



Condensed Consolidated
Interim Financial Information

30 June 2024

RAK Ceramics PJSC and its Subsidiaries

Condensed consolidated interim financial information
30 June 2024

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On financial performance during the six month period ended 30 June 2024
8 August 2024

Dear Members,

It is our pleasure to present the business & operations report for the six month period ended 30 June 2024, along with the condensed consolidated financial information of RAK Ceramics PJSC, UAE (the “Group” or the “Company”) as on 30 June 2024.

Snapshots for second quarter of 2024

- **Group revenue:** Experienced a decline of 10.9% to AED 777.0 million in Q2 2024, owing to ongoing geopolitical volatility, supply chain disruptions and economic slowdowns in key regions.
- **Gross profit margin:** Robust improvement of +110bps year-on-year (YoY) to reach 39.6% for Q2 2024.
- **EBITDA performance:** Marginal impact on EBITDA margin of 20 bps YoY to reach 17.6% YoY in Q2 2024 with an EBITDA of AED 136.9 million.
- **Net profit after tax:** Q2 2024 net profit margin decreased to 6.6% compared to 8.6% in Q2 2023 reaching AED 51.0 million.
- **Financial health:** Net debt increased by AED 187.1 million quarter on quarter in 30 June 2024 reaching 1.55 billion mainly due to dividend and acquisition of the remaining minority stake in RAK Porcelain. The net debt to EBITDA ratio is also increased from 2.13x to 2.50x in Q2 2024.
- The Board of Directors proposed an **interim dividend distribution** of 10 fils per share (AED 99.4 million) for H1 2024.

Financial Highlights

This quarter demonstrated continued headwinds across businesses, driven by geopolitical tensions, supply chain disruption, and economic slowdown in key regions. There has been a continued suppression of consumer spending in key markets driven by high interest rates, inflationary pressures and liquidity crunch.

Total revenue decreased by 10.9% YoY to AED 777.0 million in Q2 2024 and by 11.2% YoY to AED 1.56 billion in H1 2024, predominantly due to ongoing geopolitical challenges, supply chain disruptions, and economic slowdowns impacting demand across all core markets except the UAE. In Q2 2024, gross profit margin increased by 110bps YoY to 39.6% and in H1 2024, it increased by 90bps YoY to 39.4% owing to continued efforts to drive efficiencies across all operations supported by lower natural gas prices in UAE. EBITDA decreased to AED 136.9 million in Q2 2024, compared to AED 155.4 million in the same period last year. EBITDA margins have remained stable at 17.6%, compared to 17.8% in Q2 2023. In H1 2024 EBITDA decreased 7.9% YoY at AED 288.0 million, however margin improved 70bps YoY at 18.5%. Net profit after tax decreased to AED 51.0 million recording a margin of 6.6%, compared to AED 75.1 million with a margin of 8.6% in Q2 2023. The impact of 9% UAE Corporate Tax is AED 6.4 million for Q2 2024. In H1 2024 net profit after tax was recorded at AED 113.9 million compared to AED 155.2 million. Net debt increased by AED 187.1 million quarter on quarter to AED 1.55bn in Q2 2024. Net debt to EBITDA increased from 2.13x in March to 2.50x in June 2024.

Segmental performance highlights

- Tiles division saw a marginal increase in gross margin to 39.2%, driven by the continued efforts to uphold cost structures and operational efficiencies. However, there was a decline in both volumes and revenue, falling 10.7% and 13.4% respectively – in part due to rise in the number of local players, increasing imports from India and the overall impact on costs from the ongoing logistics crisis.
- Sanitaryware division experienced a decline in both volume and revenue, mainly due to reduced consumer spending driven by rising interest rates, inflation and recessionary pressure. The ongoing global supply chain crisis impacted our overall cost due to imports of raw material and export of products to Europe.
- Tableware division revenue remained stable despite a slowdown in market demand due to decline in the number of new hotel projects and overall spending due to the ongoing regional conflicts. However Gross profit margin improved, driven by change in product mix supported by sale of premium products. We are proud to launch our first Tableware Retail showroom in Dubai Hills Mall and also the Ecommerce platform in UAE marking our entry in tableware retail space. We also completed acquisition of the remaining 8% minority stake in RAK Porcelain, thus achieving 100% ownership. This will allow us to have complete control over the company's strategic direction, operations and positioning it for sustainable growth and value creation.
- Faucets gross margin continued to show growth, increasing by 5.6% YoY, driven by the successful shifting of operations to the UAE from Europe. However revenue declined by 6.1% YoY as a result of a weak construction market and lower demand from the European and Asian markets which continue to be affected by the ongoing geopolitical tensions and economic instability. Additionally, the recent sanctions against Russia will further impact our sales.

Tiles & Sanitaryware market highlights

- **UAE:** Registered a YoY revenue decline of 1.2% in Q2 2024, primarily due to the long holiday break for both Ramadan & Eid along with the adverse impact of the floods in April.
- **Saudi Arabia:** Experienced a 28.0% YoY revenue decline in Q2 2024 due to continued price war and local competition flooding the market with cheaper products, thus making the market price sensitive. The levy of custom duty and also the substantial rise in transportation cost for exports has made it further challenging to grow in Saudi Arabia.
- **Europe:** Revenue declined by 15.3% YoY in Q2 2024 due to inflation, recessionary pressure, ongoing geopolitical crisis and increased competition. The supply chain disruptions has further dampened our ability to price our products competitively in the markets and sustain our market share.
- **India:** Revenue remained stable with nominal growth driven by the Tiles segment amidst market struggling with lower demand due to increased interest rates and currency devaluation. The national elections had also caused a delay in many government projects which we expect to pick pace now with the completion of the elections and the budget having been announced.
- **Bangladesh:** Revenue declined by 27.2% YoY in Q2 2024, primarily due to a severe gas crisis impacting production & efficiencies and slowdown in market demand driven by inflation and liquidity crunch.

Expansion projects

- Completion of the upgrades to the Tiles plant in Gris, India, which will increase GVT tiles production capabilities.
- Investments made to upgrade the Tiles and Sanitaryware production facility to smart factories, which has allowed product differentiations and improved production efficiencies.
- Continue to work towards setting up a production facility in KSA.

