MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following section and tables present certain historical consolidated financial information and operating data of the Company. The summary historical consolidated financial information as at and for the years ended 31 December 2022, 2023, and 2024 in the tables below is derived from the Audited Financial Statements. The summary historical consolidated financial information as at and for the six months ended 30 June 2024 and 2025 in the tables below is derived from the Unaudited Interim Financial Statements. The Audited Financial Statements were prepared in accordance with IFRS, and the Unaudited Interim Financial Statements were prepared in accordance with IAS 34. The information presented below is not necessarily indicative of the results of future operations.

The summary consolidated financial information presented below includes certain non IFRS financial and other measures that the Company uses to evaluate its economic and financial performance. These measures are not identified as accounting measures under IFRS and therefore should not be considered a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS or any other generally accepted accounting principles, or those calculated using financial measures that were prepared in accordance with IFRS or any other generally accepted accounting principles.

The following section should be read in conjunction with the Unaudited Financial Statements.

Overview

The Company is a conglomerate that develops, manages and operates a diversified, non-oil and gas portfolio across the industrial, infrastructure, healthcare and environmental services sectors. The Company's operations are located in the Middle East, but it sells its products and services globally. The Company was founded in 2008 to implement a holding company structure for a portfolio of non-oil and gas investments of the Company's shareholder. In the immediate years after formation, the Company rationalised that portfolio of assets and sought to implement a new strategy. Starting in 2015, the Company has been focussing on a strategy of investing in businesses with leading domestic positions in the UAE and the GCC, as well as strong international export potential. This has been successful, and, since 2008, the Company has increased its annual revenue, operating profit and Adjusted EBITDA from revenue of AED 1,254.3 million (U.S.$341.5 million), operating loss of AED 35.2 million (U.S.$9.5 million) and Adjusted EBITDA of AED 16.0 million (U.S.$4.3 million) in 2008 to revenue of AED 12,458.0 million (U.S.$3,392.2 million), operating profit of AED 397.4 million (U.S.$108.2 million) and Adjusted EBITDA of AED 574.4 million (U.S.$156.4 million) for the twelve months ended 30 June 2025, respectively, through a mixture of acquisitions, greenfield projects, expansions and the growth and optimisation of existing operations, respectively.

Factors affecting Results of Operations

Factors affecting Results of Operations of the Company's Manufacturing Divisions

The Company's manufacturing divisions, comprising both its consumer goods and infrastructure and building materials divisions, represented 93.2 per cent., 91.6 per cent. and 91.0 per cent. of the Company's revenue for the years ended 31 December 2022, 2023, and 2024 respectively, and 90.9 per cent. for the six months ended 30 June 2025, 92.8 per cent., 85.3 per cent. and 77.6 per cent of the Company's operating profit for the years ended 31 December 2022, 2023, and 2024 respectively, and 74.7 per cent. for the six months ended 30 June 2025, 64.1 per cent., 72.8 per cent. and 72.6 per cent. of the Company's Adjusted EBITDA for the years ended 31 December 2022, 2023, and 2024 respectively, and 68.6 per cent. for the six months ended 30 June 2025. Accordingly, market dynamics for paper, tissue and copper continue to have a significant impact on the Company's revenue and profitability.

Paper

The Company’s performance is influenced by global paper industry dynamics, where demand is shaped by economic trends, demographics, technology, and customer preferences. After steady growth in consumption until 2005 in Western Europe and North America, demand for paper has become volatile, reflecting both end-user shifts and inventory management. Profitability remains highly sensitive to pricing, which in turn depends on the balance of supply and demand, with oversupply historically leading to margin pressure and recovery occurring when demand strengthens or capacity contracts. While retail paper prices were largely stable for many years due to global scale efficiencies and low inflation, industry conditions changed sharply in 2021, as inflationary pressures, supply chain disruptions, and the Russia-Ukraine conflict drove end-user and wholesale paper prices higher. Wholesale prices, closely tied to pulp costs, remain the most relevant measure for manufacturers, highlighting that margins are dictated more by raw material costs than by distributor or retailer pricing decisions.

While demand in developed markets has softened, per capita consumption there remains well above emerging markets, where growth continues to be driven by population, literacy, and rising incomes. IPM ramped up quickly, reaching 65% capacity in 2020, rising to 92% in 2022, despite COVID-19 restrictions. IPM achieved sales volumes of 289,053 tonnes for the twelve months ended 30 June 2025.

Raw Materials and Energy Costs

Pulp, fillers, and energy represent the primary input costs of the Company's paper businesses. Wood pulp is the principal raw material required to manufacture paper. The Company's paper businesses purchase approximately 45 days of its production requirements. The price of pulp is somewhat volatile and sensitive to changes in wood prices, industry capacity, producer inventories, demand for paper and tissue, cyclical changes in the world economy and fluctuations in the U.S. dollar, the reference currency for trading in wood pulp. Fluctuations in pulp prices may impact, in turn, prices of final paper and tissue products, albeit with a lag of one to three months.

The Company procures its pulp primarily from leading pulp producers in Latin America, the United States, Canada and Europe. The Company has annual volume agreements with its pulp suppliers; with the prices it pays for pulp being determined by reference to a global index (RISI (Europe) or CRIC (China)). Due to its large scale compared to regional competitors, the Company is able to procure at these index prices rather than spot market prices. The Company consumes approximately 310,000 metric tonnes of pulp per annum.

