



ARAM GROUP COMPANY

Management Discussion and Analysis (MD&A) report

Q4, 2023

For the period ended 31st December 2023

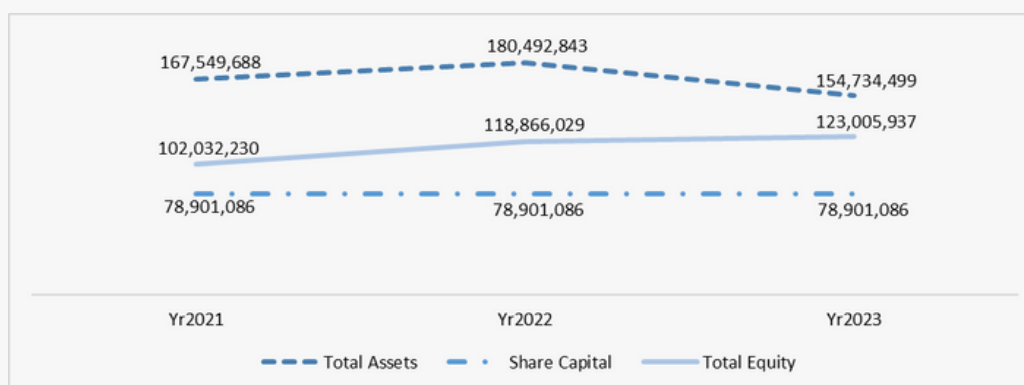


Overview:

In the fourth quarter of 2023, the company attained unprecedented operational excellence, marked by its highest-ever reported occupancy level. Seizing opportunities presented by the favourable economic conditions in the country, the company remains committed to enhancing shareholder value. This commitment is coupled with a steadfast dedication to upholding elevated standards in corporate governance and compliance. Adhering to the guidelines established by the Securities and Commodities Authority (SCA), the company continues to navigate the business landscape while prioritizing the interests of its shareholders.

Financial Overview:

In the final quarter of 2023, the company encountered a deceleration in revenue growth attributable to the attainment of a high occupancy level, wherein the potential for further growth was constrained by the limited number of available rentable units. In an effort to fulfil obligations towards unpaid dividends to the Securities and Commodities Authority (SCA), the company found it necessary to divest another property. Despite this measure, the disposal contributed to an overall increase in total equity. Notwithstanding a slowdown in the increase of the Emirates Interbank Offered Rate (EIBOR), the impact of this trend adversely affected the company's profitability. This effect was particularly pronounced due to the repayment of a loan instalment during the quarter, coinciding with a peak in the EIBOR rate. As a consequence, the company navigated challenges in sustaining profitability despite addressing financial commitments and optimizing its asset portfolio.



Key Financial Metrics:

Total Assets	AED 154.7 Mn
Total Equity	AED 123.0 Mn
Capital	AED 78,901,086
Realized Operation Revenue	AED 9.04 Mn
Net Profit	AED 4.39 Mn



Operational Highlights:

During the fourth quarter of 2023, the company witnessed notable progress across various operational dimensions, largely credited to the adept strategies formulated and implemented by the management team. Despite the challenge posed by the disposal of one of the properties in the first half of the year, the company demonstrated resilience and successfully attained the budgeted revenue target with only a marginal 1% setback. This accomplishment underscores the efficacy of the management's initiatives and the company's ability to navigate challenges while maintaining overall operational performance in line with established objectives.

Occupancy Rate

The company achieved a historic peak in occupancy levels, reaching 96.25% at the end of the financial period (2022-4Q 86.94% and 2021-4Q 70.24%)

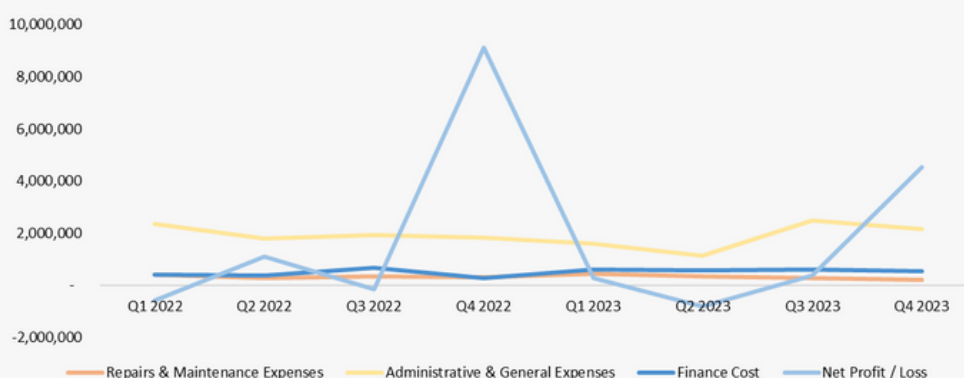
Book Value

BV improved to 1.559 (2022-4Q 1.507) where as Market value rose up to 3.100 (2022-4Q 2.230)

Budgeted Revenue

99% Achieved the budgeted revenue AED 11.34 Mn (Along with profit from discontinued operations) for the year despite the fact that one of the property dispose during the first half of the year.