Income Statement Highlights

Particulars	H1 2023	H1 2024	YoY Growth
Revenue	1754.4	1558.7	-11.2%
Gross margin (%)	38.5%	39.4%	0.9%
EBITDA *	312.5	288.0	-7.9%
Profit before tax	165.2	133.7	-19.1%
Profit after tax	155.2	113.9	-26.6%
Capital expenditure	93.5	97.3	4.0%
Net debt	1449.2	1554.3	7.2%
Net debt / EBITDA	2.44x	2.50x	-0.06x

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

CSR activities, exhibitions, sponsorships and awards

Exhibitions participated in Q2 2024

- Salone Del Mobile, Milano, Italy
- Clerkenwell Design Week, London, UK

Visits of delegates in Q2 2024

- Chinese delegation led by Chinese Ambassador to the UAE
- Tanzania delegates on Road Show in the UAE
- Dutch Trade Mission
- Ambassador of the European Union (New)

Awards received in Q2 2024

- Red Dot Best of the Best Award at Essen Germany for Cooking RAK
- Among Top 3 in Smart Manufacturer Award at MIITE, UAE
- Best Tiling Brand at the @BKUMagazine Awards, London, UK

Future Outlook

Despite the challenges, RAK Ceramics remains committed to further investment in the brand and the protection of margins. As a business a decision has been made not to lower prices to compete with lower quality alternative products. The products offer a differentiated level of quality and design – and the margins are a reflection of the customers' recognition of this superior quality product. The Company remains confident in the long-term growth drivers of the business and that the addition of further production facilities will drive further value for both customers and shareholders, while allowing it to remain competitive. The Company is well-positioned to take on the ongoing market challenges and are encouraged by the positive long-term outlook for the business, specifically in the UAE.

Financial Reporting

The condensed 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

08 AUG 2024



Group Chief Executive Officer

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

Condensed consolidated interim financial information
for the six-month period ended 30 June 2024

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

Condensed consolidated interim financial information
30 June 2024

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INDEPENDENT AUDITOR'S REVIEW REPORT

**The Board of Directors
R.A.K Ceramics P.J.S.C.
Ras Al Khaimah
United Arab Emirates**

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of **R.A.K Ceramics P.J.S.C.** (the "Company") and its subsidiaries (together the "Group"), **Ras Al Khaimah, United Arab Emirates**, as at 30 June 2024 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 six months period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34: Interim Financial Reporting as issued by International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

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

Deloitte & Touche (M.E.)



Mohammad Jallad
Registration No. 1164
8 August 2024
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 six months and three months period ended 30 June 2024

	Notes	Six months period ended 30 June		Three months period ended 30 June	
		2024 AED'000	2023 AED'000	2024 AED'000	2023 AED'000
Revenue	5	1,558,650	1,754,361	777,024	871,983
Cost of sales	6	(943,844)	(1,078,181)	(469,680)	(536,951)
Gross profit		614,806	676,180	307,344	335,032
Administrative and general expenses	7	(117,228)	(118,987)	(59,490)	(61,191)
Selling and distribution expenses	8	(328,461)	(362,023)	(167,931)	(181,631)
Other income	9	36,753	36,166	17,403	21,127
Finance costs	10	(66,873)	(60,374)	(31,233)	(32,478)
Finance income	10	9,059	7,474	1,979	5,886
Loss on net monetary position	26	(1,841)	(571)	(946)	119
Share of (loss)/profit in equity accounted investees	11	(125)	443	(155)	421
Impairment loss	7(i)	(12,364)	(13,126)	(7,178)	(7,202)
Profit before tax		133,726	165,182	59,793	80,083
Tax expense	12	(19,808)	(9,991)	(8,775)	(4,993)
Profit for the period		113,918	155,191	51,018	75,090
<i>Profit attributable to:</i>					
Owners of the Company		107,883	143,012	50,274	69,600
Non-controlling interests		6,035	12,179	744	5,490
Profit for the period		113,918	155,191	51,018	75,090
Earnings per share					
- basic and diluted (AED)	13	0.11	0.14	0.05	0.07

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 six months and three months period ended 30 June 2024

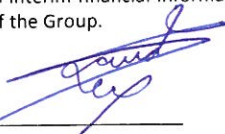
	Six months period ended 30 June		Three months period ended 30 June	
	2024 AED'000	2023 AED'000	2024 AED'000	2023 AED'000
Profit for the period	113,918	155,191	51,018	75,090
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Foreign exchange differences on translation of foreign operations	(19,718)	(19,987)	(16,489)	506
Cash flow hedges – effective portion of changes in fair value (loss)/gain on hedging instruments	(2,060)	(2,621)	(1,548)	876
Effects of application of hyperinflation accounting (Note 26)	6,479	2,148	5,129	(482)
Total comprehensive income for the period	98,619	134,731	38,110	75,990
<i>Total comprehensive income attributable to:</i>				
Owners of the Company	97,889	126,685	42,388	71,146
Non-controlling interests	730	8,046	(4,278)	4,844
Total comprehensive income for the period	98,619	134,731	38,110	75,990

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


R.A.K Ceramics P.J.S.C. and its subsidiaries
Condensed consolidated statement of financial position
as at 30 June 2024

	Notes	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Assets			
Non-current assets			
Property, plant and equipment	14	1,359,201	1,354,744
Goodwill	15	120,098	120,135
Right-of-use assets		88,228	87,632
Intangible assets		13,453	14,932
Investment properties	16	896,847	900,742
Investments in equity accounted investees	11	10,539	11,332
Long-term receivables	17(i)	17,583	21,556
Derivative financial assets	20	2,937	4,277
Deferred tax assets	12	5,992	6,041
Total non-current assets		2,514,878	2,521,391
Current assets			
Inventories	18	1,316,726	1,301,903
Trade and other receivables	17	1,173,000	1,189,975
Due from related parties	19	49,245	55,734
Derivative financial assets	20	9,870	7,462
Bank deposits with an original maturity of more than three months	21	14,667	41,381
Cash and cash equivalents	21	187,407	239,245
Total current assets		2,750,915	2,835,700
Total assets		5,265,793	5,357,091
Equity and liabilities			
Capital and reserves			
Share capital	22	993,703	993,703
Reserves		1,222,007	1,240,552
Equity attributable to owners of the Company		2,215,710	2,234,255
Non-controlling interests		92,594	134,495
Total equity		2,308,304	2,368,750
Non-current liabilities			
Islamic bank financing	23a(ii)	242,523	296,674
Interest bearing bank financing	23b(ii)	664,436	620,998
Due to related parties	19	2,159	2,163
Provision for employees' end of service benefits		116,899	118,453
Lease liabilities		71,529	67,804
Deferred tax liabilities	12	26,709	29,973
Total non-current liabilities		1,124,255	1,136,065
Current liabilities			
Islamic bank financing	23a(i)	298,263	317,399
Interest bearing bank financing	23b(i)	547,862	463,765
Trade and other payables	24	767,865	817,704
Due to related parties	19	16,656	44,939
Derivative financial liabilities	20	585	4,296
Lease liabilities		32,085	32,846
Provision for taxation	12	169,918	171,327
Total current liabilities		1,833,234	1,852,276
Total liabilities		2,957,489	2,988,341
Total equity and liabilities		5,265,793	5,357,091

