



Management Discussion and Analysis (MD&A) Report

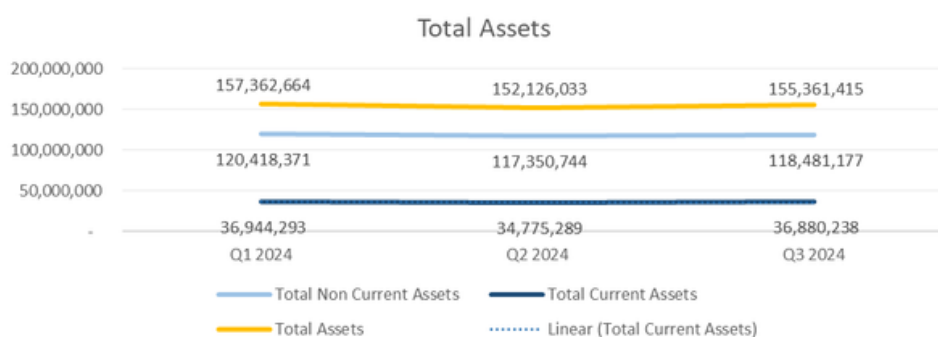
2024-Q3

For the period ended 30th Sep, 2024

Overview:

In the third consecutive quarter, we experienced a positive growth trend in operating income, driven by our strategic optimization of revenue and effective capitalization on favorable economic conditions in the country. Our steadfast commitment to enhancing shareholder value remains a core objective. At the same time, we upheld high standards of corporate governance and compliance, adhering to the guidelines set by the Securities and Commodities Authority (SCA) and ensuring full compliance with the Federal Tax Authority (FTA). Amid the ever-changing business landscape, prioritizing and safeguarding our shareholders' interests remains our foremost commitment.

Financial Overview:



During the third quarter, we saw a significant improvement in our current assets, primarily driven by an increase in cash balances and notable gains in 'Investments at Fair Value Through Profit or Loss.' This positive trend reflects our effective asset management and capital allocation strategies. Additionally, our non-current assets experienced upward momentum due to gains from 'Investments at Fair Value Through Other Comprehensive Income,' contributing to an overall increase in total assets by more than AED 3.2 million. These results highlight the effectiveness of our strategic decision-making and the optimal utilization of available resources, aimed at maximizing shareholder wealth.

Key Financial Metrics:

Total Assets	AED 155,361,415
Total Equity	AED 124,922,058
Capital	AED 78,901,086
Total Liabilities	AED 30,439,357

Operational Highlights:

During the third (03) quarter of 2024, the company demonstrated exceptional progress across various operational dimensions, driven by the management team’s strategic foresight in capitalizing on market opportunities. Despite the challenges posed by the disposal of two properties, including a key asset in Industrial Area 13, the company reported a profit before tax (PBT) of AED 1,350,428. This represents an impressive 443% increase over the second quarter and a 248% growth compared to the same period in 2023.

In addition, the company surpassed its budgeted revenue target, achieving 145% of the projected operating income against the budgeted AED 1,794,000/-. This success was realized despite a slight reduction in occupancy rates, which dipped by 1.15% to 96.54%, down from 97.69% in Q2 2024. Furthermore, the book value of shares rose to 1.583, compared to 1.554 in the previous quarter.

These accomplishments underscore the effectiveness of the management’s strategies and the company’s resilience in overcoming challenges, while continuing to deliver strong operational performance aligned with its long-term objectives.

Occupancy Rate

The slight decline of 1.15%, bringing the occupancy rate to 96.54% (97.69% in 2024-Q2), was due to the systematic increase in lease rentals.

