Recovery Plan

Update: 14th of April 2023

Agenda

الاتحاد العقارية
Union Properties

1. Financial Performance Overview 2022
   - Consolidated P&L and Balance Sheet
   - Operational Efficiency

2. Detailed Analysis of Accumulated Losses

3. Recovery Plan for Accumulated Losses

4. Ongoing Deb restructuring Plan

5. Performance of Assets under Management

6. Governance update

Financial Performance 2022 – Overview

الاتحاد العقارية
Union Properties

Union Properties Delivers Full Year Profitability As Turnaround Strategy Continues To Drive Results

- Company reported **net profit of AED 30.0** million in 2022 compared to a net loss of AED 966.8 million in 2021
- 2022 revenue growth driven by a significant improvement in performance in the Group's subsidiaries and continued growth in the UAE's real estate sector
- Turnaround strategy continues to show positive results with good progress on cost efficiencies - administrative and general expenses down 39% year-on-year
- Strong performance builds on recent milestones such as the successful completion of the AED 595 million debt restructuring

- 2022 was a milestone year for Union Properties as its new management team successfully implemented their **turnaround strategy and restored the company to profitability**.
- Union Properties returned to profitability in 2022 as it continues to successfully implement its turnaround strategy, with the company reporting a **net profit of AED 30.0 million** compared to a net loss of AED 966.8 million in the previous year.
- Revenue from contracts with customers increased by 5% year-on-year to AED 419.2 million in 2022 as the Group's subsidiaries continued to deliver significant performance improvements supported by strong positive momentum in the UAE's real estate sector.
- **Debt restructuring process** was successfully completed and UPP is in a strong position to leverage its deep expertise, reputation, and highly sought-after land bank locations to drive growth and capture opportunities in the UAE's flourishing real estate market.
- Union Properties is now on a solid foundation to deliver long term and **sustainable value for its shareholders** and is evaluating several potential development opportunities.
- During the year, Union Properties successfully completed AED 595 million debt restructuring, marking a major milestone by resolving legacy liabilities with the majority of its lenders.
- The restructuring supports improved profitability and cash flow generation by effectively reducing the Company's financing costs. Additionally, it strengthens Union Properties' balance sheet and enables it to raise additional financing for future real estate developments.
- The Company is currently **conducting negotiations to restructure the remaining legacy related debt with Emirates NBD** and will update the market of any developments as it continues to deliver its turnaround strategy.
- Management's focus on efficiency has enabled Union Properties to preserve its book value at AED 0.456 per share as of 31 December 2022.
- Union Properties made substantial progress with its efficiency strategy including merging three of its existing business units - EDACOM Owners Management Association, Uptown Mirdiff Mall, and Al Etihad Cold Store - into one single entity, EDACOM Asset Management.
- This unlocked significant synergies across the business and improved resource and asset utilization. As a result, administrative and general expenses declined 39% year-on-year to AED 80.5 million in 2022. Operating profit for the year increased significantly to AED 10.2 million compared to a loss of AED 34.1 million in the previous year.

Financial Performance 2022 – Consolidated Profit & Loss

الاتحاد العقارية
Union Properties

		2022	2021
Revenue from contracts with customers	ايرادات من عقود العملاء	419,187	398,699
Direct costs	تكاليف مباشرة	(347,481)	(330,867)
Gross profit	**اجمالي الربح**	**71,706**	**67,832**
Gross profit (%)		**17.11%**	**17.01%**
Administrative and general expenses	مصاريف ادارية وعمومية	(80,529)	(133,020)
Other operating income	ايرادات تشغيلية اخرى	27,563	70,890
Gain/(loss) on sale of investment properties	ربح او خسارة من استبعاد استثمارات عقارية	2,331	10,834
Operating profit/(loss)	**ارباح اوخسائر التشغيل**	**21,071**	**16,536**
Gain on fair valuation of investment properties	ربح التقييم العادل للعقارات الاستثمارية	25,997	(1,109,302)
Net gain on financial instruments at FVTPL	صافي ربح الادوات المالية بالقيمة العادلة من خلال الارباح او الخسائر	-	(149,282)
Share of losses from an associate, net	مكاسب من فقدان السيطرة على شركة تابعة	(5,086)	(2,955)
Loss on disposal of an associate	حصة الشركة من خسائر الشركات الشقيقة	-	352,401
Other income	دخل اخر	62,828	-
Finance income	دخل تمويل	-	2,017
Finance cost	تكاليف التمويل	(74,830)	(76,170)
(Loss)/profit for the period	**ربح او خسارة الفترة**	**29,980**	**(966,755)**
Other comprehensive income for the period	**الدخل الشامل الاخر**	-	-
Other comprehensive income that may be	*الدخل الشامل الاخر الذي يمكن اعادة تصنيفه الى*		-
reclassified to profit or loss in subsequent periods	*الربح او الخسارة*		-
Exchange differences on translation of foreign operations	فروق الصرف على العملات		-
Total comprehensive (loss)/income for the period	**اجمالي الارباح او الخسائر الشاملة**	**29,980**	**(966,755)**

