

**EMSTEEL Building Materials PJSC**  
*(formerly Arkan Building Materials Company (Arkan) PJSC)*

REPORTS AND INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2024

**EMSTEEL Building Materials PJSC**  
*(formerly Arkan Building Materials Company (Arkan) PJSC)*

**Reports and interim condensed consolidated financial statements  
for the nine-month period ended 30 September 2024**

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EMSTEEL Building Materials PJSC  
(formerly Arkan Building Materials Company (Arkan) PJSC)

**Board of Directors' report to the shareholders  
for the nine-month period ended 30 September 2024**

On behalf of Emsteel Building Materials PJSC's (formerly Arkan Building Materials Company (Arkan) PJSC) Board of Directors ("EMSTEEL", the "Company" or the "Group"), I am pleased to present the Board of Directors' report for the nine-month period ended 30 September 2024, together with the interim condensed consolidated financial statements for the period.

**Change of Company name**

The change of the legal name of the Company to EMSTEEL Building Materials PJSC, from Arkan Building Materials Company (Arkan) PJSC, was approved at the General Meeting of Shareholders held on 10 April 2023. The name EMSTEEL better reflects the nature of our expanded business following the integration of Emirates Steel Industries PJSC ("Emirates Steel") into the Group on 6 October 2021.

**Strategic combination with Emirates Steel Industries PJSC**

Emirates Steel is a leading integrated steel manufacturer in the Middle East. The combination of the Company's building materials businesses and Emirates Steel (the "Group") has created the UAE's largest steel and building materials business with a compelling strategic proposition and strong potential for growth in the UAE and internationally. The transaction provided significant revenue diversification for the Group and marked the first time that investors had access to a steel producer on a UAE public market.

The Group is well placed to scale and grow, create new business opportunities and ensure that homegrown manufacturers are at the forefront of driving a sustainable, diversified national economy.

**Financial performance in the nine-month period ended 30 September 2024**

The Group's revenue in the first nine months of 2024 was AED 5,878.3 million compared to AED 6,483.9 million in the same period in 2023. The Group's operating profit for the period was AED 215.5 million, compared to AED 456.0 million in the first nine months of 2023.

The Group's performance in the first nine months of the year demonstrated resilience amidst challenging market conditions. The Group's performance has been supported by a strong domestic market, subject to the loss of some three-weeks operations subsequent to the extreme weather conditions experienced in April and May 2024, but the Group's export business has been challenging, in terms of demand, prices, and escalating freight costs. In the nine-month period, the Steel Division contributed a profit before tax of AED 103.0 million (before prior year bonus charges and a provision for legal a claim of AED 83.1 million) against AED 295.3 million in the nine months ended 30 September 2023 and the Group's Building Materials Division collectively contributed a profit before tax of AED 80.8 million (before prior year bonus adjustments) against AED 92.3 million in the comparative period.

**Review of operations**

*Emirates Steel*

Revenue from Emirates Steel totalled AED 5,341.7 million for the first nine months of 2024 against AED 5,813.2 million in the equivalent period in 2023. Profit before tax from the Steel Division for the first nine months of 2024 was AED 103.0 million (stated before exceptional charges of AED 83.1 million and before prior year bonus charges) as compared to a net profit of AED 295.3 million for the same period in 2023. The level of profitability delivered demonstrated the businesses resilience in the face of a continuing adverse market for the global steel sector.

*Cement, Blocks and Head Office*

Revenue from the Cement and Blocks division was AED 433.5 million for the first nine months of 2024, compared to AED 522.0 million in the equivalent period in 2023. Profit before tax from this segment for the first nine months of 2024 was AED 70.9 million (before prior year bonus adjustments) as compared to a profit of AED 72.1 million for the same period in 2023.

*Other*

The Group's other businesses comprise the manufacture and distribution of PVC pipes, GRP pipes and bags. Collectively these businesses reported external revenues of AED 103.1 million for the first nine months of 2024, compared with AED 148.7 million in the equivalent period in 2023. The businesses generated a profit before tax of AED 9.9 million for the first nine months of the year, against a profit of AED 20.2 million in the equivalent period in 2023.

EMSTEEL Building Materials PJSC  
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**Board of Directors' report to the shareholders continued  
for the nine-month period ended 30 September 2024**

**Liquidity**

The Group's net cash and bank balances totaled AED 272.5 million (31 December 2023: net bank indebtedness of AED 63.5 million).

**Taxation**

Following the issue of a decree by the United Arab Emirates Ministry of Finance on 9 December 2022, relating to the introduction of corporate taxes, 2024 represents the first period in which the Group's earnings will be subject to taxation. The provision of AED 9.1 million for taxation in the nine-month period reflects an effective tax rate of 9.0%, being aligned with the standard rate of 9.0%.

**Investments**

The Group sold its investments in two of its associate investments in the first quarter of 2024 for a cash consideration of AED 99 million; realising a gain on disposal of AED 5.0 million (2023: the Group recognised AED 7.6 million as its share of profits of the associate investments for the nine-month period and received dividends of AED 10 million).

