



Condensed Consolidated
Interim Financial Information

30 September 2024

RAK Ceramics PJSC and its Subsidiaries

Condensed consolidated interim financial information
30 September 2024

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On financial performance during the nine month period ended 30 September 2024
12 November 2024

Dear Members,

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

Snapshots for third quarter of 2024

- **Group revenue:** Experienced a YoY decline of 4.1% to AED 802.5 million in Q3 2024, owing to ongoing global geopolitical tensions, political unrest in Bangladesh majorly impacting business, market volatility, higher interest rates, and currency devaluation.
- **Gross profit margin:** Strong improvement of 250bps year-on-year (YoY) to 41.2% for Q3 2024.
- **EBITDA performance:** EBITDA decreased by 13.5% YoY in Q3 2024 to AED 146.2 million. 9M 2024 EBITDA decreased by 9.8% YoY to AED 434.2 million.
- **Net profit after tax:** Q3 2024 net profit decreased 33.3% YoY to AED 55.9 million. The impact of 9% UAE Corporate Tax was AED 7.9 million. 9M profits decreased 29.0% YoY to AED 169.9 million. The impact of 9% UAE Corporate Tax was AED 22.3 million.
- **Financial health:** Net debt increased by AED 14.0 million quarter-on-quarter in Q3 reaching 1.57 billion. The net debt to EBITDA ratio also increased from 2.50x in Q2 2024 to 2.61x in Q3 2024, mainly due to lower last 12 months’ (LTM) EBITDA.

Financial Highlights

Total revenue decreased by 4.1% YoY to AED 802.5 million in Q3 2024 and by 8.9% YoY to AED 2.36 billion in 9M 2024, mainly due to ongoing geopolitical challenges, supply chain disruptions, and economic slowdowns impacting demand across all core markets except the UAE.

In Q3 2024 and 9M 2024, the gross profit margin increased by 250bps YoY to 41.2% and by 140bps YoY to 40.0% respectively, due to change in overall product mix in most markets.

EBITDA decreased to AED 146.2 million in Q3 2024, compared to AED 169.2 million in the same period last year. EBITDA margins have decreased slightly to 18.2%, compared to 20.2% in Q3 2023. In 9M 2024, EBITDA decreased from AED 481.4 million to AED 434.2 million.

Net debt increased by AED 14.0 million quarter-on-quarter to AED 1.57 billion in Q3 2024.

Net profit after tax decreased 33.3% YoY to AED 55.9 million, compared to AED 83.9 million in Q3 2023, due to lower revenue, lower other income, higher impairment loss and newly introduced UAE Corporate Tax. In 9M 2024 net profit after tax was recorded at AED 169.9 million, compared to AED 239.1 million in 9M 2023 mainly due to lower revenue, lower other income and UAE Corporate Tax.

Segmental performance highlights

- **Tiles** division saw a 350bps increase in gross margin to 42.5% YoY. However, there was a slight decline of 1.5% in revenue for the same period – specifically on account of lower volumes in India, Bangladesh and European markets.
- **Sanitaryware** division experienced a YoY decline of 4.5% in revenue at AED 117.5 million, as major markets such as Bangladesh, Europe, and the UK struggled with weaker demand triggered from ongoing geopolitical tensions.
- **Tableware** division revenue declined 7.8% YoY at AED 85.3 million, due to the slowdown in overall demand and decline of new hotel projects in major markets affected by ongoing supply chain challenges and currency depreciation. However, the gross profit margin improved by 270bps YoY to 52.7%, following a change in the product mix.
- **Faucets** revenue declined by 5.3% YoY to AED 108.8 million and gross margin also declined by 360bps YoY as a result of weakened demand in Europe amid ongoing geopolitical tensions and decline of the Chinese real estate sector.

Tiles & Sanitaryware market highlights

- **UAE:** Registered a YoY revenue growth of 13.6% in Q3 2024, primarily due to the growth in the real estate sector.
- **Saudi Arabia:** Experienced a moderate revenue decline of 6.5% YoY in Q3 2024, due to the continued price war situation and local competition. Additionally, the rise in transportation cost has impacted RAK Ceramic's margins and revenue adversely. However, with the relief in levy of customs duty on our exports and with a change in our product mix, we are able to maintain our margins by implementing sustainable pricing.
- **Europe:** Revenue declined by 8.7% YoY in Q3 2024, due to demand being impacted by inflation and recessionary pressures and the ongoing geopolitical crisis. The continued rise in transportation cost also remains a challenge, impacting our ability to maintain healthy margins.
- **India:** Revenue declined by 7.2% YoY as inflation, higher interest cost and reduced consumer spending led to overall weakened demand, especially due to lower volumes in the Tiles segment.
- **Bangladesh:** Revenue declined drastically by 31.7% YoY in Q3 2024, mainly triggered by political instability in the country, which had a significant impact on overall market and economic conditions. Further, the continued gas crisis impacted our production leading to losses in Bangladesh.

