Detailed analysis of accumulated losses

This form has been prepared in accordance with the disclosure requirements included in the SCA Board of Directors' Decision No. (32/R.M.) of 2019 concerning procedures for companies whose shares are listed on the market, and whose accumulated losses amount to (20%) or more of their paid-up capital. Listed Companies are required to comply with the provisions of the decision as soon as their accumulated losses reach (20%) or more of their paid-up capital.

Date:	09 August 2023
Name of the Listed Company:	Amlak Finance PJSC
Define the period of the financial statements:	H1 2023
Value of the Accumulated losses:	AED 361 million
Accumulated losses to paid-up capital ratio (%):	24%
The main reasons for accumulated losses and the period in which these losses began. (Determine the period in which these losses began to appear in the company's financial statements):	The accumulated losses are mainly due to fair value losses recorded on investment properties in 2014 and 2020. During the period 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 a fair value loss of AED 463 million on investment properties.
Summary of the steps and initiatives undertaken by the company to address the accumulated losses:	Accumulated losses were reduced from AED 2.3 billion as at 31 December 2020 to AED 1.31 billion as at 31 December 2021 which were further reduced to AED 823 million as at 31 December 2022 and stands at AED 361 million as of 30 June 2023 due to a number of initiatives taken by the management and the closure of the legal settlement. Amlak held an extraordinary general meeting in September 2014 where a financial restructuring plan was approved by the shareholders of the company.

	In January 2019, the company announced it had entered renegotiations with its financiers on the restructuring terms agreed in 2014 which were subsequently revised in 2016. In June 2020, the company succeeded in obtaining the sign-off approval from all financiers on the agreement that governs the new terms of the debt. Amlak implemented the new terms of the agreement which allows flexibility to adapt to current market conditions enabling the company to develop business and further strengthen its balance sheet. The Company fully settled its high-cost liquidity support provider financiers during the third quarter of 2020. The company continued its debt settlement arrangement initiatives through cash and real estate assets swap during the years 2021, 2022 and 2023 which enabled the Company to reduce the accumulated losses and to fully settle exposures of many financiers. As at 30 June 2023, the post restructuring / renegotiation enabled the successful repayment of 82% of Amlak's Islamic deposit liabilities including Mudaraba Instrument relating to its financiers over a period of approximately nine years, under a 12-years restructuring plan. Shareholders in AGM dated 18 April 2023 resolved to transfer balance of the General Reserve amounting to AED 276 million to offset the accumulated losses partially, accordingly the Company has transferred the entire balance to accumulated losses during the period ended 30 June 2023. In 2023, the Company entered into negotiations with financiers of the Company in order to exit from Common Term Agreement for restructuring. If the Company succeeds in negotiations, it will provide an opportunity for business development and further growth. 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 of 30 September 2021, Amlak had 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. Three installments of AED 50 million each have been received till 31 December 2022. The settlement had a positive impact on the company's financial position and the same impact is expected to continue upon receipt of the last cash installment.

The Measures that will be taken to deal with the accumulated losses				
Actions	The time frame for implementing the action	What has been implemented of the action and the percentage of implementation	Reasons for not implementing or delaying	Any modifications or changes made
Debt Restructuring Agreement	Over 12 years starting 2014	Debt reduced from AED10.2 bn in 2014 to AED1.8bn as of end of June 2023	Not Applicable	Not Applicable
Debt settlement arrangements initiative with financiers	ongoing	Number of financiers reduced from 27 in 2014 to 9 as of end of June 2023	Not Applicable	Not Applicable
Transfer of full balance of general reserves to accumulated losses	30 June 2023	100% of balance in General Reserves transferred to accumulated losses accordingly it reduced by 18% of capital	implemented	
Initiate Negotiation to Exit from Common Term Agreement with financiers	31 December 2023	Settlement offers sent to financiers for consideration	Not Applicable	Not Applicable

Consider activities that enhance position of the company and further growth	Dec 2024	Will be initiated once the Company reaches a successful conclusion of negotiation with Financiers regarding Common Terms Agreement	Not Applicable	Not Applicable
Settlement of arbitration ruling in Amlak's favor	30 September 2023	Settlement was concluded by receipt of plot of land and cash. 94% of settlement received by 30 June 2023.	Not Applicable	Not Applicable

The Name of the Authorized Signatory	Lama Takieddin
Designation	Head of Governance and Company Secretary
Signature and Date	09 August 2023
Company's Seal	