The Company reduces its exposure to pulp price risks by, among other things, using recycled wastepaper to the extent possible (which is usually about 90 per cent. of the cost of virgin pulp). The Company believes it can liquidate inventory within seven to ten days to limit its exposure to inventory (the belief is based upon the Company's record of selling surplus stock in 2021 – 2022).

Fillers alongside pulp are used in the production mix of paper. The main filler is PCC, which is sourced and produced locally, and its cost is stable and competitive as its main raw material is burnt limestone, which is widely available within the UAE.

Energy is also an important input cost for manufacturing paper and related transportation costs. The price of crude oil impacts oil based raw materials and transportation costs. During the periods presented, the price of crude oil has been volatile. Bulk users such as the Company have had access to a stable and long-term energy tariff mechanism, which was adopted by the Government of Abu Dhabi based on certain set criteria of efficiency, growth, and environmental performance.

Tissue

The Company's financial performance has been positively influenced by favourable regional developments in the tissue industry. Long-term demand remains resilient, driven by demographic trends, socio-economic factors, and evolving consumer preferences. While end-user consumption has historically grown steadily, customer demand is also affected by inventory management practices. Profitability in the tissue sector is highly sensitive to price fluctuations, which reflect the dynamic interplay between supply and demand, as well as inventory adjustments. Periods of industry-wide capacity expansion have previously led to oversupply and downward pressure on prices. Financial performance typically recovers either through increased demand or supply rationalization enabling price improvements and margin stabilization.

While demand for tissue in developed countries has been on a softening trend, it continues to significantly outweigh per capita consumption in emerging markets, an upward trend driven by socio economic improvements and household disposable income. This is particularly applicable to the markets where the Company sells more than 95 per cent. of its tissue products. The Company's ability to maintain operation close to 95 per cent. capacity from 2020 onwards following the ramp up of a newly commissioned machine in 2019 was driven by solid demand for tissue despite COVID-19 lockdowns and their effects on the tourism sector, closure of airports, public and private sites, malls, restaurants and other sites. The Company's operating margins have been exceeding those of industry competitors in the region due to machine efficiencies, sizeable market share, and the economies of scale achieved from the procurement strategies of pulp and logistics.

Factors affecting Results of Operations of the Company's Copper Business

Price of copper, RMI and energy

The Company relies mainly on refined and recycled copper with 99.99 per cent. purity to manufacture its copper products. In the six months ended 30 June 2025, the total cost of raw materials for the Company's copper business was AED 3,894.4 million (U.S.$1,060.4 million), or 97 per cent. of revenues.
Changes in the cost of RMI affect both the Company's revenues and its cost of materials and thus substantially affect its results of operations, however the market or LME metal price for copper is not a substantial factor affecting its underlying business performance as its contracts typically pass through directly to its customers the LME metal price of the copper products the Company manufactures. The Company adjusts its operating performance by removing the effect of RMI from its operating profit in order to better understand its business.

The Company's consolidated operating profit margin excluding the impact of hedged copper and Adjusted EBITDA margin excluding the impact of hedged copper were, respectively, 8.0 per cent. and 12.6 per cent. in the year ended 31 December 2023, 8.6 per cent. and 12.4 per cent. in the year ended 31 December 2024 and 9.1 per cent. and 13.2 per cent. for the six months ended 30 June 2025.

The reference price for both refined and recycled copper is based on the LME price. In line with industry practice, the Company mainly purchases refined copper under annual supply contracts to establish security of supply, and it purchases recycled copper with 99.99 per cent. purity primarily in the spot market using the same pricing mechanism applied on its customers. The price for the copper purchased is, in each case, set based on the LME price at the time of order. Orders are placed based on the Company's sourcing needs for customer contracts. Prices for copper tend to fluctuate in response to changes in supply and demand dynamics in the industry and may also be impacted by the behaviour of financial investors. Since most of the raw materials the Company uses are finite resources, their prices may also fluctuate in response to any perceived scarcity of reserves and the evolution of the pipeline of new exploration projects to replace depleted reserves.

Copper prices have fluctuated over the past decade and depend on the relationship between supply and demand. While commodity prices are inversely related to the U.S. dollar and Fed Fund rates, copper prices remained high from 2022 onwards due to a significant shift towards green energy generation, expanded use of AI data centres, higher demand for electric vehicles, geopolitical tensions and Russia's invasion of Ukraine. Copper prices are also highly dependent on economic activities and infrastructure spending in China. Prices of copper slightly softened from their peak during the 2022 lockdowns in China on the back of higher COVID-19 infections, however the price rallied again close to all-time highs as China relaxed such restrictions at the end of 2022. The ultimate use of copper is mainly in infrastructure expansion of power networks, power stations, data centres powering artificial intelligence (AI), green energy generation such as windmills and solar power, electric vehicles and overall infrastructure development. As global AI technology and environmental initiatives gather pace, a ramp up in the use of electric vehicles and data centres would further drive demand for copper and result in the price remaining at elevated levels.

The Company relies on both electricity and natural gas to fuel its copper operations for the last twelve months ended 30 June 2025, its net energy costs for the copper business were AED 8.3 million (U.S.$2.3 million).

Demand for copper products

The copper and copper products industries are impacted by general economic conditions, with demand historically being correlated to GDP growth in the markets in which the Company operates both regionally and globally. As a result, the supply/demand balance in the markets where the Company competes for customers and for prices for its raw materials are strongly influenced by overall economic conditions in Europe, Asia, and North America. Levels of industrial investment activity and industrial production also influence demand for the Company's products, in particular the industrial development driven by Abu Dhabi Economic Vision 2030.