Expansion projects

- In the UAE, we continue to invest in upgrading our Tiles production facilities to allow us to produce differentiated and large format Tiles
- We are also investing in our UAE Sanitaryware production facility to improve efficiencies and allow us to reduce our carbon emissions and reduce our energy consumption.
- In Saudi Arabia, we continue to work towards setting up a production facility in KSA.

Income Statement Highlights

Particulars	Quarterly comparison			Yearly Comparison		
	Q3 2023	Q3 2024	YoY Growth	9M 2023	9M 2024	YoY Growth
Revenue	837.0	802.5	- 4.1%	2,591.4	2,361.2	- 8.9%
Gross margin (%)	38.8%	41.2%	2.5%	38.6%	40.0%	1.4%
EBITDA	169.2	146.2	- 13.5%	481.5	434.2	- 9.8%
Profit before tax	91.9	60.8	- 33.8%	257.1	194.6	- 24.3%
Profit after tax	83.9	55.9	- 33.3%	239.1	169.9	- 29.0%
Capital expenditure	89.0	35.2	- 60.4%	182.5	132.5	- 27.4%
Net debt	1,499.0	1,568.4	4.6%	1,499.0	1,568.4	4.6%
Net debt / EBITDA	2.43x	2.61x	0.18x	2.43x	2.61x	0.18x

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

CSR activities, exhibitions, sponsorships and awards

Exhibitions participated in Q3 2024

- Cersaie fair 2024 at Bologna, Italy covering tiles and surfaces

Visits of delegates in Q3 2024

- Visit of UAE Diplomatic Corps
- UAE Embassy to Tunisia
- RAK Media & Guangdong Television

Awards received in Q3 2024

- UAE Digital Leader 4.0 by MOIAT
- ACIMAC TecnAward 2024 for Innovation and Sustainability

Future Outlook

Despite the challenges, RAK Ceramics continues to be committed to investing in its brand and the Company will remain focused on expanding its retail presence, and strengthening the brand awareness through events and engagements.

Looking ahead, the priorities lie in protecting the market share, optimizing the operations, further diversifying the offerings, accelerating the digitalization and growing the production capabilities.

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

12 NOV 2024



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 2024

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

Condensed consolidated interim financial information
30 September 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 September 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 nine months period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34: Interim Financial Reporting as issued by International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

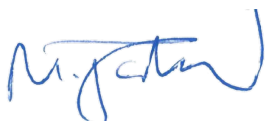
Scope of Review

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

Conclusion

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

Deloitte & Touché (M.E.)



Signed by:
Mohammad Jallad
Registration No.: 1164
12 November 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 nine months and three months period ended 30 September 2024

	Notes	Nine months period ended 30 September		Three months period ended 30 September	
		2024 AED'000	2023 AED'000	2024 AED'000	2023 AED'000
Revenue	5	2,361,165	2,591,397	802,515	837,036
Cost of goods sold	6	(1,415,558)	(1,590,824)	(471,714)	(512,643)
Gross profit		945,607	1,000,573	330,801	324,393
Administrative and general expenses	7	(181,522)	(183,420)	(64,294)	(64,433)
Selling and distribution expenses	8	(509,731)	(527,193)	(181,270)	(165,170)
Other income	9	58,314	71,824	21,561	35,658
Finance costs	10	(93,520)	(92,180)	(36,605)	(31,806)
Finance income	10	4,576	9,781	5,475	2,307
Loss on net monetary position	26	(5,195)	(1,676)	(3,354)	(1,105)
Share of (loss)/profit in equity accounted investees	11	(303)	732	(178)	289
Impairment loss	7(i)	(23,653)	(21,340)	(11,289)	(8,214)
Profit before tax		194,573	257,101	60,847	91,919
Tax expense	12	(24,720)	(18,016)	(4,912)	(8,025)
Profit for the period		169,853	239,085	55,935	83,894
<i>Profit attributable to:</i>					
Owners of the Company		162,376	220,008	54,493	76,996
Non-controlling interests		7,477	19,077	1,442	6,898
Profit for the period		169,853	239,085	55,935	83,894
Earnings per share					
- basic and diluted (AED)	13	0.16	0.22	0.05	0.08

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

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

Condensed consolidated statement of profit or loss and other comprehensive income (unaudited)

for the nine months and three months period ended 30 September 2024

	Nine months period ended 30 September		Three months period ended 30 September	
	2024	2023	2024	2023
	AED'000	AED'000	AED'000	AED'000
Profit for the period	169,853	239,085	55,935	83,894
Other comprehensive income				
Foreign exchange differences on translation of foreign operations	(30,437)	(25,774)	(10,719)	(5,787)
Cash flow hedges – effective portion of changes in fair value loss on hedging instruments	(5,993)	(4,029)	(3,933)	(1,408)
Effects of application of hyperinflation accounting (Note 26)	16,481	6,488	10,002	4,340
Total comprehensive income for the period	149,904	215,770	51,285	81,039
<i>Total comprehensive income/(loss) attributable to:</i>				
Owners of the Company	149,739	202,480	51,850	75,795
Non-controlling interests	165	13,290	(565)	5,244
Total comprehensive income for the period	149,904	215,770	51,285	81,039

