Bank balances and cash	19	496,548	383,049
<b>Total current assets</b>		<b>2,841,888</b>	<b>2,817,181</b>
<b>Total assets</b>		<b>5,460,017</b>	<b>5,486,773</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	20	993,703	946,384
Reserves		1,303,755	1,479,933
<b>Equity attributable to owners of the Company</b>		<b>2,297,458</b>	<b>2,426,317</b>
Non-controlling interests		200,063	238,255
<b>Total equity</b>		<b>2,497,521</b>	<b>2,664,572</b>
<b>Non-current liabilities</b>			
Islamic bank financing	21a(ii)	423,906	497,498
Interest bearing bank financing	21b(ii)	340,328	486,071
Provision for employees' end of service benefits		79,448	83,865
Lease liabilities		57,726	68,691
Deferred tax liabilities		7,500	8,413
<b>Total non-current liabilities</b>		<b>908,908</b>	<b>1,144,538</b>
<b>Current liabilities</b>			
Islamic bank financing	21a(i)	477,827	287,032
Interest bearing bank financing	21b(i)	676,068	486,702
Trade and other payables	22	623,464	656,199
Due to related parties	17	36,315	38,340
Derivative financial liabilities	18	44,782	15,633
Lease liabilities		22,763	23,075
Provision for taxation		172,369	170,682
<b>Total current liabilities</b>		<b>2,053,588</b>	<b>1,677,663</b>
<b>Total liabilities</b>		<b>2,962,496</b>	<b>2,822,201</b>
<b>Total equity and liabilities</b>		<b>5,460,017</b>	<b>5,486,773</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 consolidated financial position, financial performance and cash

Signed by:

  
Chairman

03 NOV 2020

  
Chief Executive Officer

The accompanying notes form an integral part of this 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 nine months period ended 30 September 2020*

	<b>Nine months period ended 30 September</b>	
	<b>2020 AED'000</b>	<b>2019 AED'000</b>
<b>Operating activities</b>		
Profit for the period before tax	<b>48,886</b>	162,450
<i>Adjustments for:</i>		
Share of profit in equity accounted investees	<b>(11,478)</b>	(9,305)
Interest expense	<b>38,235</b>	38,107
Profit expense on Islamic bank financing	<b>15,562</b>	18,395
Interest income	<b>(5,526)</b>	(4,055)
Profit on wakala deposits	<b>(220)</b>	(172)
Interest expense on lease liabilities	<b>4,164</b>	4,349
Net change in fair value of derivative financial instruments	<b>2,574</b>	2,896
Loss/(gain) on disposal of property, plant and equipment	<b>849</b>	(1,581)
Gain on acquisition of shares in equity accounted investee	<b>(103)</b>	-
Depreciation on property, plant and equipment	<b>105,228</b>	102,247
Depreciation on investment properties	<b>8,699</b>	7,863
Amortisation of intangible assets	<b>5,042</b>	4,688
Depreciation of right-of-use assets	<b>19,248</b>	16,166
Provision for employees' end-of-service benefits	<b>7,661</b>	13,834
Loss on net monetary position	<b>2,122</b>	-
Allowance for slow moving and obsolete inventories	<b>23,845</b>	14,572
Write-down of cost of finished goods	<b>22,332</b>	8,135
Impairment loss on trade receivables	<b>18,003</b>	6,809
Impairment loss/(reversal) on due from related parties	<b>118</b>	(23,085)
	<b>305,241</b>	362,313
Changes in:		
- inventories	<b>18,318</b>	(24,467)
- trade and other receivables (including long-term portion)	<b>8,483</b>	(658)
- due from related parties	<b>15,735</b>	90,587
- trade and other payables	<b>(32,735)</b>	(47,569)
- due to related parties	<b>(2,025)</b>	(6,561)
Income tax paid	<b>(8,752)</b>	(14,641)
Employees' end-of-service benefits paid	<b>(11,728)</b>	(12,858)
Currency translation adjustments	<b>(4,121)</b>	(27,603)
<b>Net cash generated from operating activities</b>	<b>288,416</b>	318,543

The accompanying notes form an integral part of this 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 2020

	Nine months period ended 30 September	
	2020 AED'000	2019 AED'000
<b>Investing activities</b>		
Additions to property, plant and equipment	(71,738)	(138,443)
Proceeds from disposal of property, plant and equipment	588	1,767
Additions to intangible assets	(3,636)	(3,378)
Additions to investment properties	(38)	(271)
Dividend received from equity accounted investees	233	8,448
Interest received	5,526	4,055
Profit received on Wakala deposits	220	172
Acquisition of shares in equity accounted investee	(604)	-
Change in bank deposits with an original maturity of more than three months	12	(138,266)
<b>Net cash used in investing activities</b>	<b>(69,437)</b>	<b>(265,916)</b>
<b>Financing activities</b>		
Bank financing availed	8,221	7,306
Bank financing repaid	(156,882)	(178,579)
Islamic bank financing availed	51,272	383,204
Islamic bank financing repaid	(126,215)	(171,541)
Repayment of principal and interest on lease liability	(31,556)	(22,577)
Net movement in short-term bank financing	158,996	24,108
Net movement in short-term Islamic bank financing	192,146	(97,528)
Interest paid	(38,235)	(38,107)
Profit paid on Islamic bank financing	(15,562)	(18,395)
Remuneration paid to Board of Directors	(3,700)	(3,700)
Dividend paid	(141,958)	(135,198)
Dividend paid to non-controlling interests	(35,283)	(12,097)
Funds invested by non-controlling interests	-	1,119
<b>Net cash used in financing activities</b>	<b>(138,756)</b>	<b>(261,985)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>80,223</b>	<b>(209,358)</b>
Cash and cash equivalents at the beginning of the period	172,295	319,834
<b>Net cash and cash equivalents at the end of the period</b>	<b>252,518</b>	<b>110,476</b>
<b>Represented by:</b>		
Cash and cash equivalents	357,087	174,089
Bank overdraft	(104,569)	(63,613)
	<b>252,518</b>	<b>110,476</b>

