



RAK

CERAMICS

ANNUAL REPORT
2025



His Highness Sheikh Mohammed Bin Zayed Al Nahyan
President of the United Arab Emirates (UAE)



His Highness Sheikh Mohammed Bin Rashid Al Maktoum
Vice president and Prime Minister of the United Arab Emirates (UAE) and Ruler of Dubai



His Highness Sheikh Saud Bin Saqr Bin Mohammed Al Qasimi
Supreme Council Member and Ruler of Ras Al Khaimah



His Highness Sheikh Mohammed Bin Saud Al Qasimi
Crown Prince of Ras Al Khaimah

**INTRODUCTION**

Chairman's Message	08
Group CEO's Message	10

SECTION 1 – CORPORATE UPDATE

Performance Overview	14
Core Business Performance	16
Regional Performance	17
Board of Directors, Advisers and Leadership	18

SECTION 2 – OPERATIONAL UPDATE

Tiles	24
Sanitaryware	26
Faucets	28
Tableware	30
Sales and Marketing	33
ESG	34
Events Awards and Sponsorship	38
Human Resources	42
Corporate Governance	48
Information Technology	46

SECTION 3 – FINANCIAL REVIEW

Directors' report	54
Independent auditors' report	58
Consolidated statement of profit or loss	63
Consolidated statement of profit or loss and other comprehensive income	64
Consolidated statement of financial position	65
Consolidated statement of cash flows	63
Consolidated statement of changes in equity	68
Notes to the consolidated financial statements	72



INTRODUCTION

Chairman's Message

Dear Shareholders

I am pleased to present RAK Ceramics' financial results for FY 2025, a year defined by resilience and purposeful advancement through sustained investment in innovation and growth, resulting in strengthened profitability, despite a complex global macroeconomic and geopolitical environment.

RAK Ceramics continued its long-term growth trajectory, driven by fiscal prudence and operational efficiency, while remaining firmly aligned with its strategic roadmap. The UAE emerged as our strongest market, underpinned by the nation's robust economic activity and favourable business conditions. Simultaneously, Saudi Arabia, Europe, India and Bangladesh remain integral within our international presence, supporting our long-term growth ambitions.

This year, we allocated investments in future-ready manufacturing technologies, upgraded production facilities, and expanded our capabilities across tiles, sanitaryware, and tableware. These initiatives improve efficiency, support premiumisation, reduce energy consumption, and lower our environmental footprint, in line with our sustainability commitments.

Our brand's retail footprint also continued to expand across focus markets. With a strengthened showroom network, enhanced customer engagement, investments in digital transformation, and research & development, the company managed to optimise operational efficiencies.

Looking ahead to 2026, we are confident that our strategic vision and favourable macroeconomic environment will provide a solid foundation for RAK Ceramics' continued leadership and sustainable global growth as a recognised lifestyle solutions leader.

On behalf of the Board of Directors, I extend my sincere appreciation to our shareholders for their continued confidence, our employees for their dedication and resilience, and our partners and stakeholders for their ongoing support.



SHEIKH SAQR BIN SAUD AL QASIMI
Chairman of the Board



RAK Ceramics continued its long-term growth trajectory, driven by fiscal prudence and operational efficiency.





We remain confident in our ability to navigate evolving market conditions and deliver long-term value for our shareholders.

Group CEO's Message

Dear Shareholders

It is my pleasure to present RAK Ceramics' performance for the Fiscal Year 2025, a year marked by improved profitability, stronger margins, and continued progress across our key markets. Our focus on operational excellence and product innovation enabled the Group to remain resilient and competitive across core markets, while navigating periods of global economic and geopolitical uncertainty.

The UAE remained our strongest market, supported by sustained real estate and construction activity and a higher contribution from premium product business and differentiated products. Our diversified geographic presence and balanced portfolio continue to provide stability across dynamic market cycles.

Our Tiles division remained the main contributor to the Group's performance, supported by steady demand and growing interest in distinguished and large-format surfaces. We continue to invest in digital technologies and advanced manufacturing to support our future production capabilities.

During the year, we have completed the upgrade to the next generation

of Continua+ technology, reinforcing our innovation leadership in large-format surfaces. We have also commissioned Europe's longest kiln at 300 metres, equipped with an IoT-enabled system and fully automated quality inspection. We also continued the modernisation of our sanitaryware facilities through the adoption of energy-efficient technologies; enabling operational efficiency and driving sustainability goals.

We progressed the development of our Greenfield Tiles project in Yanbu, Saudi Arabia, which is poised to strengthen the Group's regional manufacturing facilities.

Across our international markets, we retained focus on improving operational performance, refining our product mix, and optimising cost structures. Our turnaround initiatives for KLUDI have commenced to improve operational margins and reinforce market positioning.

For our Tableware business, we continued to build momentum in premium hospitality and airline segments, expanded the portfolio into higher-value categories and broadened our retail and distribution

network across key regions. In October 2025, RAK Porcelain Group acquired Bankook Design Chambre S.L., owner of the Cookplay brand, enhancing its premium portfolio and reinforcing its European presence.

As we look ahead in 2026, our approach remains centred on maintaining a balanced focus between growth, continued investment in our capabilities, and delivering consistent returns to our shareholders. We remain confident in our ability to navigate evolving market conditions and deliver long-term value for our shareholders.

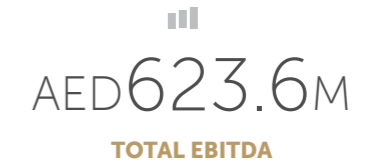
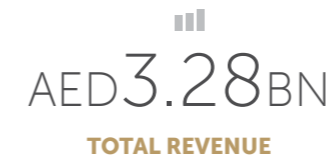
On behalf of the Board, I extend my sincere gratitude to our shareholders, valued partners, and dedicated employees for their continued trust and support. Together, we will drive sustainable growth and long-term success for RAK Ceramics.

ABDALLAH MASSAAD
Group CEO



Performance Overview

RAK Ceramics delivered resilient growth in revenue and profitability in 2025, supported by improved margins, operational excellence, and strong performance in the UAE. Despite ongoing macroeconomic and competitive pressures in certain markets, the Group maintained resilient operations and strengthened its foundation for sustainable long-term growth.



COMPANY UPDATE

RAK Ceramics operated in a complex macroenvironment in 2025, marked by geopolitical uncertainties, inflationary pressures, and uneven demand across key markets. Despite these challenges, the Group's revenue growth of 1.6% to AED 3.28 billion, supported by strong performance in the UAE and a continued focus on higher value product segments.

The company reported profitability during the year, with gross profit margin increasing to 40.0%, reflecting operational efficiencies and disciplined execution, and a higher contribution from premium project business.

EBITDA increased by 5.3% to AED 623.6 million, with EBITDA margins improving to 19.0%, while profit before tax rose significantly by 19.9% to AED 331.8 million, highlighting the strength of the Group's operating model despite ongoing external pressures.

During the year, RAK Ceramics continued to advance its strategic priorities across manufacturing, retail, and global operations. The Group commissioned a state-of-the-art slab production facility in the UAE and progressed further upgrades across its manufacturing footprint to support product innovation, premiumisation, and operational efficiency. In parallel, the Company continues to invest in retail revamps and dealer networks, brand positioning, design leadership, and customer engagement across international platforms.

STRATEGIC INITIATIVES & OUTLOOK

With operations in 165+ countries, serving a broad portfolio across Tiles, Sanitaryware, Faucets, and Tableware, RAK Ceramics benefits from a strong global manufacturing and distribution platform. The Group remains committed to advancing its product leadership through continued investment in innovation, digital transformation, and manufacturing excellence.

MANUFACTURING

The company continues to enhance its manufacturing capabilities through ongoing investments in advanced production technologies and premium product development. During the year, the company commissioned a state-of-the-art slab production facility in the UAE, with further expansions underway to support large-format tile production, strengthen operational efficiency and energy consumption in line with sustainability objectives.

RETAIL & DISTRIBUTION

In parallel, RAK Ceramics continued to strengthen its retail presence in stores and company-owned showrooms, along with an expansion of the dealer network.

Internationally, RAK Ceramics is actively expanding distribution footprint in Africa, the Americas, Asia Pacific, and Europe, rebuilding direct sales in Europe; and strengthening Bangladesh through competitive pricing, product innovation, and expanded retail presence. In India, the company is establishing a franchisee model

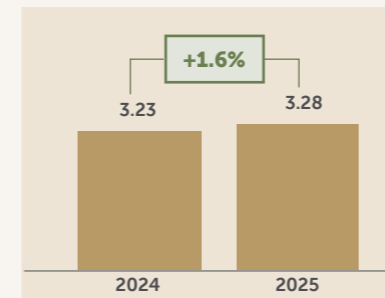
in Andhra Pradesh and Telangana, alongside new product introductions from the Morbi plant.

In Milan, RAK Ceramics launched its fourth international Design Hub, following Dubai, London and Frankfurt. This new flagship location supports the Group's strategic ambition to strengthen its global design presence and position itself as a preferred partner for designers and contractors worldwide.

2026: YEAR AHEAD

Looking ahead, RAK Ceramics is strategically positioned to deliver sustainable growth through ongoing investments, operational excellence, product innovation, and market alignment. The Group remains focused on strengthening profitability, expanding its presence in key markets, and reinforcing global industry leadership.

FINANCIAL HIGHLIGHTS



Shown in AED bn

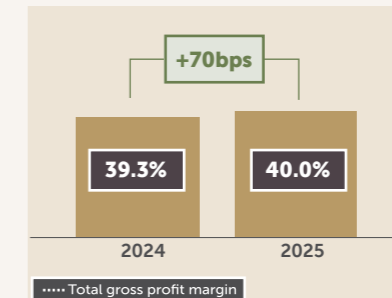
Total Revenue

Total revenue for RAK Ceramics increased 1.6% year on year to AED 3.28 billion in FY 2025, driven by strong demand in the UAE, contributing to top-line growth.

Tiles revenue rose both in volume and value, 1.9% YoY to AED 1.89 billion, led by growth in the UAE, the Middle East, Europe and Bangladesh. Sanitaryware revenue remained flat at AED 466.4 million, supported by performance in the UAE, Saudi Arabia, and the Middle East.

While the Tableware revenue declined marginally by 1.4% YoY to AED 364.1 million, it was resilient due to contributions from higher-margin channels such as airlines and premium hospitality projects. In addition, the acquisition of Cookplay by RAK Porcelain strengthened the Group's premium tableware portfolio and presence in Europe.

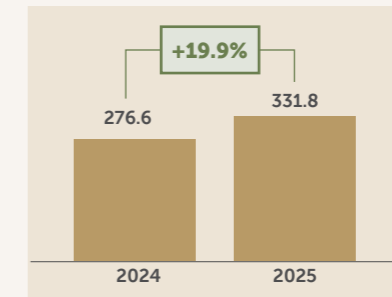
Faucets revenue increased 4.6% YoY to AED 465.2 million, driven by improved performance in Saudi Arabia, Europe, Asia, and Africa, alongside ongoing operational optimisation initiatives within the Kludi business to enhance efficiency and long-term profitability.



Shown in %

Total Gross Profit Margin

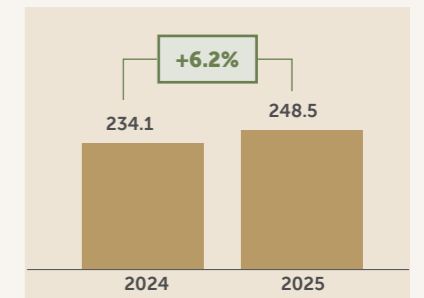
Gross profit margin increased 40.0%, an increase of 70 basis points compared to the previous year, supported by strong activities in the UAE real estate and construction sectors, strategic market re-alignment, and continued operational and manufacturing efficiencies.



Shown in AED million

Profit before tax

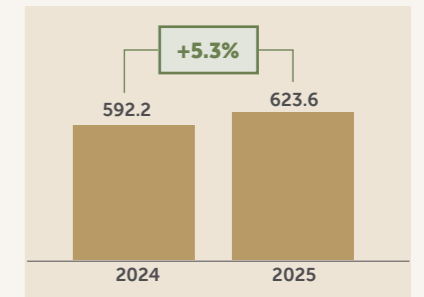
Profit before tax increased by 19.9% YoY to AED 331.8 million in FY 2025, reflecting improved gross margins and a higher contribution from premium and project-led business.



Shown in AED million

Profit after tax

Profit after tax jumped by 6.2% YoY to AED 248.5 million in FY2025, driven by gross margins and operational efficiencies. The increase reflects stronger underlying profitability despite continued pressure in certain international markets.



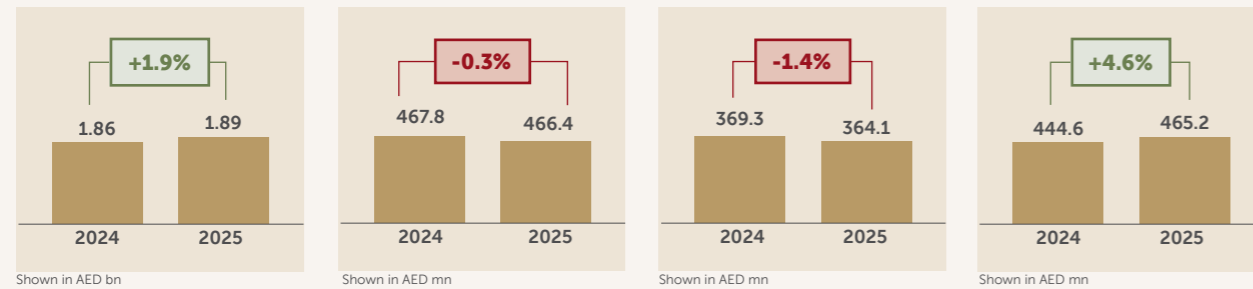
Shown in AED million

EBITDA

EBITDA increased by 5.3% YoY to AED 623.6 million in FY 2025, with EBITDA margin improving to 19.0%, supported by favourable project mix and strong UAE contribution, alongside disciplined cost management.

Core Business Performance

Resilient growth in gross profit margins supported by a premium product mix and strong UAE demand, with Tiles and Faucets delivering revenue growth and Tableware demonstrating resilient performance, despite ongoing macroeconomic pressures in certain international markets.

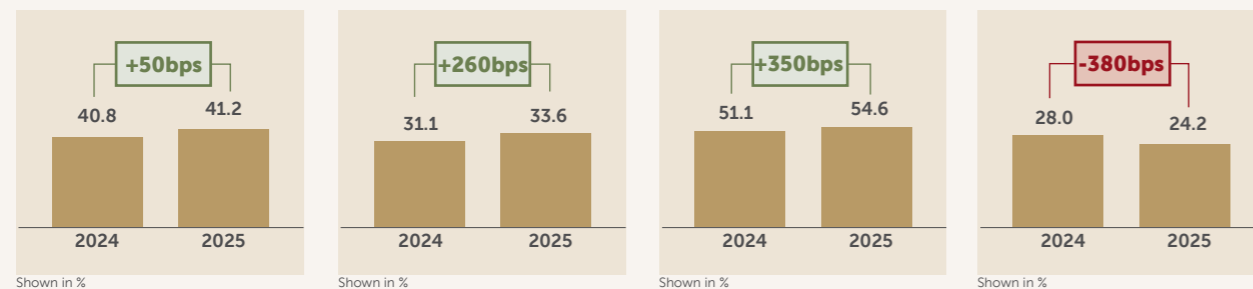


TILE REVENUE
Tiles revenue increased 1.9% YoY to AED 1.89 billion in FY 2025, led by the UAE, Middle East, Europe (Germany) and Bangladesh, supported by growing demand for large format and a greater share from project business.

SANITARYWARE REVENUE
Sanitaryware revenue remained stable at AED 466.4 million in FY 2025, supported by steady performance across the UAE, Saudi Arabia and the broader Middle East.

TABLEWARE REVENUE
Tableware revenue declined marginally by 1.4% YoY to AED 364.1 million in FY 2025, reflecting softer demand in certain international markets. However, performance remained supported by higher-margin channels, including airline and hospitality.

FAUCET REVENUE
Faucets revenue increased by 4.6% YoY to AED 465.2 million in FY 2025, driven by growth in Saudi Arabia and other international markets, including Europe, Europe, Asia, and Africa



TILES GP MARGIN
Tiles gross margin increased by 50 bps YoY to 41.2%, supported by a favourable mix and continued project-led momentum in the UAE.

SANITARYWARE GP MARGIN
Sanitaryware gross margin improved by 260 bps YoY to 33.6%, driven by higher sales in the UAE and manufacturing discipline.

TABLEWARE GP MARGIN
Tableware gross margin expanded by 350 bps YoY to 54.6%, supported by increased sales to the airline industry and premium hospitality projects.

FAUCET GP MARGIN
Gross margins declined by 380 bps to 24.2%, due to ongoing KLUDI transformation initiatives, resulting in a profitability impact.

Geographic Performance

Revenues delivered strong YoY growth in the UAE, alongside positive momentum in the Middle East and Bangladesh, supported by resilient project demand and improving market conditions. Saudi Arabia, Europe, and India remained under pressure due to competitive dynamics and macroeconomic headwinds. Despite these challenges, continued focus on premiumisation, higher margin project-led growth and operational efficiencies supported overall profitability and margin expansion.

United Arab Emirates
RAK Ceramics delivered strong revenue growth in the United Arab Emirates, supported by sustained momentum in the real estate and construction sector and robust demand across tiles and sanitaryware. The UAE remained the Group's largest market, contributing 39% of total revenue, with higher margin project-business supporting revenue growth. Continued investment in upgrading manufacturing capabilities and premium product offerings further strengthened the Group's positioning in its home market.

recover market share and support long term growth.

Saudi Arabia
Saudi Arabia remains a strategically important market for the Group. Market conditions in FY2025 remained challenging amid intensified local competition and oversupply, with revenue declining 17.7% to AED 232.1 million. RAK Ceramics continues to focus on premium project segments and changing customer preferences from ceramic to porcelain tiles, supported by its regional manufacturing and supply network. The Group is also steadily progressing the Greenfield Tiles Project in Yanbu, to strengthen local capacity for sustainable products, cost competitiveness, and long-term positioning in the Kingdom.

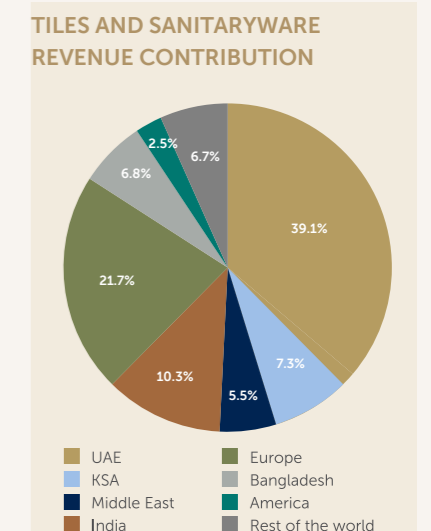
220.5 million in FY 2025, supported by early signs of economic stabilisation and recovery in project activity. The company has initiated targeted strategic initiatives to strengthen its market position, including expanded distribution channels, competitive pricing, and new product offerings, to support future growth.

Europe
European markets remained challenging in FY2025 amid subdued construction activity, inflationary pressures, and intensified competition across both retail and project segments. Revenue declined by 5.2% to AED 323.3 million in FY2025, with Italy further impacted by the withdrawal of renovation incentives. In response, the company implemented cost-optimisation initiatives and progressed the integration of select KLUDI production activities within its global manufacturing network to enhance operational efficiency and long-term competitiveness.

India
India experienced a cyclical slowdown in FY2025, with revenue declining 9.2% YoY to AED 331.1 million, impacted by weaker domestic demand and competitive intensity. Despite these challenges, the Group continues to strengthen its market presence by expansion of its dealer network, improved retail experience, institution of a franchisee model and initiatives to

Bangladesh
Bangladesh demonstrated improving market conditions in FY2025, with revenue increasing by 5% YoY to AED

REVENUE (AED M)	2024	2025	Growth
United Arab Emirates	842.5	955.8	13.4%
Kingdom of Saudi Arabia	282.0	232.1	-17.7%
Middle East (Ex. UAE & KSA)	120.9	128.3	6.1%
India	364.7	331.1	-9.2%
Europe	340.9	323.3	-5.2%
Bangladesh	209.9	220.5	5.0%
Africa	102.9	105.6	2.6%
Rest of the world	64.5	65.6	1.7%
Total Tiles & Sanitaryware Revenue	2,328.4	2,362.3	1.5%
Tableware revenue	369.3	364.1	-1.4%
Faucets revenue	444.6	465.2	4.6%
Others revenue	89.8	92.9	3.7%
Total Revenue	3,232.0	3,284.6	1.6%



Board of Directors, Advisers and Leadership



**SHEIKH SAQR BIN SAUD
AL QASIMI**
Chairman

Board Member and Chairman since August 2021, reappointed in 26 March 2024 AGM for a three year term till 25 March 2027. Sheikh Saqr brings financial expertise to the Board of RAK Ceramics, having worked in multiple relevant roles both in the public and private domains. Sheikh Saqr is part of the investment team at the Investment and Development Office, the sovereign investment arm of the Government of Ras Al Khaimah overseeing a portfolio of strategic assets. Sheikh Saqr holds a Bachelor of Science degree in Banking and International Finance from CASS Business School, City University of London



**FAWAZ BIN SULIAMAN A
AL RAJHI**
Vice Chairman

Board member since April 2015, reappointed in 26 March 2024 AGM for a three year term till 25 March 2027. Mr. Fawaz is the Chairman of the Board, CEO and Head of Investment Committee of Al Rajhi United, a family-owned investment company with offices in Riyadh, Jeddah, New York and Dubai, focusing on public equity, private equity and real estate and he is also the Chairman of RAK Porcelain LLC. Mr. Fawaz holds Master in Business Administration from Stanford University, USA and Bachelors in MIS and Accounting from KFUPM, KSA.



**SHEIKH KHALID BIN SAUD
AL QASIMI**
Board Member

Board Member since July 2015, reappointed in 26 March 2024 AGM for a term of three years till 25 March 2027. Sheikh Khalid holds business management qualification from New York University, Abu Dhabi Campus. Sheikh Khalid Bin Saud Al Qasimi is also Chairman of Al Marjan Island, Ras Al Khaimah and Vice Chairman of the Investment and Development Office, Government of Ras Al Khaimah. Sheikh Khalid Bin Saud Al Qasimi has extensive experience in finance and investment management.



**SHEIKH SAQR BIN OMAR
AL QASIMI**
Board Member

Board Member since March 2021, reappointed in 26 March 2024 AGM for a term of three years till 25 March 2027. He Holds a Bachelor's degree in Law from the University of Sharjah, Master's in International Law, Public Relations and Diplomacy from the Paris-Sorbonne University Abu Dhabi, as well as a Master's degree in Business Administration from the American University of Sharjah. Currently, he is the General Manager of RAK Real Estate and a Board Member of RAK Porcelain LLC.



**FARAH ABDULLA
MOHAMED AL MAZRUI**
Board Member

Board Member since June 2021. Reappointed in 26 March 2025 AGM for a term of three years till 25 March 2027. Mrs. Farah Al Mazrui has more than 16 years of experience in financial advisory, strategy, investment as well as wealth management solutions to large Corporates, Families, Individuals and Governments. She holds BSc Hons -Economics from Queen Mary, University of London and MSc -Risk Management and Financial Engineering from Tanaka Business School, Imperial College, London. She was Associate Director – Global Advisory in Rothschild & Co., a Leading independent financial advisory group providing M&A, strategy, and financing advice, as well as investment and wealth management solutions to large Corporates, Families, Individuals, and Governments globally. She also serves as Board Member of Emirates Steel Arkan PJSC; Board Member of UAQ Bank; and Board Member of Etihad Airline Group.