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

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

	Notes	30 September 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Assets			
Non-current assets			
Property, plant and equipment	14	1,333,651	1,354,744
Goodwill	15	120,329	120,135
Right-of-use assets		94,985	87,632
Intangible assets		12,463	14,932
Investment properties	16	903,871	900,742
Investments in equity accounted investees	11	10,742	11,332
Long-term receivables	17(i)	19,805	21,556
Derivative financial assets	20	1,814	4,277
Deferred tax assets	12	6,134	6,041
Total non-current assets		2,503,794	2,521,391
Current assets			
Inventories	18	1,372,332	1,301,903
Trade and other receivables	17	1,186,172	1,189,975
Due from related parties	19	46,089	55,734
Derivative financial assets	20	4,559	7,462
Bank deposits with an original maturity of more than three months	21	3,262	41,381
Cash and cash equivalents	21	181,159	239,245
Total current assets		2,793,573	2,835,700
Total assets		5,297,367	5,357,091
Equity and liabilities			
Capital and reserves			
Share capital	22	993,703	993,703
Reserves		1,174,486	1,240,552
Equity attributable to owners of the Company		2,168,189	2,234,255
Non-controlling interests		92,029	134,495
Total equity		2,260,218	2,368,750
Non-current liabilities			
Islamic bank financing	23a(ii)	258,550	296,674
Interest bearing bank financing	23b(ii)	654,061	620,998
Due to related parties	19	3,219	2,163
Provision for employees' end of service benefits		117,916	118,453
Lease liabilities		74,316	67,804
Deferred tax liabilities	12	21,161	29,973
Total non-current liabilities		1,129,223	1,136,065
Current liabilities			
Islamic bank financing	23a(i)	272,364	317,399
Interest bearing bank financing	23b(i)	564,617	463,765
Trade and other payables	24	831,195	817,704
Due to related parties	19	27,099	44,939
Derivative financial liabilities	20	3,253	4,296
Lease liabilities		34,322	32,846
Provision for taxation	12	175,076	171,327
Total current liabilities		1,907,926	1,852,276
Total liabilities		3,037,149	2,988,341
Total equity and liabilities		5,297,367	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

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 nine months period ended 30 September 2024

	Nine months period ended 30 September	
	2024 AED'000	2023 AED'000
Operating activities		
Profit for the period before tax	194,573	257,101
<i>Adjustments for:</i>		
Share of loss/(profit) in equity accounted investees	303	(732)
Interest expense	55,287	52,035
Profit expense on Islamic bank financing	25,933	26,432
Interest income	(2,764)	(4,268)
Profit on wakala deposits	(141)	(830)
Interest expense on lease liabilities	6,449	5,811
Net change in fair value of derivative financial instruments	(1,671)	(4,683)
Loss/(Gain) on disposal of property, plant and equipment	1,282	(458)
Depreciation of property, plant and equipment	113,056	107,055
Depreciation of investment properties	9,031	7,860
Amortisation of intangible assets	3,475	4,265
Depreciation of right-of-use assets	28,038	26,278
Capital work in progress written off	260	-
Provision for employees' end-of-service benefits	17,046	20,702
Loss on net monetary position	5,195	1,676
Allowance for slow moving and obsolete inventories	13,321	35,540
Write-down of cost of finished goods	(1,885)	(6,132)
Impairment loss on trade receivables	14,319	21,340
Impairment loss on other receivables	9,334	-
	490,441	548,992
Changes in:		
- inventories	(81,865)	(90,581)
- trade and other receivables (including long-term portion)	(25,272)	(54,554)
- due from related parties	9,645	(5,761)
- trade and other payables	13,490	(31,628)
- due to related parties	(16,758)	806
Income tax paid	(22,703)	(18,054)
Employees' end-of-service benefits paid	(18,531)	(28,659)
Currency translation adjustments	(9,188)	(2,849)
Net cash generated from operating activities	339,259	317,712

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

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

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

for the nine months period ended 30 September 2024

	Nine months period ended 30 September	
	2024	2023
	AED'000	AED'000
Investing activities		
Additions to property, plant and equipment	(132,495)	(182,550)
Proceeds from disposal of property, plant and equipment	16,553	4,009
Additions to intangible assets	(1,057)	(1,030)
Additions to investment properties	(915)	(1,980)
Dividend received from equity accounted investees	513	441
Interest received	2,764	4,268
Profit received on Wakala deposits	141	830
Cash paid for acquisition of further shares in a subsidiary	(44,000)	-
Proceeds on maturity of bank deposits with an original maturity of more than three months	38,120	97,757
Net cash used in investing activities	(120,376)	(78,255)
Financing activities		
Long-term bank financing availed	253,700	174,672
Long-term bank financing repaid	(275,216)	(179,466)
Long-term Islamic bank financing availed	45,000	45,000
Long-term Islamic bank financing repaid	(91,305)	(79,559)
Repayment of lease liabilities	(32,044)	(35,506)
Short-term bank financing availed	788,193	476,747
Short-term bank financing repaid	(626,185)	(455,743)
Short-term Islamic bank financing availed	343,865	448,383
Short-term Islamic bank financing repaid	(380,719)	(422,236)
Interest paid	(55,287)	(52,035)
Profit paid on Islamic bank financing	(25,933)	(26,432)
Remuneration paid to Board of Directors	-	(3,444)
Loan from related parties	(26)	(13)
Dividend paid	(198,741)	(198,741)
Dividend paid to non-controlling interests	(15,695)	(23,429)
Net cash used in financing activities	(270,393)	(331,802)
Net decrease in cash and cash equivalents	(51,510)	(92,345)
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	79,385	150,283
Represented by:		
Cash and cash equivalents	181,159	221,624
Bank overdrafts	(101,774)	(71,341)
	79,385	150,283