**Total assets and shareholders' equity**

The total assets of the Group equaled AED 10.88 billion at 30 September 2024 (31 December 2023: AED 11.03 billion). The value of shareholders' equity was at AED 8.42 billion as of 30 September 2024 compared to AED 8.33 billion as of 31 December 2023.

**On behalf of the Board of Directors**



Hamad A. Al Hammadi

Chairman

31 October 2024

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
TO THE BOARD OF DIRECTORS OF**

**EMSTEEL BUILDING MATERIALS PJSC (FORMERLY ARKAN BUILDING MATERIALS  
COMPANY (ARKAN) PJSC)**

*Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements of EMSTEEL Building Materials PJSC (formerly Arkan Building Materials Company (Arkan) PJSC) (the “Company”) and its subsidiaries (the “Group”) as at 30 September 2024, comprising of the interim condensed consolidated statement of financial position as at 30 September 2024 and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three and nine month periods then ended, and the related interim condensed consolidated statement of changes in equity and cash flows for the nine month period then ended and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34, *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

*Scope of review*

We conducted our review in accordance with International Standards 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.

*Other matter*

The interim condensed consolidated financial statements of the Group for the period ended 30 September 2023 were reviewed by another auditor who expressed an unmodified conclusion on the interim condensed consolidated financial statements on 31 October 2023.

The consolidated financial statements of the Group for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified audit opinion on those consolidated financial statements on 5 March 2024.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young



Ahmad Al Dali  
Registration No 5548

31 October 2024  
Abu Dhabi, United Arab Emirates

EMSTEEL Building Materials PJSC  
(formerly Arkan Building Materials Company (Arkan) PJSC)

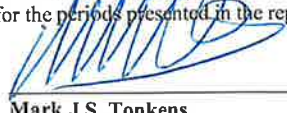
**Interim condensed consolidated statement of financial position  
as at 30 September 2024**

	Notes	30 September 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	6,348,305	6,563,831
Right-of-use assets	13	218,505	228,557
Investment in associates	6	-	94,018
Investment property	7	12,024	12,555
Intangible assets	8	43,068	10,345
<b>Total non-current assets</b>		<b>6,621,902</b>	<b>6,909,306</b>
<b>Current assets</b>			
Inventories	9	2,090,862	1,935,147
Trade and other receivables	10	1,543,470	1,758,551
Cash and bank balances	11	622,544	425,808
<b>Total current assets</b>		<b>4,256,876</b>	<b>4,119,506</b>
<b>Total assets</b>		<b>10,878,778</b>	<b>11,028,812</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital		6,850,000	6,850,000
Statutory reserve		196,661	196,661
Merger reserve		1,092,817	1,092,817
Capital reserve		3,783	3,783
Other reserves		47,907	47,907
Retained earnings		232,891	141,268
<b>Net equity</b>		<b>8,424,059</b>	<b>8,332,436</b>
<b>Non-current liabilities</b>			
Lease liabilities	13	327,543	333,017
Provision for employees' end of service benefits	15	204,361	200,772
<b>Total non-current liabilities</b>		<b>531,904</b>	<b>533,789</b>
<b>Current liabilities</b>			
Bank borrowings	14	350,005	489,307
Trade and other payables	16	1,459,612	1,662,084
Provisions for liabilities and charges	17	83,050	-
Current tax liabilities	22	9,063	-
Lease liabilities	13	21,085	11,196
<b>Total current liabilities</b>		<b>1,922,815</b>	<b>2,162,587</b>
<b>Total liabilities</b>		<b>2,454,719</b>	<b>2,696,376</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10,878,778</b>	<b>11,028,812</b>

To the best of our knowledge, the financial statements included in the report fairly presents in all material respects the financial condition, results of operation and cash flows of the Group as of 30 September 2024, and for the periods presented in the report.

  
Hamad A. Al Hammadi  
Chairman

  
Saeed G. Al Remeithi  
Director and Group Chief Executive Officer

  
Mark J.S. Tonkens  
Group Chief Financial Officer

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

EMSTEEL Building Materials PJSC  
(formerly Arkan Building Materials Company (Arkan) PJSC)

**Interim condensed consolidated statement of profit or loss  
for the three and nine month periods ended 30 September 2024**

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2024 AED'000 (unaudited)	2023 AED'000 (unaudited)	2024 AED'000 (unaudited)	2023 AED'000 (unaudited)
Revenue		1,921,576	2,053,650	5,878,325	6,483,882
Direct costs		(1,801,645)	(1,816,481)	(5,318,625)	(5,737,787)
<b>Gross profit</b>		<b>119,931</b>	237,169	<b>559,700</b>	746,095
Selling and distribution expenses		(8,804)	(12,400)	(30,582)	(37,672)
General and administrative expenses		(117,299)	(104,784)	(317,306)	(262,859)
Other income (net)		1,268	7,211	3,653	10,410
<b>Operating (loss) / profit</b>		<b>(4,904)</b>	127,196	<b>215,465</b>	455,974
Share of profit from associates	6	-	3,620	-	7,550
Profit on disposal of associates	6	-	-	4,982	-
Provision for liabilities and charges	17	(72,950)	-	(83,050)	-
Finance costs		(15,810)	(25,815)	(45,560)	(81,710)
Finance income		3,089	2,112	8,849	5,778
<b>(Loss) / profit before tax for the period</b>		<b>(90,575)</b>	107,113	<b>100,686</b>	387,592
Income tax credit / (expense)	22	7,724	-	(9,063)	-
<b>(Loss) / profit for the period</b>		<b>(82,851)</b>	107,113	<b>91,623</b>	387,592
<b>Basic and diluted (loss) / earnings per share</b>	20	<b>(0.012)</b>	0.016	<b>0.013</b>	0.057