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


Chairman

08 AUG 2024


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 six months period ended 30 June 2024

	Six months period ended 30 June	
	2024	2023
	AED'000	AED'000
Operating activities		
Profit for the period before tax	133,726	165,182
<i>Adjustments for:</i>		
Allowance for slow moving and obsolete inventories	5,400	23,601
Write-down of cost of finished goods	(3,096)	(1,340)
Depreciation of property, plant and equipment	74,286	70,489
Depreciation of investment properties	5,708	5,147
Amortization of intangible assets	2,128	3,073
Depreciation of right-of-use assets	18,243	16,955
Provision for employees' end-of-service benefits	9,498	9,401
Gain on disposal of property, plant and equipment	(1,153)	(315)
Interest expense	35,461	32,973
Profit expense on Islamic bank financing	17,574	18,546
Interest income	(2,087)	(2,827)
Profit on wakala deposits	(134)	(769)
Interest expense on lease liabilities	4,206	3,771
Net change in fair value of derivative financial instruments	(6,839)	(3,879)
Loss on net monetary position	1,841	571
Share of loss/(profit) in equity accounted investees	125	(443)
Impairment loss on trade receivables	7,697	13,126
Impairment loss on other receivables	4,667	-
	307,251	353,262
Changes in:		
- inventories	(17,127)	(53,902)
- trade and other receivables (including long-term portion)	106	(92,710)
- due from related parties	6,489	(11,730)
- trade and other payables	(49,840)	(33,888)
- due to related parties	(28,280)	(3,102)
Income tax paid	(15,954)	(10,509)
Employees' end-of-service benefits paid	(11,247)	(7,915)
Currency translation adjustments	4,391	(9,633)
Net cash generated from operating activities	195,789	129,873

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

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

Condensed consolidated statement of cash flows (unaudited) (continued)

for the six months period ended 30 June 2024

	Six months period ended 30 June	
	2024	2023
	AED'000	AED'000
Investing activities		
Additions to property, plant and equipment	(97,287)	(93,507)
Proceeds from disposal of property, plant and equipment	1,775	2,844
Additions to intangible assets	(678)	(1,119)
Additions to investment properties	(3,182)	(1,980)
Dividend received from equity accounted investees	421	354
Interest received	2,087	2,827
Profit received on Wakala deposits	134	769
Proceeds on maturity of bank deposits with an original maturity of more than three months	26,715	104,195
Cash paid on acquisition of further share in a subsidiary	(44,000)	-
Net cash (used in)/generated from investing activities	(114,015)	14,383
Financing activities		
Long-term bank financing availed	212,971	109,150
Long-term bank financing repaid	(184,796)	(131,473)
Long-term Islamic bank financing availed	10,000	20,000
Long-term Islamic bank financing repaid	(63,453)	(48,818)
Repayment of lease liabilities	(19,754)	(21,005)
Short-term bank financing availed	563,095	475,225
Short-term bank financing repaid	(425,371)	(470,959)
Short-term Islamic bank financing availed	236,489	242,874
Short-term Islamic bank financing repaid	(256,323)	(234,994)
Interest paid	(35,461)	(32,973)
Profit paid on Islamic bank financing	(17,574)	(18,546)
Remuneration paid to Board of Directors(refer note 22(ii))	-	(3,444)
Dividend paid	(99,370)	(99,370)
Loan from related parties	(7)	25
Dividend paid to non-controlling interests	(15,695)	(12,829)
Net cash used in financing activities	(95,249)	(227,137)
Net decrease in cash and cash equivalents	(13,475)	(82,881)
Cash and cash equivalents at the beginning of the period	130,895	242,628
Net cash and cash equivalents at the end of the period	117,420	159,747
Represented by:		
Cash and cash equivalents	187,407	230,060
Bank overdrafts	(69,987)	(70,313)
	117,420	159,747

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

R.A.K Ceramics P.J.S.C. and its subsidiaries
Condensed consolidated statement of changes in equity (unaudited)
for the six months period ended 30 June 2024

	Attributable to owners of the Company											Non-controlling interests (NCI) AED'000	Total equity AED'000
	Share capital AED'000	Share premium AED'000	Legal reserve AED'000	Translation reserve AED'000	Hyper-inflation reserve* AED'000	Hedging reserve AED'000	General reserve AED'000	Capital reserve AED'000	Retained earnings AED'000	Total reserves AED'000	Total AED'000		
Balance at 1 January 2024	993,703	221,667	579,112	(196,569)	(162,835)	11,738	82,805	75,040	629,594	1,240,552	2,234,255	134,495	2,368,750
Total comprehensive income/(loss) for the period (unaudited)													
Profit for the period	-	-	-	-	-	-	-	-	107,883	107,883	107,883	6,035	113,918
Other comprehensive income/(loss)													
Foreign exchange differences on translation of foreign operations	-	-	-	(6,642)	(7,771)	-	-	-	-	(14,413)	(14,413)	(5,305)	(19,718)
Changes in cash flow hedges	-	-	-	-	-	(2,060)	-	-	-	(2,060)	(2,060)	-	(2,060)
Effects of application of IAS 29 (refer Note 26)	-	-	-	-	6,479	-	-	-	-	6,479	6,479	-	6,479
Total comprehensive income/(loss) for the period	-	-	-	(6,642)	(1,292)	(2,060)	-	-	107,883	97,889	97,889	730	98,619
Transfer to retained earnings	-	-	(82,260)	-	-	-	(82,805)	-	165,065	-	-	-	-
Other equity movements (unaudited)													
Transaction with owners (unaudited)													
Dividend paid (refer Note 22(i))	-	-	-	-	-	-	-	-	(99,370)	(99,370)	(99,370)	-	(99,370)
Dividend paid to NCI	-	-	-	-	-	-	-	-	-	-	-	(15,695)	(15,695)
Acquisition of NCI (refer Note 27)	-	-	-	-	-	-	-	-	(17,064)	(17,064)	(17,064)	(26,936)	(44,000)
Balance at 30 June 2024 (unaudited)	993,703	221,667	496,852	(203,211)	(164,127)	9,678	-	75,040	786,108	1,222,007	2,215,710	92,594	2,308,304