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

R.A.K Ceramics P.J.S.C. and its subsidiaries
Condensed consolidated statement of changes in equity (unaudited)
for the nine months period ended 30 September 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	-	-	-	-	-	-	-	-	162,376	162,376	162,376	7,477	169,853
Other comprehensive income/(loss)													
Foreign exchange differences on translation of foreign operations	-	-	-	(13,970)	(9,155)	-	-	-	-	(23,125)	(23,125)	(7,312)	(30,437)
Changes in cash flow hedges	-	-	-	-	-	(5,993)	-	-	-	(5,993)	(5,993)	-	(5,993)
Effects of application of IAS 29 (refer Note 26)	-	-	-	-	16,481	-	-	-	-	16,481	16,481	-	16,481
Total comprehensive income/(loss) for the period	-	-	-	(13,970)	7,326	(5,993)	-	-	162,376	149,739	149,739	165	149,904
Other equity movements (unaudited)													
Transfer to retained earnings	-	-	(82,260)	-	-	-	(82,805)	-	165,065	-	-	-	-
Transaction with owners (unaudited)													
Dividend paid (refer Note 22(i))	-	-	-	-	-	-	-	-	(198,741)	(198,741)	(198,741)	-	(198,741)
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 September 2024 (unaudited)	993,703	221,667	496,852	(210,539)	(155,509)	5,745	-	75,040	741,230	1,174,486	2,168,189	92,029	2,260,218

* 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 nine months period ended 30 September 2024

	Attributable to owners of the Company										Non-controlling interests (NCI)	Total equity	
	Share capital	Share premium	Legal reserve	Translation reserve	Hyper-inflation reserve*	Hedging reserve	General reserve	Capital reserve	Retained earnings	Total reserves			Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
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	-	-	-	-	-	-	-	-	220,008	220,008	220,008	19,077	239,085
Other comprehensive income/(loss)													
Foreign exchange differences on translation of foreign operations	-	-	-	(13,297)	(6,690)	-	-	-	-	(19,987)	(19,987)	(5,787)	(25,774)
Changes in cash flow hedges	-	-	-	-	-	(4,029)	-	-	-	(4,029)	(4,029)	-	(4,029)
Effects of application of IAS 29 (refer Note 26)	-	-	-	-	6,488	-	-	-	-	6,488	6,488	-	6,488
Total comprehensive income/(loss) for the period	-	-	-	(13,297)	(202)	(4,029)	-	-	220,008	202,480	202,480	13,290	215,770
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(i))	-	-	-	-	-	-	-	-	(198,741)	(198,741)	(198,741)	-	(198,741)
Dividend paid to NCI	-	-	-	-	-	-	-	-	-	-	-	(23,429)	(23,429)
Balance at 30 September 2023 (unaudited)	993,703	221,667	578,603	(195,588)	(167,083)	16,553	82,805	75,040	559,164	1,171,161	2,164,864	123,301	2,288,165

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

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

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

Notes to the condensed consolidated interim financial information (continued)

for the nine months period ended 30 September 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 nine months period ended 30 September 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 ("IFRSs 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 IFRSs Accounting Standards adopted 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 nine months period ended 30 September 2024

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

2.2 New and revised IFRS Accounting Standards and interpretations but not yet effective

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 nine months period ended 30 September 2024 and 2023. In addition, results for the nine months period ended 30 September 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 nine months period ended 30 September 2024

5. Revenue

	Nine months period ended 30 September		Three months period ended 30 September	
	2024	2023	2024	2023
	AED'000	AED'000	AED'000	AED'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sale of goods	2,355,566	2,578,805	801,077	831,962
Others	5,599	12,592	1,438	5,074
	2,361,165	2,591,397	802,515	837,036