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

EMSTEEL Building Materials PJSC  
*(formerly Arkan Building Materials Company (Arkan) PJSC)*

**Interim condensed consolidated statement of comprehensive income  
for the three and nine month periods ended 30 September 2024**

	<b>Three months ended 30 September</b>		<b>Nine months ended 30 September</b>	
	<b>2024</b>	2023	<b>2024</b>	2023
	<b>AED'000</b>	AED'000	<b>AED'000</b>	AED'000
	<b>(unaudited)</b>	(unaudited)	<b>(unaudited)</b>	(unaudited)
(Loss) / profit for the period	<b>(82,851)</b>	107,113	<b>91,623</b>	387,592
Other comprehensive income	-	-	-	-
<b>Total comprehensive (loss) / income for the period</b>	<b>(82,851)</b>	107,113	<b>91,623</b>	387,592

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



**EMSTEEL Building Materials PJSC**  
*(formerly Arkan Building Materials Company (Arkan) PJSC)*

**Interim condensed consolidated statement of changes in equity  
for the nine-month period ended 30 September 2024**

	Share capital AED'000	Statutory reserve AED'000	Merger reserve AED'000	Capital reserve AED'000	Other reserves AED'000	(Accumulated losses) / retained earnings AED'000	Net equity AED'000
As at 1 January 2023 (audited)	6,850,000	136,469	1,092,817	3,783	45,760	(400,456)	7,728,373
Total comprehensive income for the period	-	-	-	-	-	387,592	387,592
As at 30 September 2023 (unaudited)	6,850,000	136,469	1,092,817	3,783	45,760	(12,864)	8,115,965
As at 1 January 2024 (audited)	6,850,000	196,661	1,092,817	3,783	47,907	141,268	8,332,436
Total comprehensive income for the period	-	-	-	-	-	91,623	91,623
<b>As at 30 September 2024 (unaudited)</b>	<b>6,850,000</b>	<b>196,661</b>	<b>1,092,817</b>	<b>3,783</b>	<b>47,907</b>	<b>232,891</b>	<b>8,424,059</b>

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

EMSTEEL Building Materials PJSC  
(formerly Arkan Building Materials Company (Arkan) PJSC)

**Interim condensed consolidated statement of cash flows  
for the nine-month period ended 30 September 2024**

	Notes	Nine-month period ended 30 September	
		2024 AED'000 (unaudited)	2023 AED'000 (unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax for the period		100,686	387,592
Adjustments for:			
Depreciation of property, plant and equipment	5	411,601	395,916
Depreciation of right-of-use assets	13	10,052	22,288
Amortisation of intangible assets	8	7,474	2,043
Depreciation of investment property	7	531	532
Gain on disposal of property, plant and equipment	5	-	(7,067)
(Reversal) / impairment loss on financial assets	10	(5,274)	3,397
Allowance for impairment of inventories, net	9	19,576	1,148
Provision for employees' end of service benefit	15	19,389	15,953
Provision for liabilities and charges	17	83,050	-
Gain on disposal of associates	6	(4,982)	-
Share of profit from associates	6	-	(7,550)
Finance costs		45,560	81,710
Finance income		(8,849)	(5,778)
		<b>678,814</b>	<b>890,184</b>
<b>Operating cash flows before movements in working capital</b>			
Movements in working capital:			
(Increase) / Decrease in inventories		(175,291)	164,701
Decrease / (Increase) in trade and other receivables		220,355	(101,778)
Decrease in trade and other payables		(199,476)	(99,491)
		<b>524,402</b>	<b>853,616</b>
<b>Cash generated from operations</b>			
End of service benefits paid	15	(15,800)	(7,372)
		<b>508,602</b>	<b>846,244</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	5	(196,075)	(125,675)
Purchase of intangible assets	8	(40,197)	(4,056)
Proceeds from sale of property, plant and equipment	5	-	13,708
Proceeds from disposal of associates	6	99,000	-
Dividends received from associates	6	-	10,000
Interest received		8,849	5,778
		<b>(128,423)</b>	<b>(100,245)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings	14	2,046,106	2,380,645
Repayment of borrowings	14	(2,185,408)	(3,067,375)
Settlement of related party loan	12	-	(18,361)
Finance costs paid		(32,122)	(55,077)
Principal repayment of lease liability	13	(5,260)	(1,166)
Interest paid on lease liabilities	13	(6,759)	(1,392)
		<b>(183,443)</b>	<b>(762,726)</b>
		<b>196,736</b>	<b>(16,727)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at the beginning of the period	11	425,808	357,042
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	11	<b>622,544</b>	<b>340,315</b>

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

**EMSTEEL Building Materials PJSC**  
*(formerly Arkan Building Materials Company (Arkan) PJSC)*

**Notes to the interim condensed consolidated financial statements  
for the nine-month period ended 30 September 2024**

**1 General information**

EMSTEEL Building Materials PJSC (formerly Arkan Building Materials Company (Arkan) PJSC) (“EMSTEEL” or the “Company”) was incorporated in Abu Dhabi, United Arab Emirates (“UAE”) as a Public Joint Stock Company pursuant to Ministerial Resolution No. 228 for the year 2006.