Book Value

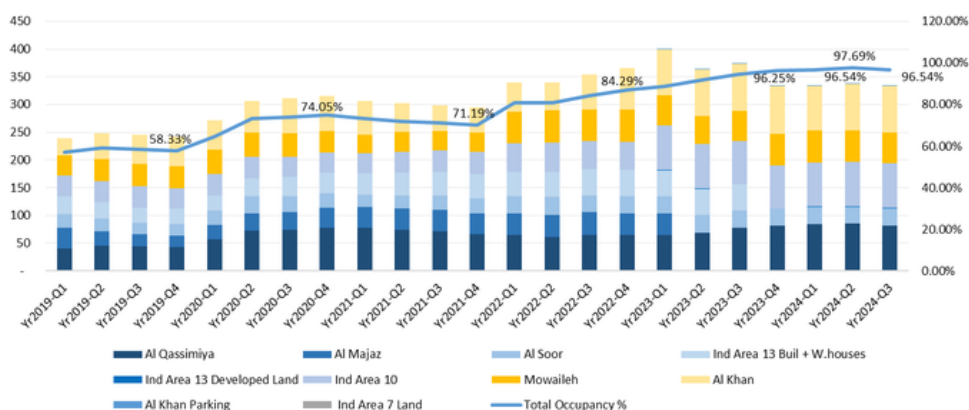
BV improved to 1.583 (2024-Q2 1.554) where as Market value reported at AED 2.630 a decline of 9% compared to 2024-Q2

Budgeted Revenue

The budgeted revenue target for the third quarter of 2024 was AED 1,794,000, but actual revenue exceeded this by 45%, reaching AED 2,598,795.

Operational Performance during the financial period:

Occupancy in Terms of Units



Throughout 2024, the company consistently maintained a high occupancy ratio that remained above the market average. This strong performance highlights the effectiveness of our property management and tenant retention strategies. However, a slight decrease of 1.15% was observed in comparison to the results from Q2 2024. This dip can be attributed to the natural time gap between vacating tenants and the arrival of new tenants moving into the premises. Despite this temporary fluctuation, the reported occupancy rate of 96.54% for the third quarter remains well above the budgeted annual average of 93.5%, reflecting the company's resilience and ability to manage tenant transitions efficiently.

In the current quarter, the company reported an operational profit after tax (PAT) of AED 1,170,731, marking a significant improvement over both the AED 243,623 profit recorded in Q2 2024 and the AED 388,023 profit from Q3 2023. The total comprehensive income surged to AED 2,343,440, showing a substantial recovery from the previous quarter's result and representing an impressive 240% increase compared to the AED (1,678,658) loss reported in Q3 2023.

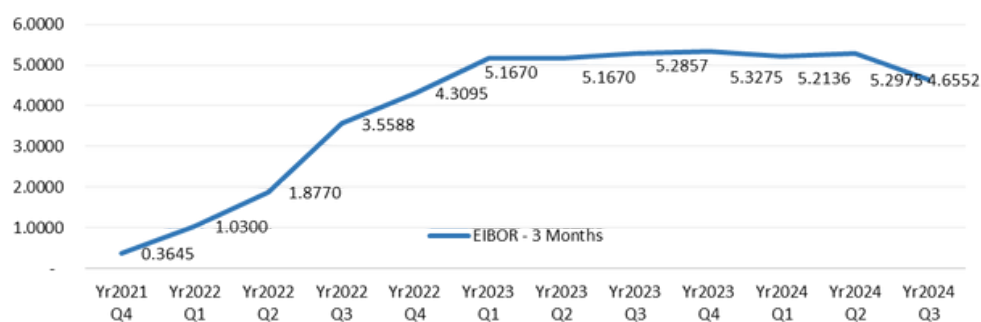
This remarkable improvement was primarily driven by the appreciation in the fair value of the company's share investments in Kuwait Hotels, which contributed significantly to the overall growth. The appreciation of these investments, recorded at fair value through other comprehensive income (OCI), was a key factor in bolstering the company's equity position, further enhancing the financial health and outlook of the company.

Financial Position:

As of the end of Q3 2024, total assets amounted to AED 155.36 million, reflecting an increase of AED 3.2 million from the AED 152.13 million recorded at the close of Q2 2024. This growth in assets was accompanied by a comparatively modest rise in total liabilities, which increased by only AED 890,941. As a result, the majority of the increase was allocated to equity, which saw a gain of AED 2.3 million.