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

6. Cost of goods sold

	Nine months period ended 30 September		Three months period ended 30 September	
	2024	2023	2024	2023
	AED'000	AED'000	AED'000	AED'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Raw materials consumed	695,530	923,125	233,173	355,251
Change in inventory of finished goods	27,103	(164,460)	(7,383)	(110,414)
Allowance for slow moving inventories	13,321	35,540	7,921	11,939
Direct labor	205,165	219,407	70,282	70,850
Power and fuel	98,742	114,555	36,054	37,436
LPG and natural gas	85,828	161,315	32,056	48,694
Depreciation of property, plant and equipment	89,625	84,913	31,359	28,984
Depreciation of right-of-use assets	1,369	2,380	310	814
Amortization of intangible assets	756	921	230	311
Repairs and maintenance expense	83,958	86,928	32,155	28,411
Packing material expenses	68,997	81,448	23,462	25,171
Insurance	4,829	5,584	1,844	1,565
Clearing Charges on trading goods	2,669	3,123	1,314	1,019
Hire Charges	1,097	1,687	340	591
Sub-contractors Fee	1,301	8,791	-	3,777
Others	35,268	25,567	8,597	8,244
	1,415,558	1,590,824	471,714	512,643

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 2024

7. Administrative and general expenses

	Nine months period ended 30 September		Three months period ended 30 September	
	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)
Staff salaries and other associated costs	88,264	83,810	29,786	28,081
Depreciation of property, plant and equipment	10,767	10,157	3,118	3,609
Depreciation of investment properties	9,031	7,860	3,323	2,713
Depreciation of right-of-use assets	518	458	167	155
Amortization of intangible assets	2,719	3,344	1,117	881
Telephone, postal and office supplies	6,342	6,248	2,787	1,716
Repairs and maintenance expenses	6,807	6,235	2,279	2,374
Legal and professional fees	9,910	14,190	3,916	5,622
Utility expenses	3,963	3,882	1,476	1,442
Security charges	2,187	1,039	1,035	451
Directors' remuneration	2,775	2,775	925	925
Information technology licenses and consultancy expenses	8,778	11,158	3,113	5,155
Expenses on investment properties	4,832	7,882	2,012	3,893
Insurance	2,126	2,069	611	631
Vehicles on hire	635	2,157	204	1,188
Travelling	2,180	1,970	991	466
Others	19,688	18,186	7,434	5,131
	181,522	183,420	64,294	64,433

7(i) Impairment loss

	Nine months period ended 30 September		Three months period ended 30 September	
	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)
Impairment loss on trade receivables	14,319	21,340	6,622	8,214
Impairment loss on other receivables	9,334	-	4,667	-
	23,653	21,340	11,289	8,214

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 2024

8. Selling and distribution expenses

	Nine months period ended 30 September		Three months period ended 30 September	
	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)
Staff salaries and other associated costs	176,317	168,058	59,339	54,234
Freight and transportation	174,573	195,469	65,137	60,333
Agents' commission	20,074	21,924	7,756	7,044
Advertisement and promotions expense	56,545	61,986	20,699	16,609
Rental expenses	3,778	2,870	640	1,090
Travel and entertainment expenses	5,497	7,458	2,137	2,093
Depreciation of property, plant and equipment	12,664	11,985	4,293	3,973
Depreciation of right-of-use assets	26,151	23,440	9,318	8,354
Warehouse expenses	1,858	2,331	669	660
Repairs, maintenance & consumables	4,490	2,311	1,815	879
Royalty	1,519	551	510	184
Consultation & Outsourcing Charges	2,947	1,447	1,168	350
Postage, courier and stationary	2,105	1,558	686	441
Others	21,213	25,805	7,103	8,926
	509,731	527,193	181,270	165,170

9. Other Income

	Nine months period ended 30 September		Three months period ended 30 September	
	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)
Net (loss)/gain on disposal of property, plant and equipment	(1,282)	458	(2,435)	143
Rental income from investment properties	36,638	27,188	12,513	11,372
Sale of scrap and miscellaneous items	6,559	3,381	2,527	785
Insurance claims	548	1,167	255	108
Discounts earned on purchases and freight	8,141	10,537	5,646	7,580
Provision write back	227	8,876	167	4,902
Royalty	299	250	107	182
Net write back of unclaimed balances	-	8,200	-	8,200
Income from Leasing of plant and equipment	850	918	291	309
Duty drawback	469	604	268	175
Other net miscellaneous income	5,865	10,245	2,222	1,902
	58,314	71,824	21,561	35,658

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 2024

10. Finance costs and income

	Nine months period ended 30 September		Three months period ended 30 September	
	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)
Finance costs				
Interest on bank financing	55,060	51,856	19,750	19,034
Profit expense on Islamic bank financing	25,933	26,432	8,359	7,886
Interest on amount due to related parties	227	179	76	28
Interest expense on lease liabilities	6,449	5,811	2,243	2,040
Net change in the fair value of derivatives	-	-	5,167	-
Bank charges	2,813	2,968	1,010	978
Net foreign exchange loss	3,038	4,934	-	1,840
Total (A)	93,520	92,180	36,605	31,806
Finance income				
Interest on bank deposits	2,764	4,268	677	1,441
Profit on wakala deposits	141	830	7	61
Net foreign exchange gain	-	-	4,791	-
Net change in the fair value of derivatives	1,671	4,683	-	805
Total (B)	4,576	9,781	5,475	2,307
Net finance costs (A-B)	88,944	82,399	31,130	29,499

11. Investments in equity accounted investees

The Group's share of (loss)/profit in equity accounted investees for the nine months period ended 30 September 2024 amounted to AED 0.30 million (unaudited) (nine months period ended 30 September 2023 (unaudited): AED 0.73 million).