**ABDALLAH RASHED JASEM
AL ABDLOULI**
Board Member

Board Member since November 2022, reappointed in 26 March 2024 AGM for a term of three years till 25 March 2027. Mr. Al Abdouli is the Chief Executive Officer of Marjan, a leading developer for freehold land in Ras Al Khaimah and a Board Member in RAK Properties PJSC. Prior to this position, he had served as Director of Town Planning and Survey Administration and Director of Project Management Office at RAK Municipality. He also had previously held Board Member positions for several RAK-based governmental entities including RAK International Airport Authority and RAK Sewerage Authority. Mr. Al Abdouli holds a Masters in Regional & Urban Planning from Paris Sorbonne University in Abu Dhabi and certificate in Real Estate Investment Strategies from Harvard University.



**WASSIM ZUHAIR
MOUKAHHAL**
Board Member

Board member since February 2016. Re-appointed in 26 March 2024 AGM for a three year term till 25 March 2027. Mr Moukahhal has more than 20 years of experience in private equity investments and is currently serving as Board Member of RAK Porcelain, and RAK Ceramics Bangladesh. He is the head of alternative investment in Artal Capital, a leading asset manager based in Riyadh-KSA. Mr Moukahhal holds a MBA from the Wharton School at the University of Pennsylvania and a Bachelor's degree in Economics & Finance from McGill University

Advisers and Leadership



PHILIP GORE-RANDALL
Expert Adviser to
Audit Committee

Mr Gore-Randall is Expert Adviser to the Audit & Risk Committee and is also a Director at Samena Capital. Mr Gore-Randall has extensive experience at a senior level in large private and publicly held international organisations. Previously Mr Gore-Randall was an Audit Partner at Andersen where he ran the firm's UK practice and subsequently became the Global COO. Mr Gore-Randall is a UK Chartered Accountant and holds an MA from University College, Oxford.



ABDALLAH MASSAAD
Group Chief Executive
Officer

Abdallah Massaad is Group CEO of RAK Ceramics. He has more than 25 years of experience in industrial manufacturing and ceramics and has a deep understanding of regional and international markets having successfully developed operations through his business leadership abilities across different geographies. Prior to RAK Ceramics, Abdallah Massaad was GM of ICC SARL, Lebanon. Abdallah Massaad holds post-graduate qualifications in Management' DEA in Business Administration' (1998) and an undergraduate degree "Maitrise in Business Administration – Marketing" from USEK (Université Saint-Esprit de Kaslik), Lebanon. He is fluent in Arabic, French and English and also speaks basic German.



PRAMOD KUMAR CHAND
Group Chief Financial
Officer



VIBHUTI BHUSHAN
Chief Sustainability and
Governance Officer



SHAKTI ARORA
Chief Procurement Officer



BASAVARAJ PATIL
Chief Operations Officer



**JASEEM MOHAMED
ALKHATERI**
Chief Human Resource
Officer



BOBBY JOSEPH
Chief Executive Officer
(India)



RENU OOMMEN
Chief Marketing Officer
(Tableware)



**FRANK HOLTSMANN-
WIBBERICH**
Managing Director CFO,
KLUDI (Germany and MEA)



SAK EKRAMUZZAMAN
Managing Director
(Bangladesh)



HARALD HOTOP
Managing Director, KLUDI
(Germany and MEA)



Tiles

TRANSFORMING THE MAXIMUS RANGE: A NEW SURFACE STRATEGY

In 2025, the Tile division of RAK Ceramics marked a transformative year with the complete reorganization of the Maximus range under the new Maximus Surface concept. This renewed structure now encompasses all available formats, from the new 162x324 cm in 12 mm and 120x280 cm in 6 mm and 9 mm, to 120x120 cm, 60x120 cm, and 60x120 cm in 20 mm, creating a comprehensive and clearly structured offering. The range has been strategically divided into two dedicated catalogues: Surface and Countertop, enhancing clarity and market positioning.

MC5: POWERING THE FUTURE OF LARGE-FORMAT MANUFACTURING

The transformation of the Maximus range was made possible by the launch of the new MC5 slab production facility, representing a major technological milestone for RAK Ceramics and a new era in large-format manufacturing. The plant integrates the advanced Continua+ PCR 2180 technology, one of the most efficient slab production systems available, ensuring high productivity, minimal material waste, and full digital synchronization across all production stages for maximum precision and flexibility.

Designed with sustainability at its core, MC5 features a seven-layer horizontal dryer operating on total heat recovery from the kiln, significantly reducing fuel consumption and optimizing energy efficiency, alongside an innovative conveyor belt feeding system that streamlines material handling across Continua+ lines. The facility also introduces industry-first digital glazing technologies, enabling the combined application of inks and materials, multilayer granule

synchronization, and high-definition digital structures that deliver deep, realistic surfaces with seamless finishes.

It houses the longest kiln in the Middle East (300 meters), a smart scheduling storage system with real-time monitoring, and a fully automated quality control process that eliminates manual inspection while ensuring consistent excellence. With an annual capacity of 4 million sqm, MC5 can produce slabs from 6 mm to 20 mm thicknesses, up to a maximum size of 360x180cm, currently among the largest in the industry, while standardizing flagship formats such as 162x324 cm in 12 mm, reinforced with mesh backing for enhanced durability. Advanced automation extends to cutting, matting, and robotic packaging systems, positioning MC5 as the most innovative and strategic production hub for the entire Maximus range and beyond.

R&D EVOLUTION: INTRODUCING "BRICKS AND MORE"

From a Research & Development perspective, the extensive small-format portfolio has also been reorganized under a new catalogue titled Bricks and More, streamlining the brand's decorative and architectural solutions.

CERSAIE 2025: CRAFTED FOR LIVING

At Cersaie 2025, RAK Ceramics presented numerous innovations under the concept "CRAFTED FOR LIVING," celebrating materiality and technological excellence. Among the standout innovations were Scratch Guard and Softtech technologies. Scratch Guard is an advanced surface protection technology designed to significantly enhance scratch resistance and long-term durability, making surfaces ideal for countertop applications. Softtech,

on the other hand, introduces a new-generation surface finish that combines an exceptionally smooth, velvety tactile experience with high technical performance, offering superior slip resistance while maintaining a refined aesthetic appeal.

AWARD-WINNING COLLECTIONS AND GLOBAL RECOGNITION

The year also saw the launch of several successful new collections, including, just to mention a few, Travertino and Travertino Crosscut, Terra, I Sassi, Montpellier, and Pietra di Bourges, each reflecting a strong material identity and contemporary design language.

The I Sassi collection, featuring the innovative Softtech technology, received the prestigious Archiproducts Design Award 2025 in the Innovation category. Additionally, the Re-Use collection was honored with the Archiproducts Design Award 2025 in the Sustainability category, reaffirming RAK Ceramics' commitment to responsible innovation and environmentally conscious production.



One of the most recent innovations from the RAK Ceramics Innotech Lab are Scratch Guard and Softtech.



Sanitaryware

ENGINEERING INNOVATION AND PRODUCT REFINEMENT

In 2025, RAK Ceramics continued to advance its sanitaryware division through focused engineering innovation, sustainable manufacturing upgrades, and expanded design collections. Building on the breakthroughs achieved in previous years, further refinements in WC structural engineering and casting optimization enabled additional improvements in material efficiency, surface precision, and overall product durability while maintaining premium aesthetic standards.

The evolution of rimless and vortex-based flushing systems marked a key milestone in 2025, delivering enhanced hydraulic performance, superior bowl hygiene, and optimized water efficiency in line with European and GCC regulatory standards. Several core Bathroom Solutions WCs were upgraded with improved trapway geometries, refined skirted profiles, and enhanced comfort-height configurations, ensuring elevated user comfort and contemporary styling across residential and hospitality applications.

EXPANDING CONTEMPORARY DESIGN COLLECTIONS

Expanding design versatility, new contemporary collections were introduced featuring ultra-slim seat designs, concealed fixation systems, antibacterial glazing technologies, and refined minimalist geometries. Responding to the growing demand for personalized and architect-driven bathroom environments, the division expanded its colour and finish offerings across selected basin and WC ranges.

SUSTAINABLE MANUFACTURING AND DIGITAL INTEGRATION

To reinforce long term sustainability commitments, 2025 saw further investment in advanced touchless high pressure casting systems, robotic glazing automation, and energy efficient tunnel kiln optimization. These initiatives enhanced production efficiency while reducing resource consumption per unit. Digital traceability systems were strengthened through enhanced barcoding integration and automated inspection technologies, providing end-to-end visibility from manufacturing to final installation.

GLOBAL COMPLIANCE AND MARKET EXPANSION

In 2025, the sanitaryware division strengthened its international compliance framework and global footprint. The division continues to operate under internationally recognized ISO quality and environmental management systems. Additional product certifications were secured across key markets to support export growth and regulatory alignment, further reinforcing RAK Ceramics' commitment to global standards of safety, water efficiency, and performance validation.

A DUAL-PILLAR PORTFOLIO STRATEGY

RAK Ceramics' sanitaryware portfolio in 2025 continued to be anchored in two complementary pillars:

Bathroom Solutions, delivering high performance, water-efficient solutions for large-scale residential and commercial developments; and

Lifestyle & Design Collections, offering architect-driven, contemporary designs defined by refined detailing and elevated finishes for premium environments.

WORKFORCE EMPOWERMENT AND COST COMPETITIVENESS

Through sustained innovation, disciplined operational excellence, and a clear design vision, the division further strengthened its position as a global benchmark in modern bathroom solutions.

In 2025, additional machines were installed to cope up with the demand of high value water closets with spiral flush. Through these machines, we can do multiple casting and hence there will be the usage of less space.

In order to ensure ownership and to motivate the work force, we introduced the piece rate scheme to reward the employees for better quality and productivity. RAK Ceramics is moving towards the cost competitive solutions in manufacturing Sanitaryware products.



Innovation continued to play a central role in RAK Ceramics' sanitaryware division throughout 2025.

Faucets

STRATEGIC TRANSFORMATION: FROM FITTINGS TO FULL SOLUTIONS

In 2025, the Faucet division of KLUDI marked a defining year in its strategic transformation toward becoming a full-range provider of holistic bathroom and kitchen solutions. Building on the decisive repositioning initiated in 2023, the brand further expanded its product architecture, strengthened its technological foundation, and enhanced its global market presence, creating a comprehensive and clearly structured offering across faucets, showers, sanitaryware, and kitchen systems positioning KLUDI as an integrated solutions provider rather than a standalone fittings specialist.

FLAGSHIP FAUCET SERIES AND COORDINATED BATHROOM SOLUTIONS

A major highlight of 2025 was the introduction of new flagship faucet series — KLUDI-DECUS, KLUDI-RENON, and KLUDI-SOUNA — combining timeless architectural aesthetics with advanced engineering performance. These collections feature high-precision ceramic cartridge systems, integrated water-saving flow regulators, optimized aerators, and refined premium finishes, ensuring durability, efficiency, and long-term reliability.

Complementing this expansion, KLUDI-ASANA overhead showers were introduced to complete the coordinated bathroom environment, delivering full design harmony and technical compatibility across all touchpoints.

EXPANDING INTO SANITARYWARE: SPIRAL FLUSH INNOVATION

A key milestone in 2025 was the launch of a new sanitary ware collection featuring the innovative Spiral Flush system. Engineered

to enhance water flow efficiency through a powerful, controlled vortex action, this technology significantly improves hygiene standards while optimizing water consumption.

With this addition, KLUDI successfully extended its portfolio beyond fittings into sanitary ceramics, enabling fully integrated bathroom solutions from a single source and strengthening its relevance in specification-driven residential and hospitality projects.

KITCHEN COMPETENCE: A COMPREHENSIVE ECOSYSTEM

KLUDI further reinforced its "Kitchen Competence" concept with the launch of new collections, including KLUDI-REEF, KLUDI-AUREA, KLUDI-QORD, and KLUDI-QORD FLEX. Inspired by the fluidity of water, these ranges present modern, elegant forms and clean contemporary lines, enhanced by high-performance functionality such as pull-out spray systems, smooth swivel mechanisms, and advanced flow management solutions.

To complete the kitchen ecosystem, a new portfolio of kitchen sinks was introduced, strengthening cross-selling opportunities and positioning KLUDI as a comprehensive kitchen solutions provider.

ENGINEERING EXCELLENCE AND SUSTAINABLE INNOVATION

Technological precision remains at the core of KLUDI's brand identity. Long-life ceramic cartridges, durable electroplated and PVD finishes, optimized aerator systems, and compliance with stringent European quality standards reinforce the brand's premium positioning. The integration of water-saving technologies across the portfolio aligns with global sustainability objectives and underscores KLUDI's commitment to responsible innovation.

GLOBAL SHOWCASES AND INTERNATIONAL RECOGNITION

Throughout 2025, KLUDI showcased its latest innovations on major international platforms, including Milan Design Week, ISH Frankfurt, Big 5 Dubai, Index Dubai, and Saudi Build, significantly strengthening global brand visibility and market engagement.

In recognition of its achievements, KLUDI received the Quality Brand Award 2025 and was officially certified with the prestigious PLUS X AWARD for Excellent Brand Quality. In addition, selected collections were honoured with the German Design Award in the category "Excellent Product Design," reaffirming the brand's successful fusion of design excellence and technical innovation.

A PIVOTAL YEAR FOR SUSTAINABLE GROWTH

Overall, 2025 represents a pivotal year for the Faucet division of KLUDI. The transition from a premium fitting specialist to a fully integrated bathroom and kitchen solutions provider establishes a strong strategic foundation for sustainable growth, enhanced profitability, and expanded market penetration across Europe, the GCC, and key international markets.

From a kitchen perspective, KLUDI further reinforced its "Kitchen Competence" concept in 2025



Tableware

RAK PORCELAIN: BUILDING SCALE THROUGH STRATEGIC ACQUISITION

In a year defined by transformation and ambition, RAK Porcelain strengthened its global presence through design-led expansion and strategic milestones. From the successful Cookplay acquisition to landmark hospitality projects and new product launches, 2025 marked a decisive step forward in shaping the future of premium tableware. With innovation, scale, and sustainability at its core, RAK Porcelain continues to redefine excellence at the table.

DESIGN-LED INNOVATION & PORTFOLIO EXPANSION

Design remained central to RAK Porcelain's progress in 2025, led by the successful integration of Cookplay into the Group's portfolio. This strategic addition strengthened RAK Porcelain's presence in contemporary, design-led tableware, bringing a distinctive creative identity and expanding reach across premium hospitality and lifestyle markets. Building on this momentum, the portfolio was further enhanced through new launches such as:

FINE PORCELAIN - Refined, thin-profile tableware inspired by the elegance of Bone China, combined with enhanced strength and durability. Designed to meet the aesthetic and performance demands of fine-dining restaurants.

ESENCIA - A purpose-driven collection celebrating simplicity, authenticity, and emotional design. Clean forms and subtle detailing allow chefs to express creativity while ensuring functional excellence.

CLOUD - Inspired by softness and fluidity, Cloud brings calm

refinement to the tabletop. An evolution of Bone China, it combines elegant forms with reliable performance for premium hospitality settings.

WHERE SCALE MEETS EXCELLENCE

At RAK Porcelain, scale is defined not only by volume, but by precision, responsibility, and continuous innovation. In 2025, the factory advanced its operational excellence agenda through targeted technology upgrades, material innovation, and sustainability-led initiatives, delivering measurable gains in efficiency, cost optimization, and ESG performance.

OPERATIONAL EXCELLENCE ENABLED BY SMART TECHNOLOGY

Targeted investments in energy optimization and digital manufacturing delivered measurable improvements across operations. The deployment of Variable Frequency Drives (VFDs), BLDC fans, and sensor-enabled lighting systems resulted in a 7.43% reduction in power consumption per unit. In parallel, the implementation of waste gas recovery systems and X-plates achieved an 11.85% reduction in gas consumption per unit, enhancing cost efficiency while lowering environmental impact.

Further advancing manufacturing precision and efficiency, RAK Porcelain commissioned the GIS CTS210 Laser Computer-to-Screen (CTS) technology. This innovation eliminated the need for Konica film in decal printing, streamlining workflows, improving accuracy and turnaround times, and generating recurring annual cost savings.

INNOVATION AND RESOURCE EFFICIENCY AT SCALE

Strengthening internal technical capabilities, the factory successfully developed reactive glazes in-house,

previously sourced externally. This initiative enhanced material control, consistency, and operational responsiveness, while delivering meaningful annual cost efficiencies. Sustainability remained deeply embedded within operations. The in-house Effluent Treatment Plant (ETP) enabled nearly 70% of production water requirements to be met through recycled water, significantly reducing freshwater dependency and reinforcing responsible resource stewardship.

LANDMARK PROJECTS, GLOBAL VISIBILITY & BRAND PARTNERSHIPS

RAK Porcelain delivered a portfolio of prestigious projects, including CIEL Dubai, SO RAK, Etihad, Kempinski Saudi, and international rollouts such as EL&N. These high-profile references strengthened the brand's visibility across luxury hospitality, aviation, and lifestyle sectors. Simultaneously, the brand reinforced its premium positioning through global brand-building initiatives, including Michelin partnerships in Dubai and Abu Dhabi, further establishing RAK Porcelain as a preferred partner for fine dining and luxury hospitality worldwide.

LOOKING AHEAD

Looking ahead, RAK Porcelain will continue to strengthen its global presence through design-led innovation, strategic partnerships, and disciplined market expansion. With a sharp focus on premium hospitality, customization, and brand-led growth, the company is well positioned to capture emerging opportunities across diverse markets. Guided by resilience, agility, and excellence, RAK Porcelain remains committed to creating long-term value for its partners and stakeholders.



Through strategic collaborations and brand partnerships, RAK Porcelain further elevated its reputation, reinforcing its position within the global hospitality and culinary community.





A major milestone was the official opening of the RAK Ceramics Design Hub in Milan (Italy), during the Milan Design Week 2025.

Sales and Marketing



معرض البناء السعودي ٢٠٢٥
SAUDI BUILD 2025

BRAND ENHANCEMENT

In 2025, RAK Ceramics significantly strengthened its brand presence across key markets, with a strategic focus on both projects and retail segments. A series of integrated initiatives were launched to enhance developer and trader engagement, supported by compelling and detailed product communication targeting end users and key influencers, including architects, interior designers, and contractors. These efforts reinforced RAK Ceramics' positioning as a preferred partner for design led and large scale developments.

RAK Ceramics actively participated in major regional and international trade exhibitions, including: Index (UAE), The Big 5 show (UAE), Saudi Build (KSA), ISH (Germany), Cersaie (Italy). These platforms strengthened global visibility, supported project acquisition, and showcased product innovation and design leadership. A major milestone was the official opening of the RAK Ceramics Design Hub in Milan (Italy), during the Milan Design Week, reinforcing the Group's commitment to support projects all over the world.

RAK Ceramics continued to elevate its retail presence through:

- Showroom renovations in Fujairah, Ras Al Khaimah, Abu Dhabi, Dubai.
- Launch of the first 2 official Kludi flagship showrooms in

UAE (Dubai SZR) and Saudi (Jeddah).

- Opening of a new Experience Centre in Bangalore, India.
- Introduction of Shop-in-Shop concepts across dealer channels in the UAE and MEA region.

These initiatives enhanced customer experience, strengthened dealer partnerships, and improved brand consistency across touchpoints.

The collaboration with ELIE SAAB further strengthened RAK Ceramics' premium positioning across the MEA region. Dedicated ELIE SAAB-branded stores were successfully launched through the dealer network in: Kuwait, Qatar, Jordan, Saudi Arabia. This strategic partnership continues to elevate brand equity and expand presence in the luxury segment.

DIGITAL MARKETING & PERFORMANCE OVERVIEW

In 2025, the Digital team delivered strong, measurable growth across RAK Ceramics, KLUDI, and RAK Porcelain through an integrated strategy spanning websites, social media, content, influencer marketing, programmatic buying, and eCommerce support.

Group websites achieved +10.74% growth in total users and +14.65% growth in new users, with organic traffic increasing by +16%. Engagement metrics improved

significantly, including +8.74% growth in enquiries and +38% growth in catalogue downloads. The successful launch of the new KLUDI website drove exceptional YoY growth of +179.2% in active users and +181.0% in new users.

Organic social media performance scaled substantially, with RAK Ceramics achieving +303.3% growth in impressions and +173.4% improvement in interaction rate. KLUDI recorded +84% growth in impressions and +31.7% follower growth YoY. Over 212 high-quality videos were produced across brands, alongside 32 email newsletters and multiple creator collaborations, strengthening brand storytelling.

High-impact campaigns across Google and Meta delivered over 38.6M impressions and 573K conversions for RAK Ceramics UAE, alongside strong CTRs and cost efficiencies for KLUDI and RAK Porcelain. Meta campaigns generated over 141.7M impressions and 5.9M engagements for RAK Ceramics UAE, with highly cost-efficient performance across brands. Continuous optimisation ensured strong ROI and media efficiency.

Overall, the integrated digital strategy strengthened brand visibility, improved engagement quality, scaled audience growth, and delivered measurable business impact across all three brands.

Environmental, Social and Governance (ESG)



RAK Ceramics is committed to embed the principles of sustainability.



OUR ESG COMMITMENT: ADVANCING SUSTAINABILITY IN 2025

In 2025, RAK Ceramics accelerated its sustainability journey, translating strategy into measurable impact across environmental performance, social responsibility, and governance excellence. Building on the foundations established in prior years, the Group advanced from commitment to execution—delivering scalable solutions that reinforced our position as a global leader in responsible ceramic manufacturing.

Guided by our ESG Strategy 2024–2030, sustainability remained firmly embedded across operations,

innovation, workforce development, and stakeholder engagement. Our approach in 2025 emphasized decarbonization, circularity, smart manufacturing, and inclusive growth, ensuring long-term value creation for our business, communities, and the environment.

Driving Environmental Impact Through Innovation and Decarbonization

In 2025, RAK Ceramics made decisive progress toward reducing its environmental footprint through breakthrough technologies, strategic partnerships, and operational transformation.

A landmark achievement was the

launch of the UAE’s first industrial carbon recovery and reuse facility, developed in partnership with Gulf Cryo. This pioneering plant captures approximately 17,000 metric tons of CO₂ annually from production processes and converts emissions into 99.99% food-grade carbon dioxide for use in food, healthcare, and agricultural applications. By transforming emissions into valuable resources, RAK Ceramics demonstrated leadership in circular carbon management while directly supporting the UAE’s Net Zero 2050 agenda.

Further advancing low-carbon logistics, RAK Ceramics deployed the UAE’s first commercial fleet

of autonomous electric trucks in partnership with Evocargo Autonomous Logistic Services. Operating within the Al Hamra Industrial Zone, these zero-emission vehicles enhanced internal logistics efficiency, reduced transport-related emissions, and improved operational safety—while aligning with national smart mobility objectives.

Complementing these initiatives, the Group achieved significant reductions in road transport through modal shifts to rail and sea, as well as optimized logistics planning. In 2025 alone, over 1.63 million kilometers of road movement were avoided, contributing to lower emissions, reduced congestion, and more

sustainable supply chain operations.

Sustainable Manufacturing Through Advanced Technologies

Innovation remained a core enabler of RAK Ceramics’ sustainability ambitions. In 2025, the Group achieved a major milestone with the integration of Continua+ Technology at the MC5 facility—setting new benchmarks for energy efficiency, automation, and resource optimization in large-format porcelain slab manufacturing. The facility features the Middle East’s longest kiln, operating with total heat recovery, and a closed-loop drying system that significantly reduces fuel consumption. Smart automation, precise raw material

dosing, and digital quality controls further minimized waste and enhanced operational efficiency. With an annual capacity of up to 4 million square meters, the Continua+ line reinforces RAK Ceramics’ ability to scale sustainably while meeting evolving market demands.

Strengthening Climate and ESG Governance

To ensure credible and science-based climate action, RAK Ceramics joined the UN Global Compact Climate Ambition Accelerator (CAA) Cohort 2025. Through this program, the Group advanced its capabilities in setting emissions reduction targets aligned with the 1.5°C pathway, strengthening governance

Environmental, Social and Governance (ESG) (contd.)



RAK Ceramics is committed to embed the principles of sustainability.

frameworks and accelerating progress toward net-zero ambitions.