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

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

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

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

for the six months period ended 30 June 2024

	Attributable to owners of the Company											Non-controlling interests (NCI) AED'000	Total equity AED'000
	Share capital AED'000	Share premium AED'000	Legal reserve AED'000	Translation reserve AED'000	Hyper-inflation reserve* AED'000	Hedging reserve AED'000	General reserve AED'000	Capital reserve AED'000	Retained earnings AED'000	Total reserves AED'000	Total AED'000		
Balance at 1 January 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
Total comprehensive income/(loss) for the period (unaudited)													
Profit for the period	-	-	-	-	-	-	-	-	143,012	143,012	143,012	12,179	155,191
Other comprehensive income/(loss)													
Foreign exchange differences on translation of foreign operations	-	-	-	(10,120)	(5,734)	-	-	-	-	(15,854)	(15,854)	(4,133)	(19,987)
Changes in cash flow hedges	-	-	-	-	-	(2,621)	-	-	-	(2,621)	(2,621)	-	(2,621)
Effects of application of IAS 29 (refer Note 26)	-	-	-	-	2,148	-	-	-	-	2,148	2,148	-	2,148
Total comprehensive income/(loss) for the period	-	-	-	(10,120)	(3,586)	(2,621)	-	-	143,012	126,685	126,685	8,046	134,731
Other equity movements (unaudited)													
Directors' annual remuneration (refer Note 22(ii))	-	-	-	-	-	-	-	-	(3,444)	(3,444)	(3,444)	-	(3,444)
Transaction with owners (unaudited)													
Dividend paid (refer Note 22(ii))	-	-	-	-	-	-	-	-	(99,370)	(99,370)	(99,370)	-	(99,370)
Dividend paid to NCI	-	-	-	-	-	-	-	-	-	-	-	(12,829)	(12,829)
Balance at 30 June 2023 (unaudited)	993,703	221,667	578,603	(192,411)	(170,467)	17,961	82,805	75,040	581,539	1,194,737	2,188,440	128,657	2,317,097

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

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

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2024

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 Six month period ended 30 June 2024 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 (“IFRS Accounting Standards”)

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 2023, 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 IFRS Accounting Standards applied by the Group

In the previous financial year, the Group has applied the following amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for an accounting period that begins on or after 1 January 2024. The application of these amendments to IFRS Accounting Standards 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.

- 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.
- 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.
- 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).
- Supplier Finance Arrangements (amendments to IAS 7 and IFRS 7) related disclosure requirements to provide qualitative and quantitative information about supplier finance arrangements.
- IAS 1 ‘Presentation of Financial Statements’ – Amendments on classifications of liabilities.
- Disclosure requirements (under IFRS 19) an eligible subsidiary is permitted to apply, instead of the disclosure requirements required in other IFRSs.
- IFRS S1, ‘General requirements for disclosure of sustainability-related financial information and IFRS S2, ‘Climate-related disclosures’.
- IFRS S1 includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity’s value chain. IFRS S2 sets out requirements for entities to disclose information about climate-related risks and opportunities.

Other than the above, there are no significant IFRS Accounting Standards and amendments that were effective for the first time for the financial year beginning on or after 1 January 2024.

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2024

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

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

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

- Amendment to IFRS 17 - comparative information at first time adoption of IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments.
- Amendments to IAS 21: (Lack of Exchangeability) The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.
- IFRS 18 Presentation and disclosures in financial statements - The new standard contains requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements. (effective 1 January 2027).
- IFRS 19 subsidiaries without Public Accountability: Disclosures – the new standard specifies reduced disclosure requirements to eligible entities instead of full disclosure requirements in other standards. (effective 1 January 2027).
- 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).
- The International Sustainability Standards Board (ISSB) has issued amendments to the Sustainability Accounting Standards Board (SASB) standards to enhance their international applicability. The amendments remove and replace jurisdiction-specific references and definitions, without substantially altering industries, topics or metrics (effective from 1 January 2025).

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 will 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

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

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

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

The accounting policies, presentation and methods in the condensed consolidated interim financial information are consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 2023.

The condensed consolidated interim financial information does not include all the information required for annual consolidated financial statements and should be read in conjunction with the Group’s audited annual consolidated financial statements as at and for the year ended 31 December 2023. No income of a seasonal nature was recorded in the condensed consolidated statement of profit or loss for the six months period ended 30 June 2024 and 2023. In addition, results for the six months period ended 30 June 2024 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

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 2023.

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2024

5. Revenue

	Six months period ended 30 June		Three months period ended 30 June	
	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)
Sale of goods	1,554,489	1,746,843	774,268	866,715
Others	4,161	7,518	2,756	5,268
	1,558,650	1,754,361	777,024	871,983

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

6. Cost of sales

	Six months period ended 30 June		Three months period ended 30 June	
	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)
Raw materials consumed	462,357	567,873	226,943	259,864
Direct labor	134,883	148,557	68,672	74,475
Power and fuel	62,688	77,119	29,625	39,151
Depreciation of property, plant and equipment	58,266	55,929	29,979	28,430
LPG and natural gas	53,772	112,621	24,724	53,093
Repairs and maintenance expense	51,803	58,517	26,039	29,299
Change in inventory of finished goods	34,486	(54,046)	24,175	(408)
Packing material expenses	45,535	56,277	21,520	26,953
Allowance for slow moving inventories	5,400	23,601	1,913	11,495
Insurance	2,985	4,019	1,399	2,113
Clearing charges on trading goods	1,355	2,104	1,301	1,986
Depreciation of right-of-use assets	1,059	1,566	398	840
Hire charges on machinery & equipment	643	1,096	409	1,021
Amortization of intangible assets	526	610	255	311
Other costs	28,086	22,338	12,328	8,328
	943,844	1,078,181	469,680	536,951