The Group has received AED 0.51 million (unaudited) as dividends during the current period from its equity accounted investees (nine months period ended 30 September 2023 (unaudited): AED 0.44 million).

12. Corporate Income Tax

	Nine months period ended 30 September		Three months period ended 30 September	
	2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)
Current tax				
In respect of current period	32,675	12,042	10,887	2,347
Deferred tax				
(Reversal)/ origination of temporary tax differences during the year	(7,955)	5,974	(5,975)	5,678
Tax expense for the year	24,720	18,016	4,912	8,025

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 2024

12. Corporate Income Tax (Continued)

	30 September 2024	31 December 2023
	AED'000	AED'000
	(unaudited)	(audited)
Provision for tax	175,076	171,327
Deferred tax liabilities	21,161	29,973
Deferred tax assets	6,134	6,041

The Group's consolidated effective tax rate for the nine months ended 30 September 2024 is 12.77% (Nine months period ended 30 September 2023 6.47%) 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

	Nine months period ended 30 September		Three months period ended 30 September	
	2024	2023	2024	2023
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit attributable to the owners of the Company (AED'000)	162,376	220,008	54,493	76,996
Weighted average number of ordinary shares ('000s)	993,703	993,703	993,703	993,703
Basic and diluted earnings per share (AED)	0.16	0.22	0.05	0.08

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 nine months period ended 30 September 2024, the Group acquired property, plant and equipment and made additions to capital work in progress amounting to AED 132.50 million (nine months period ended 30 September 2023: AED 182.55 million).

Property, plant and equipment with a carrying amount of AED 17.84 million was disposed of during the nine months period (nine months period ended 30 September 2023: AED 0.65 million) resulting in a loss on disposal of AED 1.28 million (gain on disposal, nine months period ended 30 September 2023: AED 0.46 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 nine months period ended 30 September 2024

14. Property, plant and equipment(continued)

Depreciation of property, plant and equipment for the nine months period amounted to AED 113.06 million (nine months period ended 30 September 2023: AED 107.06 million). Below is the breakdown of property, plant and equipment inside and outside the U.A.E:

	30 September 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Inside U.A.E	882,887	885,325
Outside U .A.E	450,764	469,419
	1,333,651	1,354,744

15. Goodwill

	30 September 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Opening balance	120,135	119,855
Effects of movements in exchange rate	194	280
Closing balance	120,329	120,135

As at 30 September 2024 Goodwill comprises AED 50.4 million, AED 5.6 million, AED 5.8 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 September 2024 (unaudited)	31 December 2023 (audited)	30 September 2024 (unaudited)	31 December 2023 (audited)	30 September 2024 (unaudited)	31 December 2023 (audited)
	AED'000					
Net book value	877,371	874,982	26,500	25,760	903,871	900,742
Fair value	1,025,590	1,025,590	47,800	47,800	1,073,390	1,073,390

Investment properties comprise land and buildings that are located in the United Arab Emirates, Bangladesh, Lebanon and Iran.

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 2024

16. Investment properties (continued)

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 nine months period ended 30 September 2024.

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 September 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Trade receivables	985,374	1,020,964
Less: Allowance for expected credit loss	(153,749)	(170,587)
Subtotal (A)	831,625	850,377
Other receivables	165,284	189,747
Less: Allowance for expected credit loss	(78,547)	(105,588)
Subtotal (B)	86,737	84,159
Advances and prepayments (C)	242,834	231,988
Deposits (D)	24,976	23,451
Total (A+B+C+D)	1,186,172	1,189,975

(i) Long-term receivables

	30 September 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Trade receivables	86,055	35,971
Less: Allowance for expected credit loss	(30,369)	(4,718)
	55,686	31,253
Less : current portion included in trade receivables	(40,333)	(14,874)
Long-term trade receivables (A)	15,353	16,379
Other receivables	4,452	5,177
Long-term other receivables (B)	4,452	5,177
Long-term receivables (A+B)	19,805	21,556

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 2024

18. Inventories

	30 September 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Finished goods (net of net realizable value adjustments)	987,275	970,675
Less : Allowance for slow moving inventories	(151,101)	(161,594)
Subtotal (A)	836,174	809,081
Raw materials	250,563	236,153
Stores and spares	300,177	273,665
	550,740	509,818
Less : Allowance for slow-moving inventories	(93,276)	(89,668)
Subtotal (B)	457,464	420,150
Goods-in-transit (C)	22,284	18,627
Work-in-progress (D)	56,410	54,045
Total (A+B+C+D)	1,372,332	1,301,903

At 30 September 2024, the Group recognized a cumulative loss due to write-down of finished goods inventories of AED 151.13 million against cost of AED 420.19 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 1.88 million (unaudited) (nine months period ended 30 September 2023 (unaudited): AED (6.13) million) is included in cost of sales in the condensed consolidated statement of profit or loss with a currency loss of AED 0.22 million for the period (unaudited) (nine months period ended 30 September 2023 (unaudited): AED 0.12 million).

