

DETAILED ANALYSIS OF ACCUMULATED LOSSES

ESHRAQ INVESTMENTS PJSC

Date	28/10/2021
Name of the Listed Company	Eshraq Investments PJSC
Define the period of the financial statements	For the period ended 30th September 2021
Value of the Accumulated losses	AED 1,039,092,000
Accumulated losses to capital ratio	0.4469:1
The main reasons leading to these accumulated losses and their history	<p>As at 30 September 2021, the Company's accumulated losses amounted to AED 1,039,092,000 (31 December 2020: AED 1,074,128,000)</p> <p>The company started accumulating losses since 2014, and this is mainly due to the loss on cancellation of sales in 2014 and losses on fair valuation of investment properties and investment properties under development in 2014, 2015, 2016, 2018, 2019 and 2020.</p> <p>An impairment of AED 504,087,000 was booked in 2016 to accurately reflect the then prevailing valuation. This was proposed by the new board to reverse the aggressive accounting treatments used prior to 2016.</p>
Measures to be taken to address accumulated losses:	<p>The Board of Directors implemented a strategy of efficient and profitable deployment of capital to progressively reduce accumulated losses from future profits.</p> <p>For the first time since its formation in 2006, Eshraq finished its first development project "Marina Rise" on Reem Island in Q3 of year 2021. The leasing has exceeded 65% occupancy and is expected to reach 90% occupancy by end of the year. The development strategy is expected to implement monetization of the landbank to unlock shareholder value.</p> <p>Eshraq also expanded its focus from a pure real estate developer to an investment company with real estate assets in order to benefit from such diversification.</p>



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Eshraq's sources of income are now more diversified with high quality assets generating recurring income, as well as a healthy investment book. The profits generated from these investments have contributed to reduce the impact of the impairment that it is taking on its real estate portfolio on the overall accumulated losses. Such diversification away from real estate in 2016 has helped the company mitigate real estate related losses over the past 5 years.

Eshraq also implemented a share buyback program last year. The share purchases below book value between 09/10/2018 and 09/10/2020 (after getting the approval of the Securities and Commodities Authority for the extension of the Buy-back program for one extra year) have contributed to repurchase at a discount to the book value, thereby reducing accumulated losses upon cancellation of such shares.

Ajit Vijay Joshi
Delegated Member of the Board



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