The accompanying notes form an integral of this 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 2020*

	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
<b>Balance at 31 December 2019 (audited)</b>	<b>946,384</b>	<b>221,667</b>	<b>567,053</b>	<b>(120,389)</b>	<b>(183,848)</b>	<b>(14,344)</b>	<b>82,805</b>	<b>75,040</b>	<b>851,949</b>	<b>1,479,933</b>	<b>2,426,317</b>	<b>238,255</b>	<b>2,664,572</b>
<b>Total comprehensive income/(loss) for the period (unaudited)</b>													
Profit/(loss) for the period	-	-	-	-	-	-	-	-	47,177	47,177	47,177	(2,679)	44,498
<i>Other comprehensive income/(loss)</i>													
Foreign exchange differences on translation of foreign operations	-	-	-	(2,782)	(27,620)	-	-	-	-	(30,402)	(30,402)	(230)	(30,632)
Changes in cash flow hedges	-	-	-	-	-	(29,827)	-	-	-	(29,827)	(29,827)	-	(29,827)
Effects of application of IAS 29 (refer note 25)	-	-	-	-	29,851	-	-	-	-	29,851	29,851	-	29,851
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,782)</b>	<b>2,231</b>	<b>(29,827)</b>	<b>-</b>	<b>-</b>	<b>47,177</b>	<b>16,799</b>	<b>16,799</b>	<b>(2,909)</b>	<b>13,890</b>
<b>Other equity movements (unaudited)</b>													
Directors' annual remuneration (refer note 23(ii))	-	-	-	-	-	-	-	-	(3,700)	(3,700)	(3,700)	-	(3,700)
<b>Transaction with owners (unaudited)</b>													
Dividend paid (refer note 23(i))	-	-	-	-	-	-	-	-	(141,958)	(141,958)	(141,958)	-	(141,958)
Bonus shares issued (refer note 23(i))	47,319	-	-	-	-	-	-	-	(47,319)	(47,319)	-	-	-
Dividend paid to NCI	-	-	-	-	-	-	-	-	-	-	-	(35,283)	(35,283)
<b>Balance at 30 September 2020 (unaudited)</b>	<b>993,703</b>	<b>221,667</b>	<b>567,053</b>	<b>(123,171)</b>	<b>(181,617)</b>	<b>(44,171)</b>	<b>82,805</b>	<b>75,040</b>	<b>706,149</b>	<b>1,303,755</b>	<b>2,297,458</b>	<b>200,063</b>	<b>2,497,521</b>

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

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

# 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 2020

	Attributable to owners of the Company										Total AED'000	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			
<b>Balance as at 31 December 2018 (audited)</b>	901,318	221,667	553,001	(113,688)	(112,009)	1,804	82,805	63,419	903,095	1,600,094	2,501,412	212,697	2,714,109
Adjustment on application of IFRS 16	-	-	-	-	-	-	-	-	(6,203)	(6,203)	(6,203)	(1,240)	(7,443)
<b>Balance at 1 January 2019 (restated)</b>	901,318	221,667	553,001	(113,688)	(112,009)	1,804	82,805	63,419	896,892	1,593,891	2,495,209	211,457	2,706,666
<b>Total comprehensive income/(loss) for the period (unaudited)</b>													
Profit for the period	-	-	-	-	-	-	-	-	129,290	129,290	129,290	26,535	155,825
<b>Other comprehensive income/(loss)</b>													
Foreign exchange differences on translation of foreign operations	-	-	-	(6,092)	(68,471)	-	-	-	-	(74,563)	(74,563)	(2,188)	(76,751)
Changes in cash flow hedges	-	-	-	-	-	(19,822)	-	-	-	(19,822)	(19,822)	-	(19,822)
<b>Total comprehensive income/(loss) for the period</b>	-	-	-	(6,092)	(68,471)	(19,822)	-	-	129,290	34,905	34,905	24,347	59,252
<b>Other equity movements (unaudited)</b>													
Directors' annual remuneration (refer note 23(ii))	-	-	-	-	-	-	-	-	(3,700)	(3,700)	(3,700)	-	(3,700)
<b>Transaction with owners (unaudited)</b>													
Dividend paid (refer note 23(i))	-	-	-	-	-	-	-	-	(135,198)	(135,198)	(135,198)	-	(135,198)
Bonus shares issued (refer note 23(i))	45,066	-	-	-	-	-	-	-	(45,066)	(45,066)	-	-	-
Dividend paid to NCI	-	-	-	-	-	-	-	-	-	-	-	(12,097)	(12,097)
Funds invested by NCI	-	-	-	-	-	-	-	-	-	-	-	1,119	1,119
<b>Balance as at 30 September 2019 (unaudited)</b>	946,384	221,667	553,001	(119,780)	(180,480)	(18,018)	82,805	63,419	842,218	1,444,832	2,391,216	224,826	2,616,042