The legal name of the Company was approved to be changed to EMSTEEL Building Materials PJSC from Arkan Building Materials Company (Arkan) PJSC at the General Meeting of Shareholders held on 10 April 2023.

General Holding Corporation PJSC (“SENAAT” or the “Parent Company”) owned 51% of the Company’s shares; this ownership interest was increased to 87.5% on 6 October 2021 as a result of the sale of its 100% interest in the issued share capital of Emirates Steel Industries PJSC to the Company for the issue of 5.1 billion additional EMSTEEL ordinary shares. The ultimate parent company of EMSTEEL is Abu Dhabi Developmental Holding Company PJSC (“ADQ”) which is wholly owned by the Government of Abu Dhabi.

The principal activities of the Group include operating, trading and investing in industrial projects and commercial companies involved in the steel and building materials sectors.

These interim condensed consolidated financial statements include the performance and financial position of the Company and its subsidiaries (collectively referred to as the “Group”) and the Group’s interest in associates.

The principal activity, country of incorporation and operation, and ownership interest of the Company in its subsidiaries is set out below:

Name of subsidiary	Country of incorporation	Proportion of ownership interest and voting held by the Group		Principal activity
		30 September 2024	31 December 2023	
Emirates Steel Industries PJSC <sup>1</sup>	UAE	100%	100%	Production and sale of long-steel products
Emirates Blocks Factory*	UAE	100%	100%	Production and sale of cement blocks.
Emirates Cement Factory <sup>2*</sup>	UAE	100%	100%	Production and sale of packed and bulk cement.
Al Ain Cement Factory*	UAE	100%	100%	Production and sale of packed and bulk cement.
Anabeeb PVC LLC**	UAE	100%	100%	Production and sale of pipes, and paper bags

<sup>1</sup> Emirates Steel Industries PJSC (“Emirates Steel”) was acquired on 6 October 2021 from a related party for the issue of 5,100,000,000 ordinary shares.

<sup>2</sup> The operations of Emirates Cement Factory were discontinued in December 2016 and currently the company is not operational.

\* These subsidiaries are all operating divisions of the Company.

\*\* Anabeeb PVC LLC owns 100% of the issued share capital of Anabeeb GRP Factory LLC

EMSTEEL Building Materials PJSC  
*(formerly Arkan Building Materials Company (Arkan) PJSC)*  
**Notes to the interim condensed consolidated financial statements  
 for the nine-month period ended 30 September 2024 (continued)**

**2 Application of new and revised International Financial Reporting Standards (IFRS Accounting Standards) (IFRSs)**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied by the Group in the preparation of the consolidated financial statements as at and for the year ended 31 December 2023, except for the adoption of the following new standards, interpretations and amendments effective as of 1 January 2024. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current

These amendments had no significant impact on the interim condensed consolidated financial statements of the Group.

**3 Material accounting policies**

**Basis of preparation**

***Statement of compliance***

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board and also comply with the applicable requirements of the laws in the UAE. Accordingly, these interim condensed consolidated financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2023. In addition, results for the nine months ended 30 September 2024 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

***Basis of measurement***

These interim condensed consolidated financial statements have been prepared under the historical cost basis.

***Functional and presentation currency***

These interim condensed consolidated financial statements are presented in 'United Arab Emirates Dirham' (AED), which is the Group's functional and presentation currency. All values are rounded to the nearest thousand (AED'000), except when otherwise indicated.

The accounting policies applied by the Group in the interim condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2023, except for the accounting policies relating to taxation and adoption of new and amended standards.

EMSTEEL Building Materials PJSC  
(formerly Arkan Building Materials Company (Arkan) PJSC)

**Notes to the interim condensed consolidated financial statements  
for the nine-month period ended 30 September 2024 (continued)**

**3 Material accounting policies (continued)**

**Basis of preparation (continued)**

***Taxation***

Income tax expense represents the sum of the tax currently payable and deferred tax.

*Current tax*

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the interim condensed consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other periods 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 recognised 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 Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

*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 consolidated 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 recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises 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 recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised 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 recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

EMSTEEL Building Materials PJSC  
*(formerly Arkan Building Materials Company (Arkan) PJSC)*  
**Notes to the interim condensed consolidated financial statements  
for the nine-month period ended 30 September 2024 (continued)**

**3 Material accounting policies (continued)**

**Basis of preparation (continued)**

*Taxation (continued)*

*Deferred tax (continued)*

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 offset 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 period*

Current and deferred tax are recognised in the interim condensed consolidated statement of profit or loss, except when they relate to items that are recognised in interim condensed consolidated other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in the interim condensed consolidated statement of 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.