Financial results

- The Group **revenue for 2022 reached to AED 419.2 million** (2021: AED 398.7 million), gain on valuation of properties amounted to AED 26 million (2021: loss of AED 1,109 million) resulting in a total profit of AED 30 million (2021: loss of AED 966.8 million), and total comprehensive income amounted to AED 30 million (2021: total comprehensive loss of AED 966.8 million).
- In accordance with the UAE Federal Law No.32 of 2021, the Company transferred 10% of the Company profit to the Statutory Reserve amounting to AED 3 million (2021: nil).
- Fiscal discipline has been the primary focus in 2022, which, together with growing annual revenues, allowed the Group to improve financial performance to deliver positive EBITDA.
- Primary focus was kept to stem the decline in profitability and transforming the Company into an organization that is able to generate sufficient profit and free cash flow on a sustainable basis, a path to ensure stable performance and solid shareholder returns.

AED’000

Financial Performance 2022 – Consolidated Balance Sheet

الاتحاد العقارية
Union Properties

	31 December 2022 AED'000	31 December 2021 AED'000
ASSETS		
Non-current assets		
Property, plant and equipment	**311,474**	312,635
Right-of-use assets	**10,076**	21,694
Investment properties	**3,165,752**	3,260,726
Development properties	**7,504**	7,504
Investments in an associate	**79,327**	84,413
Non-current receivables	**11,830**	4,301
Total non-current assets	**3,585,963**	3,691,273
Current assets		
Investments at fair value through profit or loss	**699**	756
Inventories	**4,401**	4,732
Contract assets	**28,847**	35,263
Trade and other receivables	**396,525**	425,146
Cash in hand and at banks	**61,397**	65,797
Total current assets	**491,869**	531,694
Total assets	**4,077,832**	4,222,967
EQUITY AND LIABILITIES		
Equity		
Share capital	**4,289,540**	4,289,540
Statutory reserve	**355,976**	352,978
Asset revaluation surplus	**212,689**	212,689
Accumlated losses	**(2,900,846)**	(2,927,828)
Total equity	**1,957,360**	1,927,379
Non-current liabilities		
Non-current portion of bank loans	**341,371**	309,246
Contract liabilities	**8,118**	8,118
Lease liabilities	**10,498**	17,813
Provision for staff terminal benefits	**30,630**	29,144
Total non-current liabilities	**390,617**	364,321
Current liabilities		
Trade and other payables	**1,142,470**	1,193,546
Contract liabilities	**52,824**	50,188
Lease liabilities	**2,624**	4,453
Bank overdrafts	**50,811**	113,670
Current portion of bank loans	**481,127**	569,410
Total current liabilities	**1,729,856**	1,931,267
Total liabilities	**2,120,473**	2,295,588
Total equity and liabilities	**4,077,833**	4,222,967