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

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

## Notes to the condensed consolidated interim financial information

for the nine months period ended 30 September 2020

### 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 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 nine months period ended 30 September 2020 comprises the financial information of the Company and its subsidiaries (collectively referred to as "the Group" and individually as "the 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 entities in the Group are also engaged in investing in other entities, in UAE or globally, that undertake similar or ancillary activities. Accordingly, the Company also acts as a Holding Company of the Group entities. The Group is also engaged in contracting and other industrial manufacturing activities.

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

The accounting policies used in the preparation of this 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 2019, 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 2020. 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.

- Definition of Material – Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.
- Definition of a Business – Amendments to IFRS 3 'Business Combinations'
- Amendments to *References to the Conceptual Framework in IFRS Standards*.
- Amendments to IFRS 7 'Financial Instruments: Disclosures' and IFRS 9 'Financial Instruments'.
- Amendment to IFRS 16 'Leases' to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The effective date is 1 June 2020.

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

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

- IFRS 17 'Insurance Contracts' implementation challenges and those relating to providing a more uniform measurement and presentation approach for all insurance contracts (effective for annual periods beginning after 1 January 2023).
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture (effective date deferred indefinitely, early adoption permitted).
- IAS 1 'Presentation of Financial Statements' – Amendments on Classifications. Effective for annual period beginning on or after 1 January 2023.
- Amendments relating to IAS 16, IAS 37, IFRS 3 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective for annual periods beginning after 1 January 2022).
- IFRS 4 relating to amendments regarding the expiry date of the deferral approach. The fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 is now 1 January 2023.



# 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 2020

### 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 (continued)

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to 'Interest Rate Benchmark Reform — Phase 2, that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

### 3. Summary of significant accounting policies

#### Basis of preparation

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

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

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

The accounting policies, presentation and methods in this condensed consolidated interim financial information are consistent with those used in the audited consolidated financial statements for the year ended 31 December 2019.

This condensed consolidated interim financial information does not include all the information required for full 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 2019. In addition, results for the nine months period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

#### COVID-19 impact

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and it spread across the globe causing disruption to businesses and economic activity. Many countries adopted extraordinary containment measures with complete or partial lock-down including restrictions on the day to day activities of citizens except those deemed to be in essential roles. The Group was proactive in implementing a raft of measures designed to mitigate the impact of Covid-19 and to fully implement governmental regulations and recommendations to ensure the safety and security of staff and provide, to the extent possible, uninterrupted service to its customers. The Group established a COVID 19 Command Center to closely monitor the situation and take timely decisions as part of its crisis management procedure.

In reporting results for first quarter of year 2020, management had considered the unique circumstances of the global pandemic that have a material impact on the business operations, assets and liabilities of the Group and concluded that the main impact on the Group’s profitability/ liquidity position could arise from the following possible risks:

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

As the pandemic continues through subsequent phases management continue to review the foregoing on a continuous basis.

# 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 2020

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

#### COVID-19 impact (continued)

During the nine months period of the current year, the construction industry in the UAE continued to operate and the Group's production lines in the UAE were running throughout the period as they were not subject to many of the restrictions. Similarly, supplies in the Kingdom of Saudi Arabia, Europe, United Kingdom and Australia continued throughout the period amid certain intermittent supply chain issues. The operations in India and Bangladesh had to be shut down in the last week of March 2020 following government regulation and they resumed by the first week of June 2020 and were running seamlessly during the third quarter. Management is satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, the Group continues to adopt the going concern basis in preparing the condensed consolidated interim financial information.

Management is continuously monitoring the COVID-19 situation and will take appropriate actions on a timely basis to respond as necessary. Management remains wholly satisfied that it is appropriate for the condensed consolidated interim financial information to be prepared on a going concern basis. In some cases, in particular in relation to the carrying values of non-financial assets, which normally require considerable judgement, it is still challenging to reliably assess the possible impact of the crisis due to unexpected prolonged uncertainty caused by the ongoing pandemic and whether any potential changes in certain key assumptions are a temporary (in-year) reaction to the consequences of the initial relevant responses to the situation. Accordingly, management continues to monitor and evaluate the validity of such assumptions at each reporting date and where appropriate, will obtain external valuation advice and record appropriate provisions if required.

#### Financial Reporting in hyperinflationary economy

In July 2020, the Iranian rial ("IRR") underwent a severe devaluation resulting in the three-year cumulative inflation in the Islamic Republic of Iran to exceed 100%, thereby triggering the requirement to transition to hyperinflation accounting as prescribed by IAS 29 Financial Reporting in Hyperinflationary Economies. In accordance with IAS 29 the results of the Company's operations in the Republic of Iran are reported as if they were highly inflationary as of 1 January 2020 (refer note 25).