Operational Performance during the financial period:



The company attained a record-breaking occupancy ratio of 96.25% in its real estate business segment, outperforming the industry average of around 92.7%.

In the present quarter, the company reported an operational profit of AED 4.5 million, representing a notable enhancement compared to the profit of AED 388,023 reported in Q3 2023. The cumulative profit for the period totaled AED 4.39 million, exhibiting a decrease from the AED 9.49 million profit reported in 2022.



The revaluation of investment properties contributed a gain of AED 7.1 million, albeit offset by a property disposal loss of AED 3.69 million thus net profit from operational activities reached nearly AED 700,038 (Continued operations + discontinued operations).

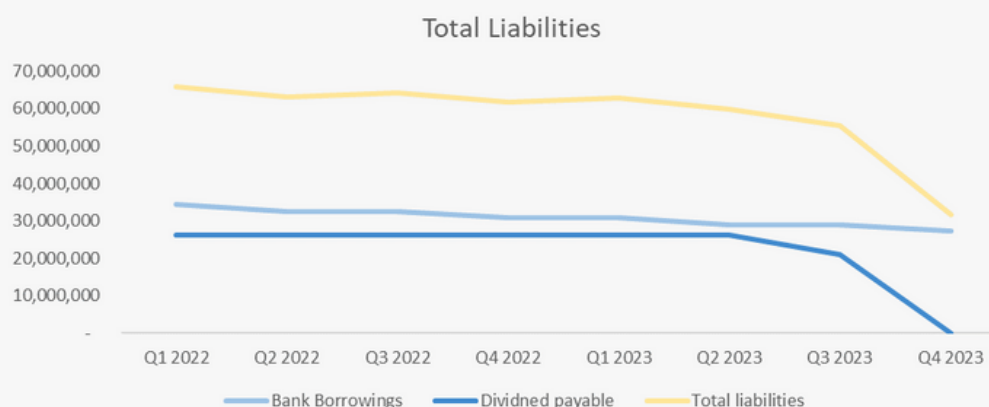
In the second quarter of 2023, the company strategically decided to divest one of its less profitable ventures and redirecting its focus towards more lucrative opportunities. However, this strategic disposal incurred a loss of AED 1.38 million for the company. Despite this setback, the company faced considerable pressure to settle unpaid dividend balances predating the year 2015, leading to the liquidation of another highly profitable asset in December 2023 and resulting in a loss of AED 2.655 million.

Financial Position

During the period, company paid off the AED 26.3 Mn dividend payable liability to SCA and this was financed by liquidating investments in Investment properties. Thus, as of the conclusion of Q4 2023, the total assets were reported at AED 154.74 million, indicating an 11.8% reduction from the assets portfolio of AED 175.45 million reported in Q3 2023. In tandem with the decline in assets, total liabilities decreased by 42.76%, declining from AED 55.43 million in Q3 2023 to AED 31.73 million at the close of Q4 2023.

This downturn in final quarter is primarily attributed to the disposal of the Industrial Area 13 property and the settlement of a current liability amounting to AED 21.05 million in Q4 2023 related to dividends payable prior to 2015. Additionally, the entity realized a gain of AED 7.1 million from the appreciation of investment property, driven by market recovery.

In summary, the total equity witnessed an increase of AED 2.98 million, reaching AED 123 million compared to the AED 120 million reported in Q3 2023.



Cash Flows:

In the fiscal year ending 2023, the company generated AED 3.45 million in net operational cash flow and AED 28.46 million in net cash flow from investing activities. Nevertheless, there was a net cash outflow of AED 32.57 million from financing activities, primarily attributed to the settlement of a dividend payable balance amounting to AED 26.32 million.



Main Performance Indicators:

Throughout the quarter, there was a positive shift in the price-to-book value of shares, increasing to 1.9885, compared to 1.8867 reported in Q3 2023 and AED 1.4802 reported in Q4 2022.