- As of 31st December 2022, the Group's current accumulated losses reached an amount of AED 2,928 million from an issued capital of AED 4,290 million hence exceeding 50% of its issued share capital. Therefore, based on article 309 of the UAE Federal Companies Law No (32) of 2021, and article 5 of SCA's Board of Directors' Decision No. (32/R.T) of 2019, the Group is required to call for a General Assembly Meeting to vote on either dissolving the Group or to continue its activity with an appropriate restructuring plan within 30 days of the issue of these consolidated financial statements.
- The Group's management team is committed to continuing its cost rationalization effort to further increase its operating profits and to deleverage the Company's Balance sheet. Given the strong economic condition in UAE and the strong Real Estate market in Dubai, now is the right environment for the Company to reinvent itself as a strong Developer in the UAE.
- The management of the Group has prepared a short and medium strategy plan leveraged by a long-term vision for a period of three years from the date of these consolidated financial statements and there is high probability that the Group will have adequate resources to continue its operation in the foreseeable future.

Unit: AED

Operational Efficiencies

Union Properties

- Corporate cost reduction: Admin & General costs - predominantly head-office overhead costs - have been dramatically reduced during 2022

- Expenses were reduced YoY from 42.3 million to 19.4 million
- The company spent approximately AED 6 million fees and expenses related to legal and specialized professional one-time fees which will not be incurred in the coming years
- In 2023 focus in fulfilling key C-Level Positions
- Cost recharging mechanism to Subsidiaries will be implemented for "pay-per-use" on internal service providers (IT, HR, Marketing and Finance)
- Expected reduction on Legal fees

	ACTUAL 2021	Var	ACTUAL 2022	Var	BUDGET 2023
Staff Salaries and Benefits	13,789,903	(8,867,344)	4,922,559	4,360,393	9,282,952
Staff costs (related costs)	3,724,029	(2,131,829)	1,592,200	(1,240,783)	351,417
Advertising and Marketing	392,627	(19,438)	373,190	70,810	444,000
Depreciation	1,504,293	(988,892)	515,401	(335,401)	180,000
Professional, Consultancy & Audit Fees	-	6,257,138	6,257,138	(3,000,138)	3,257,000
Court fees and others	12,524,655	(10,595,582)	1,929,073	(1,279,073)	650,000
Trade License & Regulatory	4,092,738	(4,013,201)	79,537	670,463	750,000
Office Expenses (Dewa, Chiller, others)	403,441	(179,681)	223,760	101,240	325,000
Facilities Management	316,279	(16,279)	300,000	10,000	310,000
Office Expenses	3,334,029	(1,530,514)	1,803,514	(1,005,322)	798,192
Insurance	36,000	0	36,000	0	36,000
Computer Costs & Licenses fees	-	174,000	174,000	0	174,000
Repairs and Maintenace	761,707	(351,462)	410,245	(122,245)	288,000
Communication	294,516	(78,703)	215,812	(35,812)	180,000
DFM & SCA Retlated Costs	1,174,959	(599,879)	575,079	24,921	600,000
	42,349,176	(22,941,666)	**19,407,510**	(1,780,949)	**17,626,561**

Unit: AED

Detailed analysis of accumulated losses

الاتحاد العقارية
Union Properties

- Value of the Accumulated losses: AED 2,901million
- Accumulated losses to capital ratio 67.63%

Measures taken to address accumulated losses

- The company has developed and Implemented a recovery plan to disclose regularly to the Securities and the Commodities Authority and The Market which includes a plan for handling the accumulated losses.
- Developed a business plan that focuses on closing out existing projects and re-focusing the company on its core business activities in order to win new projects.
- Develop the continued efforts to sell some of its assets to raise necessary cash for deleveraging its balance sheet
- Improve overall operational productivity and efficiency.
- Restructuring of its outstanding debt to reduce the finance cost
- Recovering its outstanding receivables (notably through court and arbitration)
- Continued reduction of its operating costs
- Development of UPP's extensive landbank
- Development of assets with recurring cash flow
- Strong focus on the Group operating subsidiaries
- Focus on cash-generating activities

The main reasons leading to these accumulated losses and their history

- The losses are mainly a product of significant provisioning of the following:
- Fair value loss of AED 2,076 million related to investment properties recorded in the fiscal year 2017
- Fair value loss of AED 1,109 million related to investment properties recorded in the fiscal year 2021
- Loss on disposal of an associate of AED 250million recorded in the fiscal year 2020
- Losses and impairments from financial instruments at FVTPL amounting to AED 337 million
- Disposal of assets to related parties amounting to AED 62 million 2020 and AED 45.5 million in 2021
- Provisions amounting to AED 90.5 million against advances to contractors in 2021