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2024

7. Administrative and general expenses

	Six months period ended 30 June		Three months period ended 30 June	
	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)
Staff salaries and other associated costs	58,478	55,729	29,377	28,637
Depreciation of property, plant and equipment	7,649	6,548	3,125	3,314
Legal and professional fees	5,994	7,388	2,981	3,362
Depreciation of investment properties	5,708	5,147	2,902	2,567
Information technology licenses and consultancy expenses	5,665	7,183	3,183	2,777
Repairs and maintenance expenses	6,105	4,683	3,843	2,953
Telephone, postal and office supplies	3,555	4,532	1,935	2,941
Utility expenses	3,187	2,909	2,067	1,789
Expenses on investment properties	2,820	3,989	434	2,535
Travelling expenses	1,908	1,518	1,248	858
Directors' remuneration	1,850	1,850	925	925
Amortization of intangible assets	1,602	2,463	502	1,108
Insurance	1,515	1,438	757	680
Rental charges	1,432	582	1,390	509
Security charges	1,152	588	719	457
Vehicles and equipment hire charges	504	1,093	249	469
Depreciation of right-of-use assets	351	303	170	149
Others	7,753	11,044	3,683	5,161
	117,228	118,987	59,490	61,191

7(i) Impairment loss

	Six months period ended 30 June		Three months period ended 30 June	
	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)
Impairment loss on trade receivables	7,697	13,126	2,511	7,202
Impairment loss on other receivables	4,667	-	4,667	-
	12,364	13,126	7,178	7,202

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2024

8. Selling and distribution expenses

	Six months period ended 30 June		Three months period ended 30 June	
	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)
Staff salaries and other associated costs	116,978	113,824	59,602	56,881
Freight and transportation	109,436	135,136	54,591	66,492
Advertisement and promotions expense	35,846	45,377	18,938	22,831
Depreciation of right-of-use assets	16,833	15,086	8,273	7,505
Agents' commission	12,318	14,880	6,794	9,948
Depreciation of property, plant and equipment	8,371	8,012	4,160	3,979
Travel and entertainment expenses	3,360	5,365	1,775	2,327
Rental expenses	3,138	1,780	1,835	264
Quality claims	2,516	3,054	1,944	1,264
Consultancy & outsourcing charges	2,075	1,296	1,444	385
Repairs, maintenance & consumables	1,769	1,432	864	842
Royalty	1,009	367	825	184
Telephone & office supplies	782	730	422	370
Testing and certification charges	576	380	248	263
Others	13,454	15,304	6,216	8,096
	328,461	362,023	167,931	181,631

9. Other income

	Six months period ended 30 June		Three months period ended 30 June	
	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)
Rental income from investment properties	24,125	15,816	12,344	8,427
Sale of scrap and miscellaneous items	4,032	2,596	1,302	1,617
Discounts earned on purchases and freight	2,495	2,961	1,001	512
Gain on disposal of property, plant and equipment	1,153	315	598	108
Lease rental for property, plant and equipment	559	670	269	318
Duty drawback and subsidy received	201	429	77	227
Insurance claims	293	1,059	153	300
Royalty	192	68	100	43
Provisions write back	-	5,811	-	5,811
Other miscellaneous income	3,703	6,441	1,559	3,764
	36,753	36,166	17,403	21,127

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2024

10. Finance costs and income

	Six months period ended 30 June		Three months period ended 30 June	
	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)
Finance costs				
Interest on bank financing	35,310	32,821	18,546	16,519
Profit expense on Islamic bank financing	17,574	18,546	8,303	9,740
Net foreign exchange loss	7,829	3,094	1,385	3,094
Interest expense on lease liabilities	4,206	3,771	2,123	1,993
Bank charges	1,803	1,990	800	1,056
Interest on amount due to related parties	151	152	76	76
Total (A)	66,873	60,374	31,233	32,478
Finance income				
Net change in the fair value of derivatives	6,838	3,878	954	4,443
Interest on bank deposits	2,087	2,827	958	1,146
Profit on wakala deposits	134	769	67	297
Total (B)	9,059	7,474	1,979	5,886
Net finance costs (A-B)	57,814	52,900	29,254	26,592

11. Investments in equity accounted investees

The Group's share of (loss)/ profit in equity accounted investees for the six months period ended 30 June 2024 amounted to AED (0.13) million loss (unaudited) (six months period ended 30 June 2023 (unaudited): AED 0.44 million profit).

The Group has received AED 0.42 million (unaudited) as dividends during the current period from its equity accounted investees (six months period ended 30 June 2023 (unaudited): AED 0.35 million).

12. Income tax

Local and foreign operations of the Group are liable to corporate taxes in the respective jurisdictions at prevailing tax rates. The corporate taxes are payable on the total income of the foreign operations after making adjustments for certain disallowable expenses, exempt income and investment and other allowances.

	Six months period ended 30 June		Three months period ended 30 June	
	2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)
Current tax				
In respect of current year	21,788	9,695	9,856	5,054
Deferred tax (Reversal)/ origination of temporary tax differences during the year	(1,980)	296	(1,081)	(61)
Tax expense for the year	19,808	9,991	8,775	4,993

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2024

12. Income tax (continued)

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Provision for tax	169,918	171,327
Deferred tax liabilities	26,709	29,973
Deferred tax assets	5,992	6,041

The Group's consolidated effective tax rate for the six month ended 30 June 2024 is 14.81% (Six month period ended 30 June 2023 6.05%) the increase is mainly due to the 9% UAE Corporate Tax which became effective from 1 January 2024.

The International Tax Reforms under Pillar Two Model Rules are not yet effective in the UAE. The Group will adopt these once effective. This will have an impact on the Group through the implementation of global minimum taxation. The impact cannot yet be measured reliably. These rules are already effective in certain jurisdictions where the Group operates.

13. Earnings per share

	Six months period ended 30 June		Three months period ended 30 June	
	2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)
Profit attributable to the owners of the Company (AED'000)	107,883	143,012	50,274	69,600
Weighted average number of ordinary shares ('000s)	993,703	993,703	993,703	993,703
Basic and diluted earnings per share (AED)	0.11	0.14	0.05	0.07

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.