In parallel, RAK Ceramics participated in the UN Women Target Gender Equality (TGE) Accelerator 2025, reinforcing its commitment to inclusive leadership and workplace equity. Guided by the Women’s Empowerment Principles, the program supported the translation of gender equality commitments into measurable organizational action. These initiatives reflect RAK Ceramics’ belief that strong governance, transparency, and accountability are essential to sustainable growth.

Empowering People and Building Future-Ready Talent

Human capital development remained central to RAK Ceramics’ ESG agenda in 2025. The Group reaffirmed its commitment to Emiratization and youth development through participation as a Gold Sponsor at the Ras Al Khaimah Job and Internship Fair (RAK JIF) 2025, engaging hundreds of Emirati applicants and strengthening public-private collaboration on workforce readiness. The signing of a Memorandum of Understanding with the American University of Ras Al Khaimah (AURAK) further strengthened talent pipelines through internships, graduate employment pathways, and

leadership development programs aligned with national priorities for sustainable employment and skills development.

Internally, RAK Porcelain launched a Sustainability Awareness Induction Program in alignment with World Earth Day 2025, embedding ESG values across the organization. Targeted training for employees and leadership teams ensured sustainability accountability was integrated into operational decision-making and day-to-day practices.

Environmental Stewardship and Biodiversity Protection

Beyond industrial operations, RAK Ceramics continued to



invest in ecosystem restoration and biodiversity conservation. In partnership with the Environment Protection and Development Authority (EPDA), the Group conducted mangrove plantation initiatives at Khor Al Mazahmi Nature Reserve, supporting climate resilience, coastal protection, and biodiversity enhancement.

Collaborations with the Emirates Environmental Group (EEG), including #CleanUpUAE and #ForOurEmiratesWePlant, reinforced the Group’s commitment to hands-on environmental action and community engagement. These initiatives align with multiple UN Sustainable Development Goals, demonstrating RAK Ceramics’ holistic approach to environmental stewardship.

Recognition, Certifications, and Industry Leadership

RAK Ceramics’ sustainability efforts in 2025 were reinforced through internationally recognized certifications and national

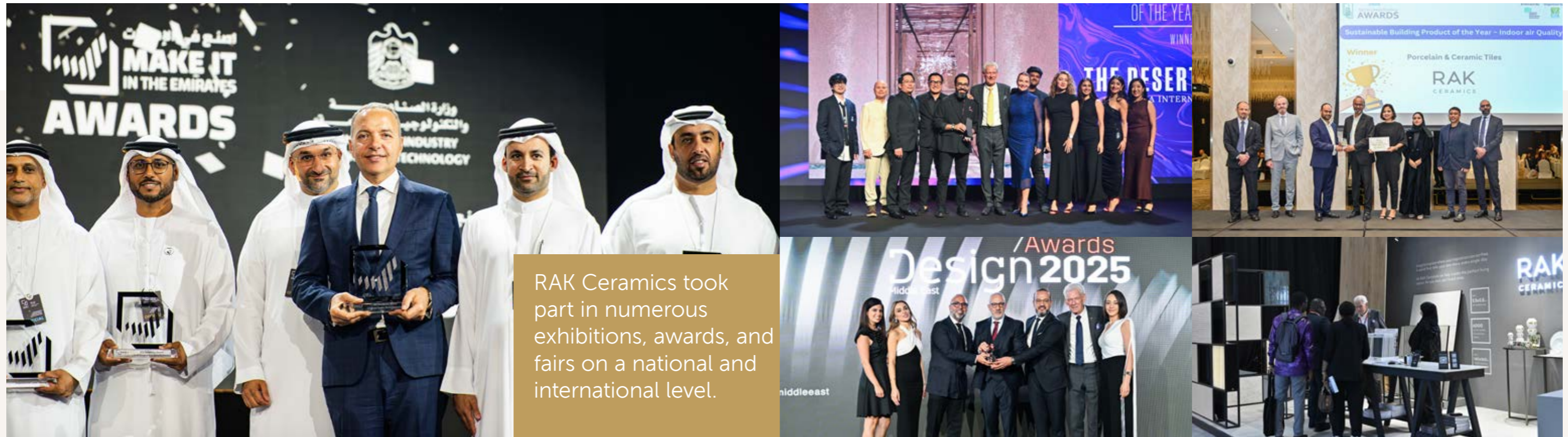
recognition. The Group achieved ISO 50001:2018 Energy Management System certification, EPDA EcoLabel accreditation, and maintained long-standing environmental, quality, and product responsibility standards. The RE-USE collection continued to demonstrate leadership in circular manufacturing through SCS Global certification for 100% recycled porcelain content. In recognition of its contribution to local manufacturing and economic resilience, RAK Ceramics received the ICV Excellence Award at the Make it in the Emirates (MIITE) Awards 2025, underscoring its role in advancing the UAE’s industrial sustainability agenda.

Creating Shared Value Through CSR and Stakeholder Engagement

Corporate Social Responsibility remained an integral pillar of RAK Ceramics’ ESG framework in 2025. Through education, employment, environmental action, and leadership engagement, the Group continued to create shared value for society and the economy.

Active participation in industry forums and policy discussions reinforced RAK Ceramics’ role as a responsible corporate leader, advocating for sustainable growth, innovation, and transparent governance across regional and global platforms.

Events, Awards and Sponsorship



RAK Ceramics took part in numerous exhibitions, awards, and fairs on a national and international level.

AWARDS, ENGAGEMENTS & INDUSTRY LEADERSHIP – 2025

A Year of Impact, Influence, and Forward Momentum

In 2025, RAK Ceramics reinforced its position as a regional and global industry leader, earning distinguished recognition across business excellence, sustainability, and design innovation.

The company was proud to be named "Make It in the Emirates – ICV Excellence Award Winner 2025", acknowledging its significant contribution to the UAE's industrial

value chain. Further cementing its reputation for operational and governance excellence, RAK Ceramics received the Business Excellence Award from Westford University.

In sustainability and environmental stewardship, RAK Ceramics was honored with the Emirates Green Building Award for its pioneering Reuse Tiles initiative, alongside EcoLabel Certification, reflecting the company's commitment to circular economy principles, resource efficiency, and climate-conscious design.

RAK Ceramics' creative and design leadership was also recognized internationally. The company secured the Design ME Award for the KLUDI Best Fitting Ward, and featured prominently in the Archiproducts Awards, celebrating innovation and sustainability in product design. Additionally, RAK Ceramics played a key role as CID Awards sponsor, further demonstrating its engagement with the wider design and architectural community.

In recognition of corporate responsibility and national impact,

RAK Ceramics achieved the Major Impact Seal – Platinum Category, the UAE's most prestigious award for being a highly valued company with meaningful economic, social, and environmental contributions. The company also featured among the honorees at the Sustainability 2040 Awards, reflecting its forward-looking ESG strategy aligned with long-term national and global sustainability agendas.

OFFICIAL VISITS AND EDUCATIONAL TOURS – RAK | 2025

In 2025, RAK Ceramics continued to reinforce its position as a global

leader in the ceramics industry by hosting a wide range of high-profile official visits and educational engagements. The year was marked by meaningful interactions with international delegations, diplomats, industry leaders, and academic institutions, reflecting the company's growing global relevance and strong cross-border partnerships.

Among the notable visits were the distinguished Business Delegation from the Confederation of Indian Industry (CII), comprising members from the digital sector and startups representing the CII

Centre of Excellence for Innovation, Entrepreneurship, and Startups (CIES), Benelux delegation during Netherlands Day, underscoring strengthening ties with European markets, and a distinguished delegation from Xiamen Municipality, along with the R&T President, highlighting ongoing collaboration with key partners from China. RAK Ceramics also welcomed customer delegations such as La Fenice from Italy, reinforcing long-standing relationships with international clients.

The company was honored to

Events, Awards and Sponsorship (contd.)



host several senior diplomats and government representatives, including H.E. Yossi Avraham Shelley, Ambassador Extraordinary and Plenipotentiary of Israel; H.E. Mr. Emilio Pin Godos, Ambassador of Spain to the UAE; and a delegation from the Israel Consulate led by His Excellency the Consul General and Vice Consul. Additionally, H.E. Amanbai Orynbayev, Chairman of the Jokargy Kenes (Supreme Council) of the Republic of Karakalpakstan, Republic of Uzbekistan, visited Ras Al Khaimah in May 2025, further strengthening governmental and regional ties.

RAK Ceramics also welcomed prominent business and industry leaders. Academic and innovation-focused engagement was highlighted through the International Workshop on Advanced Materials (IWAM), featuring Professor Upadrasta Ramamurty, President's Chair Professor at Nanyang Technological University, Singapore.

Educational outreach remained a key pillar in 2025. Georgetown University continued its engagement with RAK Ceramics, with students benefiting from executive-level insights, including a CEO-led session that

offered perspectives on leadership, innovation, and sustainable growth within a global manufacturing organization.

Through these official visits and educational tours, RAK Ceramics reaffirmed its commitment to knowledge exchange, international collaboration, and long-term partnerships. As the company advances its global footprint in 2025, it remains focused on fostering meaningful relationships that support innovation, mutual growth, and sustained success on the world stage.



EVENTS AND SPONSORSHIPS

In 2025, RAK Ceramics continued to strengthen its leadership in innovation, design, and sustainability through a focused portfolio of high-impact events, exhibitions, and sponsorships. The year reflected the company's strategic intent to remain visible at influential industry platforms while reinforcing its role as a key contributor to the regional and international design and building materials ecosystem.

RAK Ceramics played a prominent role at Make it in the Emirates Exhibition as an Exhibition Partner, reaffirming its alignment with the UAE's industrial growth agenda and its commitment to local manufacturing excellence, innovation, and sustainable development.

Design and creative excellence remained a strong focus throughout the year. The company supported the CID Awards through award presentation and sponsorship, underlining its ongoing commitment to recognising and celebrating outstanding talent within the interior design and architecture community. RAK Ceramics also strengthened its engagement with the design fraternity through its participation in Design Week, where it showcased its latest products and design-led innovations.

Brand visibility and market outreach were further enhanced through the Emirates IFE (In-Flight Entertainment) Advertisement, enabling RAK Ceramics to reach a global audience and reinforce brand recall among international travellers.

In addition, RAK Ceramics extended its support to the Design ME Awards, with sponsorship from KLUDI, highlighting collaborative brand partnerships and shared values in quality, innovation, and design leadership.

Through its active participation in exhibitions, strategic sponsorships, and high-profile brand engagements, RAK Ceramics continued in 2025 to reinforce its position as a global leader in ceramics—driving innovation, supporting the design community, and strengthening its connection with stakeholders across the industry.

Human Resources



EMPLOYEE ENGAGEMENT

Building Capability, Culture, and Future Readiness in 2025

In 2025, the Human Resources function played a pivotal role in advancing RAK Ceramics' strategic agenda by strengthening leadership alignment, enhancing employee experience, reinforcing ethical governance, and building future-ready capabilities. HR's focus extended beyond traditional people management to shaping a progressive, inclusive, and performance-driven organization aligned with business priorities and national objectives.

Strategic Leadership Alignment

A key milestone in 2025 was the conceptualization and delivery of Align 2025, a global leadership offsite that brought together business and functional leaders from across geographies. The offsite enabled collective alignment on business strategy, people priorities, and operating plans for 2025 and 2026. It also established a shared leadership narrative and accountability framework, strengthening execution discipline across the organization.

Listening, Engagement, and Culture Shaping

HR designed and launched an

organization-wide employee engagement survey covering diverse employee groups and roles. The survey identified three core focus areas—Appreciation, Care, and Growth—which were translated into targeted HR and leadership actions. Complementing this, HR curated a range of engagement and social initiatives aimed at strengthening cross-team connections, enhancing morale, and fostering a sense of belonging, reinforcing a positive and inclusive workplace culture.

Appreciation, Recognition, and Values Reinforcement

To embed everyday recognition



into the organizational culture, HR introduced Kudos, a structured peer-to-peer appreciation program. The platform enabled employees to recognize colleagues directly, shifting recognition from a manager-led process to an organization-wide practice and reinforcing values of collaboration, gratitude, and mutual respect.

Governance, Ethics, and Compliance

In 2025, HR strengthened ethical labor practices through a comprehensive reform of blue-collar recruitment processes. The organization eliminated fee-

based recruitment practices and transitioned fully to an employer-paid recruitment model. Ethical recruitment partners were selected and governed by HR, ensuring zero recruitment cost to employees, compliance with international labor standards, and enhanced employer brand credibility.

Job Architecture, Grading, and Role Clarity

HR conducted a structured job valuation exercise for roles at Grade 3D and above, establishing role value using standardized evaluation parameters. This enabled consistent grading, rationalized pay structures,

and improved internal equity across functions and geographies. In parallel, the grading and designation framework was modernized, replacing legacy titles with market-aligned Associate Director and Director-level designations, improving external benchmarking, internal clarity, and career progression transparency.

Compensation, Rewards, and Performance Enablement

During the year, HR reviewed and revised the minimum wage for entry-level roles organization-wide, addressing fairness, sustainability, and cost-of-living

Human Resources (contd.)



considerations. Pay scales for frontline manufacturing roles were also revised to enhance workforce sustainability and equity. Performance-linked reward mechanisms were strengthened through redesigned sales commission schemes and the introduction of KPI-linked variable incentives for Customer Advocacy teams, aligning individual performance, customer outcomes, and business results.

Care, Wellbeing, and Benefits Enhancement

HR expanded medical insurance coverage in 2025, enhancing

benefits for Assistant Manager, Deputy Manager, and senior-level employees. These enhancements strengthened employee wellbeing, financial security, and reinforced the organization's commitment to care and support.

Learning, Capability Building, and Future Readiness

To support continuous development, HR partnered with LinkedIn Learning, providing employees access to a broad range of self-directed learning resources. Additionally, HR launched an AI Literacy Academy to build foundational understanding of artificial intelligence, digital

tools, and responsible AI usage, preparing the workforce for evolving, technology-enabled ways of working.

Policy Modernization and Ways of Working

HR introduced a formal flexi-time policy, supporting better work-life integration and reinforcing a trust-based, outcome-oriented culture. Leave management was also standardized by transitioning leave accounting from calendar days to business days, improving clarity, fairness, and administrative efficiency across the organization.



Emiratization and National Talent Development

Emiratization remained a strategic HR priority in 2025. The organization strengthened its Emiratization framework by adopting a holistic lifecycle approach focused on attraction, onboarding, engagement, development, and long-term career progression of Emirati talent. This approach moved beyond compliance to building sustainable national talent.



Information Technology & Digital Transformation



The company prioritized digital transformation agenda.

In 2025, we accelerated RAK Ceramics' digital transformation agenda, with a strong focus on operational efficiency, cost optimization, customer engagement, and information security. A major milestone was the launch of a comprehensive Working Capital Reduction (WCR) program aimed at making operations leaner, faster, and more cost-effective. This initiative focused on optimizing inventory, improving production planning, and enhancing customer service through redesigned Make-to-Order (MTO) and Make-to-Stock (MTS) processes, the introduction of expected delivery dates, and the definition of Minimum Order

Quantities (MOQ). These measures improved inventory turnover, reduced machine downtime, and enhanced overall production efficiency. The next phase will introduce Kanban methodology to further streamline inventory flow and reduce lead times across the supply chain.

Building on previous ERP advancements, we continued to enhance our SAP ERP landscape in 2025, with further improvements across production planning, procurement, and finance functions. Product classifications were restructured across packaging materials, MRO items, raw materials,

and purchased services, enabling improved spend visibility and more effective cost optimization. A new supplier performance evaluation framework covering cost, quality, and delivery was also implemented, strengthening internal controls and aligning operational performance with business objectives.

To enhance customer engagement and sales effectiveness, we initiated the Salesforce CRM program in 2025. This included detailed business workshops, solution design, system development, testing, and comprehensive user training, in preparation for a scheduled go-live in January 2026. The CRM platform



will enable improved reporting, stronger customer relationships, and greater sales effectiveness across all business units.

Our digital presence was further strengthened with the complete revamp of the RAK Porcelain and Kludi websites, delivering a modern design, improved navigation, and a more intuitive user experience. In parallel, we implemented Phase 1 of the Product Information Management (PIM) solution for RAK Porcelain and Kludi, establishing a centralized and structured product data foundation that will support future integrations with digital channels and accelerate time to market.

Product traceability and brand protection remained a key priority. An anti-counterfeit and traceability solution was implemented for Kludi and RAK Ceramics Sanitaryware, using QR codes on products and packaging to capture market, distributor, storage, and geographic information. This initiative strengthens authorized distribution enforcement and safeguards brand integrity. In addition, EAN-128 barcoding was implemented for

RAK Porcelain Europe, standardizing product identification across the supply chain and improving logistics and warehouse efficiency.

Operational excellence was further enhanced through automation and system integration. GPS pallet tracking in warehouses was upgraded with automated loading plans directly from SAP orders and integrated picklists on forklift tablets, reducing manual effort and accelerating order fulfillment. Robotic Process Automation (RPA) was expanded at Kludi for vendor Advanced Shipping Notice (ASN) processing and at RAK Ceramics for vendor invoice processing, significantly reducing manual intervention, minimizing errors, and improving processing efficiency.

We also continued to strengthen our global ERP footprint. SAP implementation for Kludi Egypt entered its final stages, providing an integrated platform for finance, procurement, inventory management, and sales operations. Additionally, SAP Project System was implemented to support the setup of our new plant in KSA, enabling end-to-end project planning, cost

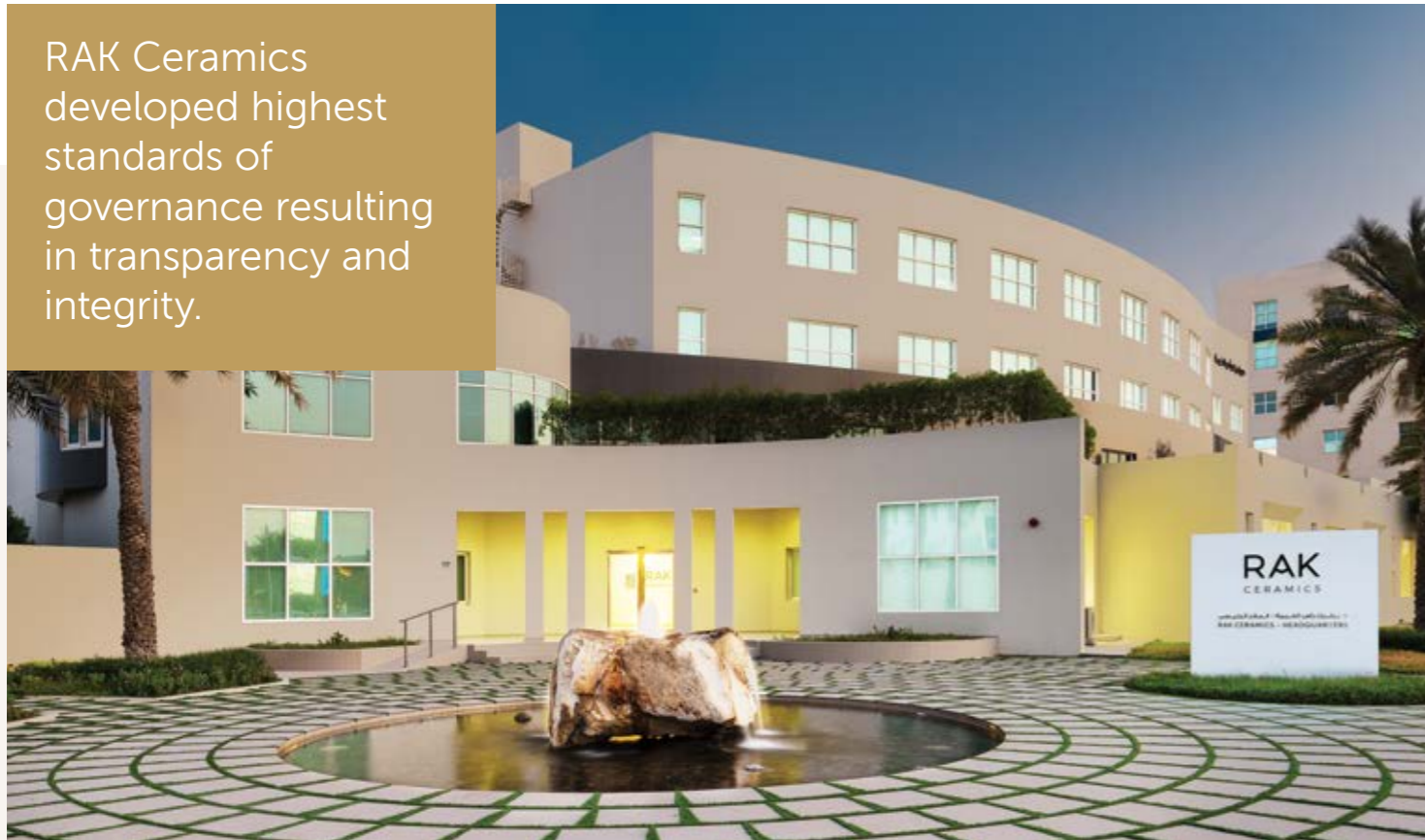
tracking, budgeting, and progress monitoring to ensure timely and cost-effective project delivery.

Information security and governance remained central to our IT strategy in 2025. We successfully upgraded our Information Security Management System to ISO 27001:2022, reinforcing data protection, risk management, and compliance with international standards. New security capabilities were introduced through Mobile Device Management (MDM) and Privileged Access Management (PAM), ensuring secure device control and restricted access to critical systems. A comprehensive Information Security Awareness Program was also launched to educate employees on cybersecurity risks such as phishing and social engineering, strengthening our overall security posture.

These initiatives show our continued commitment to leveraging technology to drive efficiency, resilience, customer satisfaction, and long-term sustainable growth across RAK Ceramics' global operations.

Corporate Governance

RAK Ceramics developed highest standards of governance resulting in transparency and integrity.



In the sphere of corporate governance, the year 2025 has been characterized by a steadfast commitment to elevating our standards and practices. Our paramount focus has been on ensuring continuous compliance with the laws of the United Arab Emirates, regulations governed by the Securities and Commodities Authority (SCA), the Abu Dhabi Securities Exchange (ADX), and our Company's Articles of Association (AoA). Throughout 2025, RAK Ceramics has undertaken comprehensive

initiatives to refine and fortify our governance framework. Noteworthy developments include the continuous enhancement of policies crucial to our ethical conduct, such as the Code of Conduct, Conflict of Interest, Whistleblower Policies, and Dividend Policy. Our dedication to governance excellence remains unwavering, and we aspire to foster a culture of transparency and integrity in all our interactions.

As part of our ongoing commitment, we encourage you to stay informed by exploring the detailed RAK

Ceramics 2025 Governance Report, which is available at www.corporate.rakceramics.com.

The report encapsulates our endeavors, achievements, and continuous strides towards governance excellence during the dynamic landscape of 2025.



FINANCIAL REVIEW

Directors' report	54
Independent auditors' report	58
Consolidated statement of profit or loss	63
Consolidated statement of profit or loss and other comprehensive income	64
Consolidated statement of financial position	65
Consolidated statement of cash flows	63
Consolidated statement of changes in equity	68
Notes to the consolidated financial statements	72

Report of the Board of Directors

On financial performance during the year ended 31 December 2025
11 February 2026

Dear Members,

It is our pleasure to present the business & operations report for the year ended 31 December 2025, along with the consolidated financial statements of RAK Ceramics PJSC, UAE (the "Group" or the "Company") as at 31 December 2025..

Snapshots for fourth quarter and year 2025

- **Group revenue:** Experienced an increase of 1.6% year-on-year (YoY) to AED 3.28 billion in FY 2025, primarily due to robust demand in the UAE which contributed to the top-line growth.
- **Gross profit margin:** Continued improvement by 190bps YoY to 39.1% in Q4 2025, while in FY 2025 improved by 70bps YoY to 40.0%.
- **Profit Before Tax:** Increased by 14.5% YoY to AED 94.0 million in Q4 2025, compared to AED 82.1 million in Q4 2024. FY 2025 Profit before tax increased by 19.9% YoY to AED 331.8 million.
- **EBITDA performance:** EBITDA increased by 1.0% YoY in Q4 2025 to AED 159.6 million, while in FY-2025 EBITDA increased 5.3% YoY to AED 623.6 million.
- **Financial health:** Net debt position stood at AED 1.49 billion in Q4 2025, increased by 7.1% compared to Q4 2024. The net debt to EBITDA ratio also increased from 2.35x in Q4 2024 to 2.40x in Q4 2025.
- **Dividend:** The Board of Directors proposed a dividend distribution of 10 fils per share (AED 99.3 million) for H2 2025.

