



ARAM GROUP COMPANY

Management Discussion and Analysis (MD&A) Q2, 2023

For the period ended 30th June 2023



Overview:

During the second quarter of 2023, Aram Group Company continued to focus on upholding high standards in corporate governance and compliance, following the guidelines set forth by the regulatory body, the Securities and Commodities Authority (SCA).

Financial Overview:

The second quarter of 2023 saw Aram Group Company making strides in its pursuit of excellence.

Key Financial Metrics:

Total Assets	AED 181.50 Mn
Total Equity	AED 121.70 Mn
Capital	AED 78,901,086
Realized Operation Revenue	AED 3.90 Mn
Net Loss	AED (808,853/-)



Operational performance during the financial period

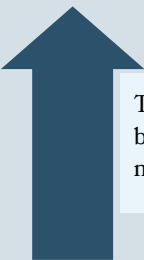
During Q2, 2023, the company witnessed significant progress in various operational aspects. summary of operational performance during the financial period below:

Operational Income Growth	<ul style="list-style-type: none">• Our operational income displayed a remarkable increase of 12.54% compared to Q1, 2023 results.• The total comprehensive income experienced an impressive surge of 603% during the same period.
Occupancy Rate Improvement	<ul style="list-style-type: none">• Achieved a substantial growth in overall occupancy rate, reaching 91.92% by the end of Q2, 2023.• This marks a significant improvement from the occupancy rate of 80.95% recorded at the end of Q2, 2022.
Price-to-Book Value Ratio	<ul style="list-style-type: none">• The price-to-book value ratio demonstrated a notable increase from 1.04 reported in Q1, 2023, to 1.46 by the end of Q2, 2023.
Exceeding Revenue Targets	<ul style="list-style-type: none">• Remarkably, the company achieved its budgeted operational revenue for Q2, 2023, surpassing expectations with an achievement of 113%.


Summary of profit and loss during the financial period

During the period, the company divested one of its buildings, resulting in a loss of AED 1,038,615. This loss significantly contributed to the operating loss reported for the period.

Financial Position



Total equity demonstrated growth, increasing by AED 2,432,661, and reaching AED 121.70 million during the period compared to Q1, 2023



In contrast, by the end of Q2, 2023, total assets witnessed a decrease of AED 652,620 compared to Q1, 2023 and reported at AED 181.50 million.



Cash Flows

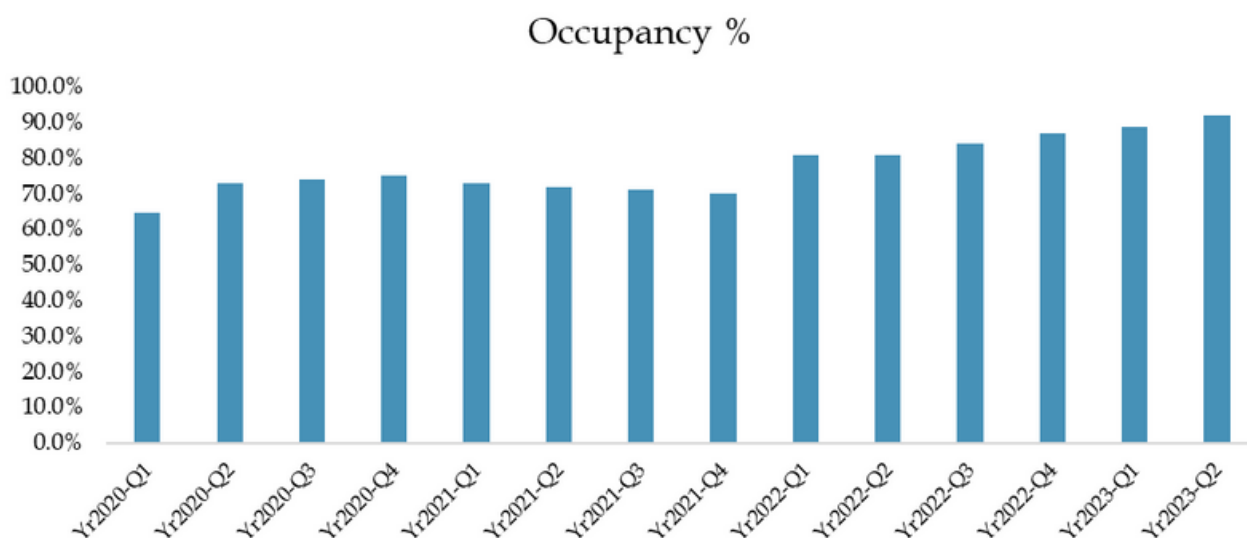
Throughout the period, net cash flow from operating activities reached AED 621,554/- showcasing substantial growth compared to the AED 353,070/- reported in Q2, 2022.

Main Performance Indicators

Over the quarter, the book value of shares witnessed improvement, rising to AED 1.542 from the previously reported AED 1.512 in Q1, 2023.

Expectations for the sector and the company's role in these expectations

The company achieved a remarkable occupancy rate of 91.92%, the highest ever recorded in its history. This significant achievement was attributed to the company's strategic emphasis on internal efficiency rather than solely relying on external market conditions.



Expectations regarding the economy and its impact on the company and the sector

EIBOR rate remain high by increasing the pressure of finance cost which adversely affected to the performance of the company. Increment in Interest cost unable to get compensate by rental price increment as many of the unites leased out during the Covid period at discounted price and are unable to increase the rent within the first three-year period as per the law of the emirate.



Future plans for growth and changes in operations in future periods

The company is actively pursuing business diversification into profitable segments while strategically phasing out investments with lower returns. This approach aims to optimize the overall portfolio and enhance long-term growth prospects.

The size and impact of current and projected capital expenditures on the company

Considering the favorable market industry expectations, the company is proactively planning to bolster its capital expenditure. The goal is to diversify the investment portfolio, ensuring a wide range of revenue sources for sustained growth.

The developments of the implementation of projects, plans, transactions, and deals

We are engaged in discussions about new investment plans and strategies aimed at diversifying business processes. Simultaneously, we explore the possibility of withdrawing from less profitable ventures to optimize our overall portfolio.

Other Matters Discussed

The Securities and Commodities Authority (SCA) issued its letter dated April 30, 2023 reference number E.M.SH/KH/258/2023, stating that the Authority has been appointed to manage the uncollected dividends of locally listed public joint stock companies prior to March 2015 and requires public joint stock companies to stop the company's procedures for distributing uncollected profits prior to March 2015 from receipt of the letter and to transfer the full value of uncollected profits prior to March 2015 to the Authority's account no later than May 21, 2023.

As of 30/06/2023, the outstanding dividend amounted to AED 26,317,201/-, and in response, the company sought a formal time extension to meet the SCA's requirements. This situation is anticipated to have a significant impact on the company's liquidity position.



Conclusion

Despite challenges, Aram Group Company continues to demonstrate resilience and commitment to excellence. By upholding high standards of corporate governance and compliance, we look forward to achieving sustainable growth and value creation for our shareholders.

Ali Mohd Zaid Musmar

CEO



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Securities and Commodities Authority (SCA) - Abu Dhabi, UAE