The Company expects that trends in energy transition, digitalization and electrical mobility will continue to drive demand for its copper products given the reliance on copper as a material in many of the related technologies. Copper is used in a wide array of consumer electronic devices such as mobile phones, computer chips and tablets as well as in fibre cables and terminals used for internet connections because it is an excellent conductor of electricity.

Factors affecting Results of Operations of the Company's Other Divisions

Business Services

The business services division generated 41.8 per cent. of the Company's operating profit and 36.8 per cent. of the Company's Adjusted EBITDA in the twelve months ended 30 June 2025. This division is dependent primarily upon public sector contracts and expenditures by the Abu Dhabi and UAE governments. While this division's revenue is generated through long term contracts that are tendered publicly, the nature of services provided in each of the three businesses is specialized and significantly different from one another. Contracts in the operation and maintenance services for infrastructure networks, wastewater treatment plants, sewage network, pumping stations, and sewage treatment plants are for 7 years, whereas in the city cleaning and municipal waste collection they are for 5 years. Both businesses have been successful at retaining their contract lots in past tendering cycles and control a significant market share in Abu Dhabi (exceeding 30 per cent. in each of the sectors). Other than being market leaders with several quality awards from the relevant authorities, the two businesses have developed an advantage in their technical knowhow and proprietary expertise in the areas contractually managed. This has enabled both businesses to remain cost competitive while maintaining stable margins and financial strength over the last two decades. The third revenue stream in the Company's business services division is generated from the long-term procurement, maintenance, and operation of radiology departments in Government owned hospitals and clinics across Dubai and the Northern Emirates. The 12-year contract is the first Public Private Partnership in the UAE, having a revenue share model whereby the business is responsible for the procurement, installation, maintenance, and operation of all radiology equipment at Government hospitals and clinics. By leveraging on its strategic relationship with GE, and the technical expertise within the healthcare and business services division, the Company successfully designed and implemented a unique business model with high barriers to entry providing extended hours of scanning and diagnostic imaging services to clients. This partnership enabled the Government to modernize its entire radiology departments across all hospitals and clinics, optimize its diagnostic imaging services through a profit share model, and significantly reduce cost and its fixed asset base structure. While the services provided across this division are essential to the ongoing operation of strategic government assets, any changes in public expenditures by either the Abu Dhabi or UAE governments could impact the profitability of this division.

Healthcare and Other Services

The healthcare and other division generated (2.4) per cent. of the Company's operating profit and 0.7 per cent. of the Company's Adjusted EBITDA in the twelve months ended 30 June 2025. The main drivers of revenue in the healthcare and other division are from the distribution of radiology equipment and life care sciences products from GE, sales and distribution of lab equipment and consumables from Abbott and Werfen in UAE and Beckman Coulters in Egypt. In addition, this division provides turnkey operating theatre solutions to hospitals, distribution of hospital beds, and other critical care products.

Other businesses in this segment include a technology start up targeting the logistics and transportation sector in the GCC, a fund management start up specialized in U.S. and European equities, and a premium office furniture distributor including high end brands such as Steelcase, Boss design, and Framery.

After exclusion of intragroup transactions from revenue and direct cost, the Unrestricted Subsidiaries contributed 0.2 per cent. and 0.1 per cent. of the Company's revenue for the year ended 31 December 2024 and for the six months ended 30 June 2025, (1.4) per cent. and (1.6) per cent. of the Company's operating profit for the year ended 31 December 2024 and for the six months ended 30 June 2025 and (0.8) per cent. and (1.1) per cent. of the Company's Adjusted EBITDA for the year ended 31 December 2024 and for the six months ended 30 June 2025, respectively. After giving effect to the issuance of the Certificates and the guarantee pursuant to the Guarantee, the Unrestricted Subsidiaries had no indebtedness, AED 4.7 million of bank balances and cash (which represented 0.7 per cent. of the Company's consolidated bank balances and cash) and AED 50.3 million of total assets as of 30 June 2025 (which represented 0.8 per cent. of the Company's consolidated total assets at such date).

Statement of profit and loss data

The following table sets out summary financial data of the Company for the years/periods indicated:

	Financial Year			Six months ended 30 June,	
	2022	2023	2024	2024	2025
			(AED in millions)		
Revenue	10,966.3	10,427.9	12,258.0	5,994.6	6,194.6
Direct costs	(10,257.0)	(9,794.7)	(11,514.1)	(5,637.5)	(5,810.2)
Gross profit	**709.3**	**633.2**	**743.9**	**357.1**	**384.4**
Administrative expenses	(351.2)	(303.5)	(355.3)	(167.2)	(172.5)
Provision for expected credit losses, net	(26.2)	(7.2)	(13.1)	(2.2)	(2.3)
Operating profit	**331.9**	**322.5**	**375.5**	**187.7**	**209.6**
Other income	11.4	10.0	12.6	4.6	11.2
Gain on disposal of subsidiary	-	2.3	-	-	18.7
Change in fair value of investment carried at fair value through profit or loss	-	-	-	-	4.1
Share of profit from associate	-	2.8	1.7	1.1	6.5
Net foreign exchange gain	4.9	0.1	(4.5)	0.9	2.0
Finance costs, net	(198.2)	(285.3)	(287.0)	(139.6)	(145.3)
Write-offs of loan processing fees	(15.4)	(18.7)	-	-	-
Reclassification of cash flow hedge reserve to profit or loss	(7.3)	5.7	(0.8)	-	-
Change in fair value of derivative financial instruments	(1.7)	1.6	(4.3)	(8.6)	1.9
Net profit for the year / period from continuing operations before tax	**125.6**	**41.0**	**93.2**	**46.2**	**108.7**
Tax expense	-	-	(18.8)	(10.7)	(12.6)
Net profit for the year / period from continuing operations after tax	**125.6**	**41.0**	**74.4**	**35.5**	**96.1**