Financial Highlights

RAK Ceramics delivered robust gross margins and healthy bottom-line growth in Q4 & FY 2025, despite ongoing market headwinds in certain geographies. Strong activity in the UAE real estate and construction sectors remained a key driver of top-line growth, supported by an increased contribution from higher-margin project business and premium product segments.

- In Q4 2025, total revenue came in at AED 856.4 million, down 1.7% YoY. In FY 2025, total revenue rose 1.6% YoY to AED 3.28 billion.
- In Q4 2025, Gross profit margin improved to 39.1% compared to 37.2% in the same quarter last year. Gross profit margin improved to 40.0% in FY 2025 compared to 39.3% in FY 2024.
- In Q4 2025, profit before tax jumped 14.5% YoY to AED 94.0 million. In FY 2025, profit before tax jumped 19.9% YoY to AED 331.8 million.
- In Q4 2025, net profit after tax rose 2.5% higher YoY to AED 65.8 million. In FY 2025, net profit after tax jumped by 6.2% to AED 248.5 million from AED 234.1 million in the year-before period.
- EBITDA rose 1.0% to AED 159.6 million in Q4 2025 from AED 158.1 million in the year before period. EBITDA rose by 5.3% to AED 623.6 million in FY 2025, from AED 592.2 million in the year-before period.
- EBITDA margins rose 0.5% to 18.6% in Q4 2025 from 18.1% in the same quarter last year. In FY 2025, EBITDA margins rose 0.7% YoY to 19.0%.
- Net debt position stood at AED 1.49 billion, up 7.1% YoY, due to higher capex spending mainly for upgradation of plants in the UAE. The net debt to EBITDA ratio also increased from 2.35x in Q4 2024 to 2.40x in Q4 2025.

	Quarterly Comparison					Yearly Comparison		
	Q4 24	Q3 25	Q4 25			FY 2024	FY 2025	
Amount in AED M	Amount	Amount	Amount	YoY Growth	QoQ Growth	Amount	Amount	Amount
Revenue	870.9	824.9	856.4	-1.7%	3.8%	3,232.0	3,284.6	1.6%
Gross margin (%)	37.2%	40.5%	39.1%	1.9%	-1.4%	39.3%	40.0%	0.7%
EBITDA	158.0	167.7	159.6	1.0%	-4.8%	592.2	623.6	5.3%
Profit before tax	82.1	86.6	94.0	14.5%	8.5%	276.6	331.8	19.9%
Profit after tax	64.2	67.5	65.8	2.5%	-2.5%	234.1	248.5	6.2%
Capital expenditure	50.8	59.4	58.2	14.6%	-2.0%	183.3	273.8	49.3%
Net debt	1394.2	1,638.3	1,493.8	7.1%	-8.8%	1,394.2	1,493.8	7.1%
Net debt / EBITDA	2.35x	2.63x	2.4x	1.7%	-9.0%	2.35x	2.4x	1.7%

Segmental performance highlights

- **Tiles segment:** FY 2025 delivered growth in tiles division in both volume and value, led by the UAE, the Middle East, Europe (Germany), and Bangladesh. Revenue from tiles division rose 1.9% to AED 1.89 billion in FY 2025 compared to AED 1.86 billion in FY 2024.
- **Sanitaryware segment:** Revenue was flat at AED 466.4 million in FY 2025 supported by sales in the UAE, Saudi Arabia and the Middle East.
- **Faucets segment (Kludi Group):** Revenue grew by 4.6% YoY to AED 465.2 million in FY 2025 driven by improved performance in Saudi Arabia, Europe, Asia and Africa. We remain committed to improving Kludi's operational performance and are progressing with our cost-optimization strategy, including relocating key EU production facilities to the UAE.
- **Tableware segment:** Delivered resilient performance, with revenue marginally lower by 1.4% YoY at AED 364.1 million in FY 2025. We are focusing on higher-margin channels such as airlines and premium hospitality projects. In October 2025, RAK Porcelain Group announced a strategic acquisition of Bankook Design Chambre S.L., the owner of the Cookplay brand, expanding its premium tableware portfolio and strengthening its presence in the European market.

Tiles & Sanitaryware market highlights

- The **UAE market** continued to outperform, driven by the tiles and sanitaryware segment, coupled with the strength in the real estate sector. Revenue in the UAE market jumped 13.4% in FY 2025 to AED 955.8 million. A greater share of project based business has contributed positively to both revenue and margin, with growing demand for large-format porcelain tiles.
- In **Saudi Arabia**, revenue declined by 17.7% in FY 2025 to AED 232.1 million as performance remained under pressure due to intense competition and an over supply of tiles from local producers. We are well positioned to meet market demand as the Saudi market is experiencing a decisive shift from Ceramic tiles to Porcelain tiles. Also, we are making steady progress on the Greenfield Tiles Project in Yanbu - expected completion by Q1 2027, to support long-term capacity and cost competitiveness.
- In **Europe**, revenue declined by 5.2% to AED 323.3 million in FY 2025, as demand stayed subdued amid macroeconomic headwinds across the retail and project sectors and intensified competition from regional players. Italy was further impacted by the withdrawal of renovation incentives; mitigation and turnaround initiatives have been initiated across Europe operations.

Report of the Board of Directors (contd.)

On financial performance during the year ended 31 December 2025
11 February 2026

- In **India**, revenue declined by 9.2% to AED 331.1 million in FY 2025, as the market experienced a cyclical slowdown during the year marked by limited domestic growth across the industry. We are strengthening our retail presence, including revamping of retail stores & own showrooms and expanding our dealer network.
- In **Bangladesh**, revenue increased by 5.0% to AED 220.5 million, as the market showed signs of recovery. We have initiated actions to regain market share through new product launches, competitive pricing, and stronger distribution channels. The formation of a new government following the national elections is expected to revive stalled public-sector projects, supporting revenue growth in FY 2026.
- In **Middle East**, revenue in FY 2025 rose 6.1% YoY to AED 128.3 million, driven by favorable market conditions.

Strategic Highlights

Upgradation projects

- The Company is developing state-of-the-art slab production facilities in the UAE, with one facility having commenced commercial production in July 2025 and another under development, expected to begin commercial production by end of February 2026.
- The Company is also upgrading the UAE sanitaryware facility by adopting energy-efficient technologies, expanding the product portfolio, and implementing initiatives to reduce carbon emissions in line with the sustainability objectives.

Design Excellence Spotlight

- In November 2025, RAK Ceramics kicked off a vibrant Dubai Design Week at the RAK Ceramics Design Hub in Dubai Design District, hosting Workshops that brought design enthusiasts together to explore patterns, textures, and creativity.
- In November 2025, RAK Ceramics participated in Saudi Build 2025 in Riyadh, highlighting its latest tiles, Sanitaryware and Faucets collections for the Saudi market.
- In December 2025, KLUDI concluded its participation at Big 5 Global 2025, in Dubai, UAE, engaging with industry professionals, clients, and partners while presenting its latest innovations and design-driven bathroom solutions.

Awards & Recognition

- In November 2025 in Dubai, KLUDI received the Design Middle East Award 2025 for Design Excellence in Bathroom Fittings, celebrating its commitment to innovation, precision engineering, and timeless design.
- In November 2025, RAK Ceramics was recognized at the MENA Green Building Awards 2025, for Sustainable Building Product of the Year - Indoor Air Quality for its porcelain and ceramic tiles, highlighting the brand's commitment to healthier indoor environments and sustainable building solutions.

Future Outlook

The management is encouraged by the progress achieved during the year, particularly in margin expansion, manufacturing efficiencies, and the strength of UAE operations. While near-term challenges persist in certain markets, the Company is actively executing targeted turnaround and growth initiatives across the portfolio. With a strong foundation, a clear strategic roadmap, and ongoing investments in capacity, innovation, and sustainability, the Company is well-positioned to deliver profitable growth and further strengthen the global footprint in the years ahead.

Financial Reporting

The consolidated financial statements 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



Chief Executive Officer

Independent auditors' report

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

Report on the audit of the consolidated
financial statements.

Opinion

We have audited the consolidated financial statements of R.A.K. Ceramics P.J.S.C. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), as applicable to audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the consolidated financial statements of public interest entities in the United Arab Emirates. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter (contd)

Valuation of Investment Properties

See note 16 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>The Group owns investment properties. Valuing these properties involves significant judgment, based on various assumptions and prevailing market conditions.</p> <p>Investment properties are measured at cost less accumulated depreciation and impairment, if any.</p> <p>The Group engages professionally qualified management appointed valuers to assess the value of its investment properties. This process of assessment of the value involves significant judgement in estimating the underlying assumptions to be applied.</p> <p>Considering the uncertainty surrounding the fair value of the Group's investment properties, management is required to carefully monitor the underlying assumptions, assess their impact on investment property values, and make significant estimates and judgments. Therefore, this area warrants focused attention, as any inaccuracies in determining investment properties value could materially affect their carrying value in the Group's consolidated financial statements.</p>	<ul style="list-style-type: none"> We have evaluated the qualifications of the management appointed valuers and read the terms of the engagement of the valuers with the Group, to determine whether there were any matters that might have affected their objectivity or limited the scope of their work; We involved our real estate valuation specialist, who on a sample basis, assessed valuation methodologies used in the valuation process and challenged assumptions used in the valuation by comparing them against historical rates and available industry data, taking into consideration comparability and market factors; We have assessed if there were any significant triggers during the audit period that would have a significant impact on the value of the investment properties; We have performed sensitivity analysis on the significant assumptions to evaluate the extent of the impact of changes in the key assumptions to the conclusions reached by management; and We assessed the adequacy of disclosures in the consolidated financial statements.

Emphasis of Matter - comparative information

We draw attention to Note 36 to the consolidated financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2024 has been restated. Our opinion is not modified in respect of this matter.

Other Matter relating to comparative information

The consolidated financial statements of Group as at and for the years ended 31 December 2024 and 31 December 2023 (from which the statement of financial position as at 1 January 2024 has been derived), excluding the adjustments described in Note 36 to the consolidated financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on 12 February 2025 and 8 February 2024 respectively.

As part of our audit of the consolidated financial statements as at and for the year ended 31 December 2025, we audited the adjustments described in Note 36 that were applied to restate the comparative information presented as at and for the year ended 31 December 2024, and the consolidated statement of financial position as at 1 January 2024. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the years ended 31 December 2024 or 31 December 2023 (not presented herein) or to the consolidated statement of financial position as at 1 January 2024, other than with respect to the adjustments described in Note 36 to the consolidated financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective consolidated financial statements taken as a whole. However, in our opinion, the adjustments described in Note 36 are appropriate and have been properly applied.

Independent auditors' report (contd.)

Other Information

Management is responsible for the other information. The other information comprises the information included in the Integrated Annual Report (including Directors' Report) but does not include the consolidated financial statements and our auditors' report thereon. We obtained the Directors' Report prior to the date of this auditors' report, and we expect to obtain the remaining sections of the Integrated Annual Report after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, as amended, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date

of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Decree Law No. 32 of 2021, as amended, we report that for the year ended 31 December 2025:

- I. we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- II. the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, as amended;
- III. the Group has maintained proper books of account;
- IV. the financial information included in the Directors' report is consistent with the books of account of the Group;
- V. as disclosed in note 14 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2025;
- VI. note 19 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;
- VII. based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2025 any of the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, as amended, or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2025; and
- VIII. note 7 to the consolidated financial statements discloses the social contributions made during the year ended 31 December 2025.

KPMG Lower Gulf Limited

Signed by:

Richard Ackland
Registration No.: 1015
Ras Al Khaimah, United Arab Emirates

12 February 2026

Consolidated statement of profit or loss

for the year ended 31 December 2025

	Notes	2025 AED'000	2024 AED'000
Revenue	5	3,284,582	3,232,019
Cost of sales	6	(1,971,843)	(1,962,271)
Gross profit		1,312,739	1,269,748
Administrative and general expenses	7	(261,643)	(233,785)
Selling and distribution expenses	8	(713,859)	(686,735)
Other operating income	9	120,404	84,422
Finance costs	10	(106,133)	(126,247)
Finance income	10	8,253	9,107
Loss on net monetary position	32	(3,461)	(7,038)
Share of (loss)/profit in equity accounted investees		636	(197)
Impairment loss	7(i)	(25,116)	(32,638)
Profit before tax		331,820	276,637
Tax Expenses	11	(83,297)	(42,555)
Profit for the year		248,523	234,082
Profit attributable to:			
Owners of the Company		243,716	221,094
Non-controlling interests		4,807	12,988
Profit for the year		248,523	234,082
Earnings per share - basic and diluted (AED)	12	0.245	0.222

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2025

	2025 AED'000	2024 AED'000
Profit for the year	248,523	234,082
Other comprehensive income		
Items that may be reclassified subsequently to (loss) or profit:		
Foreign exchange differences on translation of foreign operations	(68,816)	(29,152)
Cash flow hedges – effective portion of changes in fair value loss on hedging instruments	(6,282)	(1,095)
Cash flow hedges – effective portion of changes in fair value gain/ (loss) on hedging instruments- Reclassified to profit and loss	2,287	(5,044)
Effects of application of hyperinflation accounting (refer Note 32)	33,682	24,587
Total comprehensive income for the year	209,394	223,378
Total comprehensive income attributable to:		
Owners of the Company	207,346	217,257
Non-controlling interests	2,048	6,121
Total comprehensive income for the year	209,394	223,378

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of financial position

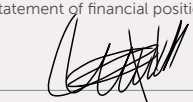
as at 31 December 2025

		31st December 2025	31st December 2024 (Restated)*
	Notes	2025 AED'000	2024 AED'000
Assets			
Non-current assets			
Property, plant and equipment	13	1,432,506	1,328,102
Goodwill	14	124,925	120,122
Right-of-use assets	15	103,849	111,064
Intangible assets		10,368	12,545
Investment properties	16	896,574	897,479
Investments in equity accounted investees		10,326	10,282
Long-term receivables	17	57,575	18,859
Derivative financial assets	20	241	1,938
Deferred tax assets	11	3,783	5,638
Total non-current assets		2,640,147	2,506,029
Current assets			
Inventories	18	1,444,232	1,355,912
Trade and other receivables*	17	968,013	993,734
Due from related parties	19	63,364	54,200
Derivative financial assets	20	1,363	4,799
Bank deposits with an original maturity of more than three months	21	855	838
Restricted cash	21	11,147	7,287
Cash and cash equivalents	21	184,094	194,484
Total current assets		2,673,068	2,611,254
Total assets		5,313,215	5,117,283
Equity and liabilities			
Capital and reserves			
Share capital	22	993,703	993,703
Reserves	22	1,250,609	1,242,004
Equity attributable to owners of the Company		2,244,312	2,235,707
Non-controlling interests	23	85,251	95,335
Total equity		2,329,563	2,331,042
Non-current liabilities			
Islamic bank financing	24a(ii)	299,318	248,225
Interest bearing bank financing	24b(ii)	531,365	636,689
Due to related parties	19	3,004	3,186
Provision for employees' end of service benefits	27	119,874	113,702
Government grants		3,449	4,086
Lease liabilities	25	80,807	89,157
Deferred tax liabilities	11	16,637	20,742
Total non-current liabilities		1,054,454	1,115,787
Current liabilities			
Islamic bank financing	24a(i)	236,844	218,631
Interest bearing bank financing	24b(i)	619,332	490,068
Trade and other payables	26	885,071	837,068
Government grants		402	426
Due to related parties	19	64,618	36,963
Derivative financial liabilities	20	1,539	390
Lease liabilities	25	37,386	37,117
Provision for taxation*	11	84,006	49,791
Total current liabilities		1,929,198	1,670,454
Total liabilities		2,983,652	2,786,241
Total equity and liabilities		5,313,215	5,117,283

To the best of our knowledge the consolidated financial statements present fairly in all respects, the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group as of, and periods presented therein.

* Refer Note 36 for restated balances including impact on opening statement of financial position as at 1 January 2024.


Chairman


Chief Executive Officer

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2025

	2025 AED'000	2024 AED'000
Operating activities		
Profit for the year before tax	331,820	276,637
Adjustments for:		
Share of (profit) /loss in equity accounted investees	(636)	197
Interest expense	66,012	73,483
Profit expense on Islamic financing	23,957	33,114
Interest income	(3,118)	(3,922)
Profit on wakala deposits	-	(141)
Interest expense on lease liabilities	8,893	8,294
Net change in fair value of derivative financial instruments	2,287	(5,044)
(Gain)/ loss on disposal of property, plant and equipment	(5,932)	621
Gain on disposal of investment properties	(6,067)	(3,627)
Depreciation on property, plant and equipment	163,484	152,292
Depreciation on investment properties	12,272	12,403
Reversal of impairment provision on investment property	(11,640)	-
Amortization of intangible assets	4,906	5,413
Depreciation of right-of-use assets	39,057	37,677
Provision for employees' end-of-service benefits	27,096	20,817
Loss on net monetary position	3,461	7,038
Allowance for slow moving inventories	32,795	32,584
Write down/ (back) of net realizable value of finished goods	19,119	(14,476)
Allowance for impairment loss on trade receivables	10,174	18,638
Allowance for impairment loss on other receivables	14,942	14,000
	732,882	665,998
Changes in:		
- inventories	(165,285)	(75,122)
- trade and other receivables (including long-term portion)	(41,809)	29,313
- due from related parties	(9,164)	1,534
- trade and other payables	33,165	19,363
- Government grants	-	4,512
- due to related parties	27,655	(7,976)
Income tax paid	(51,332)	(35,932)
Employees' end-of-service benefits paid	(24,492)	(25,367)
Net cash generated from operating activities	501,620	576,323

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (contd.)

for the year ended 31 December 2025

	2025 AED'000	2024 AED'000
Investing activities		
Additions to property, plant and equipment	(273,756)	(183,299)
Proceeds from disposal of property, plant and equipment	13,936	37,471
Proceeds from disposal of investment properties	15,547	6,315
Additions to intangible assets	(2,214)	(1,202)
Additions to investment property	(2,773)	(10,069)
Dividend received from equity accounted investees	596	604
Interest received	3,118	3,922
Profit received on Wakala deposits	-	141
Cash paid for acquisition of shares in a subsidiary	(4,311)	-
Additions on maturity of bank deposits with an original maturity of more than three months	(58,043)	(26,506)
Proceeds on maturity of bank deposits with an original maturity of more than three months	54,166	78,393
Net cash used in investing activities	(253,734)	(94,230)
Financing activities		
Long-term bank financing availed	98,572	318,605
Long-term bank financing repaid	(197,253)	(327,672)
Long-term Islamic bank financing availed	179,062	70,000
Long-term Islamic bank financing repaid	(118,900)	(126,063)
Short-term bank financing availed	1,136,750	1,011,700
Short-term bank financing repaid	(1,002,182)	(917,721)
Short-term Islamic bank financing availed	338,817	433,656
Short-term Islamic bank financing repaid	(329,673)	(524,810)
Cash paid for acquisition of further shares in subsidiary	-	(44,000)
Long term loans from related parties (repaid) / availed	(182)	1,023
Interest paid	(66,012)	(73,483)
Profit paid on Islamic bank financing	(23,957)	(33,114)
Repayment of lease liabilities	(43,520)	(44,729)
Dividend paid	(198,741)	(198,741)
Dividend paid to non-controlling interests	(12,132)	(18,345)
Net cash used in financing activities	(239,351)	(473,694)
Net decrease in cash and cash equivalents	2,928	8,399
Cash and cash equivalents at the beginning of the year	129,050	112,264
Foreign exchange difference on cash and cash equivalents	(4,780)	8,387
Net cash and cash equivalents at the end of the year	127,198	129,050
Represented by:		
Cash and cash equivalents (refer Note 21)	184,094	194,484
Bank overdraft (refer Note 24b(i))	(56,896)	(65,434)
	127,198	129,050

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2025

	Attributable to owners of the Company					Attributable to owners of the Company							Total equity AED'000
	Reserves					Reserves							
	Share Capital AED'000	Share premium AED'000	Legal reserve AED'000	Translation reserve AED'000	Hyper- inflation reserve AED'000	Hedging reserve AED'000	Other reserve AED'000	Retained earnings AED'000	Total reserves AED'000	Total AED'000	Non- controlling interests (NCI) AED'000		
Balance at 31 December 2024	993,703	165,000	496,852	(203,683)	(153,419)	5,599	131,707	799,948	1,242,004	2,235,707	95,335	2,331,042	
Total comprehensive income/(loss) for the year													
Profit for the year	-	-	-	-	-	-	-	243,716	243,716	243,716	4,807	248,523	
Other comprehensive income/(loss)													
Foreign exchange differences on translation of foreign operations	-	-	-	(27,297)	(38,760)	-	-	-	(66,057)	(66,057)	(2,759)	(68,816)	
Changes in cash flow hedges	-	-	-	-	-	(3,995)	-	-	(3,995)	(3,995)	-	(3,995)	
Effects of application of IAS 29 (refer note 32)	-	-	-	-	33,682	-	-	-	33,682	33,682	-	33,682	
Total comprehensive income/(loss) for the year	-	-	-	(27,297)	(5,078)	(3,995)	-	243,716	207,346	207,346	2,048	209,394	
Other equity movements													
Transaction with owners													
Dividend paid (refer Note 22 (vii))	-	-	-	-	-	-	-	(198,741)	(198,741)	(198,741)	-	(198,741)	
Dividend paid to NCI	-	-	-	-	-	-	-	-	-	-	(12,132)	(12,132)	
Balance at 31 December 2025	993,703	165,000	496,852	(230,980)	(158,497)	1,604	131,707	844,923	1,250,609	2,244,312	85,251	2,329,563	

* The hyperinflation reserve comprises 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.

* Other reserves - Refer note 22(vii)

The accompanying notes form an integral part of these consolidated financial statements.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (contd.)

for the year ended 31 December 2025

	Attributable to owners of the Company					Attributable to owners of the Company					Non-controlling interests (NCI) AED'000	Total equity AED'000	
	Reserves					Reserves							
	Share Capital AED'000	Share premium AED'000	Legal reserve AED'000	Translation reserve AED'000	Hyper-inflation reserve AED'000	Hedging reserve AED'000	General reserve AED'000	Other reserve AED'000	Retained earnings AED'000	Total reserves AED'000	Total AED'000		
Balance at 31 December 2023	993,703	165,000	579,112	(196,569)	(162,835)	11,738	82,805	131,707	629,594	1,240,552	2,234,255	134,495	2,368,750
Total comprehensive income/(loss) for the year													
Profit for the year	-	-	-	-	-	-	-	-	221,094	221,094	221,094	12,988	234,082
Other comprehensive income/(loss)													
Foreign exchange differences on translation of foreign operations	-	-	-	(7,114)	(15,171)	-	-	-	-	(22,285)	(22,285)	(6,867)	(29,152)
Changes in cash flow hedges	-	-	-	-	-	(6,139)	-	-	-	(6,139)	(6,139)	-	(6,139)
Effects of application of IAS 29 (refer Note 32)	-	-	-	-	24,587	-	-	-	-	24,587	24,587	-	24,587
Total comprehensive income/(loss) for the year	-	-	-	(7,114)	9,416	(6,139)	-	-	221,094	217,257	217,257	6,121	223,378
Other equity movements													
Transfer to retained earnings (refer note 22(iii) & (vi))	-	-	(82,260)	-	-	-	(82,805)	-	-	165,065	-	-	-
Transaction with owners													
Dividend paid (refer Note 22(viii))	-	-	-	-	-	-	-	-	(198,741)	(198,741)	(198,741)	-	(198,741)
Dividend paid to NCI	-	-	-	-	-	-	-	-	-	-	-	(18,345)	(18,345)
Acquisition of NCI (refer note 30)	-	-	-	-	-	-	-	-	(17,064)	(17,064)	(17,064)	(26,936)	(44,000)
Balance at 31 December 2024	993,703	165,000	496,852	(203,683)	(153,419)	5,599	-	131,707	799,948	1,242,004	2,235,707	95,335	2,331,042

* The hyperinflation reserve comprises 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.