### 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 annual consolidated financial statements for the year ended 31 December 2019. In the light of current uncertainties resulting from the COVID-19 pandemic, the Group has considered the potential impact in assessing IFRS 9 ECL model based on available information.

### 5. Revenue

	Nine months period ended 30 September		Three months period ended 30 September	
	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)
Sale of goods	1,618,525	1,875,936	624,031	621,513
Others	11,243	14,092	1,666	3,205
	<b>1,629,768</b>	<b>1,890,028</b>	<b>625,697</b>	<b>624,718</b>

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

# 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 2020

### 6. Cost of sales

	Nine months period ended 30 September		Three months period ended 30 September	
	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)
Raw materials consumed	469,027	550,161	170,301	188,709
Change in inventory of finished goods	64,137	25,460	54,225	1,514
Allowance for slow moving inventories	23,845	14,572	11,485	1,445
Direct labor	139,909	167,719	47,367	56,014
Power and fuel	82,340	96,165	30,795	33,392
LPG and natural gas	108,746	143,671	35,511	46,704
Depreciation on property, plant and equipment	83,277	83,743	27,967	28,452
Depreciation of right-of-use assets	89	118	2	43
Repairs and maintenance expense	59,832	72,845	22,419	25,062
Packing material expenses	60,159	76,813	23,190	25,739
Others	32,900	32,661	7,947	9,480
	<b>1,124,261</b>	<b>1,263,928</b>	<b>431,209</b>	<b>416,554</b>

### 7. Administrative and general expenses

	Nine months period ended 30 September		Three months period ended 30 September	
	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)
Staff salaries and other associated costs	62,160	74,301	19,582	24,476
Depreciation on property, plant and equipment	16,393	13,481	8,254	3,950
Depreciation on investment properties	8,699	7,863	3,236	2,650
Depreciation of right-of-use assets	1,309	1,546	371	512
Amortization of intangible assets	5,042	4,688	1,588	1,689
Telephone, postal and office supplies	3,128	4,248	935	1,285
Repairs and maintenance expenses	3,382	4,828	1,295	1,430
Legal and professional fees	9,569	8,577	2,054	3,278
Utility expenses	3,145	3,740	1,269	1,591
Security charges	1,882	1,398	862	464
Information technology licenses and consultancy expenses	7,271	8,665	2,673	2,883
Expenses on investment properties	6,984	6,542	2,848	2,687
Others	15,491	22,336	3,940	6,178
	<b>144,455</b>	<b>162,213</b>	<b>48,907</b>	<b>53,073</b>

# 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 2020

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

	Nine months period ended 30 September		Three months period ended 30 September	
	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)
Impairment loss on trade receivables	18,003	6,809	5,998	3,531
Impairment loss/(reversal) on due from related parties	118	(23,085)	34	28
	<b>18,121</b>	<b>(16,276)</b>	<b>6,032</b>	<b>3,559</b>

### 8. Selling and distribution expenses

	Nine months period ended 30 September		Three months period ended 30 September	
	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)
Staff salaries and other associated costs	88,584	107,432	27,858	35,049
Freight and transportation	120,617	95,034	54,243	32,155
Agents' commission	20,548	21,797	7,002	5,115
Advertisement and promotions expense	29,127	36,436	5,401	11,708
Rental expenses	2,080	3,786	216	1,566
Travel and entertainment expenses	1,763	3,748	211	1,181
Depreciation on property, plant and equipment	5,558	5,023	1,896	1,526
Depreciation of right-of-use assets	17,850	14,502	5,665	4,938
Others	12,521	12,296	4,467	4,795
	<b>298,648</b>	<b>300,054</b>	<b>106,959</b>	<b>98,033</b>

### 9. Finance costs and income

	Nine months period ended 30 September		Three months period ended 30 September	
	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)
<b>Finance costs</b>				
Interest on bank financing	38,233	38,081	13,483	12,799
Profit expense on Islamic financing	15,562	18,395	4,687	6,706
Interest on amount due to related parties	2	26	2	13
Interest expense on lease liabilities	4,164	4,349	1,356	1,503
Net change in the fair value of derivatives	2,574	2,896	-	430
Net foreign exchange loss	-	2,149	-	2,492
Bank charges	2,126	2,155	585	688
<b>Total (A)</b>	<b>62,661</b>	<b>68,051</b>	<b>20,113</b>	<b>24,631</b>
<b>Finance income</b>				
Interest on bank deposits	5,526	4,055	1,662	1,734
Profit on wakala deposits	220	172	60	1
Net change in the fair value of derivatives	-	-	5,877	-
Net foreign exchange gain	10,435	-	86	-
<b>Total (B)</b>	<b>16,181</b>	<b>4,227</b>	<b>7,685</b>	<b>1,735</b>
<b>Net finance costs (A-B)</b>	<b>46,480</b>	<b>63,824</b>	<b>12,428</b>	<b>22,896</b>

# 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 2020

### 10. Investments in equity accounted investees

The Group's share of profit in equity accounted investees for the nine months period ended 30 September 2020 amounted to AED 11.48 million (unaudited) (nine months period ended 30 September 2019 (unaudited): AED 9.31 million).