14. Property, plant and equipment

Additions, disposals and depreciation (unaudited)

During the six months period ended 30 June 2024, the Group has acquired property, plant and equipment and made additions to capital work in progress amounting to AED 97.29 million (six months period ended 30 June 2023: AED 93.51 million).

Property, plant and equipment with a carrying amount of AED 2.93 million was disposed of during the current period (six months period ended 30 June 2023: AED 3.16 million) resulting in a gain on disposal of AED 1.15 million (gain on disposal, six months period ended 30 June 2023: AED 0.32 million) which is included in other income in the condensed consolidated statement of 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 six months period ended 30 June 2024

14. Property, plant and equipment (Continued)

Depreciation of property, plant and equipment for the current period amounted to AED 74.29 million (six months period ended 30 June 2023: AED 70.49 million). Below is the breakdown of property, plant and equipment inside and outside the U.A.E:

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Inside U.A.E	891,977	885,325
Outside U .A.E	467,224	469,419
	1,359,201	1,354,744

15. Goodwill

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Opening balance	120,135	119,855
Effects of movements in exchange rate	(37)	280
Closing balance	120,098	120,135

As at 30 June 2024 Goodwill comprises AED 50.4 million, AED 5.6 million, AED 5.6 million, AED 58.5 million recognized on acquisition of Ceramin FZ LLC, UAE and distribution entities in UK, Italy and Saudi Arabia respectively.

During the period, management has performed an analysis of the sensitivity of the impairment test to changes in key assumptions used to determine the recoverable amount of each cash generating unit to which goodwill is allocated and concluded that no indicators of impairment have been identified.

16. Investment properties

	Inside UAE		Outside UAE		Total	
	30 June 2024 (unaudited)	31 December 2023 (audited)	30 June 2024 (unaudited)	31 December 2023 (audited)	31 June 2024 (unaudited)	31 December 2023 (audited)
	AED'000					
Net book value	872,767	874,982	24,080	25,760	896,847	900,742
Fair value	1,025,590	1,025,590	47,800	47,800	1,073,390	1,073,390

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2024

16. Investment properties (continued)

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 2023 (audited) amounted to AED 1,073.39 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 six months period ended 30 June 2024.

The fair value of the Group's investment properties as at 31 December 2023 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 2023: Level 3).

17. Trade and other receivables

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Trade receivables	1,000,118	1,020,964
Less: Allowance for expected credit loss	(175,296)	(170,587)
Subtotal (A)	824,822	850,377
Other receivables	155,852	189,747
Less: Allowance for expected credit loss	(71,982)	(105,588)
Subtotal (B)	83,870	84,159
Advances and prepayments (C)	241,233	231,988
Deposits (D)	23,075	23,451
Total (A+B+C+D)	1,173,000	1,189,975

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2024

17. Trade and other receivables (continued)

(i) Long-term receivables

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Trade receivables	83,954	35,971
Less: Allowance for expected credit loss	(25,432)	(4,718)
	58,522	31,253
Less : current portion included in trade receivables	(46,559)	(14,874)
Long-term trade receivables (A)	11,963	16,379
Other receivables	5,620	5,177
Long-term other receivables (B)	5,620	5,177
Long-term receivables (A+B)	17,583	21,556

18. Inventories

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Finished goods (net of net realizable value adjustments)	950,119	970,675
Less : Allowance for slow moving inventories	(156,025)	(161,594)
Subtotal (A)	794,094	809,081
Raw materials	245,926	236,153
Stores and spares	282,239	273,665
	528,165	509,818
Less : Allowance for slow-moving inventories	(88,110)	(89,668)
Subtotal (B)	440,055	420,150
Goods-in-transit (C)	25,221	18,627
Work-in-progress (D)	57,356	54,045
Total (A+B+C+D)	1,316,726	1,301,903

At 30 June 2024, the Group has recognized a cumulative loss due to write-down of finished goods inventories of AED 156.11 million against cost of AED 427.90 million (31 December 2023 (audited): AED 153.01 million against cost of AED 437.57 million) to bring it to its net realizable value which was lower than the cost. The difference in the write down of AED 3.10 million (unaudited) (six months period ended 30 June 2023 (unaudited): AED 0.41 million) is included in cost of sales in the condensed consolidated statement of profit or loss with a currency loss of AED 0.11 million for the period (unaudited) (six month periods ended 30 June 2023 (unaudited): AED 0.09 million).

Certain inventories are subject to a charge in favor 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 six months period ended 30 June 2024

19. 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:

	Six months period ended 30 June		Three months period ended 30 June	
	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)
Sale of goods and services and construction contracts	35,796	52,933	14,641	24,766
Purchase of goods and rendering of services	59,066	122,231	26,587	61,351
Royalty	192	68	100	43
Interest expense (refer note 10)	151	152	76	76

Key management personnel compensation

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

	Six months period ended 30 June		Three months period ended 30 June	
	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)
Short-term benefits	6,514	6,451	3,244	3,226
Staff terminal benefits	117	116	58	58
Board of Directors' remuneration paid (refer note 22(ii))	-	3,444	-	-
Board of directors' remuneration accrued	1,850	1,850	925	925

Due from related parties

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Equity accounted investees	2,544	3,640
Other related parties	50,097	53,731
	52,641	57,371
Less : Allowance for expected credit loss	(3,396)	(1,637)
	49,245	55,734

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2024

19. Related party balances and transactions (continued)

Long-term loan

	30 June	31 December
	2024	2023
	AED'000	AED'000
	(unaudited)	(audited)
Other related parties	2,159	2,163
	2,159	2,163
Due to related parties		
	30 June	31 December
	2024	2023
	AED'000	AED'000
	(unaudited)	(audited)
Other related parties	15,577	43,857
Current portion of long-term loan	1,079	1,082
	16,656	44,939

20. Derivative financial instruments

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

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

	30 June	31 December
	2024	2023
	AED'000	AED'000
	(unaudited)	(audited)
Non-current		
Derivative financial assets		
Interest rate swaps used for hedging	2,937	4,277
	2,937	4,277
Current		
Derivative financial assets		
Interest rate swaps used for hedging	6,741	7,462
Forward exchange contracts	3,129	-
	9,870	7,462

