



ARAM GROUP COMPANY

Management Discussion and Analysis (MD&A) report Q1, 2024

For the period ended 31st March 2024



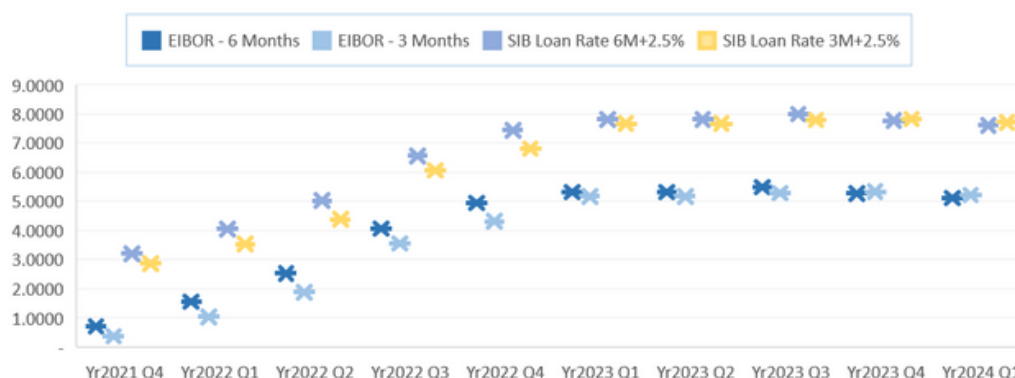


Overview:

Throughout first quarter, we optimized our capacity, achieving the highest occupancy levels ever recorded in our company's history. We are actively capitalizing on the favorable economic conditions in the country. Our unwavering commitment to enhancing shareholder value remains steadfast. Simultaneously, we uphold elevated standards in corporate governance and compliance, adhering to guidelines set by the Securities and Commodities Authority (SCA) and ensuring compliance with the Federal Tax Authority (FTA). As we navigate the business landscape, our shareholders' interests remain our top priority.

Financial Overview:

In the first quarter of 2024, the company experienced revenue stagnation, as anticipated. This was primarily due to reaching a high occupancy level, where further growth was hindered by the limited number of available rentable units (only 14 unoccupied units were available at the quarter end). This decrease in available units occurred following the disposal of the Industrial Area 13 property, which was carried out to fulfil obligations towards unpaid dividends to the Securities and Commodities Authority (SCA). Despite this strategic move, the disposal contributed to an overall increase in total equity. During the same period, the company's total assets improved by AED 2.6 million, while equity grew by AED 2.1 million.



However, the impact of the high Emirates Interbank Offered Rate (EIBOR) continued to adversely affect the company's profitability. Finance costs still accounted for nearly one-fourth of the operating expenses. Nevertheless, the management successfully negotiated with the bank, resulting in favorable conditions for an existing loan. This reduction in finance costs is expected to reflect positively in future financial periods.

Key Financial Metrics:

| | |
|------------------------|-----------------|
| Total Assets | AED 157,362,664 |
| Total Equity | AED 125,162,581 |
| Capital | AED 78,901,086 |
| Total Liability | AED 32,200,083 |



Operational Highlights:

During the first quarter of 2024, the company achieved moderate progress across various operational dimensions, largely attributed to the adept strategies formulated and implemented by the management team. Despite the challenge posed by the disposal of two properties in the preceding year, the company achieved a profit of AED 478,069 (PBT), representing a 64% increment compared to Q1 2023. Additionally, the company successfully reached 97% of the budgeted revenue target for the period. Occupancy rates improved significantly, reaching 96.54% compared to the 88.91% occupancy rate in Q1 2023. Furthermore, the book value of shares increased by 5% compared to the results of Q1 2023. These accomplishments underscore 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

Remained at peak in occupancy levels, reaching 96.54% at the end of the financial period (2023-Q4 96.25%)

