Emirates REIT

FY 2020 CALL PRESENTATION

2020

EQUITATIVA GROUP

SPEAKERS

Sylvain Vieujot
Chief Executive Officer

Alain Debare
Group Head of Real Estate

Sheikh Muhammed Moeen
Finance Director

MARKET PERFORMANCE

2020 A VERY DIFFICULT YEAR

- Force majeure event: Covid-19
- Tenants seeking concessions, rental support & waivers
- Forced sellers of assets
- Difficult operating environment

COVID-19 TIMELINE

29 JAN
First case reported

08 MAR
The Ministry of Education announced the closure of all schools and higher education institutions in the UAE for four weeks

13 MAR
Remote work for government employees is announced

16 MAR
Mosques, churches, temples and other places of worship close.

21 MAR
Beaches, parks, and pools, parks, movie theatres, and gyms close.

22 MAR
Announcement of closures of Restaurants, Cafes, and Food and Beverage Outlets

23 MAR
Closure of malls, restaurants serve deliveries only

25 MAR
All passenger flights are suspended. Dubai Economy obliged 80% of private-sector employees to work from home.

27 MAR
National Disinfection Program; imposed curfew from 8 pm to 6 am.

04 APR
A two-week lockdown came into effect in Dubai

07 APR
Dubai Economy announced that all commercial activities, with the exception of vital and support sectors, would remain closed until April 18.

13 APR
UAE sets up mass testing across the country's seven emirates

24 APR
Partial ease of restrictions in Dubai

25 APR
Abu Dhabi starts national sterilization program during Ramadan

27 MAY
The government announces that public sector employees may gradually go back to the offices.

25 JUN
Commercial centres, restaurants allowed to operate at 60% capacity. Dubai's economic sectors operations to return to normal working hours

15 SEP
The UAE approves Sinopharm vaccine for emergency use

14 DEC
The UAE launched COVID-19 vaccinations in the capital Abu Dhabi

2021 HUGE SHIFT
IN OPERATING ENVIRONMENT

COMMERCIAL

- In 2020: A shift to a home working model by many businesses, caused tenants to reduce their space. The majority of activity came from from cost saving and consolidation requirements
- In 2021: We are witnessing a flight to quality by tenants who are looking to take advantage of weaker market conditions to upgrade occupational space. New corporates entering the market, specifically in DIFC.

EDUCATION

- In 2020: Headwinds, lockdown measures and families leaving the UAE had a significant impact on schools in the region. Operators were however quick to respond to new policies and teaching practices.
- In 2021: As of April 2021, most UAE pupils now attending in-person classes across the country.

GLOBAL MARKETS
2020 OVERVIEW

- In 2020, Global real estate investment volumes declined by 28% year-on-year from a record amount of capital markets activity in 2019

Source: CNBC

GLOBAL MARKETS
OUTLOOK

- A worldwide vaccination effort will inevitably support us against indefinite lockdowns, although a rebound in the global economy is not expected before H2 2021
- In 2021, the global real estate market has started to show signs of recovery, which varies by region
- Currently, there is a large amount of capital awaiting deployment into real estate
- Whilst the residential sector continues to demonstrate resilience, the commercial market continues to face uncertainty
- Income will remain favourable on a longer-term basis when compared to developed market government bond yields, which are expected remain low level for a notable period of time
- Flexible lending practices combined with fiscal support has alleviated some of downward pressures on global real estate

	PERFORMANCE SIGNALS	UK	EUROPE	N. AMERICA	APAC	GLOBAL
Macro	Economic fundamentals	→ Unsupportive	↗ Neutral	↗ Neutral	↗ Neutral	↗ Neutral
Macro	Margin over bonds	↗ Neutral	→ Supportive	→ Neutral	→ Neutral	→ Neutral
Macro	Monetary Policy	→ Supportive	→ Supportive	→ Supportive	↗ Supportive	→ Supportive
Real Estate	Supply	→ Neutral	↗ Neutral	→ Neutral	→ Neutral	→ Neutral
Real Estate	Flows of capital	↗ Unsupportive	→ Neutral	↗ Neutral	↗ Neutral	↗ Neutral
Real Estate	Lending	→ Unsupportive	↗ Neutral	→ Neutral	→ Neutral	→ Neutral
Real Estate	Fund flows	→ Unsupportive	→ Neutral	↗ Neutral	↗ Neutral	↗ Neutral
Real Estate	360° view	→ Unsupportive	→ Neutral	↗ Neutral	→ Neutral	→ Neutral