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2024

20. Derivative financial instruments (continued)

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Current		
Derivative financial liabilities		
Forward exchange contracts	-	3,669
Other currency and interest rate swaps	585	627
	585	4,296

21. Bank balances and cash

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Cash in hand	2,291	2,742
Cash at bank		
- in bank deposits with an original maturity of less than three months	3,883	5,787
- in current accounts	160,514	207,028
- in margin deposits	15,961	14,870
- in call accounts	4,941	9,251
Cash and cash equivalents(excluding allowance for expected credit loss)	187,590	239,678
Less : Allowance for expected credit loss	(183)	(433)
Cash and cash equivalents (A)	187,407	239,245
Bank deposits with an original maturity of more than three months (B)	14,667	41,381
Bank balances and cash (A+B)	202,074	280,626

Cash in hand and cash at bank includes AED 0.61 million (31 December 2023 (audited): AED 0.96 million) and AED 86.23 million (31 December 2023 (audited): AED 113.57 million) respectively, held outside the UAE.

All bank deposits carry interest at normal commercial rates and include AED 2.88 million (31 December 2023 (audited): AED 5.64 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 six months period ended 30 June 2024

22. Share capital

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Authorised, issued and paid up		
170,000,000 shares of AED 1 each paid up in cash	170,000	170,000
823,703,958 shares of AED 1 each issued as bonus shares	823,703	823,703
	993,703	993,703

(i) Dividend

At the Annual General Meeting (AGM) held on 26 March 2024, the shareholders approved a cash dividend of 10% amounting to AED 99,370 thousand (paid in April 2024) apart from the interim cash dividend of 10% amounting to AED 99,370 thousand (paid on August 2023) for the year 2023; (For the year 2023: interim cash dividend of 10% amounting to AED 99,370 thousand). The Board of Directors approved an interim dividend of 10 % amounting to AED 99,370 thousand for the first half of year 2024.

(ii) Directors' remuneration

At the Annual General Meeting (AGM) held on 26 March 2024, the shareholders approved the Directors' remuneration amounting to AED 3,700 thousand for the year ended 31 December 2023, (for the year ended 31 December 2022: approved AED 3,700 thousand and paid AED 3,444 thousand in year 2023, based on the number of Directors in post).(Refer note 7).

23. Bank financing arrangements

(a) Islamic bank financing

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
(i) Short-term		
Mudaraba facilities (A)	46,358	64,935
Commodity Murabaha facilities (B)	127,037	128,294
Current portion of long-term financing (refer note (ii) below)	124,868	124,170
	298,263	317,399

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
(ii) Long-term – Islamic bank financing		
Mudaraba facilities	150,000	160,833
Commodity Murabaha facilities (B)	102,627	124,261
Ijarah facilities (C)	114,764	135,750
Less : current portion of long-term financing	(124,868)	(124,170)
	242,523	296,674

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2024

23. Bank financing arrangements (continued)

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

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Movement:		
Balance as at 1 January	420,844	481,174
Availed during the period/ year	10,000	45,000
Repaid during the period/ year	(63,453)	(105,330)
Balance as at end of the period/ year	367,391	420,844
Less : current portion included in short-term (refer 23 (a)(i))	(124,868)	(124,170)
	242,523	296,674

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 2023.

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

(b) Interest bearing bank financing

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
(i) Short-term		
Bank overdrafts	69,987	108,350
Short-term loan	278,589	140,865
Current portion of long-term financing (refer note (ii) below)	199,286	214,550
	547,862	463,765

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Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2024

23. Bank financing arrangements (continued)

(b) Interest bearing bank financing

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
(ii) Long-term bank loans		
Balance as at 1 January	835,547	838,104
Availed during the period/ year	212,971	238,683
Repaid during the period/ year	(184,796)	(241,239)
	863,722	835,548
Less : current portion of long-term financing (refer 23 (b)(i))	(199,286)	(214,550)
	664,436	620,998

The details of the long term bank loans, including terms of repayment, interest rate and security provided are set out in the consolidated financial statements of the Group for the year ended 31 December 2023.

24. Trade and other payables

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Trade payables	339,442	349,321
Accrued and other expenses	250,644	262,583
Advance from customers	63,830	104,325
Commission and rebates payable	60,374	54,278
Other payables	53,575	47,197
	767,865	817,704

25. Contingent liabilities and commitments

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Contingent liabilities		
Letters of guarantee	56,597	58,719
Letters of credit	29,986	39,066
Value added tax and other tax contingencies	61,089	61,919
Commitments		
Capital commitments	22,608	34,113

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2024

26. 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 2023 or during the six months period ended 30 June 2024. The total assets of the Iranian subsidiary were 0.55 % of the Group's consolidated total assets as at 30 June 2024 (31 December 2023 (audited): 0.46%)

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

	Index	Conversion factor
30 June 2024	1,013.95	1.2322
31 December 2023	822.86	1.4616
31 December 2022	563.00	1.4847
31 December 2021	379.20	1.3514
31 December 2020	280.60	1.4479
31 December 2019	193.80	1.2775

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 2023 were reported in Hyperinflation reserve directly as a component of equity and the impacts of changes in the general purchasing power from 1 January 2024 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 periodic 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 six months period ended 30 June 2024

26. Hyperinflationary economy (continued)

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

	1 January 2024 AED'000 (unaudited)	1 January 2023 AED'000 (unaudited)
Increase in property, plant and equipment	1,929	783
Increase in investment properties	2,084	910
Increase in other assets	2,466	937
Increase in equity	6,479	2,630
<i>Allocated to:</i>		
Increase in opening equity due to cumulative hyperinflation	6,479	2,630

	Six months period ended 30 June		Three months period ended 30 June	
	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)
<i>Impact on condensed consolidated statement of profit or loss</i>				
Increase in depreciation charge for the period	825	710	449	331
Loss/ (gain) on net monetary position	1,841	571	946	(119)
	2,666	1,281	1,395	212

27. Acquisition of subsidiaries

During the current period, the Group acquired the remaining 8% shareholding in one of its subsidiaries, RAK Porcelain LLC, UAE, for a consideration of AED 44 million thus increasing the shareholding to 100%. Accordingly, the Group has recognized:

	AED'000 (unaudited)
- Decrease in non-controlling interest	(26,936)
- Decrease in retained earnings	(17,064)
Total consideration paid	(44,000)

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2024

28. Operating Lease

As Lessor:

Certain Group entities lease out their investment properties under operating leases. The leases typically run for a period of one year to five years, with an option to renew the lease after that date. Lease rentals are usually reviewed periodically to reflect market rentals. Below are the lease rents receivable in future:

	30 June 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Less than one year	3,810	11,599
Between two and five years	2,462	34,003
More than five years	-	-
	6,272	45,602

One of the tenants of an investment property has terminated the lease midway during the current period. The property is available for new lease.