First Half 2025 compared to First Half 2024

Revenue

Revenue increased by AED 199.9 million, or by 3.3 per cent., to AED 6,194.6 million in the six months ended 30 June 2025 from AED 5,994.6 million in the six months ended 30 June 2024, primarily due to a recovery in prices and demand of copper, steel and cement followed by increased work orders and O&M contracts from Business Services division.

Revenue by division

Manufacturing – Consumer Goods

Revenue in the consumer goods manufacturing division decreased by AED 51.7 million, or by 5.7 per cent., to AED 848.0 million in the six months ended 30 June 2025 from AED 899.7 million in the six months ended 30 June 2024, primarily due to lower prices of paper and tissue driven by a lower pulp price.

Manufacturing – Infrastructure and Building Materials

Revenue in the infrastructure and building materials manufacturing division increased by AED 134.7 million, or by 2.9 per cent., to AED 4,782.2 million in the six months ended 30 June 2025 from AED 4,647.5 million in the six months ended 30 June 2024, primarily due to higher price and demand for copper, cement and steel from global and regional markets on account of a strong push for energy transition, digitalisation, real estate and infrastructure projects.

Business Services

Revenue in the business services division increased AED 126.4 million, or by 37.5 per cent., to AED 463.1 million in the six months ended 30 June 2025 from AED 336.7 million in the six months ended 30 June 2024, primarily due to an increase in work orders and O&M contracts across all businesses of the division.

Healthcare and Other

Revenue in the healthcare and other division decreased by AED 11.3 million, or by 10.1 per cent., to AED 100.2 million in the six months ended 30 June 2025 from AED 111.4 million in the six months ended 30 June 2024, primarily due to a shift in the business model from the distribution of capital goods to high margin medical consumables.

Direct costs

Direct costs increased by AED 172.7 million, or by 3.1 per cent., to AED 5,810.2 million in the six months ended 30 June 2025 from AED 5,637.5 million in the six months ended 30 June 2024, The increase was primarily attributable to higher costs stemming from additional work orders from the Business Services division, followed by increased raw material prices, particularly in steel and cement.

Gross profit

Gross profit increased by AED 27.3 million, or by 7.6 per cent., to AED 384.4 million in the six months ended 30 June 2025 from AED 357.1 million in the six months ended 30 June 2024, primarily due to higher gross profit in Infrastructure and Building Materials and Business Services division. Gross profit margin increased to 6.2 per cent. in the six months ended 30 June 2025 from 6.0 per cent. in the six months ended 30 June 2024, this was primarily due to enhanced cost synergies within the Business Services division, supported by the use of cost-effective copper scrap from the newly operational upcycling facility and favourable widening of steel margins.

Administrative expenses

Administrative expenses increased by AED 5.3 million, or by 3.1 per cent., to AED 172.5 million in the six months ended 30 June 2025 from AED 167.2 million in the six months ended 30 June 2024, primarily driven by increase in IT expenditures and payroll cost on the back of business expansion. As a percentage of revenue, administrative expenses remained static from 2.8 per cent. in the six months ended 30 June 2024 to 2.8 per cent. in the six months ended 30 June 2025.

Provision for expected credit losses

Provision for expected credit losses increased by AED 0.1 million, or by 5.3 per cent., to AED 2.3 million in the six months ended 30 June 2025 from AED 2.2 million in the six months ended 30 June 2024, driven by higher provisions in response to increased sales, in alignment with the Company's credit policy.

Operating profit

Operating profit increased by AED 21.9 million, or by 11.7 per cent., to AED 209.6 million in the six months ended 30 June 2025 from AED 187.7 million in the six months ended 30 June 2024, primarily due to higher operating profits from the Infrastructure and Building Materials and Business Services division. As a percentage of revenue, operating profit increased to 3.4 per cent. in the six months ended 30 June 2025 from 3.1 per cent. in the six months ended 30 June 2024, primarily due to higher operating profit margin in the Infrastructure and Building Materials and Business Services division.

Other income

Other income increased by AED 6.5 million, or by 140.7 per cent., to AED 11.2 million in the six months ended 30 June 2025 from AED 4.6 million in the six months ended 30 June 2024, primarily due to sale of end-of-life vehicles and equipment at their salvage value.

Net foreign exchange gain (losses)

Net foreign exchange gain was AED 2.0 million in the six months ended 30 June 2025 compared to an AED 0.9 million in the six months ended 30 June 2024.

Finance costs

Finance costs increased by AED 5.7 million, or by 4.1 per cent., to AED 145.3 million in the six months ended 30 June 2025 from AED 139.6 million in the six months ended 30 June 2024, mainly attributable to an increase in sukuk profit on the back of the tap of US$ 100 million concluded in July 2024, partly offset by lower interest from bank financing.

Change in fair value of derivatives

Change in fair value of derivative financial instruments increased by AED 10.5 million to an AED 1.9 million in the six months ended 30 June 2025 from AED 8.6 million loss in the six months ended 30 June 2024, primarily due to a higher mark to market profit from ineffective interest rate hedging instruments.

