RAK

CERAMICS

Condensed Consolidated Interim Financial Information

30 September 2023

RAK Ceramics PJSC and its Subsidiaries

Condensed consolidated interim financial information
30 September 2023

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Dear Members,

It is our pleasure to present the business & operations report for the nine month period and three month period (Q3) ended 30 September 2023, along with the consolidated financial information of RAK Ceramics PJSC, UAE (the "Group" or the "Company") as on 30 September 2023.

Snapshots

- **Group Revenue in Q3 2023** experienced a decline of -7.7% year-on-year to AED 837 million, the revenue for the 9-month period remained relatively stable, showing a marginal decrease of just -1% year-on-year to AED 2.59 billion, primarily attributable to continued macro-economic challenges and the increased competition in Saudi Arabia.
- **Gross Profit Margin improved by** +270bps year-on-year surge to 37.6% driven by favourable product mix shift and bolstered by the enhancement of brand equity
- **EBITDA increased by** +16.0% year-on-year, reaching AED 169.0 million, with a notable margin expansion of +410bps reaching 20.2 %. On a 9M 2023 basis the EBIDTA increased to AED 481.4 million compared to 412.1 in last year. Margin increased to 18.6% compared to 15.8% in last year.
- **Net Profit increased substantial by a** 13.3% year-on-year increase compared with last year's net profit before one-offs, reaching AED 83.9 million, and the net profit margin expanded by a healthy +190bps, reaching 10.0% in Q3 2023.
- **Net debt** decreased by AED 49.8 million in September 2023 at AED 1.5 billion compared to AED 1.45 billion in June 2023 mainly due to payment of AED 109.9 million interim dividend in UAE and minority in other units. Net debt to EBITDA decreased from 2.43x in Q2 2023 to 2.42x in Q3 2023.

Revenue highlights

- **Tiles** revenue declined by -9.8% year on year at AED 475.4 million which was largely impacted from Saudi Arabia, Middle East, Bangladesh and African markets due to increased competition from the regional players and higher imports from India.
- **Sanitary-ware** revenue is lower by -3.0% year on year at AED 123.1 million due to challenges in all markets except UAE.
- **Tableware** revenue increased by +2.5% year on year at AED 92.5 million driven by introduction of differentiated products.
- **Faucets** revenue decreased by -2.5% year on year at AED 114.8 million in Q3 2023 due to lower sales in European markets.

Strategic highlights

Expansion projects

- The capacity expansion of tableware manufacturing by 10 million pieces in the UAE has been successfully finalized, and the trial testing phase for commercial production has begun. The subsequent production increases will be implemented gradually, in accordance with market demand.
- Upgrading the UAE and India production facilities is also under evaluation, with the goal of bringing in production efficiencies driven by innovation and improve the current production capacity.
- In Bangladesh, upgradation work to enhance the existing tiles line is under implementation. Commercial production is set to commence in Q1 2024

Greenfield projects

- All the required approvals and permissions for the Bangladesh Faucets plant, including the land mutation certificate have been obtained. The next steps involve completing the design of the factory layout and commencing construction in Q4 2023.
- Having a production facility in KSA continues to work on.

Operational & financial highlights

In light of the ongoing market volatility and the challenging geopolitical environment, RAK Ceramics has weathered these headwinds with resilience. While our revenue experienced a 7.7% decline in Q3 2023, our strategic shift in product mix has been instrumental in sustaining our gross margin, a testament to our adaptability and forward-thinking approach. In the face of competition and pricing pressures in UAE, we achieved an impressive 23.4% year-on-year revenue growth in Q3 2023 This remarkable performance was driven by our strategic pivot towards project channel sales, highlighting our ability to identify and seize opportunities in dynamic markets. The formidable competition posed by local players did affect our revenue in certain regions, but our commitment to offering differentiated products allowed us to safeguard our gross margins. In KSA, revenue dipped due to local competition, but higher gross margins were achieved through increased interest in unique products. In Europe, especially in the UK, recession fears, currency devaluation, and higher interest costs contributed to a downturn, impacting Sanitary-ware and KLUDI's performance. However, rationalization of freight cost compared to last year has allowed us to relatively improve the overall margins in Europe. In India, despite lower demand and currency devaluation, we achieved a 5% year-on-year revenue growth in Q3 2023. In Bangladesh, currency devaluation and local competition affected revenue, but anticipated future expansion is on the horizon, particularly in light of the foreseen political stability following the upcoming elections. On a positive note, our Tableware business displayed robust growth, with increase in revenue by 2.5% year on year and gross profit margins by 110bps year on year. Below table depicts comparative results (AED m)-

Particulars	Q3-2022	Q2-2023	Q3-2023	Y-o-Y Growth	Q-o-Q Growth	9M-2022	9M-2023	Y-o-Y Growth
Total revenue	906.4	872.0	837.0	-7.7%	-4.0%	2,616.5	2,591.4	-1.0%
Gross margin	35.0%	37.3%	37.6%	260 bps	0.3%	36.8%	37.6%	82 bps
EBITDA *	145.8	155.3	169.0	16.0%	8.8%	412.1	481.4	16.8%
Reported Net Profit	90.1	75.1	83.9	-6.9%	11.7%	262.1	239.1	-8.8%
Net one-off gain	-16.1	-	-	-	-	-18.1	-	-
Net profit before one-off gain	74.0	75.1	83.9	13.3%	11.7%	244.0	239.1	-2.0%
Capital expenditure	84.3	48.8	89.0	5.6%	82.5%	143.8	182.5	26.9%
Net Debt	1,414.7	1,449.2	1,499.0	6.0%	3.4%	1,414.7	1,499.0	6.0%
Net Debt / EBITDA*	2.65x	2.43x	2.42x	-	-	2.65x	2.42x	-
Total Assets	-	-	-	-	-	5,417.6	5,356.5	-1.1%
Share Capital	-	-	-	-	-	993.7	993.7	-
Shareholder's Equity	-	-	-	-	-	2,164.6	2,164.9	-

* EBITDA amount for the nine months period ending 30 September 2022 is after considering extra-ordinary impairment loss on dues in relation to other receivables, AED 27.6 million.
EBITDA for trailing 12 months is considered for calculation of its ratio to Net Debt.

Sustainability

Further, RAK Ceramics continues to make long term investment towards waste utilization and energy consumption as it is deeply committed towards sustainability and reducing overall environmental footprint.

Exhibitions

- Participated in Cersaie, Bologna - Italy
- Participated in First Gulf industrial exhibition and honoring the Gulf inventors - Oman

Events & Sponsorships

- Emirates FC RAK Ceramics sponsorship
- DHL for the inauguration of Etihad Rail

Awards received

- CSR UAE Fund-with "Impact seal – Silver Tier 2022"
- DHL for Etihad Rail – Certificate of recognition to RAK Ceramics

Delegations visited RAK Ceramics

- Ministry of Industry by H.E. Omar Al-Suwaidi, the Undersecretary & Eng. Osama Amir Fadhel Assistant Undersecretary of MOIAT
- Ambassador of Italy
- His Excellency Antonis Alexandridis, the Ambassador of the Hellenic Republic to the UAE, along with his delegation including the Deputy Head of Mission
- His Excellency Onur SAYLAN the Consul General of the Republic of Türkiye to the UAE and his esteemed delegation

Future Outlook

As we move forward, we remain committed to implementing cost optimization measures and product mix improvements to sustain our profitability. Our ongoing efforts to make long term investment towards sustainable initiatives such as waste utilization and energy consumption, strengthen our brand presence, enhance customer value, and improve production efficiency will enable us to navigate these challenges effectively and continue our growth trajectory.

