

PRESS RELEASE

EMIRATES REIT ANNOUNCES FULL-YEAR OPERATING AND FINANCIAL RESULTS FOR 2020

KEY HIGHLIGHTS

- **Portfolio Value** stands at **USD 690.3m** (AED 2.5b)
- **Net Property Income decreased by 11.3%** year-on-year to USD 52.0m (AED 191.0m)
- **Total Fund Expenses decreased by 10%** **USD 22.7m** (AED 83m) on year-on-year basis
- **EBITDA decreased by 12.3%** year-on-year to **USD 29.3m** (AED 107.6m)
- **FFO** stands at **USD 0.5m** (AED 1.8m)
- **Marked-to-market** unrealized revaluation loss amounted to **USD 243.4m** (AED 894m), resulting in a total comprehensive loss of USD 244.2m (AED 897m) for the year ended December 31, 2020
- **Net Asset Value** as at 31 December 2020 stood at **USD 225.5m** (AED 828m) or **USD 0.74 per share**
- **Occupancy** decreased by 4% year-on-year to **69%**
- **Weighted Average Lease Expiry increased by 24% to 9.3 years** up from 7.5 years at the same time in 2019

Dubai – 6 May 2021 – Equitativa (Dubai) Limited (“Equitativa”), manager of Emirates REIT (CEIC) PLC (“Emirates REIT” or the “REIT”) announced today its end of year operating and financial results for Emirates REIT for the year ended 31 December 2020, prepared in accordance with International Financial Reporting Standards (“IFRS”) and audited by Deloitte And Touche (ME)

The financial year 2020 presented unforeseen challenges to the global real estate market, and Dubai was no exception. COVID-19’s negative impacts were particularly acute on the office and education real estate sectors which are the pillars of the Emirates REIT property portfolio.

During this trying period, the Equitativa team focused its efforts on tenant retention and leasing which proved to be effective in delivering on short-term strategic priorities to support its long-term underlying purpose: the curation of a portfolio of real property assets that produce regular revenue. The greatest impact of COVID-19 was witnessed on Emirates REIT’s portfolio in October 2020, during which the occupancy and income fell to its lowest point; however, from November 2020, the REIT’s income has begun a market recovery and only increased.

Emirates REIT’s 2020 full-year results recorded a decrease of 9.7% in rental income, 9.4% in total property income, and 11.3% in net property income, while the year witnessed a decrease of 1.3% in the portfolio’s total property expenses.

EBITDA for the year realized a 12.3% decrease to USD 29.3m.

The performance, however, was further impacted by asset revaluation losses driven by market conditions which led to a total net loss of USD 244.2m million (AED 896.9m).

OPERATIONAL EFFICIENCIES, ASSET ENHANCEMENT, AND TENANT RETENTION

The total property income for Emirates REIT reduced by 9.4% in 2020 to a total of USD 66.0m (AED 242.4m), with total property expenses reduced by 1.3% year-on-year to USD 14.0m (AED 51.4m). Rental income stood at USD 58.2m (AED 213.8m), marking a 9.7% decrease year-on-year basis.

Emirates REIT realized a net comprehensive loss of USD 244.2m (AED 896.9m) in 2020, due to challenging market conditions, after the incorporation of a USD 243.4m (AED 894.0m) fair valuation loss as at 31 December 2020. The Net Asset Value at the end of year stood at USD 225.5m (AED 828.3m), or USD 0.74 per share as at 31 December 2020.

The REIT manager has been proactively responding to market conditions, focusing on operational efficiencies, asset enhancement, and tenant retention. The revaluation loss effect on profit was partially offset by several factors: increasing rental and total property income, reducing total property expenses, signing new leases, executing renewals of leases, and improving operating margins.

As a result, during the year ended 31 December 2020, the REIT manager signed 97 new leases, totaling approximately 175,560 square feet; and executed 142 lease renewals, totaling more than 289,830 sq.ft.

Given the challenging real estate market conditions, the fund registered a solid occupancy rate of 69% as on 31 December 2020.

With a diversified portfolio and tenant mix and a limited exposure to retail (10% of the NLA), Emirates REIT has taken prudent steps to manage liquidity and preserve financial flexibility throughout 2020.

STATEMENT ON PROPERTY PORTFOLIO VALUATION AND RELATED QUARTERLY MANAGEMENT FEE

The aggregate value of Emirates REIT investment properties has recorded an unprecedented decline during 2020. The reported fair values of the REIT's properties are based on external valuations conducted by independent, certified property valuers who perform their assessment in accordance with professional valuation standards of the Royal Institute of Chartered Surveyors ("RICS") and also take into account various external and internal factors and inputs, including changes in the economic environment and business outlook.

Equitativa believes that the significant decline in the fair values of investment properties reflects the challenging market conditions created by the COVID-19 pandemic during 2020. However, Equitativa believes that 2021 will see volatility recede as economic conditions improve, and as a result of the positive actions of the UAE Government to stimulate recovery, the market should record a fast recovery in the medium term.

Still, the Board of Directors of Equitativa has taken the decision to reduce its management fee by 20% from Q2 through Q4 2021.

Abdulla Al Hamli, Chairman, Equitativa, said: "2020 witnessed unprecedented times, with particular uncertainty and challenges impacting the real estate market worldwide.

"Emirates REIT assets have witnessed a larger than normal drop in valuation due to the high volatility and lack of certainty of the real estate market. We trust that such volatility will recede and that following the decisive actions of the UAE government, the market is already on a fast recovery trajectory."

Sylvain Vieujot, Executive Deputy Chairman and CEO of Equitativa, said: "We thank our tenants, staff, and shareholders for the unswerving patience and loyalty they have shown throughout 2020, as we worked together to surmount the challenges presented by the COVID-19 pandemic.

“Despite strong downward pressure on the market, our resilient property portfolio performed well, demonstrating its enduring value with each new and renewed tenant lease. We are particularly pleased with portfolio occupancy and longer-term leasing trends among our leading properties, as in the case of Index Tower which contributes so significantly to our overall income.

“Having completed our earlier announced external review, led by global investment bank Houlihan Lokey, regarding strategic options for our portfolio, the Board believes Equitativa is now in a stronger position to confidently move forward with an improved operational structure necessary to deliver greater value to its shareholders.”

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ABOUT EMIRATES REIT

Emirates REIT, (Nasdaq Dubai: REIT; ISIN: AEDFXA1XE5D7), is a Dubai-based real estate investment trust investing principally in income-producing real estate in line with Shari'a principles. It currently owns a well-balanced portfolio of 11 assets in the commercial, education and retail sector. Emirates REIT benefits from exclusive Ruler's Decrees permitting it to purchase properties in onshore Dubai and Ras Al Khaimah.

ABOUT EQUITATIVA GROUP

The Equitativa Group is a leading regional asset manager focused on creating and managing real estate investment trusts (REITs). The group offers innovative risk-adjusted, income generating financial products that cater to institutional and retail investors. As the founder of the UAE's first Shari'a compliant REIT, Emirates REIT, Equitativa is today the largest REIT manager in the Gulf Cooperation Council (GCC) countries and the biggest REIT Manager for Shari'a Compliant REITs in the world. In the UAE, Equitativa manages two leading REITs: Emirates REIT and The Residential REIT, the latter incorporated in Abu Dhabi Global Market.