الاتحاد العقارية
Union Properties

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 (50%) or more of their paid-up capital.

Date:	2nd November 2023
Name of the Listed Company:	Union Properties PJSC
Define the period of the financial statements:	Q3 2023 September 30, 2023
Value of the Accumulated losses:	(2,863) million AED
Accumulated losses to paid-up capital ratio (%):	66.75%
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 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 250 million 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
Summary of the steps and initiatives undertaken by the company to address the accumulated losses:	• During FY 2022 the Company has presented a recovery plan to the Securities and the Commodities Authority and to The Market with the planned actions for handling the accumulated losses. • The long-term business plan disclosed earlier focuses on closing out existing projects and concentrate operational and commercial efforts on the core business activities in order to win new projects and develop the existing landbank.

	• Develop the continued efforts to acquire more projects, in UAE, In addition to the ongoing. • Improve overall operational productivity and efficiency • Restructuring of the outstanding debt to reduce the finance cost • Recovering its outstanding receivables (notably through court and arbitration)
The date on which the company's general assembly approved the plan for dealing with accumulated losses:	▪ The updated accumulated losses plan was disclosed on 18-April-2023 ▪ The accumulated losses plan was approved at the General Assembly meeting on 17-April-2023

The Measures that will be taken to deal with the accumulated losses and the approved plan				
Actions	The time frame for implementing the action according to the approved plan	The implemented action and the percentage of implementation	Reasons for not implementing the action or delaying	Any modifications or changes made to the action
Action 1 Return UNION PROPERTIES into Profitability	Original Plan: 3 to 5 Years 2022 was a milestone year for Union Properties as its new management team successfully implemented their turnaround strategy	70% Achieved - 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 million compared to a net loss of AED 966.8 million in the previous year.	Not Applicable as the proposed action is moving forward within the expected timelines	No

	and restored the company to profitability	The Company has achieved an accumulated profit of 37.4m from Jan to Sep 2023		
Action 2 Debt restructuring process	Original Plan: 2 to 3 Years	60% was successfully completed during 2022 (AED 595 million debt restructuring) marking a major milestone by resolving legacy liabilities with many of its lenders.	40% yet to be achieved: 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.	No
Action 3 Improving Operational Efficiency	Original Plan: 2 to 3 Years	65% achievement 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. In Q3 2023 the company announced an outstanding net profit of AED 37.4m for the period ended September 30, 2023, as compared to the net loss of AED 11.4m during the same	35% achievement targeted and phased for the next 4 years	No

		period last year, witnessed by a 19 per cent growth in revenue YoY (from AED 306m in 2022 to AED 365m in 2023) and a gross profit increase of 55 per cent YoY (from AED 50m in 2022 to AED 77m in 2023)		
Action 4 Organic Growth from Subsidiaries	Original Plan: 2 to 3 years	50% achieved: 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. In Q3 2023, the Group's Subsidiaries also exhibited a remarkable performance, which steered its revenue from contracts with customers to AED 124m (from AED 101m in 2022) along with its gross profit growth by 113 per cent to reach AED 31m in Q3 2023, up from AED 14.7m in 2022. The group's consolidated revenue grew 19% - from AED 305m (first 9 months' 2022) to AED 364m (First 9 months' 2023) - with a remarkable 54% increase in Gross Profit (from AED 50m in 2022 to AED 77m in 2023)	50% achievement targeted and phased for the next 4 years	No
Action 5 Implementation of the Strategic Plan	10 Years Plan	45% accomplished - 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	Ongoing implementation for the next 10 years	No

		adequate resources to continue its operation in the foreseeable future.		

The Name of the Authorized Signatory	Amer Khansaheb
Designation	Managing Director
Signature and Date	2/11/2023
Company's Seal	الاتحاد العقارية ش.م.ع Union Properties P.J.S.C PO BOX 24649 DUBAI UAE B