Key
Performance Signal: Supportive Neutral Unsupportive
Trend: ↗ Upward trend → Stable ↘ Downward trend

Source: Aberdeen Standard, JLL, Axa

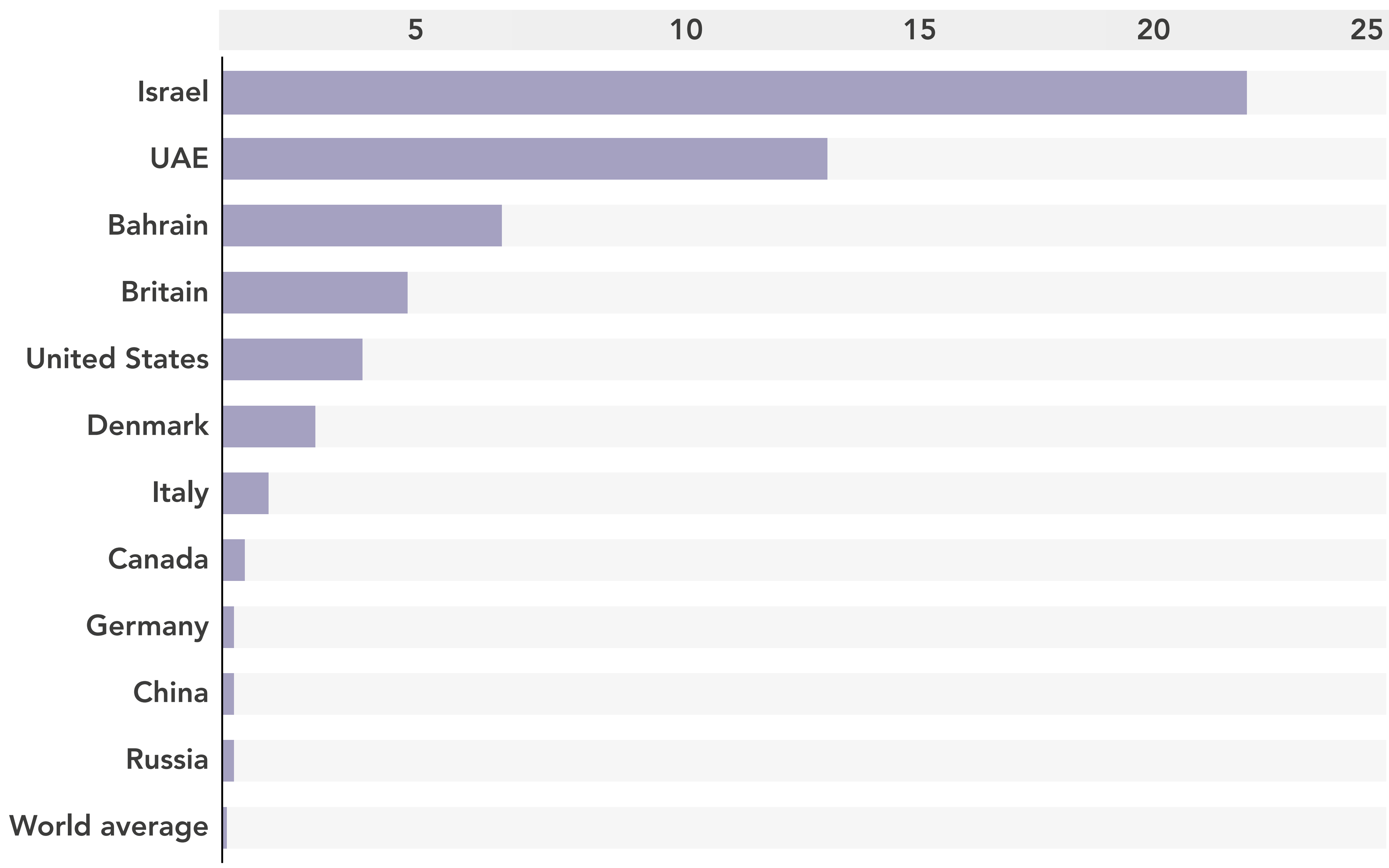
DUBAI DOING
RELATIVELY WELL

- As at January 2021 the UAE was ranked second globally by way of vaccination doses administered per 100 people. As of today the vaccination program is even further advanced, providing confidence and UAE ability to manage the pandemic, boosting business sentiment in the region

- On the 15th of September 2020, the UAE and Israel signed an historic peace treaty, marking a significant event in stabalising geopolitical tensions.