Financial Reporting

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

Vote of Thanks

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

02 NOV 2023

Chairman

Group Chief Executive Officer

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

Condensed consolidated interim financial information
for the nine months period ended 30 September 2023

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

Condensed consolidated interim financial information
30 September 2023

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INDEPENDENT AUDITOR'S REVIEW REPORT

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of **R. A. K Ceramics P.J.S.C.** (the "Company") **and its subsidiaries** (together the "Group")**, Ras Al Khaimah, United Arab Emirates,** as at 30 September 2023 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, cash flows and changes in equity for the six months period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34: Interim Financial Reporting as issued by International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

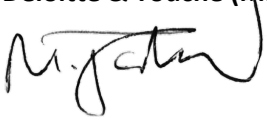
Scope of Review

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

Conclusion

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

Deloitte & Touche (M.E.)



Mohammad Jallad
Registration No. 1164
2 November 2023
Dubai
United Arab Emirates

Akbar Ahmad (1141), Cynthia Corby (995), Faeza Sohawon (5508), Firas Anabtawi (5482), Georges Najem (809), Jazala Hamad (1267), Mohammad Jallad (1164), Mohammad Khamees Al Tah (717), Musa Ramahi (872), Mutasem M. Dajani (726), Obada Alkowatly (1056), Rama Padmanabha Acharya (701) and Samir Madbak (386) are registered practicing auditors with the UAE Ministry of Economy.

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

Condensed consolidated statement of profit or loss (unaudited)

for the nine months and three months period ended 30 September 2023

	Notes	Nine months period ended 30 September		Three months period ended 30 September	
		2023	2022	**2023**	2022
		AED'000	AED'000	**AED'000**	AED'000
Revenue	5	**2,591,397**	2,616,484	**837,036**	906,398
Cost of goods sold	6	**(1,616,787)**	(1,653,818)	**(521,996)**	(589,419)
Gross profit		**974,610**	962,666	**315,040**	316,979
Administrative and general expenses	7	**(183,420)**	(162,152)	**(64,433)**	(52,748)
Selling and distribution expenses	8	**(501,230)**	(524,654)	**(155,817)**	(177,038)
Other income	9	**71,824**	107,559	**35,658**	65,392
Finance costs	10	**(92,180)**	(66,410)	**(31,806)**	(26,527)
Finance income	10	**9,781**	4,997	**2,307**	1,729
Loss on net monetary position	25	**(1,676)**	(3,349)	**(1,105)**	(987)
Share of profit in equity accounted investees	11	**732**	5,813	**289**	299
Profit before impairment losses and gain on acquisition		**278,441**	324,470	**100,133**	127,099
Impairment loss	7(i)	**(21,340)**	(49,210)	**(8,214)**	(6,633)
Impairment loss on property, plant and equipment		**-**	(2,906)	**-**	-
Gain on acquisition of subsidiaries	7(ii)	**-**	32,374	**-**	-
Profit before tax		**257,101**	304,728	**91,919**	120,466
Tax expense	26	**(18,016)**	(42,662)	**(8,025)**	(30,343)
Profit for the period		**239,085**	262,066	**83,894**	90,123
Profit attributable to:					
Owners of the Company		**220,008**	232,867	**76,996**	85,094
Non-controlling interests		**19,077**	29,199	**6,898**	5,029
Profit for the period		**239,085**	262,066	**83,894**	90,123
Earnings per share					
- basic and diluted (AED)	12	**0.22**	0.23	**0.08**	0.09

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

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

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

for the nine months and three months period ended 30 September 2023

	Nine months period ended 30 September		Three months period ended 30 September	
	2023	2022	**2023**	2022
	AED'000	AED'000	**AED'000**	AED'000
Profit for the period	**239,085**	262,066	**83,894**	90,123
Other comprehensive income				
Foreign exchange differences on translation of foreign operations	**(25,774)**	(70,285)	**(5,787)**	(33,530)
Cash flow hedges – effective portion of changes in fair value (loss)/gain on hedging instruments	**(4,029)**	29,810	**(1,408)**	7,347
Effects of application of hyperinflation accounting (Note 25)	**6,488**	10,887	**4,340**	3,203
Total comprehensive income for the period	**215,770**	232,478	**81,039**	67,143
Total comprehensive income attributable to:				
Owners of the Company	**202,480**	220,847	**75,795**	69,785
Non-controlling interests	**13,290**	11,631	**5,244**	(2,642)
Total comprehensive income for the period	**215,770**	232,478	**81,039**	67,143

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

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

Condensed consolidated statement of financial position

as at 30 September 2023

	Notes	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Assets			
Non-current assets			
Property, plant and equipment	13	**1,302,680**	1,243,400
Goodwill	14	**119,903**	119,855
Right-of-use assets		**92,195**	95,697
Intangible assets		**16,157**	18,545
Investment properties	15	**895,553**	904,191
Investments in equity accounted investees	11	**10,410**	10,587
Long-term receivables	16(i)	**2,746**	3,560
Derivative financial assets	19	**7,139**	9,658
Deferred tax assets	26	**6,221**	6,398
Total non-current assets		**2,453,004**	2,411,891
Current assets			
Inventories	17	**1,370,465**	1,309,292
Trade and other receivables	16	**1,232,283**	1,205,067
Due from related parties	18	**47,587**	41,826
Derivative financial assets	19	**11,943**	10,924
Bank deposits with an original maturity of more than three months	20	**19,564**	117,321
Cash and cash equivalents	20	**221,624**	321,291
Total current assets		**2,903,466**	3,005,721
Total assets		**5,356,470**	5,417,612
Equity and liabilities			
Capital and reserves			
Share capital	21	**993,703**	993,703
Reserves		**1,171,161**	1,170,866
Equity attributable to owners of the Company		**2,164,864**	2,164,569
Non-controlling interests		**123,301**	133,440
Total equity		**2,288,165**	2,298,009
Non-current liabilities			
Islamic bank financing	22a(ii)	**326,110**	372,628
Interest bearing bank financing	22b(ii)	**624,550**	595,649
Provision for employees' end of service benefits		**123,685**	132,450
Lease liabilities		**63,617**	72,318
Deferred tax liabilities	26	**29,250**	25,397
Total non-current liabilities		**1,167,212**	1,198,442
Current liabilities			
Islamic bank financing	22a(i)	**322,860**	284,767
Interest bearing bank financing	22b(i)	**466,672**	486,686
Trade and other payables	23	**867,506**	903,666
Due to related parties	18	**40,301**	39,495
Derivative financial liabilities	19	**2,396**	4,548
Lease liabilities		**33,333**	27,626
Provision for taxation	26	**168,025**	174,373
Total current liabilities		**1,901,093**	1,921,161
Total liabilities		**3,068,305**	3,119,603
Total equity and liabilities		**5,356,470**	5,417,612