Change in fair value of investment carried at fair value through profit or loss

Change in fair value of investment carried at fair value through profit or loss was AED 4.1 million in the six months ended 30 June 2025 compared to NIL in the six months ended 30 June 2024, originated from change in accounting policy of investments held-for-trading.

Share of profit from associate

Share of profit from associate was AED 6.5 million in the six months ended 30 June 2025 compared to AED 1.1 million in the six months ended 30 June 2024, primarily due to the increased profitability from the minority investment in the healthcare sector.

Gain on disposal of a subsidiary

Gain on disposal of a subsidiary was AED 18.7 million in the six months ended 30 June 2025 compared to NIL in the six months ended 30 June 2024, originated from the disposal of real estate assets held-for-sale.

Tax Expense

Tax expense was AED 12.6 million in the six months ended 30 June 2025 compared to AED 10.7 million in the six months ended 30 June 2024, primarily due to increase in taxable profit.

Net Profit for the period from continuing operations

Profit for the period from continuing operations increased by AED 60.6 million, or by 170.6 per cent., to AED 96.1 million in the six months ended 30 June 2025 from AED 35.5 million in the six months ended 30 June 2024, primarily due to improved gross profits and gain on disposal of assets.

Adjusted EBITDA

Adjusted EBITDA increased by AED 34.1 million, or by 12.6 per cent., to AED 304.5 million in the six months ended 30 June 2025 from AED 270.3 million in the six months ended 30 June 2024, primarily due to improved Adjusted EBITDA in the Infrastructure and Building Materials division as a result of increase in infrastructure and real estate projects followed by new work orders in Business Services division despite lower margins in the Consumer Goods and Healthcare and others divisions. As a percentage of revenue, Adjusted EBITDA margin increased from 4.5 per cent. to 4.9 per cent due to improved cost efficiencies in copper business, increased work orders in Business Services division followed by improved margin in steel and cement businesses.

Adjusted EBITDA by division

Manufacturing – Consumer Goods

Adjusted EBITDA in the consumer goods manufacturing division decreased by AED 31.7 million, or by 25.2 per cent., to AED 94.1 million in the six months ended 30 June 2025 from AED 125.8 million in the six months ended 30 June 2024, primarily due to sharp decline in hardwood and softwood pulp prices pushing paper and tissue prices downward marginally offset by improved sales volumes as a result of recovery in demand from downstream sectors of chemicals.

Manufacturing – Infrastructure and Building Materials

Adjusted EBITDA in the infrastructure and building materials manufacturing division increased by AED 31.0 million, or by 37.0 per cent., to AED 114.8 million in the six months ended 30 June 2025 from AED 83.8 million in the six months ended 30 June 2024, primarily due to higher sales volume in the cement and steel businesses, followed by improved margins across all division businesses on the back of strong demand from infrastructure and real estate projects.

Business Services

Adjusted EBITDA in the business services division increased by AED 32.8 million, or by 42.7 per cent., to AED 109.6 million in the six months ended 30 June 2025 from AED 76.8 million in the six months ended 30 June 2024, primarily due to increase in work orders in the operation and maintenance of sewage network and landscaping businesses.

Healthcare and Other

Adjusted EBITDA in the healthcare and other division increased to a loss of AED 4.5 million in the six months ended 30 June 2025 from a loss of AED 2.8 million in the six months ended 30 June 2024, primarily due to a shift in the business model from the distribution of capital goods to high margin medical consumables.

2024 compared to 2023

Revenue

Revenue increased by AED 1,830.2 million, or by 17.6 per cent., to AED 12,258.0 million in the twelve months ended 31 December 2024 from AED 10,427.9 million in the twelve months ended 31 December 2023, primarily due to a recovery in prices and demand of copper, steel and chemicals followed by increased work orders and O&M contracts under Business Services division.

Revenue by division

Manufacturing – Consumer Goods

Revenue in the consumer goods manufacturing division decreased by AED 105.2 million, or by 5.5 per cent., to AED 1,801.5 million in the twelve months ended 31 December 2024 from AED 1,906.7 million in the twelve months ended 31 December 2023, primarily due to lower prices of paper and tissue driven by a lower pulp price.

Manufacturing – Infrastructure and Building Materials

Revenue in the infrastructure and building materials manufacturing division increased by AED 1,715.4 million, or by 22.4 per cent., to AED 9,359.3 million in the twelve months ended 31 December 2024 from AED 7,643.9 million in the twelve months ended 31 December 2023, primarily due to higher price and demand for copper, cement and steel from global and regional markets on account of a strong push for energy transition, digitalisation, real estate and infrastructure projects.

Business Services

Revenue in the business services division increased AED 167.7 million, or by 28.6 per cent., to AED 753.0 million in the twelve months ended 31 December 2024 from AED 585.4 million in the twelve months ended 31 December 2023, primarily due to an increase in work orders and O&M contracts across all businesses of the division.

Healthcare and Other

Revenue in the healthcare and other division increased by AED 53.2 million, or by 18.4 per cent., to AED 341.9 million in the twelve months ended 31 December 2024 from AED 288.7 million in the twelve months ended 31 December 2023, primarily due to increase in demand for imaging equipment, lab consumables, logistics services and office furniture.

Direct costs

Direct costs increased by AED 1,719.4 million, or by 17.6 per cent., to AED 11,514.1 million in the twelve months ended 31 December 2024 from AED 9,794.7 million in the twelve months ended 31 December 2023, primarily due to increase in raw materials volumes and prices mainly copper, steel, and LAB followed by logistics costs, driven by increased revenue.

