



ARAM GROUP COMPANY

Management Discussion and Analysis (MD&A) report

Q3, 2023

For the period ended 30th Sep, 2023



Overview:

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

Overview of the main results during the Financial Period

Total Assets	AED 175.45 Mn
Total Equity	AED 120.02 Mn
Capital	AED 78,901,086
Realized Operation Revenue	AED 2.68Mn
Net Profit	AED 388,024

Summary of operational performance during the Financial Period

Operational Income

Due to dispose of Al Majaz building, slump in operational income could notable with decrease of 12.99% compared to the Q2, 2023 results, while total comprehensive income experienced a considerable dip of 169% during the same period due to plunge in fair value investments.

Occupancy Rate Improvement

The cumulative occupancy rate demonstrated remarkable growth, concluding at 94.70% by the close of Q3, 2023, in contrast to the 91.92% figure reported at the conclusion of Q2, 2023. This signifies a substantial enhancement from the 84.29% occupancy rate registered at the conclusion of Q3, 2022.

Price-to-Book Value Ratio

The price-to-book value ratio exhibited a rise, climbing from 1.46 as of Q2, 2022, to 1.896 as of the conclusion of Q3, 2023.

Budgeted Operational Revenue

Even with the disposal of one of the buildings, the company successfully reached 84% of its budgeted operational revenue for Q3, 2023, and accomplished 97% of the budgeted revenue for the nine-month period of 2023.

Profit and loss during the Financial Period

In the second quarter of 2023, the company made the decision to divest one of its buildings, incurring a loss of AED 1,038,615. This loss had a substantial impact on the cumulative operating loss reported for the nine-month period (AED 129,647). However, it's worth noting that a profit of AED 388,024 was recorded for the third quarter of 2023.

Financial position as of the end of the Financial Period

As of the conclusion of Q3, 2023, there was a reduction in total assets by AED 6.05 million, resulting in a total of AED 175.46 million, in comparison to AED 181.50 Mn reported at Q2, 2023. This decrease can be attributed to a significant disbursement of AED 5.26 million from the dividend payable balance, which in turn led to an equal reduction in current liabilities. Conversely, the total equity experienced a decline of AED 1.6 million, standing at AED 120.02 million.



Cash flows during the Financial Period

During the nine months, operating cash flow rose to AED 2,096,466 from AED 1,337,716 in all of 2022, and investing cash flow for nine months soared to AED 8,463,014 from AED 377,943 in 2022. On the flip side, financing activities led to an AED 7,415,385 outflow, mainly due to paying AED 5,263,440 in dividends. The net cash generated over nine months reached AED 3,144,095, marking a substantial improvement over the AED 220,202 negative cash flow for all of 2022.

Main performance indicators

Over the quarter, the price to book value of shares witnessed improvement, rising to AED 1.8867 from the previously reported AED 1.4587 in Q2, 2023.

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

The company reached an impressive occupancy rate of 94.7%, marking a historic high. This outstanding accomplishment is credited to the company's strategic focus on enhancing internal efficiency rather than solely depending on external market conditions.

Total Occupancy %



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

Despite these challenges, the real estate market in the country has been thriving, showcasing an average ROI of 8%. Notably, the company was successful in raising rents for specific segments during this period.

The company encountered difficulties stemming from the prolonged elevation of EIBOR rates, resulting in significantly higher financial costs than anticipated in the budget and causing adverse effects on overall performance.

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 that were discussed by the company's board of directors in the report for the previous fiscal year

Engaged in discussions about new investment plans and strategies aimed at diversifying business processes. Simultaneously, explored 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 June 30, 2023, the outstanding dividend amounted to AED 26,317,201. In response, the company applied for a formal time extension to meet the requirements set by the SCA (Securities and Commodities Authority). Unfortunately, despite our request for an extension, it was not granted by the regulatory authority. Consequently, we were obliged to make a payment of AED 5.26 million during the current period.

In light of these circumstances, our management is actively exploring solutions to address this immediate challenge. However, we hold legitimate concerns that the measures we take to mitigate this issue may potentially have an adverse impact on the long-term wealth of our shareholders.

Conclusion:

In the face of external challenges, Aram Group Company has consistently exhibited resilience and an unwavering commitment to excellence. This commitment is evident in our concentrated efforts to leverage our internal strengths and capabilities. By prioritizing the maintenance of high standards of corporate governance and stringent compliance measures, we are well-positioned to navigate and overcome the hurdles presented by the ever-changing external landscape.

We remain determined to foster sustainable growth and to create substantial value for our shareholders. Our focus on internal strengths and unwavering dedication to ethical and effective corporate practices not only enable us to weather challenges but also to seize opportunities for long-term success.



Ali Mohd Zaid Musmar

CEO

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