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

02 NOV 2023

Chairman

Chief Executive Officer

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

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

Condensed consolidated statement of cash flows (unaudited)

for the nine months period ended 30 September 2023

	Nine months period ended 30 September	
	2023	2022
	AED'000	AED'000
Operating activities		
Profit for the period before tax	**257,101**	304,728
Adjustments for:		
Share of profit in equity accounted investees	**(732)**	(5,813)
Interest expense	**52,035**	36,870
Profit expense on Islamic bank financing	**26,432**	11,546
Interest income	**(4,268)**	(4,574)
Profit on wakala deposits	**(830)**	(423)
Interest expense on lease liabilities	**5,811**	4,479
Net change in fair value of derivative financial instruments	**(4,681)**	7,211
Gain on disposal of property, plant and equipment	**(458)**	(42,230)
Gain on acquisition of subsidiaries	**-**	(32,374)
Depreciation of property, plant and equipment	**107,055**	97,459
Depreciation of investment properties	**7,860**	8,153
Amortisation of intangible assets	**4,265**	4,607
Depreciation of right-of-use assets	**26,278**	20,946
Capital work in progress written off	**-**	36
Provision for employees' end-of-service benefits	**20,702**	15,737
Loss on net monetary position	**1,676**	3,349
Allowance for slow moving and obsolete inventories	**35,540**	30,662
Write-down of cost of finished goods	**(6,132)**	7,309
Impairment loss on trade receivables	**21,340**	21,409
Impairment loss on other receivables	**-**	27,551
Impairment loss on bank balances	**-**	250
Impairment loss on property, plant and equipment	**-**	2,906
	548,994	519,794
Changes in:		
- inventories	**(90,581)**	(114,975)
- trade and other receivables (including long-term portion)	**(54,554)**	(60,346)
- due from related parties	**(5,761)**	737
- trade and other payables	**(31,628)**	15,108
- due to related parties	**806**	25,914
Income tax paid	**(18,054)**	(12,867)
Employees' end-of-service benefits paid	**(28,659)**	(7,454)
Currency translation adjustments	**(2,851)**	(6,065)
Net cash generated from operating activities	**317,712**	359,846

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

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

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

for the nine months period ended 30 September 2023

	Nine months period ended 30 September	
	2023	2022
	AED'000	AED'000
Investing activities		
Additions to property, plant and equipment	**(182,550)**	(143,828)
Proceeds from disposal of property, plant and equipment	**4,009**	6,980
Additions to intangible assets	**(1,030)**	(255)
Additions to investment properties	**(1,980)**	-
Dividend received from equity accounted investees	**441**	479
Interest received	**4,268**	4,574
Profit received on Wakala deposits	**830**	423
Cash paid for acquisition of further shares in a subsidiary	**-**	(225,500)
Cash paid for settlement of liabilities of the acquired subsidiary	**-**	(17,332)
Cash paid for acquisition of subsidiaries	**-**	(56,760)
Cash acquired as part of acquisition of subsidiaries	**-**	(29,469)
Proceeds on maturity of bank deposits with an original maturity of more than three months	**97,757**	101,426
Net cash used in investing activities	**(78,255)**	(359,262)
Financing activities		
Long-term bank financing availed	**174,672**	347,253
Long-term bank financing repaid	**(179,466)**	(188,964)
Long-term Islamic bank financing availed	**45,000**	148,447
Long-term Islamic bank financing repaid	**(79,572)**	(99,861)
Repayment of lease liabilities	**(35,506)**	(32,292)
Short-term bank financing availed	**476,747**	199,422
Short-term bank financing repaid	**(455,743)**	(282,833)
Short-term Islamic bank financing availed	**448,383**	324,175
Short-term Islamic bank financing repaid	**(422,236)**	(171,253)
Interest paid	**(52,035)**	(36,870)
Profit paid on Islamic bank financing	**(26,432)**	(11,546)
Remuneration paid to Board of Directors	**(3,444)**	(3,574)
Dividend paid	**(198,741)**	(198,741)
Dividend paid to non-controlling interests	**(23,429)**	(19,814)
Net cash used in financing activities	**(331,802)**	**(26,451)**
Net decrease in cash and cash equivalents	**(92,345)**	(25,867)
Cash and cash equivalents at the beginning of the period	**242,628**	294,081
Net cash and cash equivalents at the end of the period	**150,283**	268,214
Represented by:		
Cash and cash equivalents	**221,624**	355,970
Bank overdrafts	**(71,341)**	(87,756)
	150,283	268,214

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

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

Condensed consolidated statement of changes in equity (unaudited)

for the nine months period ended 30 September 2023

	Attributable to owners of the Company												
			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	Capital reserve AED'000	Retained earnings AED'000	Total reserves AED'000	Total AED'000	Non-controlling interests (NCI) AED'000	Total equity AED'000
Balance at 1 January 2023	**993,703**	**221,667**	**578,603**	**(182,291)**	**(166,881)**	**20,582**	**82,805**	**75,040**	**541,341**	**1,170,866**	**2,164,569**	**133,440**	**2,298,009**
Total comprehensive income/(loss) for the period (unaudited)													
Profit for the period	-	-	-	-	-	-	-	-	220,008	220,008	220,008	19,077	239,085
Other comprehensive income/(loss)													
Foreign exchange differences on translation of foreign operations	-	-	-	(13,297)	(6,690)	-	-	-	-	(19,987)	(19,987)	(5,787)	(25,774)
Changes in cash flow hedges	-	-	-	-	-	(4,029)	-	-	-	(4,029)	(4,029)	-	(4,029)
Effects of application of IAS 29 (refer Note 25)	-	-	-	-	6,488	-	-	-	-	6,488	6,488	-	6,488
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**(13,297)**	**(202)**	**(4,029)**	**-**	**-**	**220,008**	**202,480**	**202,480**	**13,290**	**215,770**
Other equity movements (unaudited)													
Directors' annual remuneration (refer Note 21(ii))	-	-	-	-	-	-	-	-	(3,444)	(3,444)	(3,444)	-	(3,444)
Transaction with owners (unaudited)													
Dividend paid (refer Note 21(i))	-	-	-	-	-	-	-	-	(198,741)	(198,741)	(198,741)	-	(198,741)
Dividend paid to NCI	-	-	-	-	-	-	-	-	-	-	-	(23,429)	(23,429)
Balance at 30 September 2023 (unaudited)	**993,703**	**221,667**	**578,603**	**(195,588)**	**(167,083)**	**16,553**	**82,805**	**75,040**	**559,164**	**1,171,161**	**2,164,864**	**123,301**	**2,288,165**

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

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

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

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

for the nine months period ended 30 September 2023

	Attributable to owners of the Company												
			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	Capital reserve AED'000	Retained earnings AED'000	Total reserves AED'000	Total AED'000	Non-controlling interests (NCI) AED'000	Total equity AED'000
Balance at 1 January 2022	**993,703**	**221,667**	**568,803**	**(130,569)**	**(168,321)**	**(9,010)**	**82,805**	**75,040**	**597,441**	**1,237,856**	**2,231,559**	**226,535**	**2,458,094**
Total comprehensive income/(loss) for the period (unaudited)													
Profit for the period	-	-	-	-	-	-	-	-	232,867	232,867	232,867	29,199	262,066
Other comprehensive income/(loss)													
Foreign exchange differences on translation of foreign operations	-	-	-	(50,856)	(1,861)	-	-	-	-	(52,717)	(52,717)	(17,568)	(70,285)
Changes in cash flow hedges	-	-	-	-	-	29,810	-	-	-	29,810	29,810	-	29,810
Effects of application of IAS 29 (refer Note 25)	-	-	-	-	10,887	-	-	-	-	10,887	10,887	-	10,887
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**(50,856)**	**9,026**	**29,810**	**-**	**-**	**232,867**	**220,847**	**220,847**	**11,631**	**232,478**
Other equity movements (unaudited)													
Directors' annual remuneration (refer Note 21(ii))	-	-	-	-	-	-	-	-	(3,574)	(3,574)	(3,574)	-	(3,574)
Transaction with owners (unaudited)													
Dividend paid (refer Note 21(i))	-	-	-	-	-	-	-	-	(198,741)	(198,741)	(198,741)	-	(198,741)
Dividend paid to NCI									-	-	-	(19,814)	(19,814)
Acquisition of NCI (refer Note 27)	-	-	-	-	-	-	-	-	(138,608)	(138,608)	(138,608)	(86,892)	(225,500)
Change in NCI due to acquisitions	-	-	-	-	-	-	-	-	(200)	(200)	(200)	55	(145)
Balance at 30 September 2022 (unaudited)	**993,703**	**221,667**	**568,803**	**(181,425)**	**(159,295)**	**20,800**	**82,805**	**75,040**	**489,185**	**1,117,580**	**2,111,283**	**131,515**	**2,242,798**

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

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

1. General information

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

The condensed consolidated interim financial information as at and for the nine months period ended 30 September 2023 comprises the financial information of the Company and its subsidiaries (collectively referred to as the "Group" and individually as "Group entities") and the Group's interest in equity accounted investees.