Gross profit

Gross profit increased by AED 110.8 million, or by 17.5 per cent., to AED 743.9 million in the twelve months ended 31 December 2024 from AED 633.2 million in the twelve months ended 31 December 2023, primarily due to higher gross profit in Consumer Goods, Infrastructure and Building Materials and Business Services division. Gross profit margin remained unchanged at 6.1 per cent. in the twelve months ended 31 December 2024.

Administrative expenses

Administrative expenses increased by AED 51.9 million, or by 17.1 per cent., to AED 355.3 million in twelve months ended 31 December 2024 from AED 303.4 million in the twelve months ended 31 December 2023, primarily due to increased outbound freight cost, other logistics and insurance expenses. As a percentage of revenue, administrative expenses remained unchanged at 2.9 per cent. in the twelve months ended 31 December 2024.

Provision for expected credit losses

Provision for expected credit losses increased by AED 5.9 million, or by 81.2 per cent., to AED 13.1 million in the twelve months ended 31 December 2024 from AED 7.2 million in the twelve months ended 31 December 2023, resulting from discontinuing certain non-performing divisions within healthcare business and the revamping of its operating model.

Operating profit

Operating profit increased by AED 53.0 million, or by 16.4 per cent., to AED 375.5 million in the twelve months ended 31 December 2024 from AED 322.5 million in the twelve months ended 31 December 2023, primarily due to higher operating profits from the Consumer Goods, Infrastructure and Building Materials and Business Services division. As a percentage of revenue, operating profit remains unchanged at 3.1 per cent. in the twelve months ended 31 December 2024.

Other income

Other income increased by AED 2.5 million, or by 25.3 per cent., to AED 12.6 million in the twelve months ended 31 December 2024 from AED 10.0 million in the twelve months ended 31 December 2023.

Net foreign exchange gain (losses)

Net foreign exchange gain was AED 4.5 million in the twelve months ended 31 December 2024 compared to an AED 0.1 million in the twelve months ended 31 December 2023.

Finance costs

Finance costs increased by AED 1.7 million, or by 0.6 per cent., to AED 287.0 million in the twelve months ended 31 December 2024 from AED 285.3 million in the twelve months ended 31 December 2023, primarily due to the full year impact of higher finance cost incurred from the issuance of Trust certificates which was offset by the ongoing deleveraging of the company’s working capital debt.

Change in fair value of derivative financial instruments

Change in fair value of derivative financial instruments decreased by AED 5.9 million to a loss of AED 4.3 million in the twelve months ended 31 December 2024 from gain of AED 1.6 million in the twelve months ended 31 December 2023, primarily due to a lower mark to market profit from ineffective interest rate hedging instruments.

Share of profit from associate

Share of profit from associate was AED 1.7 million in the twelve months ended 31 December 2024 compared to AED 2.8 million in the twelve months ended 31 December 2023, originated from the minority investment in the healthcare sector.

Corporate Tax Expense

Tax expense was AED 18.8 million in the twelve months ended 31 December 2024 compared to NIL in the twelve months ended 31 December 2023, primarily due to applicability of newly introduced UAE corporate tax effective from 2024.

Net Profit for the period from continuing operations

Profit for the period from continuing operations increased by AED 33.4 million, or by 81.3 per cent., to AED 74.4 million in the twelve months ended 31 December 2024 from AED 41.0 million in the twelve months ended 31 December 2023, primarily due to improved gross profits.

Adjusted EBITDA

Adjusted EBITDA increased by AED 30.6 million, or by 6.0 per cent., to AED 540.3 million in the twelve months ended 31 December 2024 from AED 509.6 million in the twelve months ended 31 December 2023, primarily due to increase in new work orders in Business Services division, followed by improved gross profit in the chemical steel and cement businesses despite lower margins in the Healthcare and others divisions. As a percentage of revenue, Adjusted EBITDA margin decreased from 4.9 per cent. to 4.4 per cent due to higher copper price and outbound freight and insurance expenses resulting from red sea supply chain disruption.

Adjusted EBITDA by division

Manufacturing – Consumer Goods

Adjusted EBITDA in the consumer goods manufacturing division increased by AED 5.7 million, or by 2.7 per cent., to AED 213.4 million in the twelve months ended 31 December 2024 from AED 207.7 million in the twelve months ended 31 December 2023, primarily due to increased sales volumes as a result of recovery in demand from downstream sectors of chemicals following a period of destocking and significant correction in raw material prices in 2023.

Manufacturing – Infrastructure and Building Materials

Adjusted EBITDA in the infrastructure and building materials manufacturing division increased by AED 15.8 million, or by 9.7 per cent., to AED 179.0 million in the twelve months ended 31 December 2024 AED 163.2 million in the twelve months ended 31 December 2023, primarily due to higher sales volume in the copper, cement and steel businesses, followed by improved margins in steel business.

Business Services

Adjusted EBITDA in the business services division increased by AED 34.1 million, or by 23.7 per cent., to AED 178.3 million in the twelve months ended 31 December 2024 from AED 144.2 million in the twelve months ended 31 December 2023, primarily due to an increase in work orders in the operation and maintenance of sewage network and landscaping businesses, followed by increased patient screenings in radiology business.