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

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:

	Nine months period ended 30 September		Three months period ended 30 September	
	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)
Sale of goods and services and construction contracts	49,129	84,934	11,333	32,001
Purchase of goods and rendering of services	92,135	182,989	33,069	60,758
Royalty	299	250	107	182
Interest expense (refer note 10)	227	179	76	28

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 2024

19. Related party balances and transactions (continued)

Key management personnel compensation

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

	Nine months period ended 30 September		Three months period ended 30 September	
	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)
Short-term benefits	9,784	9,677	3,244	3,226
Staff terminal benefits	176	175	58	59
Board of Directors' remuneration paid	-	3,444	-	-
Board of Directors' remuneration accrued (Refer note 7)	2,775	2,775	925	925

Due from related parties

	30 September 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Equity accounted investees	2,245	3,640
Other related parties	47,182	53,731
	49,427	57,371
Less : Allowance for expected credit loss	(3,338)	(1,637)
	46,089	55,734

Long-term loan

	30 September 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Other related parties	3,219	2,163
	3,219	2,163

Due to related parties

	30 September 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Other related parties	27,099	43,857
Current portion of long-term loan	-	1,082
	27,099	44,939

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 2024

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 September 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Non-current		
Derivative financial assets		
Interest rate swaps used for hedging	1,814	4,277
	1,814	4,277
	30 September 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Current		
Derivative financial assets		
Interest rate swaps used for hedging	3,931	7,462
Other currency and interest rate swaps	628	-
	4,559	7,462
	30 September 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Current		
Derivative financial liabilities		
Forward exchange contracts	3,253	3,669
Other currency and interest rate swaps	-	627
	3,253	4,296

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 2024

21. Bank balances and cash

	30 September 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Cash in hand	1,759	2,742
Cash at bank		
- in bank deposits with an original maturity of less than three months	2,941	5,787
- in current accounts	163,129	207,028
- in margin deposits	6,794	14,870
- in call accounts	6,719	9,251
Cash and cash equivalents	181,342	239,678
Less : Allowance for expected credit loss	(183)	(433)
Cash and cash equivalents (A)	181,159	239,245
Bank deposits with an original maturity of more than three months (B)	3,262	41,381
Bank balances and cash (A+B)	184,421	280,626

Cash in hand and cash at bank includes AED 0.41 million (31 December 2023 (audited): AED 0.96 million) and AED 89.87 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 3.80 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.

22. Share capital

	30 September 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, on 8 August 2024 and paid on 19 August 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).

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 2024

23. Bank financing arrangements

(a) Islamic bank financing

	30 September 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
(i) Short-term		
Mudaraba facilities (A)	73,803	64,935
Commodity Murabaha facilities (B)	82,572	128,294
Current portion of long-term financing (refer note (ii) below)	115,989	124,170
	272,364	317,399
	30 September 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
(ii) Long-term – Islamic bank financing		
Mudaraba facilities (A)	179,167	160,833
Commodity Murabaha facilities (B)	91,101	124,261
Ijarah facilities (C)	104,271	135,750
Less : current portion of long-term financing	(115,989)	(124,170)
	258,550	296,674

	30 September 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	45,000	45,000
Repaid during the period/ year	(91,305)	(105,330)
Balance as at end of the period/ year	374,539	420,844
Less : current portion included in short-term (refer 23 (a)(i))	(115,989)	(124,170)
	258,550	296,674

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

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 2024

23. Bank financing arrangements(Continued)

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

- (C) Ijarah is another mode of Islamic financing where a contract is entered into between two parties whereby one party (Bank) purchases/acquires an asset, either from a third party or from the Group, and leases it to the Group against certain rental payments and for a specific lease period.

(b) Interest bearing bank financing

	30 September 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
(i) Short-term		
Bank overdrafts	101,774	108,350
Short-term loan	302,873	140,865
Current portion of long-term financing (refer note (ii) below)	159,970	214,550
	564,617	463,765
	30 September 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	253,700	238,683
Repaid during the period/ year	(275,216)	(241,239)
Balance as at end of the period/ year	814,031	835,548
Less : current portion of long-term financing (refer 23 (b)(i))	(159,970)	(214,550)
	654,061	620,998

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 2023.

24. Trade and other payables

	30 September 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Trade payables*	356,397	349,321
Accrued and other expenses	273,393	262,583
Advance from customers	71,059	104,325
Commission and rebates payable	68,930	54,278
Other payables	61,416	47,197
	831,195	817,704

*In order to ensure easy access to credit for its suppliers, the Group has entered into reverse factoring arrangements. Trade payable include AED 11.45 million (31 December 2023 AED NIL) owed under this arrangement.

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 2024

25. Contingent liabilities and commitments

	30 September 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Contingent liabilities		
Letters of guarantee	59,703	58,719
Letters of credit	41,399	39,066
Value added tax and other tax contingencies	36,210	61,919
Commitments		
Capital commitments	92,350	34,113

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 nine months period ended 30 September 2024. The total assets of the Iranian subsidiary were 0.68% of the Group's consolidated total assets as at 30 September 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 September 2024	1,368.50	1.6631
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 quarterly average or year-end conversion factors.