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

Federal Law No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on 20 September 2021 and has come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the "2015 Law"). The Company abides by the New Companies Law of the UAE.

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

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, and the notes attached thereto, except for the adoption of certain new and revised standards, that became effective in the current period as set out below.

2.1 New and revised IFRSs adopted by the Group

In the current period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2023. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current period but may affect the accounting for the Group's future transactions or arrangements.

- IFRS 17 'Insurance Contracts' relating to providing a more uniform measurement and presentation approach for all insurance contracts.
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture (effective date deferred indefinitely, early adoption permitted).
- IAS 1 'Presentation of Financial Statements' – Amendments on classifications of liabilities.
- IFRS 4 'Insurance contracts' relating to amendments relating to the expiry date of the deferral approach. The fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 was 1 January 2023.
- Amendments regarding Disclosure of Accounting policies (IAS 1 and IFRS practice statement 2), amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'—Definition of Accounting Estimates and Amendments to IAS 12 'Income Taxes'—Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

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

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

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

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

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) - The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale (effective from January 1, 2024).
- Non-current Liabilities with Covenants (Amendments to IAS 1) - The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability (effective from January 1, 2024).
- Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 ' Investments in Associates and Joint Ventures' (Effective date deferred indefinitely, available for early adoption).
- Supplier Finance Arrangements (amendments to IAS 7 and IFRS 7) related disclosure requirements to provide qualitative and quantitative information about supplier finance arrangements. (effective from 1 January 2024)

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

3. Summary of significant accounting policies

Basis of preparation

The condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard ("IAS") No. 34 *'Interim Financial Reporting'*.

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

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

The accounting policies, presentation and methods in the condensed consolidated interim financial information are consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 2022.

The condensed consolidated interim financial information does not include all the information required for annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements as at and for the year ended 31 December 2022. No income of a seasonal nature was recorded in the condensed consolidated statement of profit or loss for the nine months period ended 30 September 2023 and 2022. In addition, results for the nine months period ended 30 September 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

4. Changes in judgements and estimation uncertainty

The critical judgements and estimates used in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the Group's audited annual consolidated financial statements for the year ended 31 December 2022.

5. Revenue

	Nine months period ended 30 September		Three months period ended 30 September	
	2023	2022	**2023**	2022
	AED'000	AED'000	**AED'000**	AED'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Sale of goods	**2,578,805**	2,603,970	**831,962**	903,765
Others	**12,592**	12,514	**5,074**	2,633
	2,591,397	2,616,484	**837,036**	906,398

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

6. Cost of goods sold

	Nine months period ended 30 September		Three months period ended 30 September	
	2023	2022	**2023**	2022
	AED'000	AED'000	**AED'000**	AED'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Raw materials consumed	**949,087**	884,524	**316,066**	316,665
Change in inventory of finished goods	**(164,460)**	(51,458)	**(61,876)**	(27,230)
Allowance for slow moving inventories	**35,540**	30,662	**11,939**	17,442
Direct labor	**219,407**	208,137	**70,850**	78,419
Power and fuel	**114,555**	91,088	**37,436**	34,843
LPG and natural gas	**161,315**	202,200	**48,694**	70,003
Depreciation of property, plant and equipment	**84,913**	79,006	**28,984**	27,952
Depreciation of right-of-use assets	**2,380**	1,159	**814**	761
Amortization of intangible assets	**921**	88	**311**	62
Repairs and maintenance expense	**86,928**	87,351	**28,411**	30,192
Packing material expenses	**81,448**	99,946	**25,171**	32,977
Insurance	**5,584**	5,444	**1,565**	1,901
Clearing Charges	**3,123**	3,109	**1,019**	1,292
Hire Charges	**1,687**	2,986	**591**	1,716
Sub-contractors Fee	**8,791**	3,918	**3,777**	892
Others	**25,568**	5,658	**8,244**	1,532
	1,616,787	1,653,818	**521,996**	589,419

7. Administrative and general expenses

	Nine months period ended 30 September		Three months period ended 30 September	
	2023	2022	**2023**	2022
	AED'000	AED'000	**AED'000**	AED'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Staff salaries and other associated costs	**83,810**	78,837	**28,081**	27,405
Depreciation of property, plant and equipment	**10,157**	9,754	**3,609**	3,710
Depreciation of investment properties	**7,860**	8,153	**2,713**	2,775
Depreciation of right-of-use assets	**458**	563	**155**	185
Amortization of intangible assets	**3,344**	4,519	**881**	1,527
Telephone, postal and office supplies	**6,248**	4,361	**1,716**	1,606
Repairs and maintenance expenses	**6,235**	5,551	**2,374**	2,129
Legal and professional fees	**13,600**	10,048	**6,212**	2,982
Utility expenses	**3,882**	3,282	**1,442**	972
Security charges	**1,039**	1,240	**451**	693
Directors' remuneration*	**2,775**	-	**925**	-
Information technology licenses and consultancy expenses	**11,748**	8,050	**4,565**	1,754
Expenses on investment properties	**7,882**	5,631	**3,893**	2,266
Insurance	**2,069**	1,880	**631**	597
Managerial remuneration and workers' participation fund	**1,498**	2,504	**433**	467
Vehicles on hire	**2,157**	1,706	**1,188**	512
Travelling	**1,970**	705	**466**	285
Others	**16,688**	15,368	**4,698**	2,883
	183,420	162,152	**64,433**	52,748

* From 1 January 2023 the remuneration of members of the Board of Directors has been recognized as an administrative expense on an accrual basis. In previous years, such remuneration was accounted for on a cash basis as a distribution of profits. Had it been recognized as an administrative expense on the accrual basis in 2022, the profit for the nine month period would have been lower by AED 2,775 thousand (Three month period ended 30 September 2022: AED 925 thousand), with an immaterial impact on the basic and diluted earnings per share for that period.