**4 Critical judgements and key sources of estimation uncertainty**

**Changes in judgements and estimation uncertainty**

The critical judgements and estimates used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023.

**5 Property, plant and equipment**

During the nine-month period ended 30 September 2024, the Group acquired assets with a cost of AED 196,075 thousand (30 September 2023: AED 125,675 thousand).

There were no asset disposals in the period (30 September 2023: assets disposed of with a net carrying value of AED 6,641 thousand with net proceeds from sale amounting to AED 13,708 thousand).

The depreciation charge for the period amounted to AED 411,601 thousand (30 September 2023: AED 395,916 thousand).

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Notes to the interim condensed consolidated financial statements  
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**6 Investment in associates**

The movement in investment in associates is as follows:

	<b>30 September 2024 AED'000 (unaudited)</b>	<b>31 December 2023 AED'000 (audited)</b>
Balance at the beginning of the period/year	<b>94,018</b>	87,539
Disposal during the period	<b>(94,018)</b>	-
Share of profit of associates for the period/year	-	16,479
Dividends received during the period/year	-	(10,000)
<b>Balance at the end of the period/year</b>	<b>-</b>	<b>94,018</b>

Effective 1 January 2024, the Group sold its shares in Deco Vision Company WLL and Vision Furniture & Decoration Factory LLC for a total consideration of AED 99 million resulting in a profit on disposal of AED 5 million.

The Group has retained ownership of 40% in Vision Hotel Apartment LLC, Deco Vision Properties LLC and Vision Links Hotel Apartments LLC. The carrying value of these investments is AED nil.

**7 Investment property**

No acquisitions or disposals were made to the Group's investment properties in the nine-month period ended 30 September 2024 (30 September 2023: none). The depreciation charge for the period amounted to AED 531 thousand (30 September 2023: AED 532 thousand).

**8 Intangible assets**

During the nine-month period ended 30 September 2024, the Group acquired intangible assets with a cost of AED 40,197 thousand (30 September 2023: AED 4,056 thousand). The amortisation charge for the period amounted to AED 7,474 thousand (30 September 2023: AED 2,043 thousand).

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9 Inventories

	30 September 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Finished goods and by-products	433,149	402,505
Semi-finished products: steel billets and direct reduced iron	462,234	387,655
Raw materials	446,600	309,024
Goods in transit	113,372	233,375
Spare parts and consumables	748,105	695,610
	<hr/>	<hr/>
	2,203,460	2,028,169
Less: allowance for impairment of inventories	(112,598)	(93,022)
	<hr/>	<hr/>
	2,090,862	1,935,147
	<hr/> <hr/>	<hr/> <hr/>

The movement in the allowance for impairment of inventories is as follows:

	30 September 2024 AED'000 (unaudited)	31 December 2023 AED'000 (audited)
Balance at the beginning of the period/year	93,022	108,125
Reversal for the period/year	-	(15,542)
Impairment during the period/year	19,576	439
	<hr/>	<hr/>
<b>Balance at the end of the period/year</b>	<b>112,598</b>	<b>93,022</b>
	<hr/> <hr/>	<hr/> <hr/>



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Notes to the interim condensed consolidated financial statements  
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**10 Trade and other receivables**

	<b>30 September 2024 AED'000 (unaudited)</b>	<b>31 December 2023 AED'000 (audited)</b>
Trade receivables	1,441,664	1,622,068
Less: allowance for expected credit loss	(152,556)	(157,830)
	<hr/>	<hr/>
	1,289,108	1,464,238
Prepayments	12,818	55,262
Advances to suppliers	105,676	152,197
Other receivables	135,868	86,854
	<hr/>	<hr/>
	<b>1,543,470</b>	<b>1,758,551</b>
	<hr/> <hr/>	<hr/> <hr/>

The following table shows the movement in allowance for expected credit loss:

	<b>30 September 2024 AED'000 (unaudited)</b>	<b>31 December 2023 AED'000 (audited)</b>
Balance as at 1 January	157,830	227,860
Net reversal of loss allowance	(5,274)	(233)
Receivable balances written-off	-	(69,797)
	<hr/>	<hr/>
<b>Balance at the end of the period/year</b>	<b>152,556</b>	<b>157,830</b>
	<hr/> <hr/>	<hr/> <hr/>

**11 Cash and bank balances**

	<b>30 September 2024 AED'000 (unaudited)</b>	<b>31 December 2023 AED'000 (audited)</b>
Cash in hand	425	276
Cash at banks in current accounts	622,119	425,532
	<hr/>	<hr/>
<b>Cash and bank balances</b>	<b>622,544</b>	<b>425,808</b>
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**EMSTEEL Building Materials PJSC**  
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**Notes to the interim condensed consolidated financial statements  
for the nine-month period ended 30 September 2024 (continued)**

**12 Related parties**

In the ordinary course of business, the Group enters into transactions at agreed terms and conditions which are carried out on commercially agreed terms, with other business enterprises or individuals that fall within the definition of a related party contained in International Accounting Standard 24 (IAS 24). Related parties comprise shareholders, directors, key management staff and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

The Government of Abu Dhabi indirectly owns 87.5% (31 December 2023: 87.5%) of the Company's outstanding shares. The Group has elected to use the exemption under IAS 24 for government related entities on disclosing transactions and related outstanding balances with government related entities owned by the Government of Abu Dhabi other than the Parent Company and entities it owns and controls. The Group's significant transactions with the Government of Abu Dhabi and other entities controlled, jointly controlled or significantly influenced by the Government of Abu Dhabi are a large portion of its direct cost, lease rental payments and interest payments on certain loans.