Healthcare and Other

Adjusted EBITDA in the healthcare and other division reduced to AED 5.9 million in the twelve months ended 31 December 2024 from AED 27.4 million in the twelve months ended 31 December 2023, primarily due to softer demand for medical and lab equipment, followed by provisions related to discontinuing certain non-performing divisions within healthcare business while revamping its operating model.

Liquidity and Capital Resources

The Company's funding and treasury activities are conducted consistent with corporate policies designed to enhance investment returns while maintaining appropriate liquidity for its requirements. Its short-term liquidity requirements relate to servicing debt and financing the commodity procurement cycle. Sources of short-term liquidity include cash balances and additional cash generated from operations. Its long-term liquidity requirements include financing maintenance capital expenditure commitments, capital expenditure related to the renewal of long-term government contracts in the waste collection and city cleaning business, approved capital expenditure for the expansion of the tissue business in the KSA and repayment of long-term debt. Sources of funding for long term liquidity requirements include cash flow from operations, bank financing, unsecured export credit agency backed financing, and debt capital markets.

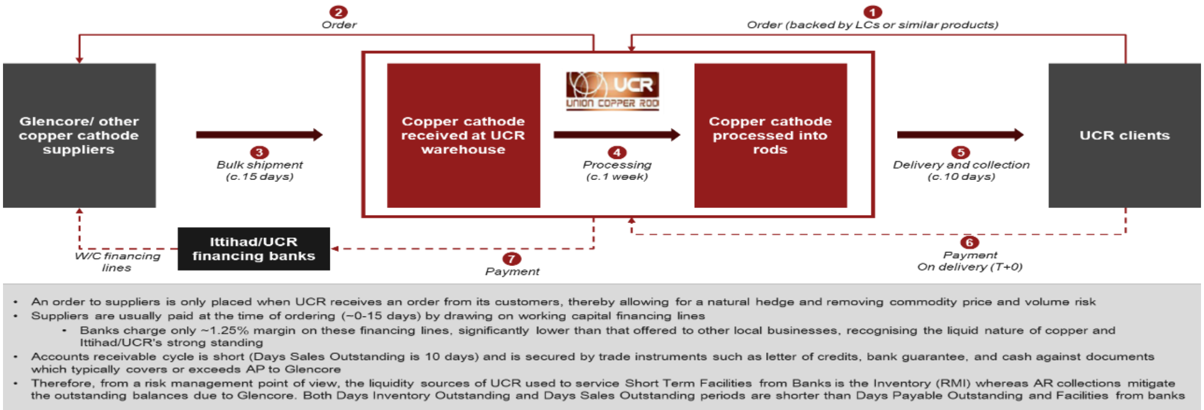
The Company expects that cash generated from operations, funds raised through debt capital market instruments and continued borrowings from banks and other financial institutions will continue to be the Company's primary sources of liquidity. The Company evaluates its funding requirements periodically in light of its net cash flow from operating activities and market conditions. The Company believes that the expected cash to be generated from its operations and its credit facilities will be sufficient to finance its working capital requirements for the next 12 months.

Copper Working Capital Cycle

The Company's UCR copper rod business relies mainly on refined and recycled copper with 99.99 per cent. purity to manufacture its copper products. Changes in the cost of RMI affect both the Company's revenues and its cost of materials and thus partially affect its results of operations and working capital.

The Company manages this working capital demand by working closely with its copper suppliers and passing on the LME copper price to its customers at the time of the sale, such that there is no mismatch between in the effect of the LME copper price in the sale or purchase contracts. The Company further manages this by requiring customers to pay cash in advance (the current DSO is approximately 15 days) and securing accounts receivables with letters of credit or other guarantees. Suppliers are usually paid in advance, such payments usually financed with working capital lines that charge modest fees due to the liquid nature of the underlying asset. Due to the high value of copper as a commodity and the short cycle of procurement and collection, working capital lines are considered as a source of liquidity and changes in working capital lines should be considered when analysing the cash flow from operation to better understand the cycle of the business and assess the Company's free cash flow from operation.

The following chart summarizes the Company's copper working capital cycle:



Cash Flows

The following table sets forth certain information relating to the Company's cash flows on a consolidated basis for the years / periods indicated:

	Financial Year			Six months ended 30 June,	
	2022	2023	2024	2024	2025
			(AED in millions)		
Net cash flows from (used in) operating activities	763.8	553.6	677.7	244.2	261.8
Net cash flow (used in) from investing activities	(294.0)	143.8	(126.5)	(64.6)	(14.3)
Net cash flows (used in) from financing activities	(399.8)	(690.5)	(467.9)	(204.8)	(204.8)
Net increase/ (decrease) in cash and cash equivalents	70.1	6.9	83.4	(25.1)	42.7

Net cash flows from (used in) operating activities

First Half 2025 compared to First Half 2024

Net cash flow from operating activities was AED 261.8 million in the six months ended 30 June 2025, compared to net cash flow from operating activities of AED 244.2 million in the six months ended 30 June 2024. This was primarily driven by increase in net profit. Changes in working capital are highly impacted by copper price volatility or changes in sale volumes. During the period, copper inventory was higher than the same period in 2024 due to an increase in sales and volumes.

2024 compared to 2023

Net cash flow from operating activities was AED 677.7 million in the twelve months ended 31 December 2024, compared to net cash flow from operating activities of AED 553.6 million in the twelve months ended 31 December 2023. This was primarily due to liquidity optimisation from achieving more favourable terms with major suppliers resulting into improved working capital cycle. Changes in working capital are highly impacted by commodity price volatility or changes in sale volumes. During the period, the copper inventory cycle was shorter compared to the same period in 2023, resulting in a lower level of inventory. Conversely, the paper and tissue business experienced a longer inventory cycle, leading to higher inventory levels. Therefore, any impact on net cash flow from operating activities due to changes in working capital would typically be offset by an opposite change in working capital debt.