7(i) Impairment loss

	Nine months period ended 30 September		Three months period ended 30 September	
	2023	2022	**2023**	2022
	AED'000	AED'000	**AED'000**	AED'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Impairment loss on trade receivables	**21,340**	21,409	**8,214**	6,633
Impairment loss on other receivables	**-**	27,551	**-**	-
Impairment loss on bank balances (refer Note 20)	**-**	250	**-**	-
	21,340	49,210	**8,214**	6,633

7. Administrative and general expenses (continued)

7(ii) Gain on acquisition of subsidiaries

	Nine months period ended 30 September		Three months period ended 30 September	
	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)	**2023 AED'000 (unaudited)**	2022 AED'000 (unaudited)
Gain on fair valuation of pre-existing share in equity accounted investee (refer Note 11)	**-**	9,114	**-**	-
Gain on bargain purchase (refer Note 27(A))	**-**	23,260	**-**	-
	-	32,374	**-**	-

8. Selling and distribution expenses

	Nine months period ended 30 September		Three months period ended 30 September	
	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)	**2023 AED'000 (unaudited)**	2022 AED'000 (unaudited)
Staff salaries and other associated costs	**168,058**	134,338	**54,234**	51,594
Freight and transportation	**169,507**	266,518	**50,981**	78,579
Agents' commission	**21,924**	21,533	**7,044**	6,654
Advertisement and promotions expense	**61,986**	45,949	**16,609**	17,953
Rental expenses	**2,870**	2,582	**1,090**	1,301
Travel and entertainment expenses	**7,458**	4,407	**2,093**	1,850
Depreciation of property, plant and equipment	**11,985**	8,699	**3,973**	3,506
Depreciation of right-of-use assets	**23,440**	19,224	**8,354**	6,739
Warehouse expenses	**2,331**	2,538	**660**	545
Repairs, maintenance & consumables	**2,311**	3,191	**879**	1,075
Royalty	**551**	551	**184**	184
Consultation & Outsourcing Charges	**1,447**	664	**350**	-
Postage, courier and stationary	**1,558**	1,553	**441**	748
Testing and certification charges	**514**	402	**190**	260
Others	**25,290**	12,505	**8,735**	6,050
	501,230	524,654	**155,817**	177,038

9. Other Income

	Nine months period ended 30 September		Three months period ended 30 September	
	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)	**2023 AED'000 (unaudited)**	2022 AED'000 (unaudited)
Net gain on disposal of property, plant and equipment*	**458**	42,230	**143**	42,217
Rental income from investment properties	**27,188**	25,798	**11,372**	9,084
Sale of scrap and miscellaneous items	**3,381**	4,305	**785**	999
Insurance claims	**1,167**	3,544	**108**	180
Discounts earned on purchases and freight	**10,537**	13,604	**7,580**	8,911
Provision write back	**8,876**	5,494	**3,102**	29
Net write back of unclaimed balances	**8,200**	8,004	**8,200**	3,073
Income from Leasing of plant and equipment	**918**	1,562	**309**	499
Other net miscellaneous income	**11,099**	3,018	**4,059**	400
	71,824	107,559	**35,658**	65,392

* The nine months period ended 30 September 2022 the gain on sale of land amounting to AED 42.2 million.

10. Finance costs and income

	Nine months period ended 30 September		Three months period ended 30 September	
	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)	**2023 AED'000 (unaudited)**	2022 AED'000 (unaudited)
Finance costs				
Interest on bank financing	**52,035**	36,812	**19,062**	14,257
Profit expense on Islamic bank financing	**26,432**	11,546	**7,886**	5,939
Interest on amount due to related parties	**-**	58	**-**	38
Interest expense on lease liabilities	**5,811**	4,479	**2,040**	1,692
Net change in the fair value of derivatives	**-**	7,211	**-**	1,469
Bank charges	**2,968**	3,363	**978**	1,235
Net foreign exchange loss	**4,934**	2,941	**1,840**	1,897
Total (A)	**92,180**	66,410	**31,806**	26,527
Finance income				
Interest on bank deposits	**4,268**	4,574	**1,441**	1,464
Profit on wakala deposits	**830**	423	**61**	265
Net change in the fair value of derivatives	**4,683**	-	**805**	-
Total (B)	**9,781**	4,997	**2,307**	1,729
Net finance costs (A-B)	**82,399**	61,413	**29,499**	24,798

11. Investments in equity accounted investees

The Group's share of profit in equity accounted investees for the nine months period ended 30 September 2023 amounted to AED 0.73 million (unaudited) (nine months period ended 30 September 2022 (unaudited): AED 5.81 million).

The Group has received AED 0.44 million (unaudited) as dividends during the current period from its equity accounted investees (nine months period ended 30 September 2022 (unaudited): AED 0.48 million).

Prior to acquiring the remaining 49% equity interest in Kludi RAK LLC, UAE on 31 May 2022, the carrying value of the Group's 51% equity interest amounted to AED 47.28 million. Accordingly, the Group has fair valued its pre-existing 51% equity interest on acquisition at AED 56.39 million and recognized a fair value gain of AED 9.11 million at the date of acquisition. Also refer Note 27 (A).

12. Earnings per share

	Nine months period ended 30 September		**Three months period ended 30 September**	
	2023 (unaudited)	2022 (unaudited)	**2023 (unaudited)**	2022 (unaudited)
Profit attributable to the owners of the Company (AED'000)	**220,008**	232,867	**76,996**	**85,094**
Weighted average number of ordinary shares ('000s)	**993,703**	993,703	**993,703**	**993,703**
Basic and diluted earnings per share (AED)	**0.22**	**0.23**	**0.08**	**0.09**

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

13. Property, plant and equipment

Additions, disposals and depreciation

During the nine months period ended 30 September 2023, the Group acquired property, plant and equipment and made additions to capital work in progress amounting to AED 182.55 million (nine months period ended 30 September 2022: AED 143.83 million). Also refer Note 27 (A).

During the nine months period ended 30 September 2022, the Group sold a land in Australia having carrying value of AED 28.40 million for a consideration of AED 71.79 million. The Group has incurred costs to sell amounting to AED 1.15 million.
Property, plant and equipment with a carrying amount of AED 0.65 million was disposed of during the nine months period (nine months period ended 30 September 2022: AED 31.64 million) resulting in a gain on disposal of AED 0.46 million (gain on disposal, nine months period ended 30 September 2022: AED 42.23 million) which is included in other income in the condensed consolidated statement of profit or loss.

Depreciation of property, plant and equipment for the nine months period amounted to AED 107.06 million (nine months period ended 30 September 2022: AED 97.46 million). Below is the breakdown of property, plant and equipment inside and outside the U.A.E:

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Inside U.A.E	**860,235**	791,503
Outside U .A.E	**442,445**	451,897
	1,302,680	1,243,400

14. Goodwill

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Opening balance	**119,855**	120,500
Effects of movements in exchange rate	**48**	(645)
Closing balance	**119,903**	119,855

Goodwill comprises AED 50.36 million, AED 5.64 million, AED 5.45 million, and AED 58.45 million recognized on acquisition, respectively of Ceramin FZ LLC, RAK Ceramics UK Limited, RAK Distribution Europe S.A.R.L, and ARK International Trading Company Limited.

As of September 2023 management has performed an analysis of the sensitivity of the impairment test to changes in key assumptions used to determine the recoverable amount of each cash generating unit to which goodwill is allocated and determined that no indicators of impairment have been identified.

15. Investment properties

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Inside U.A.E	**870,634**	877,181
Outside U.A.E	**24,919**	27,010
	895,553	904,191

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

The fair value of the Group's investment properties as at 31 December 2022 (audited) amounted to AED 1,032.31 million and was arrived at on the basis of valuations carried out by external valuers who have appropriate market experience in the valuation of properties. Management estimates that there has been no significant change in the fair value of investment properties during the nine months period ended 30 September 2023.

