

Detailed analysis of accumulated losses

Date:	11 August 2021
Listed Company Name:	Amlak Finance PJSC
Define the period of the financial statements:	H1 2021
Accumulated losses:	AED 2.02 billion
Accumulated losses to capital ratio:	135%
The main reasons leading to these accumulated losses:	<p>The accumulated losses are mainly due to fair value losses recorded on investment properties in 2014 and 2020.</p> <p>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.</p> <p>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.</p>
Measures to be taken to address accumulated losses:	<p>Amlak held an extraordinary general meeting in September 2014 where financial restructuring plan was approved by the shareholders of the company.</p> <p>Since 2014, the company has been implementing the restructuring which allowed for the resumption of normal business activity.</p> <p>In January 2019, the company announced entering into renegotiations with its financiers on the restructuring terms agreed in 2014 which had subsequently been revised in 2016.</p> <p>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.</p>

	<p>The Company fully settled its high-cost tranche A financiers during the third quarter of the year 2020.</p> <p>Restructuring / renegotiation enabled successful repayment of 48% of its Islamic deposit liabilities and 26% of Mudaraba Instrument relating to tranche B financiers over a period of six years under the 12-year restructuring plan.</p> <p>The company continued rolling the debt settlement arrangement initiative which contributed to reducing the losses during the six months period ended 30 June 2021 through successful debt settlement with four financiers.</p> <p>Such initiatives will continue during the year and will be key to reducing accumulated losses, in addition to other initiatives in this regard.</p> <p>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. Subsequent to 30 June 2021, Amlak has concluded the settlement with the other party with a net value of approximately AED 850 million including land plots with an approximate net value of AED 650 million in addition to the payment of AED 200 million in cash in 4 equal installments over 24 months. The settlement will have a positive impact on the company's upcoming and future financial position.</p>
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Authorized to signatory