The Group also has, at 30 September 2024, loans and cash balances with banks under the common control of the Government of Abu Dhabi, lease liabilities with and payables to Government municipalities and payables to a distribution company owned by the Government of Abu Dhabi.

Significant transactions with related parties during the period are as follows:

	<b>Nine-month period ended 30 September</b>	
	<b>2024 AED'000 (unaudited)</b>	<b>2023 AED'000 (unaudited)</b>
Settlement of loan from Parent Company	-	18,361
Purchases from related parties		
- Agthia PJSC, sister concern	<b>946</b>	423
<i>Key management compensation</i>		
- Short term benefits	<b>16,842</b>	14,551
- Post-employment benefits	<b>742</b>	901
	<b>17,584</b>	15,452

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**Notes to the interim condensed consolidated financial statements  
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**13 Right of use assets and leases**

The Group's obligations are secured by the lessor's title to the leased assets for such leases.

**Right of use assets**

	<b>30 September 2024 AED'000 (unaudited)</b>	<b>31 December 2023 AED'000 (audited)</b>
As at 1 January	228,557	381,279
Disposals/remeasurement	-	(110,141)
Depreciation expense	(10,052)	(25,306)
Impairment	-	(23,540)
Impairment release	-	6,265
	<hr/>	<hr/>
<b>Balance at the end of the period/year</b>	<b>218,505</b>	<b>228,557</b>
	<hr/>	<hr/>

The Group's obligations are secured by the lessor's title to the leased assets for such leases.

**Lease liabilities**

	<b>30 September 2024 AED'000 (unaudited)</b>	<b>31 December 2023 AED'000 (audited)</b>
As at 1 January	344,213	474,836
Disposals/ re-measurement during the period/ year	-	(117,683)
Accretion of interest during the period/year	16,434	19,755
Payments during the period/year	(12,019)	(32,695)
	<hr/>	<hr/>
<b>Balance at the end of the period/year</b>	<b>348,628</b>	<b>344,213</b>
	<hr/>	<hr/>
	<b>30 September 2024 AED'000 (unaudited)</b>	<b>31 December 2023 AED'000 (audited)</b>
<b>Current</b>		
Within one year	21,085	11,196
	<hr/>	<hr/>
<b>Non-current</b>		
After one year	327,543	333,017
	<hr/>	<hr/>

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**Notes to the interim condensed consolidated financial statements**  
**for the nine-month period ended 30 September 2024 (continued)**

**14 Bank borrowings**

Bank borrowings are contractually repayable as follows:

	<b>30 September 2024 AED'000 (unaudited)</b>	<b>31 December 2023 AED'000 (audited)</b>
Within one year	<b>350,005</b>	489,307

The details of the bank borrowings are stated as follows:

	<b>Maturity</b>	<b>At 30 September 2024 (unaudited)</b>			<b>At 31 December 2023 (audited)</b>		
		<b>Current AED'000</b>	<b>Non- current AED'000</b>	<b>Total AED'000</b>	<b>Current AED'000</b>	<b>Non- current AED'000</b>	<b>Total AED'000</b>
<b>EMSTEEL</b>							
Term loan 1	2024	-	-	-	134,934	-	134,934
Short term loan 1	2024	-	-	-	15,000	-	15,000
Short term loan 2	2024	-	-	-	20,000	-	20,000
<b>Emirates Steel</b>							
Working capital facilities	2024	350,005	-	350,005	319,373	-	319,373
		<b>350,005</b>	<b>-</b>	<b>350,005</b>	<b>489,307</b>	<b>-</b>	<b>489,307</b>

**EMSTEEL**

Term loan 1 was a 10-year term loan of AED 1,200 million obtained in 2014 by the Group to finance the construction of the Group's cement factory in Al Ain. The term loan was payable over 9 years semi-annually commencing from March 2016. The loan carried variable interest at EIBOR plus 2.6%. Subsequent to the 2020 year end, the Group entered into an agreement with the Term loan 1 lenders for a repayment holiday through to 17 December 2022. On the expiry of this moratorium period, AED 266.7 million was repaid to the lenders on 17 December 2022 and all subsequent repayments were paid on their respective dates. The loan was settled in full in March 2024.

Short term loan 1 with a facility amount of AED 150 million was obtained from an Islamic bank for financing the working capital of the Group. The loan is repayable in 180 days and carries variable interest at three-month EIBOR plus 1.5%. The loan was fully settled during the current period.