The Group has received AED 0.23 million (unaudited) as dividends during the current period from its equity accounted investee (nine months period ended 30 September 2019 (unaudited): AED 8.45 million).

In April 2020, the Group acquired a 25% equity interest in Naranjee Hirjee Hotel Supplies LLC (Oman), at a total consideration of AED 0.60 million resulting in the gain on acquisition amounting to AED 0.10 million.

### 11. Earnings per share

	Nine months period ended 30 September		Three months period ended 30 September	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Profit attributable to the owners of the Company (AED'000)	47,177	129,290	33,073	39,119
Weighted average number of ordinary shares ('000s)	993,703	993,703	993,703	993,703
<b>Basic and diluted earnings per share (AED)</b>	<b>0.05</b>	0.13	<b>0.03</b>	0.04

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 2020, the Group has acquired property, plant and equipment and made additions to capital work in progress amounting to AED 71.74 million (nine months period ended 30 September 2019: AED 138.44 million).

Property, plant and equipment with a carrying amount of AED 1.44 million were disposed of during the current period (nine months period ended 30 September 2019: AED 0.19 million) resulting in a loss on disposal of AED 0.85 million (gain on disposal, nine months period ended 30 September 2019: AED 1.58 million) which is included in other income in the condensed consolidated statement of profit or loss.

Depreciation of property, plant and equipment for the current period amounted to AED 105.23 million (nine months period ended 30 September 2019: AED 102.25 million). Below is the breakdown of property, plant and equipment inside and outside the U.A.E:

	30 September 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Inside U.A.E	716,147	730,567
Outside U.A.E	403,980	423,425
	<b>1,120,127</b>	1,153,992

# 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 2020

### 13. Goodwill

	<b>30 September 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
Opening balance	<b>120,378</b>	120,144
Effects of movements in exchange rate	<b>(158)</b>	234
Closing balance	<b>120,220</b>	120,378

Goodwill comprises AED 50.4 million, AED 5.5 million, AED 5.8 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). The operations of RAK Saudi LLC, KSA have been merged with ARK International Trading Company Limited, KSA effective 1 January 2020.

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.

### 14. Investment properties

	<b>30 September 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
Inside U.A.E	<b>1,122,665</b>	1,130,159
Outside U.A.E	<b>47,067</b>	46,234
	<b>1,169,732</b>	1,176,393

Investment properties comprise properties located in the UAE, Bangladesh, Lebanon and Iran; and include vacant land plots situated in Ras Al Khaimah, carried at cost.

At 31 December 2019 the Group engaged an independent real estate valuation specialist to perform a valuation of the vacant land plots based on assumptions determined by management because no master plan had been, as yet, developed for the vacant land plots. The fair value of these vacant land plots as at 31 December 2019 indicated no impairment of its carrying value.

Due to the current economic situation and uncertainty resulting from the unexpected prolonged impact of the global pandemic, management is currently reassessing the assumptions used in the valuation in order to determine the highest and best use for the vacant land plots.

The Group will again engage an independent real estate valuation specialist to perform a valuation of the vacant land plots based on the latest assumptions agreed with management at 31 December 2020.

Depending on the final determination of the assumptions used in the valuation, by virtue of the nature of those assumptions, there could be a material write down of the carrying value of the vacant land plots at 31 December 2020.

Investment properties are classified as Level 3 in the fair value hierarchy as at 30 September 2020 (31 December 2019: Level 3). The aggregate fair value of the investment properties as at 31 December 2019 was AED 1,343.5 million.

# 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 2020

### 15. Trade and other receivables

	30 September 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Trade receivables	1,022,828	1,068,375
Less: Allowance for expected credit loss	(196,900)	(227,318)
	<b>825,928</b>	841,057
Advances and prepayments	187,376	180,172
Deposits	29,900	27,651
Other receivables	130,577	130,093
	<b>1,173,781</b>	1,178,973

#### (i) Long-term receivables

	30 September 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Trade receivables	3,844	4,273
Less: Allowance for expected credit loss	(520)	(665)
	<b>3,324</b>	3,608
Less : current portion included in trade receivables	(505)	(544)
<b>Long-term trade receivables (A)</b>	<b>2,819</b>	3,064
Other receivables	107,905	110,935
Less : Allowance for expected credit loss	(26,375)	(26,375)
	<b>81,530</b>	84,560
Less: current portion included in other receivables	(35,040)	(21,900)
<b>Long-term other receivables (B)</b>	<b>46,490</b>	62,660
<b>Long-term receivables (A+B)</b>	<b>49,309</b>	65,724

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

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

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

for the nine months period ended 30 September 2020

### 16. Inventories

	<b>30 September 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
Finished goods (net of net realizable value adjustments)	<b>907,109</b>	934,808
Less : Allowance for slow moving inventories	<b>(128,531)</b>	(122,151)
<b>Subtotal (A)</b>	<b>778,578</b>	812,657
Raw materials	<b>213,315</b>	211,272
Stores and spares	<b>202,475</b>	194,836
	<b>415,790</b>	406,108
Less : Allowance for slow-moving inventories	<b>(87,947)</b>	(72,024)
<b>Subtotal (B)</b>	<b>327,843</b>	334,084
Goods-in-transit (C)	<b>27,667</b>	47,261
Work-in-progress (D)	<b>14,894</b>	19,475
<b>Total (A+B+C+D)</b>	<b>1,148,982</b>	1,213,477

At 30 September 2020, the Group has recognized a cumulative loss due to write-down of finished goods inventories of AED 133.93 million against cost of AED 360.09 million (31 December 2019 (audited): AED 112.01 million against cost of AED 346.92 million) to bring it to its net realizable value which was lower than the cost. The difference in the write down of AED 22.33 million (unaudited) (nine months period ended 30 September 2019 (unaudited): AED 8.14 million) is included in cost of sales in the condensed consolidated statement of profit or loss.