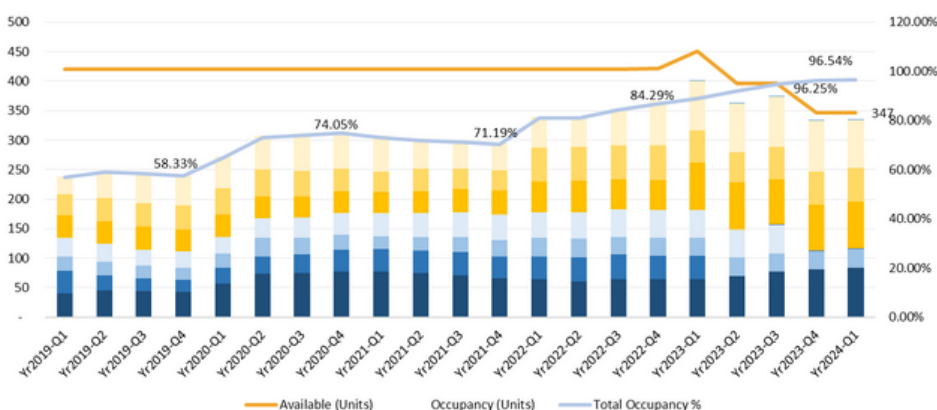
Book Value

BV improved to 1.586 (2023-Q4 1.559) whereas Market value 2.970 decline by 4% compared to 2023-Q4

Budgeted Revenue

97% Achieved the budgeted revenue of AED 2.475 Mn for the period (Along with profit from discontinued operations).

Operational Performance during the financial period:



The company was able to continuously maintain high occupancy ratio reaching historical high 96.54% in its real estate business segment, outperforming the industry average of around 92.7%.

In the current quarter, the company reported an operational profit of AED 478,069 (PBT), representing a notable enhancement compared to the profit of AED 291,182 reported in Q1 2023. The Total comprehensive income AED 2,156,646 setback compared to result of Q4,2023 but 434% improvement compared to Q1-2023 result of AED 403,749 mainly due to appreciation of fair value of Share investment in Kuwait Hotel's Shares.

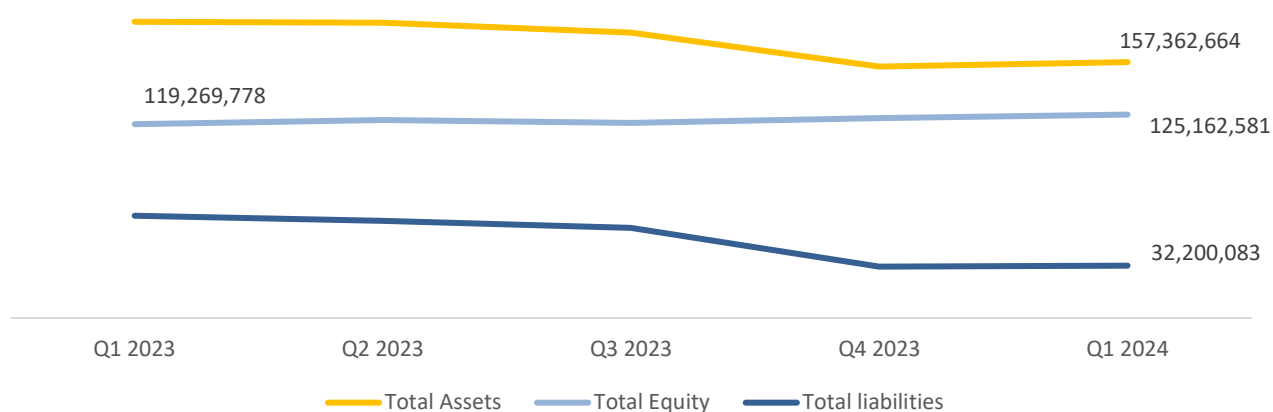
The appreciation of fair value of investments at fair value through other Comprehensive Income largely accounted for the increment in Equity.