Recovery Plan

Union Properties

- **Accumulated losses:** From AED 2,901million (in 2022) UP targets to reach AED 2,133 million (in 2025)
- Accumulated losses to capital ratio is expected to achieve 49.72% in December 2025
- During the next 2 years, the Group will proceed with the sale of non-core assets - expected to generate additional 1b (AED) liquidity which will allow to deleverage from bank loans and invest in new real estate projects

Income Statement	2022 (Actual)	2023	2024	2025	2026	2027	2028
Revenue	419,187,000	465,802,003	537,622,432	1,570,601,799	3,514,372,889	3,690,091,533	3,874,596,110
Direct Costs	(347,481,000)	(360,646,064)	(376,033,539)	(1,242,996,458)	(2,829,060,168)	(2,988,974,142)	(2,905,947,082)
Gross Profit	**71,706,000**	**105,155,939**	**161,588,893**	**327,605,340**	**685,312,721**	**701,117,391**	**968,649,027**
General & Admin Exp	(80,529,000)	(78,089,281)	(81,859,411)	(85,818,047)	(89,974,616)	(94,189,012)	(98,898,463)
Other operating income	16,730,000	13,972,515	15,293,031	16,866,140	18,760,442	21,064,758	22,117,996
Gain on sale of investment properties	2,331,000	305,056,040	118,168,177				
Operating Profit/ (Loss)	**10,238,000**	**346,095,213**	**213,190,690**	**258,653,433**	**614,098,547**	**627,993,136**	**891,868,560**
Gain (loss) on valuation of assets	25,997,000	0	0	0	0	0	0
Share of results of equity accounted investees	(5,086,000)	0	0	0	0	0	0
Other Income	73,661,000	0	0	0	0	0	0
Finance Cost	(74,830,000)	(27,221,279)	(19,821,285)	(2,869,693)	0	0	0
Net Profit/ (Loss)	**29,980,000**	**318,873,934**	**193,369,405**	**255,783,740**	**614,098,547**	**627,993,136**	**891,868,560**
GP %	**17.1%**	**22.6%**	**30.1%**	**20.9%**	**19.5%**	**19.0%**	**25.0%**
Operating Profit %	**2.4%**	**74.3%**	**39.7%**	**16.5%**	**17.5%**	**17.0%**	**23.0%**
Net Margin	**7.2%**	**68.5%**	**36.0%**	**16.3%**	**17.5%**	**17.0%**	**23.0%**

	31 December 2022	31 December 2023	31 December 2024	31 December 2025	31 December 2026	31 December 2027	31 December 2028
Equity							
Share capital	4,289,540	4,289,540	4,289,540	4,289,540	4,289,540	4,289,540	4,289,540
Statutory reserve	355,976	355,976	355,976	355,976	355,976	355,976	355,976
Asset revaluation surplus	212,689	212,689	212,689	212,689	212,689	212,689	212,689
Accumulated losses	(2,900,846)	(2,581,972)	(2,388,603)	(2,132,819)	(1,518,720)	(890,727)	1,141
Total equity	**1,957,359**	**2,276,233**	**2,469,602**	**2,725,386**	**3,339,485**	**3,967,478**	**4,859,346**
Ratio: Accumulated Losses/Share Capital	**-67.63%**	**-60.19%**	**-55.68%**	**-49.72%**	**-35.41%**	**-20.77%**	**0.03%**

Note: the current projections don’t include any proceeds from legal claims filed against the previous management

Unit: AED

Bank Debt restructuring

Bank Debt Repaid and Restructured during 2022

- During the year, Union Properties successfully completed AED 595 million debt restructuring, marking a major milestone by resolving legacy liabilities with the majority of its lenders.
- The restructuring supports improved profitability and cash flow generation by effectively reducing the Company's financing costs. Additionally, it strengthens Union Properties' balance sheet and enables it to raise additional financing for future real estate developments.
- The Company is currently conducting negotiations to restructure the remaining legacy related debt with Emirates NBD and will update the market of any developments as it continues to deliver its turnaround strategy.