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



# 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 2020

### 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	
	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)
Sale of goods and services and construction contracts	59,428	75,987	23,331	26,485
Purchase of goods and rendering of services	164,007	198,768	54,742	68,437
Interest expense (refer note 9)	2	26	2	13

#### 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	
	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)
Short-term benefits	6,905	7,697	2,232	2,566
Staff terminal benefits	186	335	59	64
Board of Directors' remuneration	3,700	3,700	-	-

#### Due from related parties

	30 September 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Equity accounted investees	44,404	44,147
Other related parties	27,425	43,417
	71,829	87,564
Less : Allowance for expected credit loss	(50,319)	(50,201)
	21,510	37,363

# 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 2020

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

#### Due to related parties

	<b>30 September 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
Equity accounted investees	8,545	4,416
Other related parties	27,770	33,924
	<b>36,315</b>	<b>38,340</b>

### 18. Derivative financial instruments

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

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

	<b>30 September 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
<b>Derivative financial assets</b>		
Commodity derivative used for hedging	-	364
Forward exchange contracts	1,067	-
Other currency and interest rate swaps	-	3,955
	<b>1,067</b>	<b>4,319</b>
<b>Derivative financial liabilities</b>		
Interest rate swaps used for hedging	38,230	14,708
Commodity derivative used for hedging	5,941	-
Other currency and interest rate swaps	611	925
	<b>44,782</b>	<b>15,633</b>

# 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 2020

### 19. Bank balances and cash

	<b>30 September 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
Cash in hand	1,955	1,660
Cash at bank		
- in bank deposits with an original maturity of less than three months	120,348	48,126
- in Wakala deposits with an original maturity of less than three months	20,000	20,000
- in current accounts	178,371	153,465
- in margin deposits	18,314	4,419
- in call accounts	18,282	16,589
Cash and cash equivalents	<b>357,270</b>	244,259
Less : Allowance for expected credit loss	<b>(183)</b>	(683)
Cash and cash equivalents (A)	<b>357,087</b>	243,576
Bank deposits with an original maturity of more than three months (B)	<b>139,461</b>	139,473
Bank balances and cash (A+B)	<b>496,548</b>	383,049

Cash in hand and cash at bank includes AED 0.36 million (31 December 2019 (audited): AED 0.97 million) and AED 104.04 million (31 December 2019 (audited): AED 100.24 million) respectively, held outside UAE.

All bank deposits carry interest at normal commercial rates and include AED 4.14 million (31 December 2019 (audited): AED 1.61 million) which are held by bank under lien against bank facilities availed by the Group. Wakala deposits carry profit at rates agreed with Islamic banks and placed with the banks for an original maturity period of less than three months.

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

### 20. Share capital

	<b>30 September 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
<b>Authorised, issued and paid up</b>		
170,000,000 shares of AED 1 each paid up in cash	170,000	170,000
823,703,958 shares of AED 1 each issued as bonus shares (2019: 776,384,722 shares of AED 1 each issued as bonus shares)	<b>823,703</b>	776,384
	<b>993,703</b>	946,384

# 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 2020

### 21. Bank financing arrangements

#### (a) Islamic bank financing

	30 September 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
<b>(i) Short-term</b>		
Mudaraba facilities (A)	108,716	25,000
Commodity Murabaha facilities (B)	234,605	126,175
Current portion of long-term financing (refer note (ii) below)	134,506	135,857
	<b>477,827</b>	<b>287,032</b>

	30 September 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
<b>(ii) Long-term – Islamic bank financing</b>		
Commodity Murabaha facilities (B)	286,180	339,475
Ijarah facilities (C)	272,232	293,880
Less : current portion of long-term financing	(134,506)	(135,857)
	<b>423,906</b>	<b>497,498</b>

	30 September 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
<b>Movement:</b>		
Balance as at 1 January	633,355	466,860
Availed during the period/ year	51,272	387,516
Less : repaid during the period/ year	(126,215)	(221,021)
<b>Balance as at end of the period/ year</b>	<b>558,412</b>	<b>633,355</b>
Less : current portion included in short-term (refer 21 (a)(i))	(134,506)	(135,857)
	<b>423,906</b>	<b>497,498</b>

The securities provided against these facilities are same as those mentioned in the consolidated financial statements of the Group for the year ended 31 December 2019.

- (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.