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

16. Trade and other receivables

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Trade receivables	**1,056,121**	1,076,543
Less: Allowance for expected credit loss	**(172,271)**	(211,859)
Subtotal (A)	**883,850**	864,684
Other receivables	**104,345**	129,730
Less: Allowance for expected credit loss	**(33,791)**	(33,791)
Subtotal (B)	**70,554**	95,939
Advances and prepayments (C)	**253,234**	214,495
Deposits (D)	**24,645**	29,949
Total (A+B+C+D)	**1,232,283**	1,205,067

(i) Long-term receivables

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Trade receivables	**4,031**	4,570
Less: Allowance for expected credit loss	**(741)**	(272)
	3,290	4,298
Less : current portion included in trade receivables	**(544)**	(738)
Long-term trade receivables	**2,746**	3,560

17. Inventories

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Finished goods (net of net realizable value adjustments)	**986,430**	907,383
Less : Allowance for slow moving inventories	**(157,830)**	(152,962)
Subtotal (A)	**828,600**	754,421
Raw materials	**276,553**	301,923
Stores and spares	**269,720**	254,125
	546,273	556,048
Less : Allowance for slow-moving inventories	**(85,240)**	(80,170)
Subtotal (B)	**461,033**	475,878
Goods-in-transit (C)	**25,935**	23,255
Work-in-progress (D)	**54,897**	55,738
Total (A+B+C+D)	**1,370,465**	1,309,292

At 30 September 2023, the Group recognized a cumulative loss due to write-down of finished goods inventories of AED 159.83 million against cost of AED 423.06 million *(31 December 2022 (audited): AED 165.96 million against cost of AED 436.76 million)* to bring it to its net realizable value which was lower than the cost. The difference in the write down of AED (6.13) million (unaudited) *(nine months period ended 30 September 2022 (unaudited): AED 1.92 million*) is included in cost of sales in the condensed consolidated statement of profit or loss with a currency loss of AED 0.12 million for the period (unaudited) *(nine months period ended 30 September 2022 (unaudited): AED 1.4 million*).

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

18. Related party balances and transactions

The transactions of the Group with its related parties are at arm's length. The significant transactions entered into by the Group with related parties during the period, other than those disclosed elsewhere in this condensed consolidated interim financial information are as follows:

Equity accounted investees and companies under common management:

	Nine months period ended 30 September		**Three months period ended 30 September**	
	2023 AED'000 (unaudited)	2022 AED'000 (unaudited)	**2023 AED'000 (unaudited)**	2022 AED'000 (unaudited)
Sale of goods and services and construction contracts	**84,934**	96,035	**32,001**	26,875
Purchase of goods and rendering of services	**182,989**	200,586	**60,758**	73,504
Royalty	**250**	172	**182**	90
Interest expense (refer note 10)	**-**	58	**-**	38

18. Related party balances and transactions (continued)

Key management personnel compensation

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

	Nine months period ended 30 September		**Three months period ended 30 September**	
	2023	2022	**2023**	2022
	AED'000	AED'000	**AED'000**	AED'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Short-term benefits	**9,677**	8,774	**3,226**	2,936
Staff terminal benefits	**175**	186	**59**	65
Board of Directors' remuneration paid	**3,444**	3,574	**-**	-
Board of Directors' remuneration accrued (Refer note 7)	**2,775**	-	**925**	-

Due from related parties

	30 September 2023	31 December 2022
	AED'000	AED'000
	(unaudited)	(audited)
Equity accounted investees	**42,756**	40,352
Other related parties	**45,408**	41,690
	88,164	82,042
Less : Allowance for expected credit loss	**(40,577)**	(40,216)
	47,587	41,826

Due to related parties

	30 September 2023	31 December 2022
	AED'000	AED'000
	(unaudited)	(audited)
Other related parties	**40,301**	39,495
	40,301	39,495

19. Derivative financial instruments

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

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

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Non-current		
Derivative financial assets		
Interest rate swaps used for hedging	**7,139**	9,658
	7,139	9,658

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Current		
Derivative financial assets		
Interest rate swaps used for hedging	**9,413**	10,924
Other currency and interest rate swaps	**2,530**	-
	11,943	10,924

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Current		
Derivative financial liabilities		
Forward exchange contracts	**-**	570
Other currency and interest rate swaps	**2,396**	3,978
	2,396	4,548

20. Bank balances and cash

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Cash in hand	**2,757**	2,024
Cash at bank		
- in bank deposits with an original maturity of less than three months	**4,844**	76,545
- in Wakala deposits with an original maturity of less than three months	**-**	25,000
- in current accounts	**202,482**	194,301
- in margin deposits	**6,682**	1,536
- in call accounts	**5,292**	22,318
Cash and cash equivalents	**222,057**	321,724
Less : Allowance for expected credit loss	**(433)**	(433)
Cash and cash equivalents (A)	**221,624**	321,291
Bank deposits with an original maturity of more than three months (B)	**19,564**	117,321
Bank balances and cash (A+B)	**241,188**	438,612

Cash in hand and cash at bank includes AED 1.17 million (*31 December 2022 (audited): AED 0.50 million*) and AED 66.92 million (*31 December 2022 (audited): AED 123.15 million*) respectively, held outside the UAE.

All bank deposits carry interest at normal commercial rates and include AED 6.2 million (*31 December 2022 (audited): AED 0.45 million*) which are held by bank under lien against bank facilities availed by the Group.

The expected credit loss method is applied to assess the probable impairment loss on balances with banks using those banks' 'credit rating', 'forward adjusted probability of default' and the 'loss given default rates' linked to such ratings.

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

21. Share capital

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Authorised, issued and paid up		
170,000,000 shares of AED 1 each paid up in cash	**170,000**	170,000
823,703,958 shares of AED 1 each issued as bonus shares	**823,703**	823,703
	993,703	993,703

21. Share capital (continued)

(i) Dividend

At the Annual General Meeting (AGM) held on 10 March 2023, the shareholders approved a cash dividend of 10% amounting to AED 99,370 thousand apart from the interim cash dividend of 10% amounting to AED 99,370 thousand for the year 2022; An interim dividend of 10 % amounting to AED 99,370 thousand for the first half of year 2023 has also been paid during the current period (During the year 2022: paid final cash dividend of 10% amounting to AED 99,370 thousand for the year 2021 and interim cash dividend of 10% amounting to AED 99,370 thousand).

(ii) Directors' remuneration

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

22. Bank financing arrangements

(a) Islamic bank financing

(i) Short-term

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Mudaraba facilities (A)	**92,253**	48,379
Commodity Murabaha facilities (B)	**110,115**	127,842
Current portion of long-term financing (refer note (ii) below)	**120,492**	108,546
	322,860	284,767

(ii) Long-term – Islamic bank financing

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Mudaraba facilities (A)	**163,958**	120,000
Commodity Murabaha facilities (B)	**136,401**	183,404
Ijarah facilities (C)	**146,243**	177,770
Less : current portion of long-term financing	**(120,492)**	(108,546)
	326,110	372,628

22. Bank financing arrangements (continued)

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

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Movement:		
Balance as at 1 January	**481,174**	404,421
Availed during the period/ year	**45,000**	193,447
Repaid during the period/ year	**(79,572)**	(116,694)
Balance as at end of the period/ year	**446,602**	481,174
Less : current portion included in short-term (refer 21 (a)(i))	**(120,492)**	(108,546)
	326,110	372,628

The securities provided against these facilities are the same as those mentioned in the consolidated financial statements of the Group for the year ended 31 December 2022.