Financial Position

As of the conclusion of Q1 2024, the total assets were reported at AED 157.36 million, indicating an AED 2.6 million increment from the assets portfolio of AED 154.74 million reported in Q4 2023. However, in tandem with the increment in assets, total liabilities were increased by AED 460,427 only.

Company has commitment to pay Loan installment AED 2.9 million in May 2024 and financing this repayment is still challenging task considering the existing Cash balance and anticipations.



Cash Flows:

In Q1 2024, the company achieved a net operational cash flow of AED 1.245 million, nearly on par with the AED 1.247 million reported in Q1 2023. This accomplishment is noteworthy, especially considering the disposal of two properties in 2023. Despite these transactions, the company maintained a solid cash position, with a total balance of AED 2.187 million at the end of Q1 2024, slightly lower than the AED 2.935 million reported in Q1 2023.



Expectations and Future Plans:

Leveraging advantageous market conditions and implementing strategic measures to boost internal efficiency, the company reached a remarkable milestone with an occupancy rate of 96.54%, marking a historic high. This achievement not only reflects the company's ability to adapt to market dynamics but also highlights its commitment to excellence.

Looking ahead, the company remains committed to making substantial contributions to the real estate sector. It plans to uphold its positive influence through continuous improvements to current facilities and strategic projects in the pipeline. This steadfast dedication underscores its pivotal role in driving growth and advancement within the sector, showcasing a long-term vision for sustained success.

Business Diversification:

The company is proactively diversifying its portfolio by venturing into high-yield business segments, strategically shifting away from investments with lower returns. This dynamic approach reflects a keen focus on maximizing profitability and optimizing resource allocation. By embracing this strategy, the company aims to enhance its overall financial performance and position itself for sustainable growth in the long term.

Capital Expenditure:

The company is currently adopting a cautious "wait-and-see" stance regarding its expansion and commercial development initiatives, primarily in response to the prevailing high EIBOR (Emirates Interbank Offered Rate) rate. This prudent approach reflects a strategic response to market conditions, as the company carefully assesses the potential impact of interest rate fluctuations on its expansion plans.

Nevertheless, despite the cautious approach, the company is proactively laying the groundwork for potential future expansions. Preliminary arrangements are underway, demonstrating the company's forward-thinking mindset and readiness to capitalize on opportunities once market conditions become more favourable. This balanced approach reflects a commitment to strategic growth while prioritizing risk management and financial stability.

Portfolio Optimization:

We are currently in the process of meticulously crafting new investment plans and strategic initiatives aimed at expanding the scope of our business operations. These endeavours signify a deliberate effort to diversify our portfolio, capitalize on emerging opportunities, and strengthen our market position.

Our team is actively engaged in thorough research and analysis to identify lucrative avenues for investment and growth. Through these efforts, we aim to not only expand our presence in existing markets but also explore new sectors and geographic regions that hold promise for sustainable returns.

These investment plans are being meticulously designed with a long-term perspective, taking into account factors such as market trends, competitive dynamics, and regulatory considerations. By pursuing these strategic initiatives, we are positioning ourselves for continued success and resilience in an ever-evolving business landscape.



Other Matters:

The company's group headquarters will be relocated to the Emirate of Abu Dhabi, transitioning from its longstanding presence in Sharjah

Conclusion:

The UAE market is currently flourishing, creating a favourable environment for investors. Aram Group Company consistently demonstrates resilience and an unwavering commitment to excellence. Our dedication is evident in our focused efforts to leverage internal strengths and capabilities.

We prioritize maintaining high standards of corporate governance and implement stringent compliance measures, all with the goal of delivering optimal results for our investors. Our unwavering focus remains on sustainable growth and creating substantial value for our shareholders while also being responsible corporate citizens. By emphasizing our internal strengths and adhering to ethical and effective corporate practices, we successfully navigate challenges and seize long-term opportunities.



Ali Mohd Zaid Musmar
CEO

Copy to:

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