* Other reserves - Refer note 22(vii)

The accompanying notes form an integral part of these consolidated financial statements.

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2025

1. GENERAL INFORMATION

R.A.K. Ceramics P.J.S.C. (the "Company" or the "Holding Company") was incorporated under Emiri Decree No. 6/89 dated 26 March 1989 as a limited liability company in the Emirate of Ras Al Khaimah, UAE. Subsequently, under Emiri Decree No. 9/91 dated 6 July 1991, the legal status of the Company was changed to Public Shareholding Company. The registered address of the Company is P.O. Box 4714, Al Jazeerah Al Hamra City, Ras Al Khaimah, United Arab Emirates. The Company undertakes business and operations under the Industrial License number 20 issued by the Ras Al Khaimah Economic Zone (RAKEZ) under the Government of Ras Al Khaimah, UAE. The Company is listed on Abu Dhabi Securities Exchange, UAE.

These consolidated financial statements as at and for the year ended 31 December 2025 comprise the financial statements of the Company and its subsidiaries (collectively referred to as "the Group" and individually as "the Group entities") and the Group's interest in equity accounted investees. The Group's subsidiaries and equity accounted investees, their principal activities and the Group's interest have been disclosed in Note 36 to these consolidated financial statements.

The principal activities of the Group are manufacturing and sale of a variety of ceramic products including tiles, bathroom sets, sanitary wares, table wares and faucets. The Company and certain entities in the Group are also engaged in investing in other entities, in the UAE or globally, that undertake similar or ancillary activities. Accordingly, the Company also acts as a Holding Company of the Group entities. The Group is also engaged in contracting and other industrial manufacturing activities.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS ACCOUNTING STANDARDS")

2.1 New and revised IFRS Accounting Standards applied by the Group

In the current financial period, 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 2025. 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.

- 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.
- 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).

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 2025.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

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).
- Annual Improvements to IFRS Accounting Standards – Volume 11 (effective on or after 1 January 2026)

IFRS 1: Hedge accounting by a first-time adopter

IFRS 7: Gain or loss on de-recognition

IFRS 7: Disclosure of deferred difference between fair value and transaction price

IFRS 7: Credit risk disclosures

IFRS 9: Lessee de-recognition of lease liabilities

IFRS 9: Transaction price

IFRS 10: Determination of a 'de facto agent'

IAS 7: Cost method

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

3. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") and comply with the Articles of Association of the Company as well as the UAE Federal Law No. (32) of 2021 (as amended) and Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("UAE CT Law"). Details of the Group's accounting policies are included in Note 4.

(b) Basis of measurement

These consolidated financial statements have been prepared using the historical cost convention except for certain financial instruments which are carried at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of consideration given in exchange for goods and services.

(c) Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the functional currency of the Company. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

(d) Use of estimates and judgments

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors which are considered to be relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed by the management on an ongoing basis. Revisions to estimates are recognized prospectively.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in Note 37.

(e) Measurement of fair values

Fair value is the price that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); or
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

3. BASIS OF PREPARATION (CONTD.)

(e) Measurement of fair values (Continued)

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(f) Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and the Group entities controlled by the Company (its Subsidiaries) made up to 31 December each year.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and consolidated statement of other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

3. BASIS OF PREPARATION

(f) Basis of consolidation (Continued)

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognized in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests are the present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS Accounting Standards.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if those interests were disposed of.

(b) Goodwill

Goodwill is not amortized but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. A deferred tax liability is recognized where applicable on the carrying value of goodwill recognized in a period prior to the inception of a tax regime.

(c) Interests in equity accounted investees

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(c) Interests in equity accounted investees (continued)

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate or a joint venture is recognized initially in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(d) Hyperinflation

The financial statements of subsidiary companies whose functional currency is the currency of a hyperinflationary economy are adjusted for inflation in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies, prior to their translation to AED for its consolidation into the consolidated financial statements. Amounts shown for prior years for comparative purposes are not restated at consolidation level as the presentation currency of the Group is not that of a hyperinflationary economy. On consolidation, the effect of price changes in the prior periods on the financial statements of the subsidiary is recognized in other comprehensive income and presented in the hyperinflation reserve in equity.

The financial statements of subsidiaries whose functional currency is the currency of a hyperinflationary economy are adjusted to reflect the changes in purchasing power of the local currency, such that all items in the statement of financial position not expressed in current terms (non-monetary items) are restated by applying a general price index at the reporting date and all income and expenses are restated quarterly by applying appropriate conversion factors. The difference from initial adjusted amounts is taken to profit or loss.

When a functional currency of a subsidiary ceases to be hyperinflationary, the Group discontinues hyperinflation accounting in accordance with IAS 29 for annual periods ending on or after the date that the economy is identified as being non-hyperinflationary. The amounts expressed in the measuring unit current at the end of the last period in which IAS 29 was applied are used as the basis for the carrying amounts in subsequent financial statements.

To determine the existence or cessation of hyperinflation, the Group assesses the qualitative characteristics of the economic environment of the country, such as the trends in inflation rates over the preceding 36 months to the reporting date.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Foreign currencies

In preparing the financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in a foreign exchange translation reserve. Foreign currency translation differences pertaining to hyperinflationary economies are recorded in the hyperinflation reserve in equity.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate. Exchange differences arising at the time of translation are recognized in other comprehensive income.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Financial instruments

Financial assets and financial liabilities are recognized in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All regular purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method resulting in any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

For financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Financial instruments (continued)

Amortized cost and effective interest method (continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses'.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECL) on other receivables, due from related parties and trade receivables as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group estimates impairment allowances using the general or simplified approach. Under the general approach, the Group applies a three-stage approach to estimate allowance for credit losses, using an expected credit loss approach as required under IFRS 9, for the financial assets that are not measured at FVTPL or FVTOCI. Financial assets migrate through three stages based on the change in credit risk since initial recognition.

The three stage ECL model is based on the change in credit quality of financial assets since initial recognition:

- Under Stage 1, where there has not been a significant increase in credit risk since initial recognition, an amount equal to 12 months ECL will be recorded.
- Under Stage 2, where there has been a significant increase in credit risk since initial recognition but the financial instruments are not considered as credit impaired, an amount equal to the default probability-weighted lifetime ECL will be recorded.
- Under the Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments are classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets.

ECLs under the general approach, are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Under the simplified approach, the Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Impairment allowances are always measured at an amount equal to lifetime ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group always recognizes lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including the time value of money where appropriate.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Financial instruments (continued)

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Financial instruments (continued)

In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract. The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Financial instruments (continued)

De-recognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, hedges of certain interest rate and commodity derivatives as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationship meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) and interest rate swap contracts as the hedging instrument for all of its hedging relationships involving forward/interest rate swap contracts.

The Group designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognized in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis – the Group applies straight-line amortization. Those reclassified amounts are recognized in profit or loss in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognized non-financial item. Furthermore, if the Group expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Fair value hedges

The fair value change on qualifying hedging instruments is recognized in profit or loss.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss.

Where hedging gains or losses are recognized in profit or loss, they are recognized in the same line as the hedged item.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Financial instruments (continued)

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other gains and losses'.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognized in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate, foreign exchange rate and commodity price risks, including foreign exchange forward contracts, options and interest rate swaps.

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortized cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Financial instruments (continued)

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Group generally designates the whole hybrid contract at FVTPL.

An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realized or settled within 12 months.

Financial liabilities and equity

Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

De-recognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(g) Property, plant and equipment

Recognition and measurement

Items of property plant and equipment (except land and capital work in progress) are measured at cost less accumulated depreciation and identified impairment losses (see accounting policy on impairment), if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use; and
- capitalized borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognized in the profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property at its carrying value at the time of reclassification considering that the accounting policy for investment property is the 'Cost Model' in accordance with IAS 40.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment (except land and capital work in progress) less their estimated residual values using the straight-line method over their estimated useful lives. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated. The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

	life (years)
Buildings	20-35
Plant and equipment	4-15
Vehicles	3-10
Furniture and fixtures	3-10
Office equipment	2-10
Roads and asphaltting	5-10

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Capital work in progress

Capital work in progress is stated at cost less impairment, if any, until the construction is completed. Upon completion of construction, the cost of such assets together with the cost directly attributable to construction, including capitalized borrowing costs are transferred to the respective class of asset. No depreciation is charged on capital work in progress.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Intangible assets

Recognition and measurement

Other intangible asset, which are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and identified impairment losses, if any. Trademarks are initially measured at the purchase cost and are amortized on a straight-line basis over their estimated lives.

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives of 5 to 15 years from the date that they are available for use, and is generally recognized in profit or loss. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or rendering services or for administrative purposes.

Investment properties are accounted for using the "Cost Model" under IAS 40 "Investment Property" and is stated at cost less accumulated depreciation and impairment losses, if any. Depreciation of buildings is charged over its estimated useful life of 20 to 35 years. Investment properties are individually tested for impairment, at least annually, based on their prevailing fair market values. Any impairment of the carrying value is charged to profit or loss.

Cost includes expenditure which is directly attributable to the acquisition of the investment property. The cost of self-constructed investment properties includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use, and capitalized borrowing costs.

The cost of investment properties acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets, comprises the fair value of the asset received or asset given up. If the fair value of the asset received and asset given up can be measured reliably, the fair value of the asset given up is used to measure cost, unless the fair value of the asset received is more clearly evident. Any gain or loss on disposal of investment properties (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

When the use of properties changes such that it is reclassified as property, plant and equipment or inventory, the transfer is effected at the carrying value of such property at the date of reclassification.

(k) Leases

At inception of the contract, the Group assesses whether a contract is or contains a lease. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(k) Leases (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using an unchanged discount rate. If the change in lease payments is due to a change in a floating interest rate, then the discount rate is also revised.
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy. As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(k) Leases (continued)

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

(l) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(m) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment or more frequently if there are indicators that goodwill might be impaired. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually or whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(m) Impairment of non-financial assets (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognized for the asset in prior years.

(n) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

UAE national employees of the Group in the UAE are members of the Government-managed retirement pension and social security benefit scheme pursuant to U.A.E. labour law no. 7 of 1999. The Group is required to contribute 12.5% of the "contribution calculation salary" of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% and 2.5% of the "contribution calculation salary" respectively, to the scheme. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to profit or loss.

Annual leave and leave passage

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year. Employees may apply for leave in advance. The amount payable to employees at the commencement of their approved leave is recognized as a current liability.

Terminal benefits

The provision for staff terminal benefits is based on the liability which would arise if the employment of all staff was terminated at the reporting date and is calculated in accordance with the provisions of UAE Federal Labour Law and the relevant local laws applicable to overseas subsidiaries. Management considers these as long-term obligations and accordingly they are classified as long-term liabilities.

(o) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, if it is virtually certain that such reimbursement will be received and the amount of the receivable can be measured reliably, a receivable is recognized as an asset.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(p) Assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate, that will be disposed of is classified as held for sale when the criteria described above are met. The Group then ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

(q) Revenue

The Group recognizes revenue mainly from the sale of goods consisting of tiles, sanitary wares, tableware, faucets and related items. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer.

For sales of goods to the wholesale market, revenue is recognized when control of the goods has transferred, to the customer in accordance with the relevant terms agreed with the customer.

Similarly, for sales to retail customers, revenue is recognized in accordance with the terms agreed with the customers. Payment of the transaction price is due immediately at the point the customer purchases the goods.

The Group has a right to recover the product when customers exercise their right of return. Consequently, the Group recognizes a right to return goods asset and a corresponding adjustment to cost of sales. The Group uses its past experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognized will not occur given the consistent level of returns over previous years.

Rendering of services

Revenue is recognized as services are provided. Invoices for services are issued when the Group provides services and are payable in accordance with the credit terms or agreements.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(q) Revenue (Continued)

Dividend income

Dividend income is recognized in profit or loss on the date that the Group's right to receive the payment is established.

(r) Finance income and finance costs

Finance income comprises interest income on bank deposits, profit on wakala deposits and amount due from related parties. Finance income is recognized in profit or loss as it accrues, using the effective interest rate method.

Finance cost comprises interest expense on bank borrowings, profit expense on Islamic financing and bank charges. All finance costs are recognized in profit or loss using the effective interest rate method. However, borrowing costs which are directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the cost of that asset.

A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether the foreign currency movements are in a net gain or net loss position.

(s) Tax

The income tax expense represents the sum of the tax on current year income and current year deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognized for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(s) Tax (Continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Zakat

In respect of operations in certain subsidiaries, zakat is provided in accordance with relevant fiscal regulations. Zakat is recognized in profit or loss except to the extent it relates to items recognized directly in equity, in which case it is recognized in equity.

The provision for zakat is charged to profit or loss. Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which the assessment is finalized.

(t) Basic and diluted earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

(u) Segment reporting

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.

(v) Government grants

Government grants are accounted for when there is reasonable assurance that the Group can comply with the conditions attached to the grant and the grant will be received. Government grants are recognized as deferred income and are systematically amortized to the income statement over the useful life of the underlying asset.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

5. REVENUE

	2025 AED'000	2024 AED'000
Sale of goods	3,279,323	3,228,135
Others	5,259	3,884
	3,284,582	3,232,019

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

(a) Disaggregation of revenue by geographical markets

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers.

2025	Ceramic Products AED'000	Faucets AED'000	Other Industrial AED'000	Others AED'000	Total AED'000
United Arab Emirates	1,073,082	143,926	32,037	36,863	1,285,908
Europe	456,629	256,831	-	-	713,460
India	331,119	-	-	8,222	339,341
Saudi Arabia	232,105	7,207	-	-	239,312
Bangladesh	220,473	-	-	1,997	222,470
Other Middle East Countries*	162,987	18,076	-	-	181,063
Other countries**	250,061	38,935	7,000	7,032	303,028
	2,726,456	464,975	39,037	54,114	3,284,582

2024	Ceramic Products AED'000	Faucets AED'000	Other Industrial AED'000	Others AED'000	Total AED'000
United Arab Emirates	994,367	131,888	70,186	1,595	1,198,036
Europe	462,382	187,886	-	-	650,268
India	364,747	-	-	-	364,747
Saudi Arabia	282,047	5,550	-	-	287,597
Bangladesh	209,904	-	-	2,231	212,135
Other Middle East Countries*	154,974	28,265	-	-	183,239
Other countries**	266,027	63,912	6,000	58	335,997
	2,734,448	417,501	76,186	3,884	3,232,019

*Mainly includes Lebanon, Oman, Qatar, and Kuwait.

**Mainly includes African countries and other Asian countries.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

6. COST OF SALES

	2025 AED'000	2024 AED'000
Raw materials consumed	990,167	1,006,216
Direct labor	276,072	276,315
Power and fuel	136,696	132,365
Depreciation on property, plant and equipment (refer Note 13)	132,498	120,971
Repairs and maintenance	124,916	111,456
LPG and natural gas	122,954	120,569
Packing material	96,681	95,322
Allowance for slow moving inventories – (refer Note 18)	32,795	32,584
Insurance	6,140	6,593
Clearing charges on trading goods	3,299	4,535
Amortization of intangible assets	884	1,083
Depreciation of right-of-use assets (refer Note 15)	550	1,648
Hire charges on machinery & equipment	292	2,187
Change in inventory of finished goods	(17,643)	(6,708)
Other Costs	65,542	57,135
	1,971,843	1,962,271

7. ADMINISTRATIVE AND GENERAL EXPENSES

	2025 AED'000	2024 AED'000
Staff salaries and other associated costs	126,850	111,498
Legal and professional fees	19,850	14,225
Information technology licenses and consultancy expenses	18,849	12,332
Depreciation on property, plant and equipment (refer Note 13)	12,374	14,256
Depreciation on investment properties (refer Note 16)	12,272	12,403
Repairs and maintenance	8,228	8,152
Telephone, postal and office supplies	6,254	6,126
Utility expenses	6,099	5,362
Expenses on investment properties (refer Note 16(iii))	5,778	6,743
Amortization of intangible assets	4,021	4,330
Insurance	3,913	2,781
Directors' remuneration	3,700	3,700
Rent charges	3,359	2,394
Security charges	1,769	1,645
Vehicles and equipment hire charges	1,412	868
Social contribution expenses	1,115	682
Travelling expense	1,057	2,180
Depreciation of right-of-use assets (refer Note 15)	732	686
Loss on disposal of property, plant and equipment	41	621
Other Administrative expenses	23,970	22,801
	261,643	233,785

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

7(i). IMPAIRMENT LOSS/(REVERSAL)

	2025 AED'000	2024 AED'000
Impairment loss on trade receivables (refer Note 17)	10,174	22,638
Reversal of impairment loss on trade receivables (refer note 17)	-	(4,000)
Impairment loss on other receivables (refer Note 17)	14,942	14,000
	25,116	32,638

8. SELLING AND DISTRIBUTION EXPENSES

	2025 AED'000	2024 AED'000
Staff salaries and other associated costs	258,578	232,909
Freight, duty and transportation	234,477	246,086
Advertisement and promotion	74,525	71,629
Depreciation of right-of-use assets (refer Note 15)	37,776	35,343
Agents' commission	31,233	25,846
Depreciation on property, plant and equipment (refer Note 13)	18,612	17,065
Travel and entertainment	8,074	7,166
Rental expenses	4,858	5,300
Postal, courier charge and stationary	4,710	3,124
Consultancy and outsourcing Charges	3,586	3,266
Repairs, maintenance and consumables	3,523	3,314
Vehicle maintenance	3,265	2,816
Royalty	1,850	2,029
Product Development and Innovation	1,179	808
Testing and certification charges	923	849
Other selling expenses	26,690	29,185
	713,859	686,735

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

9. OTHER OPERATING INCOME

	2025 AED'000	2024 AED'000
Rental income from investment properties (refer Note 16(iii))	44,825	47,400
Provisions written back*	35,919	27
Reversal of impairment on land	11,640	-
Gain on disposal of investment properties	6,067	3,627
Gain on disposal of property, plant and equipment	5,973	-
Sale of scrap and miscellaneous items	4,364	7,736
Discounts earned on purchases and freight	4,327	8,557
Insurance claims	735	1,416
Lease rental for property plant & equipment	647	1,238
Duty draw back and subsidy received	337	618
Other miscellaneous income	5,570	13,803
	120,404	84,422

* During the year group reviewed its outstanding liabilities and identified certain balances for which management does not expect any further outflows of economic benefits. Accordingly these liabilities have been written back.

10. FINANCE COSTS AND INCOME

	2025 AED'000	2024 AED'000
Finance costs		
Interest on bank financing	65,722	73,181
Profit expense on Islamic financing	23,957	33,114
Interest expense on lease liabilities (refer Note 15)	8,893	8,294
Bank charges	4,984	4,038
Net change in the fair value of derivatives	2,287	-
Interest on amount due to related parties (refer Note 19 (B))	290	302
Net foreign exchange loss	-	7,318
Total (A)	106,133	126,247
Finance Income		
Profit on wakala deposits	-	141
Interest on bank deposits	3,118	3,922
Net change in the fair value of derivatives	-	5,044
Net foreign exchange gain	5,135	-
Total (B)	8,253	9,107
Net finance costs (A-B)	97,880	117,140

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

11. INCOME TAXES

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 operations after making adjustments for certain disallowable expenses, exempt income and investment and other allowances.

	2025 AED'000	2024 AED'000
Current tax		
In respect of corporate income tax	51,974	51,513
In respect of DMTT	23,797	-
Deferred tax		
(Reversal) / origination of temporary tax differences during the year	7,526	(8,958)
Tax expense for the year	83,297	42,555
Tax assets/liabilities:		
Provision for tax (refer note 36)	84,006	49,791
Deferred tax liabilities	16,637	20,742
Deferred tax assets	3,783	5,638

Movements of Net deferred tax

	2025 AED'000	2024 AED'000
Net deferred tax liability balance at the beginning of the year	15,104	23,932
Reversal for the year	(2,250)	(8,828)
Net deferred tax liability balance at the end of the year	12,854	15,104

Reconciliation of effective tax rate

	2025 AED'000	2024 AED'000
Profit before tax from continuing operation	331,820	276,640
Tax using the Company's domestic tax rate*	9.8% 45,967	10.20% 34,900
Effect of tax rates in foreign jurisdiction**	- 13,533	- 7,660
Current tax expense related to global minimum top up tax	5.07% 23,797	- -
Effective tax rate	25.10% 83,297	15.38% 42,560

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

* Tax rate is inclusive of deferred tax.

** Tax is payable in foreign jurisdictions even where losses are incurred in certain locations, in accordance with local tax laws and the effective tax rate on foreign jurisdiction constitute 9.24% in current year (2024: 10.66%).

"Effective 1 January 2025, the UAE introduced the Domestic Minimum Top-up Tax (DMTT) as part of the implementation of the OECD's Pillar Two global tax framework. The Group falls within the scope of the DMTT regime based on the applicable revenue threshold and has recognized additional current income tax expense to ensure compliance with the 15% global minimum effective tax rate (ETR) requirement."

For the year ended 31 December 2025, the Group recognized an amount of AED 23.79 million in current income tax expense relating to the DMTT, specifically for UAE-based subsidiaries. The inclusion of DMTT has contributed to an increase in the consolidated effective tax rate (ETR), which is 25.10% for the year ended December 2025 (2024: 15.38%). Excluding the impact of DMTT, the underlying ETR is 17.89%.

The International Tax Reforms under Pillar Two Model Rules apply in certain jurisdictions where the Group operates. The UAE Domestic Top-up Tax of 15% on qualifying multi-national companies in the UAE applied effective from 1 January 2025.

The Group had recognized a deferred tax expense of AED 7.6 million towards recognition of a deferred tax liability on the purchase price allocation adjustments on a corporate transaction completed in a prior accounting period, as required by IFRS Accounting Standards, considering the UAE Corporate Tax and applicability of Global Minimum Tax of 15% in the UAE.