# 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 2020

### 21. Bank financing arrangements (continued)

#### (b) Interest bearing bank financing

	30 September 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
<b>(i) Short-term</b>		
Bank overdraft	104,569	71,281
Short-term loan	341,084	182,088
Current portion of long-term financing (refer note (ii) below)	230,415	233,333
	<b>676,068</b>	<b>486,702</b>
<b>(ii) Long-term bank loans</b>		
Balance as at 1 January	719,404	938,145
Availed during the period/ year	8,221	9,466
Less : repaid during the period/ year	(156,882)	(228,207)
Balance as at end of the period/ year	570,743	719,404
Less : current portion of long-term financing (refer 21 (b)(i))	(230,415)	(233,333)
	<b>340,328</b>	<b>486,071</b>

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 2019.

### 22. Trade and other payables

	30 September 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Trade payables	281,253	315,654
Accrued and other expenses	178,271	191,689
Advance from customers	44,510	54,002
Commission and rebates payable	72,959	60,621
Other payables	46,471	34,233
	<b>623,464</b>	<b>656,199</b>

### 23. Dividend and Directors' fee

- (i) At the Annual General Meeting (AGM) held on 11 March 2020, the shareholders approved a cash dividend of 15% amounting to AED 141,958 thousand and a stock dividend of 5% amounting to AED 47,319 thousand, which was proposed by the Board of Directors. (2019: cash dividend of 15% amounting to AED 135,198 thousand and stock dividend of 5% amounting to AED 45,066 thousand).
- (ii) At the Annual General Meeting (AGM) held on 11 March 2020, the shareholders approved the Directors' remuneration amounting to AED 3,700 thousand for the year ended 31 December 2019 (for the year ended 31 December 2018: AED 3,700 thousand).

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

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

for the nine months period ended 30 September 2020

### 24. Contingent liabilities and commitments

	<b>30 September 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
<b>Contingent liabilities</b>		
Letters of guarantee	<b>9,254</b>	10,760
Letters of credit	<b>44,376</b>	44,781
Value added tax and other tax contingencies	<b>93,350</b>	82,952
<b>Commitments</b>		
Capital commitments	<b>24,747</b>	41,729

### 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 2019 or during the nine month period ended 30 September 2020. The total assets of the Iranian subsidiary were 0.40% of the Group's consolidated total assets as at 30 September 2020.

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

	<b>Index</b>	<b>Conversion factor</b>
30 September 2020	<b>244.30</b>	1.2606
31 December 2019	<b>193.80</b>	1.2775
31 December 2018	<b>151.70</b>	1.3558
31 December 2017	<b>111.90</b>	

The above mentioned restatement is affected as follows:

- Hyperinflation accounting was applied as of 1 January 2020;
- The condensed consolidated statement of profit or loss is adjusted at the end of each reporting period using the change in the general price index and is converted at the closing exchange rate of each period (rather than the year to date average rate for non-hyperinflationary economies), thereby restating the year to date condensed consolidated statement of profit or loss accounts both for inflation index and currency conversion;
- Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the date of the condensed consolidated statement of financial position. Monetary items are money held and items to be recovered or paid in money;
- Non-monetary assets and liabilities are stated at historical cost (e.g. property plant and equipment, investment properties etc.) and equity of subsidiary in the Islamic Republic of Iran were restated using an inflation index. The hyperinflation impacts resulting from changes in the general purchasing power until 31 December 2019 were reported in Hyperinflation reserve directly as a component of equity and the impacts of changes in the general purchasing power from 1 January 2020 are reported through the condensed consolidated statement of profit or loss in a separate line mentioned as a loss on net monetary position, besides having the impact on depreciation charge for the period;
- All items in the condensed consolidated statement of profit or loss are restated by applying the relevant quarterly average or year-end conversion factors; and,
- The Group has opted not to restate the condensed consolidated statement of profit or loss items published for the first and second quarters, as permitted by the Standard, and has recognized the effects of restatement for those two quarters, along with the third quarter effect, in full in the third quarter's statement.

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

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

for the nine months period ended 30 September 2020

### 25. Hyperinflationary economy (continued)

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

	1 January 2020 AED'000 (unaudited)
<b>Impact on condensed consolidated statement of financial position</b>	
Increase in property, plant and equipment	14,308
Increase in investment properties	10,761
Increase in other assets	4,782
Increase in equity	29,851
<i>Allocated to:</i>	
Increase in opening equity due to cumulative hyperinflation	29,851
<b>Impact on condensed consolidated profit and loss</b>	
Increase in depreciation charge for the period	5,010
Loss on net monetary position	2,122
	7,132

### 26. 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 Group'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:

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

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

# 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 2020

### 26. Segment reporting (continued)

	Ceramic products AED'000	Other industrial AED'000	Others AED'000	Elimination AED'000	Total AED'000
<b>Nine months period ended 30 September 2020 (unaudited)</b>					
External revenue	1,541,567	76,958	11,243	-	1,629,768
Intersegment revenue	377,558	63,387	1,277	(442,222)	-
<b>Segment revenue</b>	<b>1,919,125</b>	<b>140,345</b>	<b>12,520</b>	<b>(442,222)</b>	<b>1,629,768</b>
Segment profit	74,518	15,828	4,224	(50,072)	44,498
Segment EBITDA	267,782	18,110	7,052	(52,879)	240,065

#### As at 30 September 2020 (unaudited)

Segment assets	6,894,829	318,128	471,661	(2,224,601)	5,460,017
Segment liabilities	3,740,989	91,211	108,028	(977,732)	2,962,496