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

Notes to the condensed consolidated interim financial information (continued)

for the nine months period ended 30 September 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)
<i>Impact on condensed consolidated statement of financial position</i>		
Increase in property, plant and equipment	5,507	783
Increase in investment properties	5,950	910
Increase in other assets	5,024	937
	16,481	2,630
<i>Allocated to:</i>		
Increase in opening equity due to cumulative hyperinflation	16,481	2,630

	Nine months period ended 30 September		Three months period ended 30 September	
	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	1,715	1,261	891	551
Loss on net monetary position	5,195	1,676	3,354	1,105
	6,910	2,937	4,245	1,656

27. Acquisition of subsidiaries

During the nine months period ended 30 September 2024, 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 nine months period ended 30 September 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 September 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Less than one year	8,744	11,599
Between two and five years	16,621	34,003
More than five years	17,500	-
	42,865	45,602

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.
<i>Faucets</i>	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 nine months period ended 30 September 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
Nine months period end 30, September 2024 (unaudited)						
External revenue	1,983,315	316,120	57,616	4,114	-	2,361,165
Intersegment revenue	386,815	75,021	80,295	1,485	(543,616)	-
Segment revenue	2,370,130	391,141	137,911	5,599	(543,616)	2,361,165
Segment profit/(loss)	185,753	(13,939)	7,484	7,699	(17,144)	169,853
Segment EBITDA	419,357	11,231	12,552	13,159	(22,080)	434,219
As at 30 September 2024(unaudited)						
Segment assets	6,929,733	602,986	146,195	173,306	(2,554,853)	5,297,367
Segment liabilities	3,779,826	397,195	55,729	107,464	(1,303,065)	3,037,149

	Ceramic products AED'000	Faucets AED'000	Other industrial AED'000	Others AED'000	Elimination AED'000	Total AED'000
Nine months period end 30 September 2023 (unaudited)						
External revenue	2,180,028	324,150	76,052	11,167	-	2,591,397
Intersegment revenue	438,064	46,346	107,336	1,425	(593,171)	-
Segment revenue	2,618,092	370,496	183,388	12,592	(593,171)	2,591,397
Segment profit/(loss)	315,678	(23,782)	10,908	7,405	(71,124)	239,085
Segment EBITDA	530,011	2,722	15,030	8,780	(75,127)	481,416
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

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.

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 2024

29. Segment reporting (continued)

Reconciliation of reportable segments

	Nine months period ended 30 September	
	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)
Total profit for reportable segments	187,300	309,477
Elimination of inter-segment profits	(17,144)	(71,124)
Share of (loss)/ profit of equity accounted investees	(303)	732
Reported profit	169,853	239,085

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 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 -----			
	Fair value Hedging instruments AED'000	Mandatory at FVTPL* AED'000	Financial assets at amortised cost AED'000	Financial liabilities at amortised cost AED'000	Total AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
30 September 2024 (unaudited)									
Financial assets measured at fair value									
Interest rate swaps used for hedging	5,745	-	-	-	5,745	-	5,745	-	5,745
Other currency and interest rate swaps	-	628	-	-	628	-	628	-	628
	5,745	628	-	-	6,373	-	6,373	-	6,373
Financial assets measured at amortized cost									
Long-term receivables	-	-	19,805	-	19,805	-	-	-	-
Trade and other receivables	-	-	943,338	-	943,338	-	-	-	-
Due from related parties	-	-	46,089	-	46,089	-	-	-	-
Bank balances and cash	-	-	184,421	-	184,421	-	-	-	-
	-	-	1,193,653	-	1,193,653	-	-	-	-
Financial liabilities measured at fair value									
Forward exchange contracts / Options	-	3,253	-	-	3,253	-	3,253	-	3,253
	-	3,253	-	-	3,253	-	3,253	-	3,253
Financial liabilities measured at amortized cost									
Islamic bank financing	-	-	-	530,914	530,914	-	-	-	-
Interest bearing bank financing	-	-	-	1,218,678	1,218,678	-	-	-	-
Trade and other payables	-	-	-	760,136	760,136	-	-	-	-
Due to related parties	-	-	-	30,318	30,318	-	-	-	-
Lease Liabilities	-	-	-	108,638	108,638	-	-	-	-
	-	-	-	2,648,684	2,648,684	-	-	-	-

*FVTPL: fair value through profit or loss

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Notes to the condensed consolidated interim financial information (continued)

for the nine months period ended 30 September 2024

30. Financial instruments (continued)

Accounting classifications and fair values (continued)

	-----Carrying value-----					-----Fair value-----			
	Fair value Hedging instruments AED'000	Mandatory at FVTPL* AED'000	Financial assets at amortized cost AED'000	Financial liabilities at amortised cost AED'000	Total AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 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	-	-	-	-

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 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 12 November 2024.