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

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

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

(b) Interest bearing bank financing

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
(i) Short-term		
Bank overdrafts	**71,341**	78,663
Short-term loan	**183,308**	162,305
Current portion of long-term financing (refer note (ii) below)	**212,023**	245,718
	466,672	486,686

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
(ii) Long-term bank loans		
Balance as at 1 January	**841,367**	697,811
Availed during the period/ year	**174,672**	412,555
Repaid during the period/ year	**(179,466)**	(268,999)
Balance as at end of the period/ year	**836,573**	841,367
Less : current portion of long-term financing (refer 21 (b)(i))	**(212,023)**	(245,718)
	624,550	595,649

22. Bank financing arrangements (Continued)

(b) (ii) Interest bearing bank financing (Continued)

The details of the long term bank loans, including terms of repayment, interest rate and security provided are mentioned in the consolidated financial statements of the Group for the year ended 31 December 2022.

23. Trade and other payables

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Trade payables	**408,285**	417,804
Accrued and other expenses	**256,340**	249,795
Advance from customers	**75,149**	106,394
Commission and rebates payable	**69,829**	73,898
Other payables	**57,903**	55,775
	867,506	903,666

24. Contingent liabilities and commitments

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Contingent liabilities		
Letters of guarantee	**62,518**	65,820
Letters of credit	**83,914**	60,931
Value added tax and other tax contingencies	**34,686**	62,979
Commitments		
Capital commitments	**242,628**	83,382

25. Hyperinflationary economy

The Group has a subsidiary in the Islamic Republic of Iran, which did not have material operations during the year ended 31 December 2022 or during the nine months period ended 30 September 2023. The total assets of the Iranian subsidiary were 0.51% of the Group's consolidated total assets as at 30 September 2023 *(31 December 2022 (audited): 0.53%*)

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

	Index	**Conversion factor**
30 September 2023	**708.17**	1.2579
31 December 2022	**563.00**	1.4847
31 December 2021	**379.20**	1.3514
31 December 2020	**280.60**	1.4479
31 December 2019	**193.80**	1.2775
31 December 2018	**151.70**	1.3558

25. Hyperinflationary economy (Continued)

The above mentioned restatement is affected as follows:

- Hyperinflation accounting was applied as of 1 January 2020;
- The condensed consolidated statement of profit or loss is adjusted at the end of each reporting period using the change in the general price index and is converted at the closing exchange rate of each period (rather than the year to date average rate for non-hyperinflationary economies), thereby restating the year to date condensed consolidated statement of profit or loss accounts both for inflation index and currency conversion;
- Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the date of the condensed consolidated statement of financial position. Monetary items are money held and items to be recovered or paid in money; and
- Non-monetary assets and liabilities are stated at historical cost (e.g. property plant and equipment, investment properties etc.) and equity of the subsidiary is restated using an inflation index. The hyperinflation impact resulting from changes in the general purchasing power until 31 December 2022 were reported in Hyperinflation reserve directly as a component of equity and the impacts of changes in the general purchasing power from 1 January 2023 are reported through the condensed consolidated statement of profit or loss in a separate line as a loss on net monetary position, besides having the impact on depreciation charge for the period.
- All items in the consolidated statement of profit or loss are restated by applying the relevant quarterly average or year-end conversion factors.

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

Impact on condensed consolidated statement of financial position	**1 January 2023 AED'000 (unaudited)**	1 January 2022 AED'000 (unaudited)
Increase in property, plant and equipment	**1,995**	3,230
Increase in investment properties	**2,316**	3,837
Increase in other assets	**2,177**	3,820
Increase in equity	**6,488**	10,887
Allocated to:		
Increase in opening equity due to cumulative hyperinflation	**6,488**	10,887

	Nine months period ended 30 September		**Three months period ended 30 September**	
Impact on condensed consolidated statement of profit or loss	**2023 AED'000 (unaudited)**	2022 AED'000 (unaudited)	**2023 AED'000 (unaudited)**	2022 AED'000 (unaudited)
Increase in depreciation charge for the period	**1,261**	1,681	**551**	634
Loss on net monetary position	**1,676**	3,349	**1,105**	987
	2,937	5,030	**1,656**	1,621

26. Corporate Income Tax

	30 September 2023 AED'000 (unaudited)	30 September 2022 AED'000 (unaudited)
Current tax		
In respect of current period	**12,042**	42,429
Deferred Tax		
Origination and reversal of temporary tax differences during the period	**5,974**	233
Tax expense for the period	**18,016**	42,662

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Provision for Tax	**168,025**	174,373
Deferred tax liabilities *	**29,250**	25,397
Deferred tax assets	**6,221**	6,398

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

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

The Group is in the process of finalising its assessment of the impact of the new CT Law on the UAE businesses and has recorded a deferred tax expense of AED 4.53 million in the quarter ended 30 September 2023 being the initial recognition of a deferred tax liability on the purchase price allocation (PPA) adjustments on a corporate transaction completed in a prior accounting period as required by IFRSs.

27. Acquisition of subsidiaries

A. On 31 May 2022, the Group had acquired a consortium of Kludi entities in Europe through its SPV in Austria, "RAK Ceramics Austria GmbH". The Group also had acquired the remaining 49% equity interest in its previously held equity accounted investee, Kludi RAK LLC, UAE, and had converted it into a wholly owned subsidiary. The Group had paid an aggregate consideration of Euro 18.8 million (AED 74.1 million) including Euro 4.4 million (AED 17.3 million) towards settlement of Kludi Group's liabilities and payables.

The amounts recognized in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:-

	Kludi Europe AED'000 (unaudited)	Kludi RAK AED'000 (unaudited)	Total AED'000 (unaudited)
Assets			
Property, plant and equipment	133,331	25,675	159,006
Intangible assets	1,081	553	1,634
Right-of-use assets	14,661	4,803	19,464
Other financial assets	1,645	-	1,645
Deferred tax assets	2,508	11	2,519
Inventories	100,234	51,071	151,305
Trade and other receivables	64,942	54,554	119,496
Cash and bank balance	7,762	7,575	15,337
Total assets	326,164	144,242	470,406
Liabilities			
Bank borrowings	(39,859)	-	(39,859)
Bank overdrafts	(44,606)	-	(44,606)
Provision for employees' end-of-service benefits	(38,352)	(4,173)	(42,525)
Deferred tax liabilities	(16,708)	-	(16,708)
Lease Liabilities	(16,078)	(4,782)	(20,860)
Trade and other payables	(144,663)	(24,722)	(169,385)
Total liabilities	(300,266)	(33,677)	(333,943)
Net assets	25,898	110,565	136,463
Less:- Non-controlling interest	(55)	-	(55)
Fair value of pre-existing interest	-	(56,388)	(56,388)
Net assets acquired (A)	25,843	54,177	80,020
Gross consideration			(74,092)
Less:- Settlement of liabilities			17,332
Net consideration paid (B)			(56,760)
Gain on bargain purchase (A + B)			23,260

Cash acquired as part of acquisition of subsidiaries	**AED'000**
Cash and bank balance	15,337
Bank overdrafts	(44,606)
Cash acquired as part of acquisition of subsidiaries	(29,269)

27. Acquisition of subsidiaries (continued)

A. Gain on bargain purchase represents the difference between purchase consideration and fair value of net assets acquired and is recognized in the condensed consolidated statement of profit or loss. The fair value of the assets and liabilities have been determined by an external expert.

During the prior period from the date of being accounted for as subsidiaries to 30 September 2022, the units contributed aggregate revenue of AED 161.99 million and a net loss of AED 18.02 million to the Group's result.