29. 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:

<i>Ceramics products</i>	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.
<i>Other industrial</i>	includes manufacturing and distribution of power, paints, plastics, mines.
<i>Others</i>	includes material movement, real estate, construction projects and civil works.

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2024

29. Segment reporting (continued)

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
Six month period end 30 June 2024 (unaudited)						
External revenue	1,303,226	213,944	38,343	3,137	-	1,558,650
Intersegment revenue	243,702	47,297	54,962	1,024	(346,985)	-
Segment revenue	1,546,928	261,241	93,305	4,161	(346,985)	1,558,650
Segment profit/(loss)	127,992	(8,440)	5,742	6,179	(17,555)	113,918
Segment EBITDA	278,736	11,250	9,250	9,824	(21,102)	287,958
As at 30 June 2024 (unaudited)						
Segment assets	6,890,794	577,530	147,523	161,960	(2,512,014)	5,265,793
Segment liabilities	3,706,417	542,562	63,387	93,273	(1,448,150)	2,957,489
Six month period ended 30 June 2023 (unaudited)						
External revenue	1,482,648	215,697	49,460	6,556	-	1,754,361
Intersegment revenue	313,107	21,309	73,173	960	(408,549)	-
Segment revenue	1,795,755	237,006	122,633	7,516	(408,549)	1,754,361
Segment profit/loss	184,616	(21,468)	7,473	3,425	(18,855)	155,191
Segment EBITDA	324,910	(4,352)	9,083	4,324	(21,514)	312,451
As at 31 December 2023 (audited)						
Segment assets	6,902,972	570,655	137,334	151,393	(2,405,263)	5,357,091
Segment liabilities	3,690,854	531,590	57,069	88,471	(1,379,643)	2,988,341

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Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2024

29. Segment reporting (continued)

EBITDA is earnings for the period before net interest expense, net profit expense on Islamic financing, income tax expense, depreciation, amortization, gain or loss on sale of assets, loss on de-recognition of excess lease rent recognized in earlier years, impairment loss of investment properties and impairment loss of property, plant and equipment , if any.

Reconciliation of reportable segments

	Six months period ended 30 June	
	2024	2023
	AED'000	AED'000
	(unaudited)	(unaudited)
Total profit for reportable segments	131,598	173,603
Elimination of inter-segment profits	(17,555)	(18,855)
Share of (loss)/profit of equity accounted investees	(125)	443
Reported profit	113,918	155,191

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

Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2024

30. 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-----			
	Mandatory at FVTPL* AED'000	Financial assets at amortized cost AED'000	Financial liabilities at amortized cost AED'000	Total AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
30 June 2024 (unaudited)								
Financial assets measured at fair value								
Interest Rate & Currency swap used for hedging	9,678	-	-	9,678	-	9,678	-	9,678
Forward exchange contracts	3,129	-	-	3,129	-	3,129	-	3,129
	12,807			12,807	-	12,807	-	12,807
Financial assets measured at amortized cost								
Long-term receivables	-	17,583	-	17,583	-	-	-	-
Trade and other receivables	-	931,767	-	931,767	-	-	-	-
Due from related parties	-	49,245	-	49,245	-	-	-	-
Bank balances and cash	-	202,074	-	202,074	-	-	-	-
	-	1,200,669		1,200,669	-	-	-	-
Financial liabilities measured at fair value								
Other Currency and Interest Rate Swap	585	-	-	585	-	585	-	585
	585			585	-	585	-	585
Financial liabilities measured at amortized cost								
Islamic bank financing	-	-	540,786	540,786	-	-	-	-
Interest bearing bank financing	-	-	1,212,298	1,212,298	-	-	-	-
Trade and other payables	-	-	704,035	704,035	-	-	-	-
Due to related parties	-	-	18,815	18,815	-	-	-	-
Lease Liabilities	-	-	103,614	103,614	-	-	-	-
	-	-	2,579,548	2,579,548	-	-	-	-

*FVTPL: fair value through profit or loss

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Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2024

30. Financial instruments (continued)

Accounting classifications and fair values (continued)

	-----Carrying value-----				-----Fair value-----			
	Mandatory at FVTPL* AED'000	Financial assets at amortized cost AED'000	Financial liabilities at amortized cost AED'000	Total AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2023 (audited)								
Financial assets measured at fair value								
Interest rate swaps used for hedging	11,739	-	-	11,739	-	11,739	-	11,739
	11,739	-	-	11,739	-	11,739	-	11,739
Financial assets measured at amortized cost								
Long-term receivables	-	21,556	-	21,556	-	-	-	-
Trade and other receivables	-	957,987	-	957,987	-	-	-	-
Due from related parties	-	55,734	-	55,734	-	-	-	-
Bank balances and cash	-	280,626	-	280,626	-	-	-	-
	-	1,315,903	-	1,315,903	-	-	-	-
Financial liabilities measured at fair value								
Forward exchange contracts / Options	3,669	-	-	3,669	-	3,669	-	3,669
Other currency and interest rate swaps	627	-	-	627	-	627	-	627
	4,296	-	-	4,296	-	4,296	-	4,296
Financial liabilities measured at amortized cost								
Islamic bank financing	-	-	614,073	614,073	-	-	-	-
Interest bearing bank financing	-	-	1,084,763	1,084,763	-	-	-	-
Trade and other payables	-	-	713,379	713,379	-	-	-	-
Due to related parties	-	-	47,102	47,102	-	-	-	-
Lease liabilities	-	-	100,650	100,650	-	-	-	-
	-	-	2,559,967	2,559,967	-	-	-	-

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Notes to the condensed consolidated interim financial information (continued)

for the six months period ended 30 June 2024

31. 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 8 August 2024.