The company has a scheduled loan installment due in November 2024. We anticipate that the recent downward trend in the UAE EIBOR (Emirates Interbank Offered Rate) will work in our favor, leading to a noticeable reduction in interest liabilities. Additionally, we expect to fully benefit from the terms negotiated with the bank, including the reduction in the applicable interest rate. With these favorable conditions in place, we are confident in our ability to meet the upcoming loan installment repayment on time, without any financial challenges.

EIBOR Rate



Cash Flows:

In Q3 2024, the company reported a cumulative net operational cash flow of AED 4.294 million, up from AED 2.25 million in Q2 2024. During this period, investment activities remained minimal, while cash flow from financing activities saw a slight increase, rising to AED 3.479 million compared to AED 3.022 million reported at the end of Q2 2024. Notably, there was a significant improvement in the cash balance, which rose to AED 1.967 million from just AED 379,244 in Q2 2024.

Expectations and Future Plans:

By capitalizing on favorable market conditions and implementing strategic initiatives to enhance internal efficiency, the company successfully maintained an occupancy rate above the market average, despite a slight dip in Q3 2024. Notably, management sustained occupancy levels above 96%, marking a historic high for the company. This achievement underscores both the company's adaptability to market fluctuations and the excellence of its management team. Management is determined to capitalize on favorable market conditions and sustain occupancy rates above the market average.

Looking ahead, the company remains committed to playing a key role in the UAE's dynamic real estate sector. It aims to maintain its positive impact by continuously enhancing existing facilities and pursuing strategic projects aligned with the country's growth ambitions. This unwavering commitment reflects the company's dedication to supporting the UAE's vision for economic diversification and urban development, ensuring its long-term success in contributing to the sector's growth and innovation.

Business Diversification:

Leveraging the advantages of being a listed entity on the Abu Dhabi Securities Exchange (ADX), the company is actively pursuing diversification by exploring high-yield business segments, while strategically reducing exposure to lower-return investments. This dynamic approach demonstrates a strong focus on maximizing profitability and optimizing resource allocation. By embracing this strategy, the company aims to enhance its financial performance and strengthen its position for sustainable long-term growth in the UAE market.

Capital Expenditure:

The company is actively pursuing several expansion plans focused on commercial development and new ventures. With the favorable downward trend in the Emirates Interbank Offered Rate (EIBOR) and promising conditions in the UAE real estate market, we anticipate making significant announcements in the near future. This prudent approach demonstrates the company's strategic response to evolving market dynamics, carefully evaluating the impact of interest rate movements on its expansion initiatives to ensure sustainable growth.

Portfolio Optimization:

Our team has identified promising new business opportunities and is diligently analyzing the most effective implementation strategies to maximize benefits for both our existing and potential shareholders. This comprehensive approach focuses on aligning new ventures with our long-term growth objectives. By optimizing our portfolio, we aim to enhance our market presence, not only within our current sectors but also by exploring high-potential new industries and geographic regions. These efforts are part of a broader strategy to diversify our revenue streams and secure sustainable returns, ensuring a stronger and more resilient business foundation in an ever-evolving market environment.

Conclusion:

The UAE market is currently thriving, presenting a promising landscape for investors. Aram Group Company consistently exhibits resilience and a steadfast commitment to excellence. Our dedication is reflected in our strategic efforts to harness our internal strengths and capabilities.

We prioritize maintaining the highest standards of corporate governance and enforce stringent compliance measures, all aimed at delivering optimal outcomes for our investors. Our focus remains firmly on sustainable growth and creating substantial value for our shareholders while upholding our responsibilities as corporate citizens. By emphasizing our internal strengths and adhering to ethical and effective corporate practices, we adeptly navigate challenges and capitalize on long-term opportunities in this dynamic market.



Ali Mohd Zaid Musmar

CEO

Copy to:

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