Had this acquisition been effective 01 January 2022, it would have resulted in additional revenue of AED 198.22 million and incurrence of additional loss of AED 45.99 million.

B. During the nine months period ended 30 September 2022, the Group had acquired a further 41% of interest in one of its subsidiaries, RAK Porcelain LLC, UAE, for a consideration of AED 225.5 million and thereby increased the shareholding of the Group to 91%. The Group had recognized:

	AED'000 (unaudited)
- Decrease in non-controlling interest	(86,695)
- Decrease in retained earnings	(138,805)
Total consideration paid	(225,500)

28. Operating Lease

As Lessor:

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

	30 September 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Less than one year	**13,552**	4,208
Between two and five years	**36,842**	9,592
	50,394	13,800

29. Segment reporting

Basis for segmentation

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

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

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

29. Segment reporting (continued)

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, chemicals, and faucets.
Others	includes security services, material movement, real estate, construction projects and civil works.

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

	Ceramic products AED'000	**Faucets* AED,000**	**Other industrial AED'000**	**Others AED'000**	**Elimination AED'000**	**Total AED'000**
Nine months period end 30, September 2023 (unaudited)						
External revenue	**2,180,028**	**324,150**	**76,052**	**11,167**	**-**	**2,591,397**
Intersegment revenue	**438,064**	**46,346**	**107,336**	**1,425**	**(593,171)**	**-**
Segment revenue	**2,618,092**	**370,496**	**183,388**	**12,592**	**(593,171)**	**2,591,397**
Segment profit	**315,678**	**(23,782)**	**10,908**	**7,405**	**(71,124)**	**239,085**
Segment EBITDA	**530,011**	**2,722**	**15,030**	**8,780**	**(75,127)**	**481,416**
As at 30 September 2023(unaudited)						
Segment assets	**6,705,869**	**545,322**	**170,897**	**293,379**	**(2,358,997)**	**5,356,470**
Segment liabilities	**3,694,898**	**494,069**	**69,179**	**100,168**	**(1,290,009)**	**3,068,305**

	Ceramic products AED'000	Faucets AED'000	Other industrial AED'000	Others AED'000	Elimination AED'000	Total AED'000
Nine months period end 30 September 2022 (unaudited)						
External revenue	2,340,103	161,993	101,874	12,514	-	2,616,484
Intersegment revenue	553,377	11,280	80,361	1,387	(646,405)	-
Segment revenue	2,893,480	173,273	182,235	13,901	(646,405)	2,616,484
Segment profit	245,616	24,660	11,171	6,163	(25,544)	262,066
Segment EBITDA	414,120	33,676	(17,216)	10,323	(28,739)	412,164
As at 31 December 2022 (audited)						
Segment assets	6,775,248	483,804	155,298	282,547	(2,279,285)	5,417,612
Segment liabilities	3,743,743	411,181	64,693	96,613	(1,196,627)	3,119,603

29. Segment reporting (continued)

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

* While information for year 2023 is for nine months, the information for year 2022 is for four months from the date of acquisition as explained in Note 27 (A).

Reconciliation of reportable segments

	Nine months period ended 30 September	
	2023	2022
	AED'000	AED'000
	(unaudited)	(unaudited)
Total profit for reportable segments	**309,477**	281,797
Elimination of inter-segment profits	**(71,124)**	(25,544)
Share of profit of equity accounted investees	**732**	5,813
Reported profit	**239,085**	262,066

30. Financial instruments

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying value					Fair value			
30 September 2023 (unaudited)	**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**
Financial assets measured at fair value									
Interest rate swaps used for hedging	**16,552**	**-**	**-**	**-**	**16,552**	**-**	**16,552**	**-**	**16,552**
Other currency and interest rate swaps	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Forward exchange contracts	**-**	**2,530**	**-**	**-**	**2,530**	**-**	**2,530**	**-**	**2,530**
	16,552	**2,530**	**-**	**-**	**19,082**	**-**	**19,082**	**-**	**19,082**
Financial assets measured at amortized cost									
Long-term receivables	**-**	**-**	**2,746**	**-**	**-**	**-**	**-**	**-**	**2,746**
Trade and other receivables	**-**	**-**	**979,049**	**-**	**-**	**-**	**-**	**-**	**979,049**
Due from related parties	**-**	**-**	**47,587**	**-**	**-**	**-**	**-**	**-**	**47,587**
Bank balances and cash	**-**	**-**	**241,188**	**-**	**-**	**-**	**-**	**-**	**241,188**
	-	**-**	**1,270,570**	**-**	**-**	**-**	**-**	**-**	**1,270,570**
Financial liabilities measured at fair value									
Interest rate swaps used for hedging	**-**	**2,396**	**-**	**-**	**2,396**	**-**	**2,396**	**-**	**2,396**
	-	**2,396**	**-**	**-**	**2,396**	**-**	**2,396**	**-**	**2,396**
Financial liabilities measured at amortized cost									
Islamic bank financing	**-**	**-**	**-**	**648,970**	**648,970**	**-**	**-**	**-**	**-**
Interest bearing bank financing	**-**	**-**	**-**	**1,091,222**	**1,091,222**	**-**	**-**	**-**	**-**
Trade and other payables	**-**	**-**	**-**	**792,357**	**792,357**	**-**	**-**	**-**	**-**
Due to related parties	**-**	**-**	**-**	**40,301**	**40,301**	**-**	**-**	**-**	**-**
Lease Liabilities	**-**	**-**	**-**	**96,950**	**96,950**	**-**	**-**	**-**	**-**
	-	**-**	**-**	**2,669,800**	**2,669,800**	**-**	**-**	**-**	**-**

**FVTPL: fair value through profit or loss*

30. Financial instruments (continued)

Accounting classifications and fair values (continued)

	Carrying value					Fair value			
31 December 2022 (audited)	**Fair value hedging instruments AED'000**	**Mandatory at FVTPL* AED'000**	**Financial assets at amortized cost AED'000**	**Financial liabilities at amortised cost AED'000**	**Total AED'000**	**Level 1 AED'000**	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
Financial assets measured at fair value									
Interest rate swaps used for hedging	-	20,582	-	-	20,582	-	20,582	-	-
	-	20,582	-	-	20,582	-	20,582	-	-
Financial assets measured at amortized cost									
Long-term receivables	-	-	3,560	-	3,560	-	-	-	-
Trade and other receivables	-	-	990,572	-	990,572	-	-	-	-
Due from related parties	-	-	41,826	-	41,826	-	-	-	-
Bank balances and cash	-	-	438,612	-	438,612	-	-	-	-
	-	-	1,474,570	-	1,474,570	-	-	-	-
Financial liabilities measured at fair value									
Forward exchange contracts / Options	-	570	-	-	570	-	570	-	570
Other currency and interest rate swaps	-	3,978	-	-	3,978	-	3,978	-	3,978
	-	4,548	-	-	4,548	-	4,548	-	4,548
Financial liabilities measured at amortized cost									
Islamic bank financing	-	-	-	657,395	657,395	-	-	-	-
Interest bearing bank financing	-	-	-	1,082,335	1,082,335	-	-	-	-
Trade and other payables	-	-	-	797,272	797,272	-	-	-	-
Due to related parties	-	-	-	39,495	39,495	-	-	-	-
Lease liabilities	-	-	-	99,944	99,944	-	-	-	-
	-	-	-	2,676,441	2,676,441	-	-	-	-

31. Approval of the condensed consolidated interim financial information

This condensed consolidated interim financial information was approved by the Board of Directors and authorized for issue on 2 November 2023.