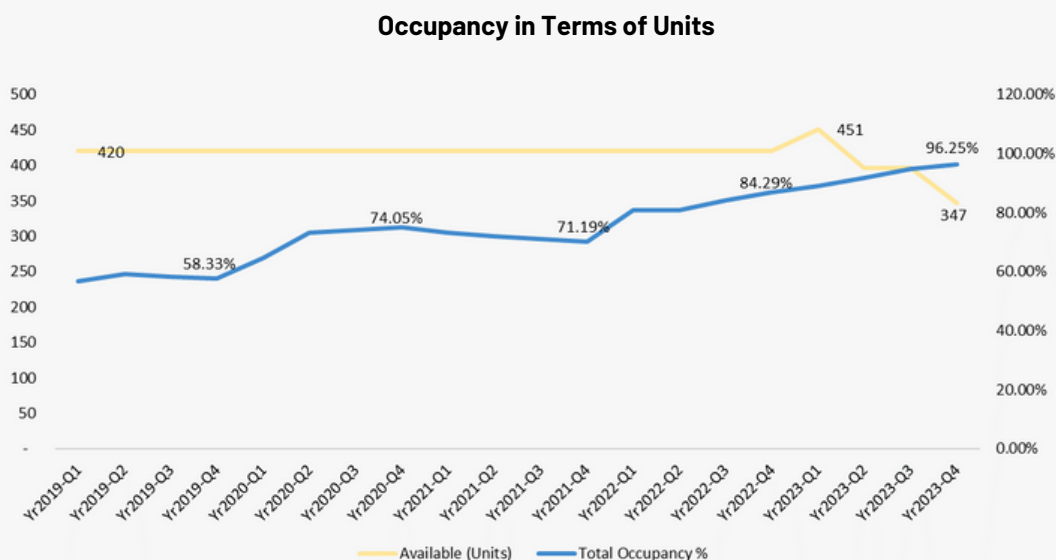


Positive shift in the price-to-book value of shares, increasing to 1.9885, compared to 1.8867 reported in Q3 2023 and AED 1.4802 reported in Q4 2022.



Simultaneously Book Value shifted to 1.559 from 1.507 (Q4-2022)

Occupancy rates for all major properties surpassed an impressive threshold of 90%, with some properties achieving full occupancy at 100%. This remarkable milestone marks the highest level of occupancy ever recorded in the company's history, standing at an exceptional 96.25%.



Expectations and Future Plans:

Benefiting from favorable market conditions and the company's strategic initiatives to improve internal efficiency, the firm achieved a noteworthy historic high occupancy rate of 96.25%. The company is poised to sustain its positive impact on the Real Estate sector through ongoing enhancements to existing facilities and strategic developments in the pipeline. This commitment underscores its dedication to furthering the growth and development of the sector.

Business Diversification: The company is actively working on expanding into more profitable business segments while gradually phasing out investments that yield low returns.

Capital Expenditure: Company is in wait and see approach to take further expansion and commercial development plans due to prevailing high EIBOR rate. However, preliminary arrangements are being taking for possible future expansions.

Portfolio Optimization: We are being planning fresh investment plans and strategies designed to broaden our business operations.



Other Matters:

On April 30, 2023, the Securities and Commodities Authority (SCA) issued letter reference number E.M.SH/KH/258/2023, announcing its appointment to oversee the management of uncollected dividends from locally listed public joint stock companies before March 2015. The SCA directed public joint stock companies to halt the distribution of unclaimed profits prior to March 2015 upon receipt of the letter. Furthermore, companies were instructed to transfer the entire value of uncollected profits before March 2015 to the Authority's account no later than May 21, 2023.

The outstanding liability of AED 26,317,201 was successfully settled with the SCA in December 2023.

Conclusion:

The UAE market is currently thriving, providing a favorable environment for investors. Aram Group Company has consistently demonstrated resilience and an unyielding commitment to excellence. This commitment is evident in our concentrated efforts to harness our internal strengths and capabilities. Prioritizing the maintenance of high standards of corporate governance and implementing stringent compliance measures, we are determined to deliver optimal results for our investors.

Our unwavering focus remains on sustainable growth and the creation of substantial value for our shareholders. By emphasizing internal strengths and dedicating ourselves to ethical and effective corporate practices, we not only navigate challenges successfully but also capitalize on opportunities for long-term success.



Ali Mohd Zaid Musmar
CEO

Copy to:

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