2023 compared to 2022

Net cash flow from operating activities was AED 553.6 million in 2023, compared to net cash flow from operating activities of AED 763.8 million in 2022. This was primarily due to an overall normalisation of working capital cycle and optimisation of liquidity.

Net cash flows generated from (used in) investing activities

First Half 2025 compared to First Half 2024

Net cash flow used in investing activities was AED 14.3 million in the six months ended 30 June 2025, compared to net cash flow used in investing activities AED 64.6 million in the six months ended 30 June 2024. This was primarily driven by proceeds from disposal of a subsidiary and sale of end-of-life vehicles and equipment which offset the majority of capital expenditures used in the construction of tissue manufacturing facility in KSA and other ongoing maintenance capex.

2024 compared to 2023

Net cash flow used in investing activities was AED 126.5 million in the twelve months ended 31 December 2024, compared to net cash flow from investing activities AED 143.8 million in the twelve months ended 31 December 2023. This was primarily due to construction and completion of copper upcycling facility, expansion capex related to new long-term contracts awarded to Maqayes in KSA, commencement of construction site for tissue manufacturing facility in KSA and other ongoing maintenance capex.

2023 compared to 2022

Net cash flow used in investing activities was AED 143.8 million in 2023, compared to net cash used in investing activities AED 294.0 million in 2022. This was primarily due to the release of restricted cash proceeds of which were used to repay short term bank facilities.

Net cash flows generated from (used in) financing activities

First Half 2025 compared to First Half 2024

Net cash flow used in financing activities was AED 204.8 million in the six months ended 30 June 2025, compared to net cash flow used in financing activities AED 204.8 million in the six months ended 30 June 2024. This was primarily due to the ongoing deleveraging partly offset by drawdowns on the ECA loan facility for the construction of tissue manufacturing facility in KSA.

2024 compared to 2023

Net cash flow used in financing activities was AED 467.1 million in the twelve months ended 31 December 2024, compared to AED 690.5 million used in financing activities in the twelve months ended 31 December 2023. This was primarily due to the ongoing deleveraging and liquidity optimisation exercise as well as higher finance cost paid during the period.

2023 compared to 2022

Net cash flow used in financing activities was AED 690.5 million in 2023, compared to AED 399.8 million used in financing activities in 2022. This was primarily due to repayment of term loans and other financing facilities as well as an increase in finance cost on the back of higher interest rates.

Maintenance Capital Expenditure

The Company estimates that its maintenance capital expenditure in future periods will range from approximately AED 50 million to approximately AED 60 million per annum. This excludes certain project related capital expenditures in the business services division which depend on new project requirements that are typically pre-funded through advance payments from project sponsors.

Contractual Obligations and Commitments

The following table sets forth certain information relating to future payments due under contractual commitments as of 30 June 2025, aggregated by type of contractual obligation:

	Less than 1 year	**1 to 5 years**	**More than 5 years**	**Total**
		(AED in millions)		
Borrowings	451.9	2,021.9	-	2,473.8
Total	**451.9**	**2,021.9**	**-**	**2,473.8**

Contingent Liabilities and other Off-Balance Sheet Arrangements

As at 30 June 2025, the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 992.4 million (U.S.$270.2 million).

As at 31 December 2024, the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 938.2 million (U.S.$255.5 million).

As at 31 December 2023, the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 621.7 million (U.S.$169.3 million).

Quantitative and Qualitative Disclosure about Market Risk

The Company's risk management policies are established to identify and analyse the risks the Company faces, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Interest rate risk

In the periods presented, the Company has been exposed to interest rate risk. Interest rates for borrowings have been volatile in recent periods and thus are mostly hedged by the Company through IRS instruments. The Company identifies short and long-term hedging solutions for facilities and other project financing with up to 5 years in maturity. The Company aims to hedge 50% of term debt exposures. The Offering of Certificates refinanced the majority of the Company's long-term debt, and, as the Certificates have a fixed rate of return, the Company will be broadly protected against interest rate risks.

Inflation Risk

The inflation risk has subsided from 2023 onwards and is no longer anticipated to pose any material risk on overall operating costs. For the twelve months ended 30 June 2025, the Company was able to sustain its Adjusted EBITDA margin reaching to 4.6 per cent.

Foreign Currency Exchange Rate Fluctuations Risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's major forex exposure is concentrated towards currencies that are considered to be stable such as USD, EUR and SAR. Recent expansion into Egypt does not significantly expose it to EGP currency risk due to the exchange risk being partly offset by high profit margins in the business, the ability to invoice at the prevailing market exchange rate of EGP to USD, and the Company's decision to implement a conservative and gradual ramp up in capital spending. During the period, the Company recorded AED 0.4 million as revaluation reserve for foreign exchange translation differences related to its Egypt operation. It is anticipated that the Company would be gradually recovering from the impact of currency devaluation through its ongoing higher operating margins in Egypt. The Company's functional currency (AED) is pegged with USD and SAR. Other currency exposures are mostly hedged.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet its present and future cash and collateral obligations without incurring unacceptable losses. The Company's objective is to, at all times maintain optimum levels of liquidity to meet its cash and collateral requirements. The Company closely monitors its liquidity position and maintains adequate sources of financing including debt.