Short term loan 2 with a facility amount of AED 50 million was obtained from a commercial bank for financing the working capital of the Group. The loan is repayable in 90 days carries variable interest at EIBOR plus 1.5%. The loan was fully settled during the current period.

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Notes to the interim condensed consolidated financial statements  
for the nine-month period ended 30 September 2024 (continued)

**14 Bank borrowings (continued)**

**Emirates Steel**

Working capital balances relate to facilities extended by two local banks to finance the purchases of certain raw materials and spare parts. These facilities mature within one year and carry effective interest rates of 0.60-0.65% over LIBOR/SOFR. These short-term loans are revolving loans facilities.

**Changes from financing cash flows related to borrowings:**

	<b>30 September 2024 AED'000 (unaudited)</b>	<b>31 December 2023 AED'000 (audited)</b>
Balance at the beginning of the period/year	489,307	1,451,036
Settlement of term loans	(134,934)	(133,734)
Settlement of short-term loans	(2,050,474)	(4,146,893)
Proceeds from short term loans	2,046,106	3,318,898
Interest paid	(32,122)	(79,431)
Total changes from financing cash flows	(171,424)	(1,041,160)
<b>Other changes/liability related</b>		
Interest expense	29,126	76,964
Changes in interest accruals	2,996	2,467
Total liability related to other changes	32,122	79,431
<b>Balance at the end of the period/year</b>	<b>350,005</b>	<b>489,307</b>

**15 Provision for employees' end of service benefits**

	<b>30 September 2024 AED'000 (unaudited)</b>	<b>31 December 2023 AED'000 (audited)</b>
As at 1 January	200,772	189,143
Charge for the period/year	19,389	23,757
Payments during the period/year	(15,800)	(9,981)
Reduction on actuarial re-measurement	-	(2,147)
<b>Balance at end of period/year</b>	<b>204,361</b>	<b>200,772</b>

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**15 Provision for employees' end of service benefits (continued)**

The charge for end of service benefits for the nine-month period ended 30 September 2024 amounted to AED 19,389 thousand. During the current period, the Group updated its end of service benefit's policy to be in line with UAE Labour Law whereby amounts previously calculated in accordance with the Group's old policy were crystallized as of 31 March 2024 and amounts calculated subsequent to 1 April 2024 were calculated in accordance with the new policy adopted. This has led to an overall decrease in the charge for the period.

**16 Trade and other payables**

	<b>30 September 2024 AED'000 (unaudited)</b>	<b>31 December 2023 AED'000 (audited)</b>
Trade payables	1,221,136	1,414,712
Accruals	140,593	74,330
VAT payable	19,129	19,471
Interest payable	3,286	6,282
Other payables	75,468	147,289
	<u>1,459,612</u>	<u>1,662,084</u>

**17 Provisions for liabilities and charges**

	<b>30 September 2024 AED'000 (unaudited)</b>	<b>31 December 2023 AED'000 (audited)</b>
Provision for claim for breach of contract (see note 18)	83,050	-
	<u>83,050</u>	<u>-</u>

**18 Contingencies and commitments**

	<b>30 September 2024 AED'000 (unaudited)</b>	<b>31 December 2023 AED'000 (audited)</b>
Bank guarantees and letters of credit	379,901	153,425
Capital commitments	83,174	159,103
Financial guarantees provided to associates	-	53,400
	<u>463,075</u>	<u>365,928</u>

The above bank guarantees and letters of credit were issued in the normal course of business.

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**18 Contingencies and commitments (continued)**

The Group received a claim associated with an alleged breach of contract from a former supplier in an amount of AED 182 million. An award has been made to the counterparty by an arbitration tribunal. The Group is vigorously challenging this award and will follow all available options in terms of appeals against the award.

It is acknowledged that there is a possibility that an award will be made against the Group and management have recorded a provision of AED 83.1 million in relation to the above (see note 17).

**19 Segment reporting**

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different technologies and marketing strategies. For each of the strategic business units, the Board of Directors reviews internal management reports on at least a quarterly basis.

Previously the Group was managed under five reportable segments. Following the acquisition of Emirates Steel, however, this has been rationalized to three segments. This reflects the quantum of Emirates Steel, with a number of the smaller business units having been consolidated for management control purposes.

The following summary describes the operations in each of the Group's reportable segments:

- Steel - the manufacture and distribution of long-steel products;
- Cement and Blocks - the production and sale of cement and concrete blocks;
- Other - including the production and distribution of glass reinforced polyester ("GRP") pipes; poly-vinyl chloride ("PVC") pipes; and bags.