	Original Debt	Repaid	Restructured
CBD	12.6	7	
DIB	363	46	317
ADCB	3.3	0.35	
AJMAN/RAK	216	216	
	594.9	**269.35**	**317**

Unit: AED'000

UP commitment to optimize the Retail Rental Portfolio in Uptown Mirdiff

Union Properties

Short-term

- **Increasing the occupancy of the Retail Rental Portfolio in Uptown Mirdiff**
- **Renegotiate the rental contracts to bring the rates up closer to market rates**
- **Invest in refurbishing and upgrading the public spaces.**
- **Improve the marketing of the mall to increase footfall.**
- **This will bring stable and low-risk returns to Union Properties**

High occupancy level

- Further negotiations on amicable settlement agreements with defaulters
- Ongoing discussions with current tenants for relocation and further expansion (increasing up to 25,000 sqft of leasable area)
- Attracting F&B and leisure prospects
- Concluding consultancy for new concepts
- Converting non-leasable areas to revenue generating areas such as parking and common areas
- Offering billboards and signages for leasing to enhance the revenue stream

Surrounding facilities and communal areas

Uptown Mirdiff has a variety of facilities and areas already in place: greenery, parks, schools, supermarkets, retail areas, etc.

UP commitment to optimize the Motor City Community

Short-term

- Redesign community masterplan to create a **family friendly destination enhancing customer experience**

Motor City Community:

- New master plan vision to enhance lifestyle in Motor City community and promote sustainable and healthy living
- Rebrand community to enhance the quality of living and lifestyle
- Master plan to envision more integrated community connected by cycling, jogging and pedestrian routes
- The current master plan is fragmented, and the new vision shall stitch together different areas of the master plan
- Consider building heights and gateways to enhance the visibility and imageability of community
- Overall MP strategy shall reduce carbon footprint and promote sustainability

Governance
Priorities are clearly set for the governance structure to enable success

Effective governance – Key priorities

Focusing on the right priorities	• **Identifying and/or prioritising critical decisions** that need to be taken by management to achieve corporate objectives and by local entities to secure entrepreneurship • Developing and applying effective decision making processes to **support timely and effective decision-making**
Clear accountability for delivery	• Clearly defining and communicating accountabilities and responsibilities **for decision-making and performance** • Putting in place the appropriate number of **decision-making bodies and committees** with **well balanced decision-making pyramids** (not too "top-heavy" or "experience light")
Informed decision making	• Accessing high quality management information to **monitor performance and support timely and effective decision making**

Key Achievements

- The Internal Audit Department was positioned and functioning using an out-sourced structure at a centralized level to look after UP group affairs including its subsidiaries.
- Complete recalibration of governance framework and internal audit plan designed to add value and improve overall organizations operations assisting in the accomplishment of the groups objective by introducing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, controls and governance process.
- Redrafting of charters completed: Audit, Nomination and Remuneration and Supervision of Insiders Trading committees
- The Company is following up on the regulations and policies of the Securities and Commodities Authority and the Companies' Commercial Law of the United Arab Emirates.
- The Company ensures the implementation of the regulations and rules in all areas of the Company in the prioritized areas.

- The current Executive management has effective oversight of risk management, corporate compliance and the integrated framework of internal controls.
- The Current Executive management is communicating and reporting the information flow between the Board and management.
- The Board of Directors and the Executive management are protecting the rights and interests of shareholders.
- The Company has a clear working plan with clear-cut responsibilities between the Board and executive management.
- The Board of Directors is following the rules, regulations and policies of SCA, where the Board secretary is delivering the needful to the Board of Directors
- Ensuring that the MOMs of the Board of Directors and its Committees are complying with the corporate governance - The Minutes of meetings of the Board of Directors and its committees are organized and meet the corporate governance rules. The Minutes of meetings are drafted properly and covering all the decisions/ actions properly, a pleased follow up on signing the Minutes of meetings by the attendees' members .