12. EARNINGS PER SHARE

	2025 AED'000	2024 AED'000
Profit attributable to the owners of the Company (AED'000)	243,716	221,094
Weighted average number of ordinary shares ('000s)	993,703	993,703
Basic and diluted earnings per share (AED)	0.245	0.222

There was no dilution effect on the basic earnings per share as the Company does not have any outstanding share commitments as at the reporting date.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings AED'000	Plant and equipment AED'000	Vehicles AED'000	Furniture and fixtures AED'000	Office equipment AED'000	Road and asphaltting AED'000	Capital work in progress AED'000	Total AED'000
Cost								
Balance at 1 January 2024	829,950	2,729,303	54,875	165,459	83,252	31,729	171,179	4,065,747
Hyperinflation impact (refer Note 32)	-	168,486	3,070	565	579	1,695	-	174,395
Additions during the year	5,948	24,754	2,198	10,741	5,610	1,955	132,093	183,299
Transfer from capital work in progress	24,594	185,600	386	4,370	1,586	33	(216,569)	-
Transfer to investment properties	-	-	-	-	-	-	(1,830)	(1,830)
Disposals/write offs	(31,484)	(47,418)	(2,367)	(5,500)	(2,376)	-	(14,716)	(103,861)
Effect of movements in exchange rates	(15,838)	(153,086)	(2,195)	(5,686)	(2,038)	(1,280)	(3,238)	(183,361)
Balance at 31 December 2024	813,170	2,907,639	55,967	169,949	86,613	34,132	66,919	4,134,389
Balance at 1 January 2025	813,170	2,907,639	55,967	169,949	86,613	34,132	66,919	4,134,389
Hyperinflation impact (refer Note 32)	-	276,154	5,012	1,038	988	2,781	(27)	285,946
Additions during the year	15,321	18,082	2,516	6,747	4,406	3	226,847	273,756
Transfer from capital work in progress	13,966	140,650	84	3,568	2,057	-	(160,491)	-
Disposals/write offs	(35)	(71,080)	(2,244)	(3,783)	(2,685)	-	-	(79,827)
Effect of movements in exchange rates	12,310	(236,716)	(3,965)	11,306	1,298	(2,620)	(2,748)	(221,135)
Balance at 31 December 2025	854,732	3,034,729	57,370	188,825	92,677	34,296	130,500	4,393,129
Accumulated depreciation and impairment								
Balance at 1 January 2024	384,616	2,043,374	43,717	142,901	74,918	21,477	-	2,711,003
Hyperinflation impact (refer Note 32)	-	160,691	3,070	498	477	1,591	-	166,327
Charge for the year	28,704	105,770	3,058	8,295	5,350	1,115	-	152,292
Disposals/write offs	(19,911)	(36,637)	(2,113)	(4,818)	(2,290)	-	-	(65,769)
Effect of movements in exchange rates	(6,121)	(141,083)	(2,895)	(4,814)	(1,563)	(1,090)	-	(157,566)
Balance at 31 December 2024	387,288	2,132,115	44,837	142,062	76,892	23,093	-	2,806,287
Balance at 1 January 2025	387,288	2,132,115	44,837	142,062	76,892	23,093	-	2,806,287
Hyperinflation impact (refer Note 32)	-	264,851	5,012	946	852	2,641	-	274,302
Charge for the year	31,412	113,976	3,354	8,423	5,260	1,059	-	163,484
Disposals/write offs	(2,907)	(62,033)	(1,651)	(2,635)	(2,597)	-	-	(71,823)
Effect of movements in exchange rates	2,548	(218,270)	(4,138)	9,486	1,206	(2,459)	-	(211,627)
Balance at 31 December 2025	418,341	2,230,639	47,414	158,282	81,613	24,334	-	2,960,623
Carrying amount								
31 December 2025	436,391	804,090	9,956	30,543	11,064	9,962	130,500	1,432,506
31 December 2024	425,882	775,524	11,130	27,887	9,721	11,039	66,919	1,328,102

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

13. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

The depreciation charge has been allocated as follows:

	2025 AED'000	2024 AED'000
Cost of sales (refer Note 6)	132,498	120,971
Administrative and general expenses (refer Note 7)	12,374	14,256
Selling and distribution expenses (refer Note 8)	18,612	17,065
	163,484	152,292

Property Plant & Equipment and Vehicles aggregating to AED 130.0 million (2024: AED 130.5 million) have been pledged as security in favor of certain banks against facilities obtained by the Group (refer Note 24 (b)(ii)).

(i) Land and buildings

Certain of the Group's factory buildings are constructed on plots of land measuring 46,634,931 sq.ft. which were received without cost from the Government of Ras Al Khaimah under an Emiri Decree.

(ii) Capital work-in-progress

Capital work in progress mainly comprises building structures under construction and heavy equipment, machinery and software under installation.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

14. GOODWILL

	2025 AED'000	2024 AED'000
Balance as at 1 January	120,122	120,135
Goodwill recognized during the year	4,462	-
Add: effect of movements in exchange rate	341	(13)
Balance as at 31 December	124,925	120,122

As at 31 December 2025, Goodwill comprises AED 50.4 million, AED 5.5 million, AED 6.0 million, AED 58.5 million, AED 4.5 million recognized on acquisition of Ceramin FZ LLC, UAE, distribution entities in UK, Italy, Saudi Arabia and newly acquired entity, Bankook Design in Spain respectively.

During the current year, the Group has recognized goodwill of AED 4.5 million on the acquisition of Bankook Design Chambre S.L Spain, by the Group's subsidiary, RAK Porcelain Luxembourg for a purchase consideration of AED 4.3 million.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

During the current year, management carried out impairment tests based on the "value in use" method of goodwill recognized on the acquisition of subsidiaries. These calculations were based on cash flow projections using forecasted operating results of the respective cash generating units. The key assumptions used to determine the values were as follows:

	2025	2024
Discount rate	12%-14%	12%-14%
Average annual growth rate	3%	3%
Terminal value growth rate	1%	1%
Years of forecast	5 years	5 years

The discount rate is a weighted average cost of capital that includes pre-tax equity rates measured based on the rate of 20-year US treasury bond, adjusted for country, market, size, company specific risks, etc. to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU and post tax rate to debt.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years.

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the cash generating units to which goodwill is allocated. Management believes that a reasonably possible change in key assumptions would not cause the carrying amount to exceed the recoverable amount.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

15. RIGHTS-OF-USE-ASSETS

	Properties AED'000	Vehicles AED'000	Total AED'000
Cost			
Balance at 1 January 2024	187,729	27,200	214,929
Additions during the year	63,598	2,420	66,018
Termination	(14,622)	(73)	(14,695)
Effects of movements in exchange rate	(3,706)	(463)	(4,169)
Balance at 31 December 2024	232,999	29,084	262,083
Balance at 1 January 2025	232,999	29,084	262,083
Additions during the year	24,124	3,676	27,800
Deletions	(9,209)	(317)	(9,526)
Effects of movements in exchange rate	6,605	864	7,469
Balance at 31 December 2025	254,519	33,307	287,827
Accumulated depreciation			
Balance at 1 January 2024	107,142	20,155	127,297
Charge for the year	35,296	2,381	37,677
Termination	(10,675)	(59)	(10,734)
Effects of movements in exchange rate	(2,719)	(502)	(3,221)
Balance at 31 December 2024	129,044	21,975	151,019
Balance at 1 January 2025	129,044	21,975	151,019
Charge for the year	36,688	2,369	39,058
Termination	(8,190)	(82)	(8,272)
Effects of movements in exchange rate	1,883	290	2,173
Balance at 31 December 2025	159,425	24,552	183,978
Carrying amount			
31 December 2025	95,094	8,755	103,849
31 December 2024	103,955	7,109	111,064

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

15. RIGHTS-OF-USE-ASSETS (CONTD.)

The depreciation charge has been allocated as follows:

	2025 AED'000	2024 AED'000
Cost of sales (refer Note 6)	550	1,648
Administrative and general expenses (refer Note 7)	732	686
Selling and distribution expenses (refer Note 8)	37,775	35,343
	39,057	37,677

The Group leases several assets including showrooms and vehicles. The average lease term is 2-5 years. The maturity analysis of lease liabilities is disclosed in Note 25.

Amounts recognized in the consolidated statement of profit or loss:

	2025 AED'000	2024 AED'000
Depreciation of right-of-use assets	39,057	37,677
Expenses relating to short-term leases / low value assets (Refer Note 7 & 8)	9,059	7,694
Interest expense on lease liabilities	8,893	8,294

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

16. INVESTMENT PROPERTIES

	2025 AED'000	2024 AED'000
Cost		
Balance at 1 January	1,307,498	1,290,485
Hyperinflation impact (refer Note 32)	61,676	37,816
Additions during the year	2,773	10,069
Disposal during the year	(26,253)	(4,263)
Effect of movement in exchange rates	(56,284)	(26,609)
Balance at 31 December	1,289,410	1,307,498
Accumulated depreciation and impairment		
Balance at 1 January	410,019	389,743
Hyperinflation impact (refer Note 32)	49,996	29,446
Charge for the year (refer Note 7)	12,202	12,403
Reversal of impairment*	(11,640)	-
Disposal during the year	(22,380)	(1,575)
Effect of movement in exchange rates	(45,361)	(19,998)
Balance at 31 December	392,836	410,019
Carrying amount – at 31 December	896,574	897,479
Fair value – at 31 December	1,126,636	1,094,829

(i) Investment properties comprise land and buildings that are located in the UAE, Bangladesh, Lebanon and Iran.

(ii) The investment properties are geographically located as below:

December	Inside UAE		Outside UAE			Total
	2025	2024	2025	2024	2025	2024
AED'000						
Land						
Net book value	708,840	697,144	15,085	15,440	723,925	712,593
Fair value	708,840	698,000	18,464	18,643	727,304	716,643
Building						
Net book value	162,896	174,825	9,753	10,070	172,649	184,895
Fair value	377,707	352,833	21,625	25,353	399,332	378,186
Total Net book value	871,736	871,969	24,838	25,510	896,574	897,479
Total Fair value	1,086,547	1,050,833	40,089	43,996	1,126,636	1,094,829

*In prior years, an impairment of AED 202.2 million was recognised in respect of a plot of land in UAE. During the current year, an impairment reversal of AED 11.6 million was recognised based on an independent external valuation, who assessed the market value at AED 245 per square foot (2024: AED 241 per square foot).

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

16. INVESTMENT PROPERTIES (CONTD.)

(iii) During the year ended 31 December 2025, the Group earned rental income amounting to AED 44.8 million (2024: AED 47.4 million) from its investment properties (refer Note 9) and direct operating expenses incurred on these investment properties amounted to AED 5.8 million (2024: AED 6.7 million) (refer Note 7).

An independent valuation of the fair value of all the Group's properties is undertaken annually. The fair value of the Group's investment properties at 31 December 2025 was determined based on valuations performed by professionally qualified valuers. The valuation was performed in accordance with the RICS valuation standards, adopting the IFRS basis of fair value and using established valuation techniques. The valuer has appropriate qualifications and recent experience in the valuation of properties in the location and category of the property being valued. The fair values of various investment properties have been determined by using Comparable Method or Income Capitalization Method.

The fair values of the investment properties, determined through Income Capitalisation Method incorporates analysis of the income cash flow achievable for the buildings and takes into account the projected annual expenditure. Both the contracted rent and estimated rental values have been considered in the valuation with allowances for running costs, vacancy rates and other costs.

The fair value of the properties, determined using the comparable method, incorporates key observable inputs, including market prices from similar transaction.

The fair value as at 31 December 2025 was AED 1,126.6 million (2024: AED 1,094.8 million).

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 is their current use.

Any significant movement in the assumptions used for the fair valuation of investment properties such as market price per sq. ft, discount rates, yield, rental growth, vacancy rate etc. would result in increase / decrease in fair value of those assets.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

17. TRADE AND OTHER RECEIVABLES

	2025 AED'000	2024 AED'000
Trade receivables	887,228	924,937
Less: Allowance for expected credit loss	(123,017)	(153,167)
Subtotal (A)	764,211	771,770
Other receivables (refer note 36)	129,154	164,552
Less: Allowance for expected credit loss	(96,368)	(83,213)
Subtotal (B)	32,786	81,339
Advances and prepayments (C)	138,755	112,252
Deposits (D)	32,261	28,373
Total (A+B+C+D)	968,013	993,734

Trade receivables amounting to AED 138.3 million (2024: AED 163.4 million) are subject to a charge in favor of banks against facilities obtained by the Group (refer Note 24(b)(ii)).

No interest is charged on outstanding trade receivables.

The Group has assessed the recoverability of the remaining other receivables and, based on historical experience and current information, does not consider these balances to be impaired.

Other receivables include receivables due from a Sudanese Group AED 53.0 million which are fully provided. The remaining balance of other receivables are considered recoverable.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a loss rate by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Long-term receivables

	2025 AED'000	2024 AED'000
Trade receivables	107,978	71,554
Less: Allowance for expected credit loss	(28,017)	(5,883)
	79,961	65,671
Less : current portion included in trade receivables	(24,670)	(50,572)
Long-term trade receivables (A)	55,291	15,099
Other receivables	2,284	3,760
Long-term other receivables (B)	2,284	3,760
Long-term receivables (A+B)	57,575	18,859

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

17. TRADE AND OTHER RECEIVABLES (CONTD.)

Expected credit loss assessment for trade receivables

The following table provides information about the exposure to credit risk and the loss allowance for trade receivables (including long-term portion) as at 31 December 2025.

	Weighted average loss rate %	Gross carrying amount AED'000	Loss allowance AED'000	Credit impaired
Current (not past due)	1.8%	547,990	(9,681)	No
1 – 90 days past due	3.2%	176,537	(5,634)	No
91 – 180 days past due	13.2%	43,885	(5,780)	No
181 – 360 days past due	31.3%	43,470	(13,592)	Yes
More than 360 days past due	73.3%	158,654	(116,347)	Yes
	15.6%	970,536	(151,034)	

Loss rates are based on actual credit loss experience over the past years and are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Scalar factors are based on GDP forecasts and industry outlook.

The following table provides information about the exposure to credit risk and the loss allowance for trade receivables as at 31 December 2024.

	Weighted average loss rate %	Gross carrying amount AED'000	Loss allowance AED'000	Credit impaired
Current (not past due)	1.9%	497,990	(9,551)	No
1 – 90 days past due	3.2%	197,927	(6,259)	No
91 – 180 days past due	16.6%	43,631	(7,255)	No
181 – 360 days past due	34.9%	24,765	(8,647)	Yes
More than 360 days past due	70.1%	181,606	(127,338)	Yes
	16.8%	945,919	(159,050)	

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

17. TRADE AND OTHER RECEIVABLES (CONTD.)

Impairment losses

The movement in the allowance for expected credit loss of trade receivables is as follows:

	2025 AED'000	2024 AED'000
At 1 January	159,050	175,305
Charge during the year (refer Note 7(i))	10,174	22,638
Written off during the year	(17,990)	(34,615)
Reversal during the year	-	(4,000)
Effect of movements in exchange rate	(200)	(278)
At 31 December	151,034	159,050

The movement in the allowance for expected credit loss on other receivables, including non-current other receivables, is as follows:

	2025 AED'000	2024 AED'000
At 1 January	83,213	105,588
Charge during the year (refer Note 7(i))	14,942	14,000
Written off during the year	(1,787)	(36,375)
At 31 December	96,368	83,213

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

18. INVENTORIES

	2025 AED'000	2024 AED'000
Finished goods (net of net realizable value adjustments)	1,029,513	955,862
Less : Allowance for slow-moving inventories	(133,834)	(136,220)
Subtotal (A)	895,679	819,642
Raw materials	238,738	233,887
Stores and spares	332,188	305,908
	570,926	539,795
Less : Allowance for slow-moving inventories	(109,386)	(93,981)
Subtotal (B)	461,540	445,814
Goods-in-transit (C)	34,068	34,257
Work-in-progress (D)	52,945	56,199
Total (A+B+C+D)	1,444,232	1,355,912

At 31 December 2025, the Group has recognized a cumulative loss due to write-down of finished goods inventories of AED 119.4 million against cost of AED 408.9 million (2024: AED 138.5 million against cost of AED 387.2 million) to bring finished goods to net realizable value which was lower than the cost. The difference in write down of AED 19.1 million (2024: AED 14.5 million) is included in cost of sales in the consolidated statement of profit or loss with a currency loss of AED 0.9 million for the year (2024: AED 0.3 million).

Inventories amounting to AED 181.1 million (2024: AED 205.8 million) have been pledged as security in favor of certain banks against facilities obtained by the Group (refer Note 24 (b)(ii)).

The movement in allowance for slow moving inventories is as follows:

	2025 AED'000	2024 AED'000
As at 1 January	230,201	251,262
Add: charge for the year (refer Note 6)	32,795	32,548
Less: written off	(19,991)	(50,124)
Effect of movements in exchange rates	215	(3,485)
As at 31 December	243,220	230,201

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

19. RELATED PARTIES

The transactions of the Group with its related parties are at arm's length. The related parties include equity accounted investees and the parties where the members of the board or key management personnel have interest. The significant transactions entered into by the Group with related parties during the year, other than those disclosed elsewhere in these consolidated financial statements are as follows:

Transactions with related parties

	2025 AED'000	2024 AED'000
A) Equity accounted investees		
Sale of goods and services and construction contracts	2,908	5,855
Royalty	372	450
B) Other related parties		
Sale of goods and services and construction contracts	127,656	74,688
Purchase of goods and rendering of services	148,205	137,618
Interest expenses (refer Note 10)	290	302
Rental income	3,544	3,626

Key management personnel compensation

The remuneration of Directors and other key management personnel of the Company during the year was as follows:

	2025 AED'000	2024 AED'000
Short-term benefits	11,717	13,054
Staff terminal benefits	234	235
Board of Directors' remuneration	3,700	3,700

Due from related parties

Based on their review of these outstanding balances, Management is of the view that the existing provision is sufficient to cover any likely credit losses.

	2025 AED'000	2024 AED'000
Equity accounted investees	6,178	2,298
Other related parties	61,725	55,165
	67,903	57,463
Less : Allowance for expected credit loss	(4,539)	(3,263)
	63,364	54,200

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

19. RELATED PARTIES (CONTD.)

Due from related parties

The movement in the allowance for ECL on amounts due from related parties is as follows:

	2025 AED'000	2024 AED'000
At 1 January	3,263	1,637
Addition during the year	1,276	2,000
Written off during the year	-	(374)
At 31 December	4,539	3,263

Due to related parties

	2025 AED'000	2024 AED'000
Long-term loan		
Other related parties	3,004	3,186
	3,004	3,186

The above loan carries interest rate in the range of 9.20% - 9.40% per annum and is repayable by 2030.

Current Liabilities

	2025 AED'000	2024 AED'000
Other related parties	64,618	36,963
	64,618	36,963

Carrying amount of due to related parties subject to supplier

	2025 AED'000	2024 AED'000
Presented within due to related parties	60,556	34,695
- of which supplier has received the payment from the bank	48,620	23,140

Range of payment due dates

	2025	2024
Due to related parties subject to supplier finance arrangement (days after invoice date)	140-150	110-120

*In order to ensure easy access to credit for its suppliers, the Group has entered into reverse factoring arrangements. Due to related parties include AED 60.5 million (31 December 2024: AED 34.6 million) owed under this arrangement.

In order to facilitate efficient payment processing as well as facilitating payment to suppliers, the Group participates in a supplier finance arrangement under which its suppliers elect to receive early payment of their invoices from the bank. The bank agrees to pay the underlying amount to the suppliers and the Group pays the bank at an agreed date later. This arrangement does not result in any material extension of initially agreed payment term with the suppliers. All payables under this arrangement are classified due to related parties at the balance sheet date as payment to the supplier by the banks does not release the Group from its legal liability to the suppliers.

The Group has not derecognized the original due to related parties relating to the arrangement because neither a legal release was obtained nor was the original liability substantially modified on entering into the arrangement.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

19. RELATED PARTIES (CONTD.)

Due from related parties

The movement in the allowance for ECL on amounts due from related parties is as follows:

	2025 AED'000	2024 AED'000
At 1 January	3,263	1,637
Addition during the year	1,276	2,000
Written off during the year	-	(374)
At 31 December	4,539	3,263

Due to related parties

Long-term loan

	2025 AED'000	2024 AED'000
Other related parties	3,004	3,186
	3,004	3,186

The above loan carries interest rate in the range of 9.20% - 9.40% per annum and is repayable by 2030.

Current Liabilities

	2025 AED'000	2024 AED'000
Other related parties	64,618	36,963
	64,618	36,963

Carrying amount of due to related parties subject to supplier

	2025 AED'000	2024 AED'000
Presented within due to related parties	60,556	34,695
- of which supplier has received the payment from the bank	48,620	23,140

Range of payment due dates

Due to related parties subject to supplier finance arrangement (days after invoice date)	140-150	110-120
--	---------	---------

*In order to ensure easy access to credit for its suppliers, the Group has entered into reverse factoring arrangements. Due to related parties include AED 60.5 million (31 December 2024: AED 34.6 million) owed under this arrangement.

In order to facilitate efficient payment processing as well as facilitating payment to suppliers, the Group participates in a supplier finance arrangement under which its suppliers elect to receive early payment of their invoices from the bank. The bank agrees to pay the underlying amount to the suppliers and the Group pays the bank at an agreed date later. This arrangement does not result in any material extension of initially agreed payment term with the suppliers. All payables under this arrangement are classified due to related parties at the balance sheet date as payment to the supplier by the banks does not release the Group from its legal liability to the suppliers.

The Group has not derecognized the original due to related parties relating to the arrangement because neither a legal release was obtained nor was the original liability substantially modified on entering into the arrangement.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

20. DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments for risk management purposes. The Group classified interest rate swaps 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.

	2025 AED'000	2024 AED'000
Non-current		
Derivative financial assets		
Interest rate swaps used for hedging	241	1,938
	241	1,938
Current		
Derivative financial assets		
Interest rate swaps used for hedging	1,363	3,661
Forward exchange contracts / options	-	1,138
	1,363	4,799
Current		
Derivative financial liabilities		
Forward exchange contracts	1,539	-
Other currency and interest rate swaps	-	390
	1,539	390

21. BANK BALANCES AND CASH

	2025 AED'000	2024 AED'000
Cash in hand	1,140	3,221
Cash at bank		
- in bank deposits with maturity less than three months	-	113
- in current accounts	179,874	185,252
- in call accounts	3,263	6,081
	184,277	194,667
Cash and cash equivalents (excluding allowance for expected credit loss)	184,277	194,667
Less : Allowance for expected credit loss (refer Note 7 (ii))	(183)	(183)
Cash and cash equivalents (A)	184,094	194,484
Bank deposits with an original maturity of more than three months (B)	855	838
Deposits under lien-restricted cash (C)	11,147	7,287
Bank balances and cash (A+B)	196,096	202,609

Cash in hand and cash at bank includes AED 0.3 million (2024: AED 0.4 million) and AED 91.9 million (2024: AED 83.9 million) respectively, held outside the UAE.

All fixed deposits carry interest at commercial rates. Bank deposits with an original maturity of more than three months include AED 3.9 million (2024: AED 1.2 million) and less than three months include AED 4.2 million (2024: AED 2.5 million) which are held by bank under lien against bank facilities availed by the Group (refer Note 26 (b) (ii)). Current accounts and margin deposits are non-interest bearing accounts.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

22. CAPITAL AND RESERVES

(i) Share capital

	2025 AED'000	2024 AED'000
Authorized, 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
Total	993,703	993,703

The holders of ordinary shares are entitled to receive dividends declared and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

(ii) Legal reserve

In accordance with the Articles of Association of the Company and certain subsidiaries ("the entities") of the Group and the provisions of UAE Federal Law No. (32) of 2021, 10% of the net profit for the year of the listed entity in the UAE and 5% of the net profit for the year of limited liability entities in the UAE to which the law is applicable, has been transferred to a statutory reserve. Such transfers may be discontinued when the reserve equals 50% of the paid-up share capital of these entities. This reserve is non-distributable except in certain circumstances as permitted by the abovementioned Law. The consolidated legal reserve reflects transfers made post acquisition for applicable subsidiaries. At the Annual General Meeting (AGM) held on 26 March 2024, the shareholders approved to transfer the excess of Legal Reserve over 50% of the Share Capital, AED 82.3 million to Retained Earnings.

(iii) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of monetary items that form part of the Group's net investment in foreign operations, except for the translation difference of the subsidiary in Iran which is included in hyperinflation reserve. At 31 December 2025 and 2024, the translation reserve reflected a negative, balance indicating that cumulative losses in the account exceeded cumulative gains.

(iv) Hyperinflation reserve

The hyperinflation reserve comprises all 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 current inflation index in accordance with IAS 29.

	AED'000
As at 31 December 2023	(162,835)
For the year 2024	
Foreign currency translation differences	(15,171)
Hyperinflation effect (refer Note 32) – gain	24,587
As at 31 December 2024	(153,419)
For the year 2025	
Foreign currency translation differences	(38,760)
Hyperinflation effect (refer Note 32) – gain	33,682
As at 31 December 2025	(158,497)

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

22. CAPITAL AND RESERVES (CONTD.)

(v) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows or items affect profit or loss.

(vi) General reserve

At the Annual General Meeting (AGM) held on 26 March 2024, the shareholders approved to transfer the entire balance of General Reserve amounting to AED 82.8 million to Retained Earnings.

(vii) Other reserve

Other reserve includes:

- the Group's share in the share premium of its subsidiary in Bangladesh amounting to AED 56.7 million. The subsidiary completed an initial public offering in the year 2011 and subsequently issued shares at a premium. While the parent did not subscribe to any shares, it is legally entitled to its proportionate share of the subsidiary's share premium reserve
- an amount of AED 75.0 million (2024: AED 75.0 million) which represents the Group's share of retained earnings capitalised by certain subsidiaries through issuance of bonus shares to the parent from time to time. The capital reserve is non-distributable.