	Ceramic products AED'000	Other industrial AED'000	Others AED'000	Elimination AED'000	Total AED'000
<b>Nine months period ended 30 September 2019 (unaudited)</b>					
External revenue	1,796,812	79,124	14,092	-	1,890,028
Intersegment revenue	321,222	76,042	1,902	(399,166)	-
<b>Segment revenue</b>	<b>2,118,034</b>	<b>155,166</b>	<b>15,994</b>	<b>(399,166)</b>	<b>1,890,028</b>
Segment profit	165,839	16,142	2,438	(28,594)	155,825
Segment EBITDA	350,844	19,848	8,740	(30,975)	348,457

#### As at 31 December 2019 (audited)

Segment assets	6,844,498	293,737	469,499	(2,120,961)	5,486,773
Segment liabilities	3,539,268	80,182	109,749	(906,998)	2,822,201

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

#### Reconciliation of reportable segment

	<b>Nine months period ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>AED'000</b>	<b>AED'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Total profit for reportable segments	<b>83,092</b>	175,114
Elimination of inter-segment profits	<b>(50,072)</b>	(28,594)
Share of profit of equity accounted investees	<b>11,478</b>	9,305
<b>Reported profit</b>	<b>44,498</b>	155,825



# 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 2020

### 27. 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>30 September 2020 (unaudited)</b>									
<b>Financial assets measured at fair value</b>									
Forward exchange contracts	-	1,067	-	-	1,067	-	1,067	-	1,067
	-	1,067	-	-	1,067	-	1,067	-	1,067
<b>Financial assets measured at amortised cost</b>									
Long-term receivables	-	-	49,309	-	49,309	-	-	-	-
Trade and other receivables	-	-	986,405	-	986,405	-	-	-	-
Due from related parties	-	-	21,510	-	21,510	-	-	-	-
Bank balances and cash	-	-	496,548	-	496,548	-	-	-	-
	-	-	1,553,772	-	1,553,772	-	-	-	-
<b>Financial liabilities measured at fair value</b>									
Commodity derivative used for hedging	5,941	-	-	-	5,941	-	5,941	-	5,941
Interest rate swaps used for hedging	38,230	-	-	-	38,230	-	38,230	-	38,230
Other currency and interest swaps	-	611	-	-	611	-	611	-	611
	44,171	611	-	-	44,782	-	44,782	-	44,782
<b>Financial liabilities measured at amortised cost</b>									
Islamic bank financing	-	-	-	901,733	901,733	-	-	-	-
Interest bearing bank financing	-	-	-	1,016,396	1,016,396	-	-	-	-
Trade and other payables	-	-	-	578,954	578,954	-	-	-	-
Due to related parties	-	-	-	36,315	36,315	-	-	-	-
	-	-	-	2,533,398	2,533,398	-	-	-	-

\*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 nine months period ended 30 September 2020

### 27. 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 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 December 2019 (audited)</b>									
<b>Financial assets measured at fair value</b>									
Commodity derivatives used for hedging	364	-	-	-	364	-	364	-	364
Other currency and interest swaps	-	3,955	-	-	3,955	-	3,955	-	3,955
	364	3,955	-	-	4,319	-	4,319	-	4,319
<b>Financial assets measured at amortised cost</b>									
Long-term receivables	-	-	65,724	-	65,724	-	-	-	-
Trade and other receivables	-	-	998,801	-	998,801	-	-	-	-
Due from related parties	-	-	37,363	-	37,363	-	-	-	-
Bank balances and cash	-	-	383,049	-	383,049	-	-	-	-
	-	-	1,484,937	-	1,484,937	-	-	-	-
<b>Financial liabilities measured at fair value</b>									
Interest rate swaps used for hedging	14,708	-	-	-	14,708	-	14,708	-	14,708
Other currency and interest swaps	-	925	-	-	925	-	925	-	925
	14,708	925	-	-	15,633	-	15,633	-	15,633
<b>Financial liabilities measured at amortised cost</b>									
Islamic bank financing	-	-	-	784,530	784,530	-	-	-	-
Interest bearing bank financing	-	-	-	972,773	972,773	-	-	-	-
Trade and other payables	-	-	-	602,197	602,197	-	-	-	-
Due to related parties	-	-	-	38,340	38,340	-	-	-	-
	-	-	-	2,397,840	2,397,840	-	-	-	-

# 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 2020

### 28. Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated statement of profit or loss for the nine months periods ended 30 September 2020 and 2019. The impact of shutdowns due to the Covid-19 pandemic is described in Note 3.

### 29. Comparative information

In the nine months period ended 30 September 2019 performance rebates were classified as part of selling expenses. Under IFRS15 these are required to be netted off against revenue and the comparatives have been restated accordingly. There is no impact on previously reported profit or equity.

	<b>As previously reported for the nine months period ended 30 September 2019 AED'000 (unaudited)</b>	<b>Adjustment AED'000 (unaudited)</b>	<b>As adjusted for the nine months period ended 30 September 2019 AED'000 (unaudited)</b>
Revenue	1,923,730	(33,702)	1,890,028
Selling and distribution expenses	(333,756)	33,702	(300,054)

### 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 3 November 2020.