Information regarding the results of each reportable segment is included below. Performance is measured on segment profit as included in the internal management reports that are reviewed by the Group's CEO and Board of Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

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**19 Segment reporting (continued)**

	<u>EMIRATES STEEL</u>		<u>EMIRATES CEMENT</u>		<u>EMSTEEL</u>
	Steel AED'000	Cement, Blocks and Head Office AED'000	Pipes and others AED'000	Eliminations AED'000	Group AED'000
<b>For the period ended 30 September 2024 (unaudited):</b>					
External revenues	5,341,683	433,508	103,134	-	5,878,325
Intersegment revenue	-	16,800	3,651	(20,451)	-
Timing of revenue recognition - at a point in time	5,341,683	433,508	103,134	-	5,878,325
Interest expense	35,106	10,238	216	-	45,560
Depreciation and amortisation	387,832	36,458	5,368	-	429,658
Gain from sale of equity accounted investees	-	4,982	-	-	4,982
(Loss) / profit before tax for the period *	(8,269)	99,083	9,872	-	100,686
(Loss) / profit for the period	(7,885)	90,525	8,983	-	91,623
<b>As at 30 September 2024 (unaudited):</b>					
Total assets	8,922,096	1,868,039	186,760	(98,117)	10,878,778
Total liabilities	(2,031,726)	(411,000)	(110,110)	98,117	(2,454,719)

\* Profit before tax for the Steel division is stated after charging AED 28,178 thousand in relation to staff bonuses for the year ended 31 December 2023, excluding this charge the division generated profits on normal activities of AED 19,909 thousand in the nine-month period. The results of the Cement, Blocks & Head Office division are stated including the benefit of the reserve release related to the Steel division bonus payments; excluding this reserve release the Cement, Blocks & Head Office division generated profits on normal activities AED 70,905 thousand in the nine-month period.



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**Notes to the interim condensed consolidated financial statements  
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**19 Segment reporting (continued)**

For the period ended 30 September 2023 (unaudited):	EMIRATES STEEL		EMIRATES CEMENT		EMSTEEL	
	Steel AED'000	Cement, Blocks and Head Office AED'000	Pipes and others AED'000	Eliminations AED'000	Group AED'000	
External revenues	5,813,206	521,966	148,710	-	6,483,882	
Intersegment revenue	-	-	7,565	(7,565)	-	
Timing of revenue recognition - at a point in time	5,813,206	521,966	148,710	-	6,483,882	
Interest expense	50,029	31,418	263	-	81,710	
Depreciation and amortization	373,745	41,699	5,335	-	420,779	
Share of profit of equity accounted investees	-	7,550	-	-	7,550	
Profit for the period	295,261	72,086	20,245	-	387,592	
<b>As at 31 December 2023 (audited):</b>						
Total assets	9,112,196	1,899,166	190,903	(173,453)	11,028,812	
Total liabilities	(2,043,850)	(714,086)	(111,893)	173,453	(2,696,376)	

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**20 Basic and diluted (loss)/ earnings per share**

The following reflects the (loss)/ profit and shares data used in computations of (loss)/ earnings per share:

	<b>Three-month period ended</b>		<b>Nine-month period ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
(Loss) / profit for the period (AED'000)	<b>(82,851)</b>	107,113	<b>91,623</b>	387,592
Weighted average number of shares in issue (thousands of shares)	<b>6,850,000</b>	6,850,000	<b>6,850,000</b>	6,850,000
(Loss) / earnings per share (AED)	<b>(0.012)</b>	0.016	<b>0.013</b>	0.057

There were no potentially dilutive securities as at 30 September 2024 or at 2023 and, accordingly, diluted earnings per share is equivalent to the basic earnings per share.

**21 Seasonality of results and the Russia-Ukraine conflict**

No significant income of a seasonal nature was recorded in the interim condensed consolidated statement of profit or loss for the nine-month periods ended 30 September 2024 and 2023.

The current Russia-Ukraine conflict has not had a material impact on the Group's supply chain; whilst certain volumes of iron ore feedstock have, in the past, been sourced from Russia, together with certain consumable materials, alternate lines of supply have been established to replace such materials. It is further noted that the Group has no significant customers based in the CIS region.

Whilst the crisis has impacted global commodity prices, the Group has recovered the cost increases incurred in increased sales prices.

**22 Corporate income tax**

On 9 December 2022, the United Arab Emirates (UAE) Ministry of Finance ("MoF") released Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to enact a new CT regime in the UAE. The new CT regime has become effective for accounting periods beginning on or after 1 June 2023. As the Group's accounting year ends on 31 December, the first tax period will be the period from 1 January 2024 to 31 December 2024, with the respective tax return to be filed on or before 30 September 2025.

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**Notes to the interim condensed consolidated financial statements  
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**22 Corporate income tax (continued)**

The taxable income of the entities that are in scope for UAE CT purposes are subject to the rate of 9% corporate tax. It is not currently foreseen that the Group's UAE operations will be subject to the application of the Global Minimum Tax rate of 15% in FY2024. The application is dependent on the implementation of Base Erosion Profit Shifting (BEPS 2) - Pillar Two rules by the countries where the Group operates and the enactment of Pillar Two rules by the UAE MoF.

The tax charge for period ended 30 September 2024 is AED 9,063 thousand (30 September 2023: AED nil), representing an Effective Tax Rate ("ETR") of 9.0% (30 September 2023: not applicable). The ETR incorporates tax rates of the UAE as well as other international jurisdictions that the Group operates in.

**23 Approval of interim condensed consolidated financial statements**

These interim condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 31 October 2024.