(viii) Dividend

Below are the details of dividend distribution:

- During the current year, the Group paid an annual dividend of 10 fils per share (AED 99,370.5 thousand) in respect of the year ended 2024 and an interim dividend of 10 fils per share (AED 99,370.5 thousand) for the current year, resulting in a total dividend distribution of 20 fils per share amounting to AED 198,741 thousand.
- During year ended 2024, the Group paid an annual dividend of 10 fils per share (AED 99,370.5 thousand) in respect of the year ended 2023 and an interim dividend of 10 fils per share (AED 99,370.5 thousand) for the year ended 2024, resulting in a total dividend distribution of 20 fils per share amounting to AED 198,741 thousand.

The Board of Directors have proposed a final dividend distribution of 10 fils per share (AED 99,370.5 thousand) for the second half of the year 2025, which will be submitted for the approval of shareholders at the Annual General Meeting on 17 March 2026.

(ix) Directors' remuneration

At the Annual General Meeting (AGM) held on 24 March 2025, the shareholders approved the Directors' remuneration amounting to AED 3,700 thousand for the year ended 31 December 2024, (for the year ended 31 December 2023, approved AED 3,700 thousand; paid in 2024.(Refer note 7).

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

23. NON-CONTROLLING INTERESTS

The following summarizes the information relating to the non-controlling interests in the Group.

	RAK Ceramics (Bangladesh) PLC		Others (India & UAE)		Elimination		Total	
	AED'000				AED'000			
	2025	2024	2025	2024	2025	2024	2025	2024
Non-current assets	127,273	138,711	69,552	108,943			196,825	247,654
Current assets	207,388	348,065	139,849	132,768			347,237	480,833
Non-current liabilities	(9,194)	(15,045)	(36,995)	(48,231)			(46,189)	(63,276)
Current liabilities	(135,092)	(251,590)	(91,967)	(106,789)			(227,059)	(358,379)
Net assets	190,375	220,141	80,439	86,691			270,814	306,832
NCI Percentage	31.87%	31.87%	12%-53%	12%-53%				
Net assets attributable to NCI	60,673	70,518	38,474	39,857	(13,896)	(15,040)	85,251	95,335
Revenue	222,221	212,135	249,789	238,912			472,010	451,047
(Loss)/profit	(11,933)	(869)	16,457	24,115			4,524	23,246
NCI Percentage	31.87%	31.87%	12%-53%	12%-53%				
(Loss)/profit allocated to NCI	(3,803)	(277)	8,610	13,265			4,807	12,988
Dividend distributed to NCI	4,182	4,565	7,950	13,780			12,132	18,345
Net cash generated from operating activities	13,102	13,016	18,723	24,378			31,825	37,394
Net cash used in investing activities	(6,294)	(14,333)	1,392	(33,562)			(4,902)	(47,895)
Net cash used in financing activities	(10,166)	(4,893)	(14,156)	6,232			(24,322)	1,339

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

24. BANK FINANCING ARRANGEMENTS

(a) Islamic bank financing

	2025 AED'000	2024 AED'000
(i) Short-term		
Mudaraba facilities (A)	61,643	65,827
Commodity Murabaha facilities (B)	49,576	36,248
Current portion of long-term financing (refer Note 24 (a)(iii))	125,625	116,556
	236,844	218,631
(ii) Long-term - Islamic bank financing		
Mudaraba facilities(A)	288,333	197,292
Commodity Murabaha facilities (B)	84,804	73,711
Ijarah facilities (C)	51,806	93,778
Less : current portion of long-term financing (refer Note 24 (a)(i))	(125,625)	(116,556)
	299,318	248,225
Movement:		
Balance as at 1 January	364,781	420,844
Availed during the year	179,062	70,000
Less : repaid during the year	(118,900)	(126,063)
Balance as at end of the year	424,944	364,781
Less : current portion included in short-term (refer Note 24 (a)(i))	(125,625)	(116,556)
	299,318	248,225

The terms and conditions of outstanding long-term Mudaraba, Commodity Murabaha and Ijarah facilities:

Currency	2025	2024	2025	2024
	Profit range	Profit range	AED'000	AED'000
USD	2.70% - 4.00%	2.70% - 4.00%	51,806	105,654
AED	2.3% - 5.3%	1.75% - 6.60%	341,455	232,234
EURO	2.7% - 3.3%	2.80% - 3.00%	31,683	26,893
			424,944	364,781

The terms and conditions of outstanding short-term Mudaraba and Commodity Murabaha facilities:

Currency	2025	2024	2025	2024
	Profit range	Profit range	AED'000	AED'000
AED	4.6% - 4.7%	5.60% - 5.90%	25,000	25,000
EURO	2.8% - 3.5%	3.40% - 4.50%	86,219	77,075
			111,219	102,075

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

24. BANK FINANCING ARRANGEMENTS (CONTD.)

(a) Islamic bank financing (Continued)

Islamic financings represent facilities such as Mudaraba, Murabaha and Ijarah facilities obtained from Banks. These financings are denominated either in the functional currency of the Company, USD (a currency to which the functional currency of the Company is currently pegged) or in Euro. The long-term Commodity Murabaha facilities mature up to 2031.

The financing is secured by:

- pari passu rights among each other;
- assignment of a blanket insurance policy of certain Group entities in favour of the bank; and
- a promissory note for AED 1,018.0 million (2024: AED 1,038.0 million)

(A) Mudaraba is a mode of Islamic financing where a contract is entered into by two parties whereby one party (Bank) provides funds to another party (the Group) who then invest in an activity deploying its experience and expertise for a specific pre-agreed share in the resultant profit.

(B) In Murabaha Islamic financing, a contract is entered into between two parties whereby one party (Bank) purchases an asset and sells it to another party (the Group), on a deferred payment basis at a pre-agreed profit.

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

(b) Interest bearing bank financing

	2025 AED'000	2024 AED'000
(i) Short-term		
Bank overdraft	56,896	65,434
Short-term bank loan	366,002	234,844
Current portion of long-term financing (refer Note 26 (b)(ii))	196,434	189,790
	619,332	490,068
(ii) Long-term bank loans		
Opening	826,480	835,547
Availed during the year	98,572	318,605
Less : repaid during the year	(197,253)	(327,673)
Balance as at end of the year	727,799	826,480
Less : current portion of long-term financing (refer Note 26 (b)(i))	(196,434)	(189,790)
	531,365	636,689

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

24. BANK FINANCING ARRANGEMENTS (CONTD.)

(b) Interest bearing bank financing (Continued)

(ii) Long-term bank loans (Continued)

The terms and conditions of outstanding long-term loans are as follows:

Currency	2025	2024	2025	2024
	Interest Range	Interest Range	AED'000	AED'000
AED	4.80% - 5.30%	4.8% - 6.0%	252,710	295,004
USD	1.7% - 5.10 %	2.2% - 6.6%	438,896	482,054
INR	8.2% - 8.90%	9.2% - 10.0%	21,923	31,286
BDT	12.9%-15.1%	12.4% - 14.6%	14,094	17,216
EUR	7.3% - 7.4%	4.8% - 5.3%	176	420
HUF	0.5% - 1.0%	0.5% - 1.0%	-	500
			727,799	826,480

The terms and conditions of outstanding short-term loans are as follows:

Currency	2025	2024	2025	2024
	Interest Range	Interest Range	AED'000	AED'000
AED	5.3% - 5.9%	5.3% - 5.9%	143,829	94,751
USD	5.7% - 7.9%	5.7% - 7.9%	23,685	17,792
INR	8.3% - 10.9%	8.3% - 10.9%	72,923	58,603
BDT	12.4% - 14.6%	12.4% - 14.6%	28,759	22,864
EUR	3.6% - 6.9%	3.6% - 6.9%	153,702	105,668
HUF	0.5% - 1.0%	0.5% - 1.0%	-	600
			422,898	300,278

The Group has obtained long-term and short-term interest bearing bank facilities from various banks for financing the acquisition of assets, project financing or to meet its working capital requirements. Rates of interest on the above bank loans are based on normal commercial rates. The long-term bank loans mature up to 2031.

These bank borrowings are secured by:

- pari passu rights among each other;
- a promissory note for AED 3,763.0 million (2024: AED 2,466.0 million);
- assignment of a blanket insurance policy of certain Group entities in favor of the bank;
- hypothecation of inventories and assignment of receivables of certain Group entities (refer Notes 18 and 17) respectively.
- fixed deposits held under lien (refer Note 21).
- hypothecation of Property Plant & Equipment and Vehicle of certain Group entities (refer Notes 13).

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

25. LEASE LIABILITY

	2025	2024
	AED'000	AED'000
Analysed as:		
Non-current	80,807	89,157
Current	37,386	37,117
Total	118,193	126,274

Maturity analysis

	2025	2024
	AED'000	AED'000
As at 1 January	126,274	100,650
Addition during the year	26,546	62,059
Repayments during the year	(43,520)	(44,729)
Interest on lease liability (refer note 10)	8,893	8,294
As at 31 December	118,193	126,274

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

26. TRADE AND OTHER PAYABLES

	2025 AED'000	2024 (Restated) AED'000
Trade payables*	352,821	361,963
Accrued and other expenses	308,745	278,059
Advance from customers	75,041	84,828
Commission payable	59,670	53,992
Other payables (refer note 36)	88,794	58,226
Total	885,071	837,068

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The carrying amount of trade payables approximates their fair value.

27. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	2025 AED'000	2024 AED'000
As at 1 January	113,702	118,453
Charge for the year	27,096	20,817
Payments made during the year	(24,492)	(25,367)
Effect of movements in exchange rate	3,568	(201)
As at 31 December	119,874	113,702

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

28. CONTINGENT LIABILITIES AND COMMITMENTS

	2025 AED'000	2024 AED'000
Contingent liabilities		
Letters of guarantee	66,531	53,954
Letters of credit	27,465	67,628
Value added tax and other tax contingencies	56,370	34,374
Commitments		
Capital commitments	185,091	168,145

In some jurisdictions, the tax returns for certain years have not been reviewed by the tax authorities and there are unresolved disputed corporate tax assessments and VAT claims by the authorities. However, the Group's management believes that adequate provisions have been made for potential tax contingencies.

29. OPERATING LEASES

As lessor

Certain investment properties are leased to third parties under operating leases agreements. The leases typically run for a period of more than five years, with an option to renew the lease after that date. Lease rentals are usually reviewed periodically to reflect market rentals.

Maturity analysis

	2025 AED'000	2024 AED'000
Less than one year	8,760	10,106
One to two years	7,773	8,558
Two to three years	7,500	7,500
Three to four years	7,500	7,500
Four to five years	625	8,125
	32,158	41,789

30. ACQUISITION OF NCI

During the year 2024, the Group acquired the remaining 8% shareholding in one subsidiary, RAK Porcelain LLC, UAE, for a consideration of AED 44.0 million thus increasing the shareholding to 100%. Accordingly, the Group has recognized:

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

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

31. 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
31 December 2025									
Financial assets measured at fair value									
Interest rate swaps used for hedging	1,604	-	-	-	1,604	-	1,604	-	1,604
Other Currency and Interest Rate Swap	-	-	-	-	-	-	-	-	-
	1,604	-	-	-	1,604	-	1,604	-	1,604
Financial assets measured at amortised cost									
Long-term receivables	-	-	57,575	-	57,575	-	-	-	-
Trade and other receivables	-	-	829,258	-	829,258	-	-	-	-
Due from related parties	-	-	63,364	-	63,364	-	-	-	-
Bank balances and cash	-	-	196,096	-	196,096	-	-	-	-
	-	-	1,146,293	-	1,146,293	-	-	-	-
Financial liabilities measured at fair value									
Forward exchange contracts / Options	-	1,539	-	-	1,539	-	1,539	-	1,539
	-	1,539	-	-	1,539	-	1,539	-	1,539
Financial liabilities measured at amortized cost									
Islamic bank financing	-	-	-	536,162	536,162	-	-	-	-
Interest bearing bank financing	-	-	-	1,150,697	1,150,697	-	-	-	-
Long Term Loan due to related party	-	-	-	3,004	3,004	-	-	-	-
Trade and other payables	-	-	-	810,030	810,030	-	-	-	-
Due to related parties	-	-	-	64,618	64,618	-	-	-	-
Lease liabilities	-	-	-	118,193	118,193	-	-	-	-
	-	-	-	2,682,704	2,682,704	-	-	-	-

*FVTPL: fair value through profit or loss

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

31. FINANCIAL INSTRUMENTS (CONTD.)

Accounting classifications and fair values (continued)

	Carrying value			Fair value					
	Fair value hedging instruments AED'000	Financial assets 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
31 December 2024									
Financial assets measured at fair value									
Interest rate swaps used for hedging	5,599	-	-	-	5,599	-	5,599	-	5,599
Other Currency and Interest Rate Swap	-	1,138	-	-	1,138	-	1,138	-	1,138
	5,599	1,138	-	-	6,737	-	6,737	-	6,737
Financial assets measured at amortised cost									
Long-term receivables	-	-	18,859	-	18,859	-	-	-	-
Trade and other receivables	-	-	881,482	-	881,482	-	-	-	-
Due from related parties	-	-	54,200	-	54,200	-	-	-	-
Bank balances and cash	-	-	202,609	-	202,609	-	-	-	-
	-	-	1,157,150	-	1,157,150	-	-	-	-
Financial liabilities measured at fair value									
Forward exchange contracts / Options	-	-	-	390	390	-	390	-	390
	-	-	-	390	390	-	390	-	390
Financial liabilities measured at amortised cost									
Islamic bank financing	-	-	-	466,856	466,856	-	-	-	-
Interest bearing bank financing	-	-	-	1,126,758	1,126,758	-	-	-	-
Due to Related Parties Long Term Loans	-	-	-	3,186	3,186	-	-	-	-
Trade and other payables	-	-	-	752,240	752,240	-	-	-	-
Due to related parties	-	-	-	36,963	36,963	-	-	-	-
Lease liabilities	-	-	-	126,274	126,274	-	-	-	-
	-	-	-	2,512,276	2,512,276	-	-	-	-

*FVTPL: fair value through profit or loss

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

31. FINANCIAL INSTRUMENTS (CONTD.)

During the current and previous years, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Risk management framework

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's senior management is responsible for developing and monitoring the Group's risk management policies and reports regularly to the Board of Directors on their activities. The Group's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management practices in others.

The Group's risk management policies (both formal and informal) are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee ("Audit Committee") oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by the Internal Control department. Internal control undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

As part of the application of the risk management policies, senior management is also responsible for development and implementation of controls to address operational risks arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors arising from legal and regulatory requirements, political and economic stability in the jurisdictions that the Group operates and generally accepted standards of corporate behavior.

The Group's non-derivative financial liabilities comprise bank borrowings, trade and other payables (excluding advances to suppliers) and amounts due to related parties. The Group has various financial assets such as trade and other receivables, bank balances and deposits and amounts due from related parties.

Due to the political situation in Iran and the imposition of stricter financial and trade sanctions and oil embargo, the movement of funds through banking channels from Iran has been restricted. Management continues to assess and monitor the implications of such changes on the business. Based on its review, management is of the view that the Group will be able to recover its investment in Iran and accordingly is of the view that no allowance for impairment is required to be recognized in these consolidated financial statements as at the reporting date.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

31. FINANCIAL INSTRUMENTS (CONTD.)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables, amount due from related parties and balances with banks. To manage this risk, the Group periodically assesses country and customer credit risk, assigns individual credit limits and takes appropriate actions to mitigate credit risk.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2025 AED'000	2024 AED'000
Long-term receivables	57,575	18,859
Trade and other receivables (excluding advances and prepayments)	829,258	881,482
Due from related parties	63,364	54,200
Bank balances	196,096	202,609
	1,146,293	1,157,150

Trade and other receivables and amount due from related parties

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which the customers operate, as these factors may have an influence on credit risk. The Group's ten largest customers account for 21.57% (2024: 19.97 %) of the outstanding gross trade receivables as at 31 December 2025. Geographically the credit risk is materially concentrated in the Middle East, Europe and Asian regions.

The Group's management has established a credit policy under which each new customer is analyzed individually for credit worthiness before the Group's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from senior Group management. These limits are reviewed periodically.

In monitoring credit risk, customers and related parties are grouped according to their credit characteristics, including whether they are an individual or legal entity, geographic location, industry, aging profile, maturity and evidence of previous financial difficulties.

The maximum exposure to credit risk (trade and other receivables and amount due from related parties) at the reporting date by geographic region and operating segments was as follows.

	2025 AED'000	2024 AED'000
Geographic regions:		
Middle East (ME)	622,706	564,059
Asian countries (Other than ME)	172,917	199,978
Europe	98,041	148,331
Other regions	56,533	42,173
	950,197	954,541
Trading and manufacturing	832,444	902,853
Faucets	84,102	26,265
Other industrial	27,892	15,224
Others	5,759	10,199
	950,197	954,541

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

31. FINANCIAL INSTRUMENTS (CONTD.)

Balances with banks

The Group limits its exposure to credit risk by placing balances with international and local banks. Given the profile of its bankers, management does not expect any counter party to fail to meet its obligations. The bank balances are held with the banks and financial institutions of repute.

Impairment of cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties by S&P (A-1 to A+), Fitch (F-1) and Moody's (P-2 to P-1).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity price and equity price will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings which are denominated in a currency other than the respective functional currencies of the Group entities. The entities within the Group which have AED as their functional currency are not exposed to currency risk on transactions denominated in USD as AED is currently informally pegged to USD at a fixed rate. The currencies giving rise to this risk are primarily EUR, GBP & AUD.

The Group enters into forward exchange contracts to hedge its currency risk, generally with a maturity of less than one year from the reporting date.

Interest on borrowings is denominated in the currency of the respective borrowing and generally borrowings are denominated in currencies which match the cash flows generated by the underlying operations of the Group.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to currency risk

The Group's exposure to foreign currency risk is as follows:

	GBP'000	AUD'000	EUR'000
31 December 2025			
Trade and other receivable (including due from related parties)	19,310	198	124,673
Cash and bank balances	116	878	(7,012)
Trade and other payables	(2,488)	(11)	(17,261)
Bank borrowings			(54,771)
Derivative – currency swap forward exchange contracts	(17,400)	(1,400)	(55,900)
Net exposure	(462)	(335)	(10,271)

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

31. FINANCIAL INSTRUMENTS (CONTD.)

Currency risk (Continued)

	GBP'000	AUD'000	EUR'000
31 December 2024			
Trade and other receivable (including due from related parties)	20,151	1,072	108,316
Cash and bank balances	1,601	486	(4,723)
Trade and other payables	(5,089)	12	(16,506)
Bank borrowings	(2,581)	-	(47,245)
Derivative – currency swap	2,581	-	-
Forward exchange contracts	(16,600)	(1,400)	(42,350)
Net exposure	63	170	(2,508)

The following are exchange rates applied during the year:

Reporting Date	Spot rate		Average rate	
	2025	2024	2025	2024
Great Britain Pound (GBP)	4.939	4.661	4.838	4.688
Euro (EUR)	4.311	3.860	4.143	3.974
Australian Dollar (AUD)	2.454	2.420	2.367	2.440

Sensitivity analysis

A strengthening (weakening) of the AED, as indicated below, against the EUR, GBP and AUD by 5% at 31 December would have increased (decreased) profit or loss by the amounts shown below. The analysis is based on foreign currency exchange variances that the Group considers to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

Reporting Date	Strengthening		Weakening	
	Profit/(loss) AED'000	Equity AED'000	Profit/(loss) AED'000	Equity AED'000
31 December 2025				
GBP	114	-	(114)	-
EUR	2,214	-	(2,214)	-
AUD	41	-	(41)	-
31 December 2024				
GBP	(15)	-	(15)	-
EUR	484	-	484	-
AUD	(20)	-	20	-

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

31. FINANCIAL INSTRUMENTS (CONTD.)

Currency risk (Continued)

The following tables detail the foreign currency forward contracts outstanding at the end of the reporting period, as well as information regarding their related hedged items.

Hedging Instrument	Notional Value (respective foreign currency)	Notional principle value	Carrying amount of the hedging instruments assets/(liabilites)	Change in fair value used for recognizing hedge ineffectiveness
	2025 AED'000	2025 AED'000	2025 AED'000	2025 AED'000
Forward contracts				
- GBP	17,400	85,935	(634)	-
- EUR	55,900	240,982	(891)	-
- AUD	1,400	3,436	(17)	-

Currency swap

- GBP

Hedging Instrument	Notional Value (respective foreign currency)	Notional principle value	Carrying amount of the hedging instruments assets/(liabilites)	Change in fair value used for recognizing hedge ineffectiveness
	2024 AED'000	2024 AED'000	2024 AED'000	2024 AED'000
Forward contracts				
- GBP	16,600	77,375	1,234	-
- EUR	42,350	163,458	(25)	-
- AUD	1,400	3,387	77	-
Currency swap				
- GBP	2,581	12,031	(390)	-

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

31. FINANCIAL INSTRUMENTS (CONTD.)

Currency risk (Continued)

Hedge item	Notional principle value	Accumulated amount of fair value hedge adjustment included in carrying amount	Change in fair value used for recognizing hedge ineffectiveness
	2025 AED'000	2025 AED'000	2025 AED'000
Trade receivables			
- GBP	(85,935)	634	-
- EUR	(240,982)	891	-
- AUD	(3,436)	17	-
Term loan			
- GBP			

Hedge item	Notional principle value	Accumulated amount of fair value hedge adjustment included in carrying amount	Change in fair value used for recognizing hedge ineffectiveness
	2024 AED'000	2024 AED'000	2024 AED'000
Trade receivables			
- GBP	(77,375)	(1,234)	-
- EUR	(163,458)	25	-
- AUD	(3,387)	(77)	-
Term loan			
- GBP	(12,031)	390	-

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt financings with floating interest/profit rates.

The Group's policy is to manage its financing cost using a mix of fixed and floating interest/profit rate. To manage this, from time to time the Group enters into interest rate swaps, whereby the Group agrees to exchange, at specified intervals, the difference between fixed and floating rate amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2025, 20.52% (2024: 31.05%) of the Group's term financings were at a fixed rate of interest.

As the critical term of interest rate swap contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and is expected that the value of interest rate swap contracts and the value of corresponding hedged items will systematically change in the opposite direction in response to movements in the underlying interest rates. The main source of hedge effectiveness in these hedge relationships is the effect of counterparty risk on the fair value of interest rate swap contracts, which is not reflected in the fair value of hedged items attributable to the change in interest rates. There is no other source of ineffectiveness from these hedging relationships.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

31. FINANCIAL INSTRUMENTS (CONTD.)

Interest rate risk (Continued)

The following tables detail various information regarding interest rate swap contracts outstanding at the end of the reporting period and their related hedged items.

