

Detailed analysis of accumulated losses

Date:	14 November 2021
Listed Company Name:	Amlak Finance PJSC
Define the period of the financial statements:	30 September 2021
Accumulated losses:	AED 1.1 billion
Accumulated losses to capital ratio:	72%
The main reasons leading to these accumulated losses:	The accumulated losses are mainly due to fair value losses recorded on investment properties in 2014 and 2020. During the period from 2009 to 2013 the Group held certain investment properties amounting to AED 2,942 million which have been carried at cost since acquisition. These investment properties were fair valued as of 31 December 2014 and a fair value loss on these properties of AED 1,761 million was recorded during 2014. During the year 2020, real estate prices declined significantly due to the impact of COVID-19 and, accordingly, Amlak recorded fair value loss of AED 463 million on investment properties. Accumulated losses was reduced from AED 2.3 billion as at 31 December 2020 to AED 1.1 billion as at 30 September 2021 due to a number of initiatives taken by the management and the closure of the settlement as mentioned below
Measures to be taken to address accumulated losses:	Amlak held an extraordinary general meeting in September 2014 where a financial restructuring plan was approved by the shareholders of the company. Since 2014, the company has been implementing the restructuring which has allowed for the resumption of normal business activity. In January 2019, the company announced it had entered into renegotiations with its financiers on the restructuring terms agreed in 2014 which had subsequently been revised in 2016. In June 2020, the company succeeded in obtaining the signature of all the financiers on the agreement that governs the new terms of its debt restructuring.

	Amlak initiated the process to carry out the new terms of the agreement which allows flexibility to adapt to current market conditions enabling the company to develop its business and further strengthen the balance sheet. The Company fully settled its high-cost tranche A financiers during the third quarter of the year 2020. Restructuring / renegotiation enabled the successful repayment of 69% of Amlak's Islamic deposit liabilities and 43% of Mudaraba Instrument relating to tranche B financiers over a period of almost seven years under the 12-year restructuring plan. The company continued rolling the debt settlement arrangement initiative through cash and real estate assets swap, which contributed to reducing the losses during the nine months period ended 30 September 2021, through successful debt settlement with financiers wherein four financiers fully settled and two financiers partly settled their exposure. Such initiatives will continue during the year and will be key to reducing accumulated losses, in addition to other initiatives in this regard. On October 01 2019, the company announced that it has been awarded AED 780 million in an arbitration administered by the Dubai International Arbitration Center since 2013. The ruling has also awarded Amlak Finance its legal costs and additional compensation. As at 30 September 2021, Amlak has concluded the settlement with the other party with a net value of AED 875 million including land plots with an approximate net value of AED 675 million in addition to the payment of AED 200 million in cash in 4 equal installments over 24 months. The first installment of AED 50 million was received during the period. The settlement will also have a positive impact on the company's future financial position upon receipt of cash installments.
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Authorized signatory