Cash Flow hedges

Hedging Instrument	Average contracted fixed interest rate	Notional principle value	Carrying amount of the hedging instruments assets/(liabilities)	Change in fair value used for calculating hedge ineffectiveness
	2025 %	2025 AED'000	2025 AED'000	2025 AED'000
Receive floating, pay fixed, contracts	1.25%	87,048	1,604	-

Hedging Instrument	Average contracted fixed interest rate	Notional principle value	Carrying amount of the hedging instruments assets/(liabilities)	Change in fair value used for calculating hedge ineffectiveness
	2024 %	2024 AED'000	2024 AED'000	2024 AED'000
Receive floating, pay fixed, contracts	1.40%	164,708	5,599	-

Designated Hedge Items	Nominal Amount to be hedged items assets/liabilities	Change in value used for calculating hedge ineffectiveness	Balance in cash flow hedge reserve for continuing hedges	Balance in cash flow hedge accounting is no longer applied
	2025 AED'000	2025 AED'000	2025 AED'000	2025 AED'000
Variable rate borrowings	(87,048)	-	(1,604)	-

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

31. FINANCIAL INSTRUMENTS (CONTD.)

Cash Flow hedges (Continued)

Designated Hedge Items	Nominal amount of the hedged items assets/(liabilities)	Change in value used for calculating hedge ineffectiveness	Balance in cash flow hedge reserve for continuing hedges	Balance in cash flow hedge accounting is no longer applied
	2024 AED'000	2024 AED'000	2024 AED'000	2024 AED'000
Variable rate borrowings	(164,708)	-	(5,599)	-

At the reporting date, the interest/profit rate profile of the Group's financial instruments was:

	2025 AED'000	2024 AED'000
Fixed rate instruments		
Financial assets		
Bank deposits	8,137	4,698
Financial liability		
Islamic bank financing	118,502	210,109
Interest bearing bank financing	183,352	117,542
Variable rate instruments		
Financial liability		
Islamic bank financing	417,661	256,747
Interest bearing bank financing	967,345	1,009,216
Due to related parties	3,004	3,186

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest/variable profit at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

31. FINANCIAL INSTRUMENTS (CONTD.)

Cash Flow hedges (Continued)

Reporting Date	Profit/(loss)	
	100bp Increase AED'000	100bp Decrease AED'000
31 December 2025		
Financial liability		
Variable instruments	(13,880)	13,880
31 December 2024		
Financial liability		
Variable instruments	(12,691)	12,691

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

31. FINANCIAL INSTRUMENTS (CONTD.)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Group's credit terms require the amounts to be received within 90-180 days (2024: 90 -180 days) from the date of invoice. Trade payables are normally settled within 45-90 days (2024: 45-90 days) of the date of purchase.

The Group ensures that it has sufficient cash to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

The following are the remaining contractual maturities of the Group's financial liabilities at the reporting dates, including estimated interest/profit payments:

	Contractual cash flows				
	Carrying amount AED'000	Total AED'000	0-1 years AED'000	1-2 years AED'000	More than 2 years AED'000
At 31 December 2025					
Non-derivative financial liabilities					
Bank financing	1,686,859	(1,824,850)	(909,372)	(312,631)	(602,847)
Lease Liability	118,193	(150,956)	(42,094)	(30,107)	(78,755)
Trade and other payables	793,752	(793,752)	(793,752)	-	-
Long Term loan due to related party	3,004	(4,012)	-	-	(4,012)
Due to related parties	64,618	(64,618)	(64,618)	-	-
	2,666,426	(2,838,188)	(1,809,836)	(342,738)	(685,614)
Derivative financial liabilities					
Other currency and interest rate swaps	-	-	-	-	-
Forward exchange contracts	1,539	(1,539)	(1,539)	-	-
	1,539	(1,539)	(1,539)	-	-

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

31. FINANCIAL INSTRUMENTS (CONTD.)

Liquidity risk (Continued)

	Contractual cash flows				
	Carrying amount AED'000	Total AED'000	0-1 years AED'000	1-2 years AED'000	More than 2 years AED'000
At 31 December 2024					
<i>Non-derivative financial liabilities</i>					
Bank financing	1,593,614	(1,766,815)	(773,793)	(337,726)	(655,296)
Lease Liability	126,274	(193,698)	(47,868)	(38,906)	(106,923)
Trade and other payables	732,705	(732,705)	(732,705)	-	-
Long Term loan due to related party	3,186	(4,558)	-	-	(4,558)
Due to related parties	36,963	(36,963)	(36,963)	-	-
	2,492,742	(2,734,739)	(1,591,329)	(376,632)	(766,777)
<i>Derivative financial liabilities</i>					
Other currency and interest swaps	390	(390)	(390)	-	-
	390	(390)	(390)	-	-

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

31. FINANCIAL INSTRUMENTS (CONTD.)

Equity risk

The Group is not significantly exposed to equity price risk.

Capital management

The Group's policy is to maintain a strong capital base to sustain future development of the business and maintain investor and creditor confidence. A balance between the higher returns and the advantages and security offered by a sound capital position, is maintained.

The Group manages its capital structure and adjusts it in light of changes in business conditions. Capital comprises share capital, reserves, retained earnings and non-controlling interests and amounts to AED 2.3 million as at 31 December 2025 (2024: AED 2.3 million). Debt comprises Islamic and interest bearing loans and equity includes all capital and reserves of the Group that are managed as capital.

The debt equity ratio at the reporting date was as follows:

	2025 AED'000	2024 AED'000
Equity	2,329,563	2,331,042
Debt	1,686,859	1,593,614
Debt equity ratio	0.72	0.68

There was no change in the Group's approach to capital management during the current year. The Group is not subject to externally imposed capital requirements.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

32. HYPERINFLATIONARY ECONOMY

The Group has a subsidiary in the Islamic Republic of Iran which was designated as hyper-inflationary economy during the current year, having previously ceased to be so in 2015. The subsidiary did not have material operations during the years ended 31 December 2025 or 31 December 2024 and the total assets of the Iranian subsidiary are approximately 0.55 % of the Group's consolidated total assets as at 31 December 2025.

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

	Index	Conversion factor
31 December 2025	3,435.46	2.1600
31 December 2024	1,590.48	1.9329
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

The above-mentioned restatement is effected as follows:

- Hyperinflation accounting was applied as of 1 January 2020;
- The statement of profit or loss is adjusted at the end of each reporting period using the change in the general price index.
- Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the date of the 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 2024 were reported in Hyperinflation reserve directly as a component of equity and the impacts of changes in the general purchasing power from 1 January 2025 are reported through the 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.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

32. HYPERINFLATIONARY ECONOMY (CONTD.)

The impact of hyperinflationary accounting on the financial statements due to the subsidiary in the Republic of Iran is as follows:

	1 Jan 2025 AED'000	1 Jan 2024 AED'000
Impact on consolidated statement of financial position		
Increase in property, plant and equipment – net	11,644	8,068
Increase in investment properties – net	11,680	8,370
Increase in other assets	10,358	8,149
Increase in equity	33,682	24,587
Allocated to: Increase in opening equity due to cumulative hyperinflation	33,682	24,587
	2025	2024
	AED'000	AED'000
Impact on consolidated statement of profit or loss		
Increase in depreciation charge for the year	2,252	2,871
Loss on net monetary position	3,461	7,038
	5,713	9,909

33. SEGMENT REPORTING

Basis for segmentation

An operating segment is a component of the Group which engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Segment results which are reported to the Company's CEO (chief operating decision maker) include items directly attributable to a segment as well as those which can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

The Group has broadly four reportable segments as discussed below, which are the Group's strategic business units. The strategic business units operate in different sectors and are managed separately because they require different strategies. The following summary describes the operation in each of the Group's reportable segments:

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

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

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

33. SEGMENT REPORTING (CONTD.)

Information about the reportable segments

Information regarding each reportable segment is set out below. Segment profit/(loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of respective segments relative to other entities that operate in the same industries.

	Ceramic Products AED'000	Faucets AED'000	Other industrial AED'000	Others AED'000	Elimination AED'000	Total AED'000
At 31 December 2025						
External revenue	2,736,228	466,493	76,602	5,259	-	3,284,582
Intersegment revenue	450,748	117,645	135,974	2,218	(706,585)	-
Segment revenue	3,186,976	584,138	212,576	7,477	(706,585)	3,284,582
Segment profit/(loss)	369,125	(50,525)	7,973	23,698	(101,748)	248,523
Segment EBITDA	699,757	(10,381)	12,621	18,144	(96,498)	623,643
Interest/profit income	24,579	1,313	68	577	(22,453)	4,084
Interest/profit expense	105,923	14,808	1,105	292	(23,266)	98,862
Depreciation and amortization	190,655	23,169	4,335	7,601	(6,042)	219,718
Share of (loss)/profit in equity accounted investees	636	-	-	-	-	636
Segment assets	7,046,246	648,402	153,987	145,700	(2,681,120)	5,313,215
Segment liabilities	3,675,414	579,902	51,475	82,999	(1,406,138)	2,983,652

	Ceramic Products AED'000	Faucets AED'000	Other industrial AED'000	Others AED'000	Elimination AED'000	Total AED'000
At 31 December 2024						
External revenue	2,734,448	417,501	76,186	3,884	-	3,232,019
Intersegment revenue	521,038	98,517	107,231	3,209	(729,995)	-
Segment revenue	3,255,486	516,018	183,417	7,093	(729,995)	3,232,019
Segment profit/(loss)	262,852	(27,353)	9,066	13,721	(24,204)	234,082
Segment EBITDA	582,670	6,258	16,029	18,571	(31,284)	592,244
Interest/profit income	20,775	2,887	105	200	(19,904)	4,063
Interest/profit expense	120,261	14,251	302	317	(20,240)	114,891
Depreciation and amortization	181,600	20,761	3,548	7,127	(5,251)	207,785
Share of profit in equity accounted investees	(197)	-	-	-	-	(197)
Segment assets	6,759,715	604,073	145,515	179,380	(2,571,400)	5,117,283
Segment liabilities	3,539,682	401,644	53,751	107,423	(1,316,259)	2,786,241

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

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

33. SEGMENT REPORTING (CONTD.)

Geographic information

The ceramic products, faucets and other industrial segments are managed on a worldwide basis, but manufacturing facilities are located in the UAE, India, Bangladesh and Europe.

Geographical information on revenue is presented in Note 5. In presenting information on the basis of geography, segment non-current assets are based on the geographical location of the assets. Investment in equity accounted investees is presented based on the geographical location of the entity holding the investment.

	2025 AED'000	2024 AED'000
Non-currents assets		
Middle East (ME)	2,085,701	1,970,132
Asian countries	264,982	310,152
Other	289,464	225,745
	2,640,147	2,506,029

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

33. SEGMENT REPORTING (CONTD.)

Reconciliation of reportable segment

	2025 AED'000	2024 AED'000
Revenues		
Total revenue for reportable segments	3,991,167	3,962,014
Elimination of intersegment revenue	(706,585)	(729,995)
Consolidated revenue	3,284,582	3,232,019
Profit		
Total profit for reportable segments	350,751	258,286
Elimination of inter-segment profits	(102,228)	(24,204)
Consolidated profit	248,523	234,082
Assets		
Total assets for reportable segment	5,302,889	5,241,634
Equity accounted investees	10,326	10,282
Consolidated total assets	5,313,215	5,251,916
Interest/profit expense		
Total interest expense of reportable segments	122,128	135,131
Elimination of intersegment expense	(23,266)	(20,240)
Other finance cost	7,271	11,356
Consolidated finance cost	106,133	126,247
Other material items		
Interest/profit income	4,084	4,063
Interest/profit expense	98,862	114,891
Depreciation and amortization	219,718	207,785

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

34. SUBSIDIARIES AND EQUITY ACCOUNTED INVESTEEES

Name of the entity	Country of incorporation	Effective ownership interest		Principal activities
		2025	2024	
A Subsidiaries of RAK Ceramics P.J.S.C				
RAK Ceramics (Bangladesh) PLC	Bangladesh	68.13%	68.13%	Manufacturing of ceramic tiles and sanitary ware
RAK Ceramics PJSC Limited	Iran	100%	100%	Manufacturing of ceramic tiles
RAK Ceramics India Private Limited	India	100%	100%	Manufacturing of ceramic tiles and sanitary ware
Elegance Ceramics LLC*	UAE	100%	100%	Manufacturing of ceramic tiles
RAK Ceramics Australia PTY Limited	Australia	100%	100%	Trading in ceramic tiles
RAK Bathware PTY Limited	Australia	100%	100%	Trading in sanitary ware
Acacia Hotels LLC*	UAE	100%	100%	Lease of investment property
RAK Ceramics Holding LLC	UAE	100%	100%	Investment company
Al Jazeerah Utility Services LLC*	UAE	100%	100%	Provision of utility services
Ceramin FZ LLC*	UAE	100%	100%	Manufacturing, processing import & export of industrial minerals
Al Hamra Construction Company LLC*	UAE	100%	100%	Construction company
RAK Porcelain LLC (refer Note 33)	UAE	100%	100%	Manufacturing of porcelain tableware
RAK Ceramics UK Limited	UK	100%	100%	Trading in ceramic tiles and sanitary ware
RAK Ceramics GmbH	Germany	100%	100%	Trading in ceramic tiles and sanitary ware
ARK International Trading Company Limited	Saudi Arabia	100%	100%	Trading in ceramic tiles and sanitary ware
Kludi RAK LLC *	UAE	100%	100%	Manufacturing of water tap faucets etc.
RAK Industrial LLC	Saudi Arabia	100%	100%	Proposed manufacturing of ceramic tiles
RAK Ceramics Austria GmbH	Austria	100%	100%	Investment company
B Subsidiaries of RAK Ceramics (Bangladesh) PLC				
RAK Power Private Limited	Bangladesh	100%	100%	Power generation for captive consumption
RAK Securities and Services Private Limited	Bangladesh	100%	100%	Providing security services
C Subsidiaries of RAK Ceramics Holding LLC				
RAK Paints LLC	UAE	51%	51%	Manufacturing of paints and allied products
RAK Universal Plastics Industries LLC	UAE	87.6%	87.6%	Manufacturing of pipes
D Subsidiaries of RAK Ceramics UK Limited				
RAK Distribution Europe SARL	Italy	100%	100%	Trading in ceramic tiles and sanitary ware
E Subsidiary of RAK Distribution Europe SARL				
RAK Ceramics CE GmbH	Germany	100%	100%	Trading in ceramic tiles and sanitary ware
F Subsidiaries of Ceramin FZ LLC				
Ceramin India Private Limited*	India	100%	100%	Extraction, trading and export of clay and other minerals

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

34. SUBSIDIARIES AND EQUITY ACCOUNTED INVESTEEES (CONTD.)

Name of the entity	Country	Effective ownership interest		Principal activities
		2025	2024	
G Subsidiaries of RAK Porcelain LLC				
RAK Porcelain Europe S.A.	Luxemburg	100%	100%	Import and export of porcelain tableware
Restofair RAK LLC	UAE	47%	47%	Contracting of furnishing the public firms
H Subsidiary of RAK Porcelain Europe S.A.				
RAK Porcelain USA Inc.	USA	100%	100%	Trading of tableware
Bankook Design Chamber S.L	Spain	100%	-	Design and distribution of tableware
I Subsidiaries of RAK Ceramics India Private Limited				
Gris Ceramics Limited Liability Partnership	India	51%	51%	Manufacturing of ceramic tiles
Gryphon Ceramics Private Limited	India	51%	51%	Manufacturing of ceramic tiles
Totus Ceramics India Private Limited	India	100%	100%	Trading of ceramic tiles and sanitary ware
RAK Retail Pvt. LTD	India	51%	51%	Trading of ceramic tiles and sanitary ware
J Joint Venture of RAK Ceramics Australia PTY LTD				
Massa Imports PTY Limited	Australia	50%	50%	Trading in ceramic tiles
K Subsidiary of RAK Ceramics Australia PTY Ltd.				
Touchstone Holdings Pty Ltd. Australia	Australia	100%	100%	Trading of Tiles and Sanitary ware
L Subsidiary of Touchstone Holdings Pty Ltd.				
RAK Ceramics Pty Ltd. Australia	Australia	100%	100%	Trading of Tiles and Sanitary ware
M Associate of Restofair RAK LLC				
Naranjee Hirjee Hotel Supplies LLC	Oman	25%	25%	Hotel supplies
N Subsidiary of RAK Ceramics Austria GmbH				
Scheffer Beteiligungs GmbH (DE)	Germany	100%	100%	Investment company
Kludi Armaturen GmbH & Co. KG (AT)	Austria	100%	100%	Manufacturing and trading of faucets
Kludi Armaturen GmbH (AT)	Austria	100%	100%	Investment Company
Kludi GmbH & Co. KG (DE)	Germany	100%	100%	Manufacturing and trading of faucets
Kludi Management GmbH (DE)	Germany	100%	100%	Investment Company
O Subsidiary of Kludi Armaturen Austria GmbH				
Kludi Armaturen SP. Z.O.O. (PL)	Poland	100%	100%	Trading of faucets
Kludi Szerelvények (HU)	Hungary	99.46%	99.46%	Manufacturing and trading of faucets
Kludi France S.A.R.L.	France	100%	100%	Trading of faucets
Kludi Sanitary Products Shanghai	China	100%	100%	Trading of faucets
S.C Kludi Romania S.R.L.	Romania	100%	100%	Trading of faucets

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

34. SUBSIDIARIES AND EQUITY ACCOUNTED INVESTEEES (CONTD.)

Name of the entity	Country	Effective ownership interest		Principal activities
		2025	2024	
P Subsidiary of Kludi Szerelvények (HU)				
Kludi Bulgaria EOOD	Bulgaria	100%	100%	Trading of faucets
Q Subsidiary of Kludi GmbH & Co. KG (DE)				
Kludi Benelux C.V. (NL)	Netherlands	100%	100%	Trading of faucets
Kludi UK Ltd.	United Kingdom	100%	100%	Dormant
R Subsidiary of Kludi GmbH & Co. KG (DE)				
Kludi Asia-Pacific LLP (Singapore)	Singapore	100%	100%	Dormant
Kludi Armaturen Austria GmbH	Austria	100%	100%	Manufacturing and trading of faucets
S Subsidiary of Kludi Armaturen SP. Z.O.O. (PL)				
Kludi Armaturen S.R.O. (CZ)	Czech Republic	100%	100%	Trading of faucets
Kludi Myjava S.R.O. (SK)	Slovakia	100%	100%	Trading of faucets
T Subsidiary of Kludi France S.A.R.L.				
Kludi Armaturen Espana	Spain	100%	100%	Dormant
U Subsidiary of Kludi RAK, LLC				
Kludi RAK Egypt	Egypt	100%	100%	Trading of faucets
Kludi RAK India	India	100%	100%	Trading of faucets
V Subsidiary of RAK Paints LLC				
Altek Emirates LLC **	UAE	-	100%	Manufacturing of paints and adhesive products.

* RAK Ceramics Holding LLC has a nominal beneficial shareholdings in Elegance Ceramics LLC (0.01%), Acacia Hotels LLC (0.002%), AL Jazeera Utility Services LLC(1%), Ceramin FZLLC (0.01%), AL Hamra Construction Company LLC (0.001%), Kludi RAK LLC(1%), Ceramin India Private Ltd. India (0.01%).

**The Group's subsidiary RAK Paints LLC, UAE disposed of its stake in its subsidiary Alltek Emirates LLC. There was no material financial impact.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

35. MATERIAL ACCOUNTING ESTIMATES AND CRITICAL ACCOUNTING JUDGEMENTS

The Group makes estimates and assumptions which affect the reported amounts of assets and liabilities within the next financial year. Estimates and critical accounting judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on amounts recognized in the consolidated financial statements are as follows.

Critical accounting judgements

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimated useful life and residual value of property, plant and equipment and investment properties

The Group estimates the useful lives of property, plant and equipment and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and on historical experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Fair valuation of investment properties

The Group follows the Cost Model per IAS 40 whereby investment properties are stated at cost less accumulated depreciation and impairment losses, if any. Fair values of investment properties are disclosed in Note 18. The fair values for buildings have been determined by taking into consideration both income/profits and comparable sales approach having regard to market rental and transactional evidence. Fair values for land have been determined either having regard to recent market transactions in the vicinity or by using the residual method.

Allowance for slow moving inventories and net realizable value write down on inventories

The Group reviews its inventory for any write down to net realizable value on a regular basis. In determining whether a provision for slow moving inventory should be recorded in profit and loss, the Group makes judgments as to whether there is any observable data indicating that there is any future salability of the product and the net realizable value for the product. Provision is made where the net realizable value is less than cost based on best estimates by management.

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash generating units to which goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from each cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

35. MATERIAL ACCOUNTING ESTIMATES AND CRITICAL ACCOUNTING JUDGEMENTS (CONTD.)

Impairment of goodwill (Continued)

Management has carried out an impairment test for goodwill at the year end and has concluded that no impairment has taken place. For this purpose, the recoverable amount of each cash generating unit has been determined based on a value-in-use calculation using cash flow projections, using financial budgets approved by senior management, covering a five-year period. Cash flows beyond the five-year period are extrapolated using a growth rate which management believes approximates the long-term growth rate for the industry in which the cash generating unit operates.

Key assumptions used for the calculation of value-in-use

The calculation of value-in-use is sensitive to the following assumptions:

Growth rate

Growth rates are based on management's assessment of the market share having regard to the forecast growth and demand for the products offered. Growth rates of 3% per annum have been applied in the calculation.

Profit margins

Profit margins are based on management's assessment of achieving a stable level of performance based on the approved business plan of the cash generating unit for the next five years.

Discount rates

Management has used a discount rate of 12% - 14% per annum throughout the assessment period, reflecting the estimated weighted average cost of capital of the Group and specific market risk profile.

Calculation of loss allowance

When measuring expected credit losses, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

If the ECL rates on trade receivables between 91 and 180 days past due had been 5 per cent higher (lower) as of 31 December 2025, the loss allowance on trade receivables would have been AED 0.33 million (2024: AED 0.31million) higher (lower).

If the ECL rates on trade receivables between 181 and 360 days past due had been 5 per cent higher (lower) as of 31 December 2025, the loss allowance on trade receivables would have been AED 0.55 million (2024: AED 0.43 million) higher (lower).

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

36. COMPARATIVE INFORMATION

In the consolidated financial statements for the year ended 31 December 2024, the Group presented certain income tax payments made against the respective tax liabilities, in a foreign jurisdiction, on a gross basis.

In accordance with IAS 12 Income Taxes, these balances are now presented on a net basis as the Group has a legally enforceable right to offset the relevant income tax assets and liabilities and in practice settles them on a net basis. The comparative information including opening consolidated statement of financial position is as follows:

	Note	31 December 2025 AED'000	31 December 2024 AED'000	1 January 2024 AED'000
Trade and other receivables	17	977,012	993,734	1,044,216
Provision for taxation	11	84,536	49,791	30,251

The prior year balances have been reclassified for consistency of presentation as follows:

	Note	As Previously reported as at 31 December 2024 AED'000	Adjustments AED'000	As adjusted as at 31 December 2024 AED'000
As at 31 December 2024				
Trade and other receivables	17	1,128,367	(134,633)	993,734
Other assets		4,123,549	-	4,123,549
Total assets		5,251,916	(134,633)	5,117,283
Provision for taxation	11	184,424	(134,633)	49,791
Other liabilities		2,736,450	-	2,736,450
Total liabilities		2,920,874	(134,633)	2,786,241
Total equity		2,331,042	-	2,331,042

Notes to the consolidated financial statements (contd.)

for the year ended 31 December 2025

36. COMPARATIVE INFORMATION (CONTD.)

	As Previously reported as at 31 December 2023 AED'000	Adjustments AED'000	As adjusted as at 1 January 2024 AED'000
As at 1 January 2024			
Trade and other receivables	1,185,292	(141,076)	1,044,216
Other assets	417,179	-	417,179
Total assets	5,357,091	(141,076)	5,216,015
Provision for taxation	171,327	(141,076)	30,251
Other liabilities	2,817,014	-	2,817,014
Total liabilities	2,988,341	(141,076)	2,847,265
Total equity	2,368,750	-	2,368,750

Additionally, in the consolidated statement of cash flows for the year ended 31 December 2024, the cash paid for the acquisition of additional shares in a subsidiary was previously presented under investing activities.

In accordance with IAS 7 Statement of cash flows, this has been reclassified to cash flows from financing activities as follows:

	As Previously reported 31 December 2024 AED'000	Adjustments AED'000	As adjusted as at 31 December 2024 AED'000
Net cash generated from operating activities	576,323	-	576,323
Net cash used in from investing activities	(138,230)	44,000	(94,230)
Net cash used in financing activities	(429,694)	(44,000)	(473,694)
Net cash and cash equivalents at the end of the period	129,050	-	129,050

The above adjustments, had no impact on the Groups' previously reported profit, basic or diluted EPS for the period ended 31 December 2024.

37. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 11 February 2026.

HEAD OFFICE

RAK Ceramics
P.O. Box: 4714, Ras Al Khaimah
United Arab Emirates

Tel. +971 (0) 7 246 7000
Fax. +971 (0) 7 244 5270
Email. info@rakceramics.com

RAKCERAMICS.COM