- According to BBC News, Israeli estimates suggest trade with the UAE could eventually total $4bn a year, creating 15,000 jobs. Trade is also likely to grow to include more physical goods with many Asian exports flowing through Dubai.

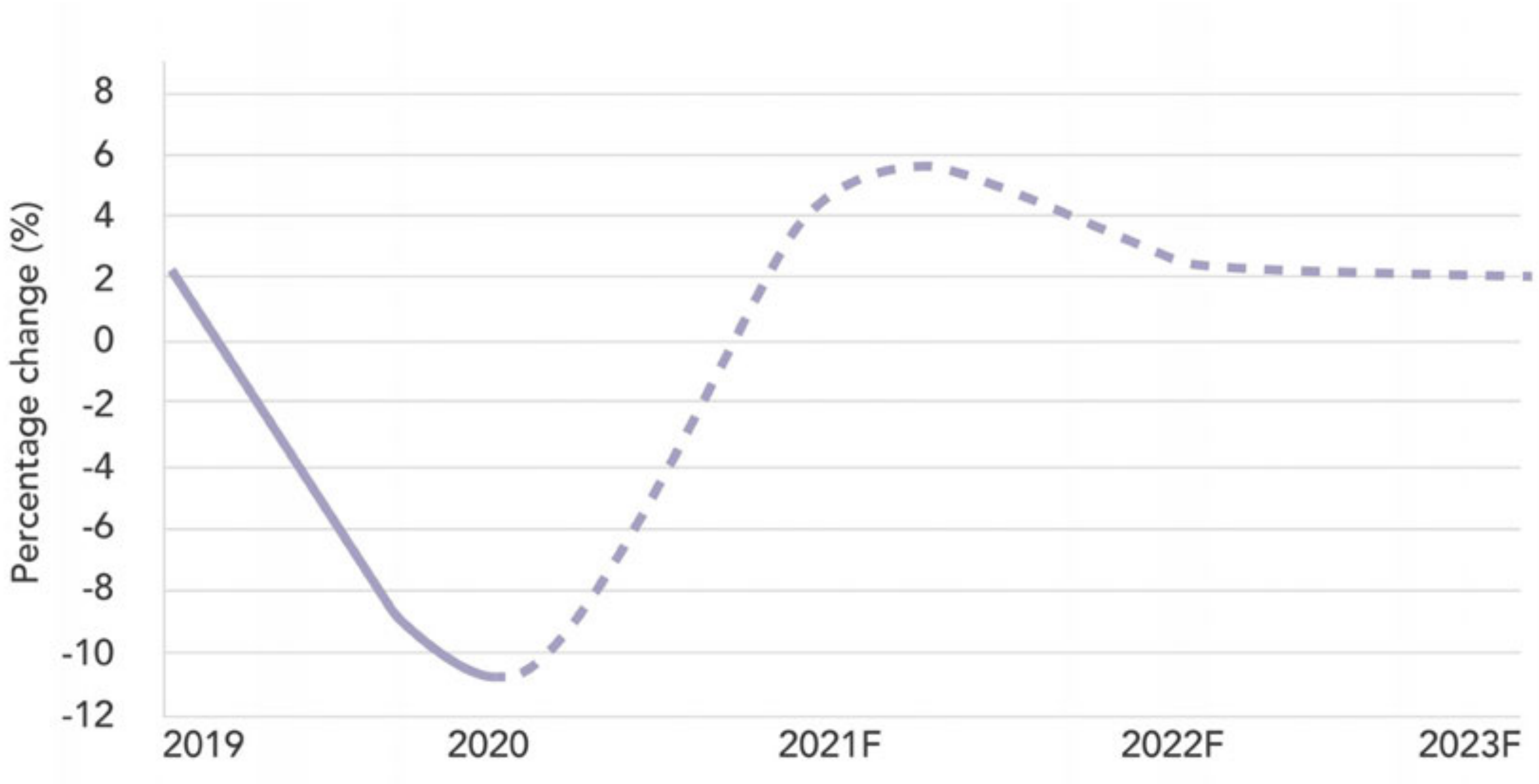
COVID-19, VACCINATION DOSES ADMINISTERED
13 Jan 2021, per 100 People



Source: The Economist

UAE MACROECONOMIC FORECAST

- The economy is expected to grow in 2021 as it recovers from its pandemic-induced slump in 2020
- Despite a high GDP contraction of around 11% last year, GDP is expected to follow a V-shaped recovery this year and remain positive until 2023
- The UAE's economy is projected to grow 2.5 per cent in 2021
- A 3.6 per cent expansion in the non-oil sector is expected in 2021 according to the Central Bank

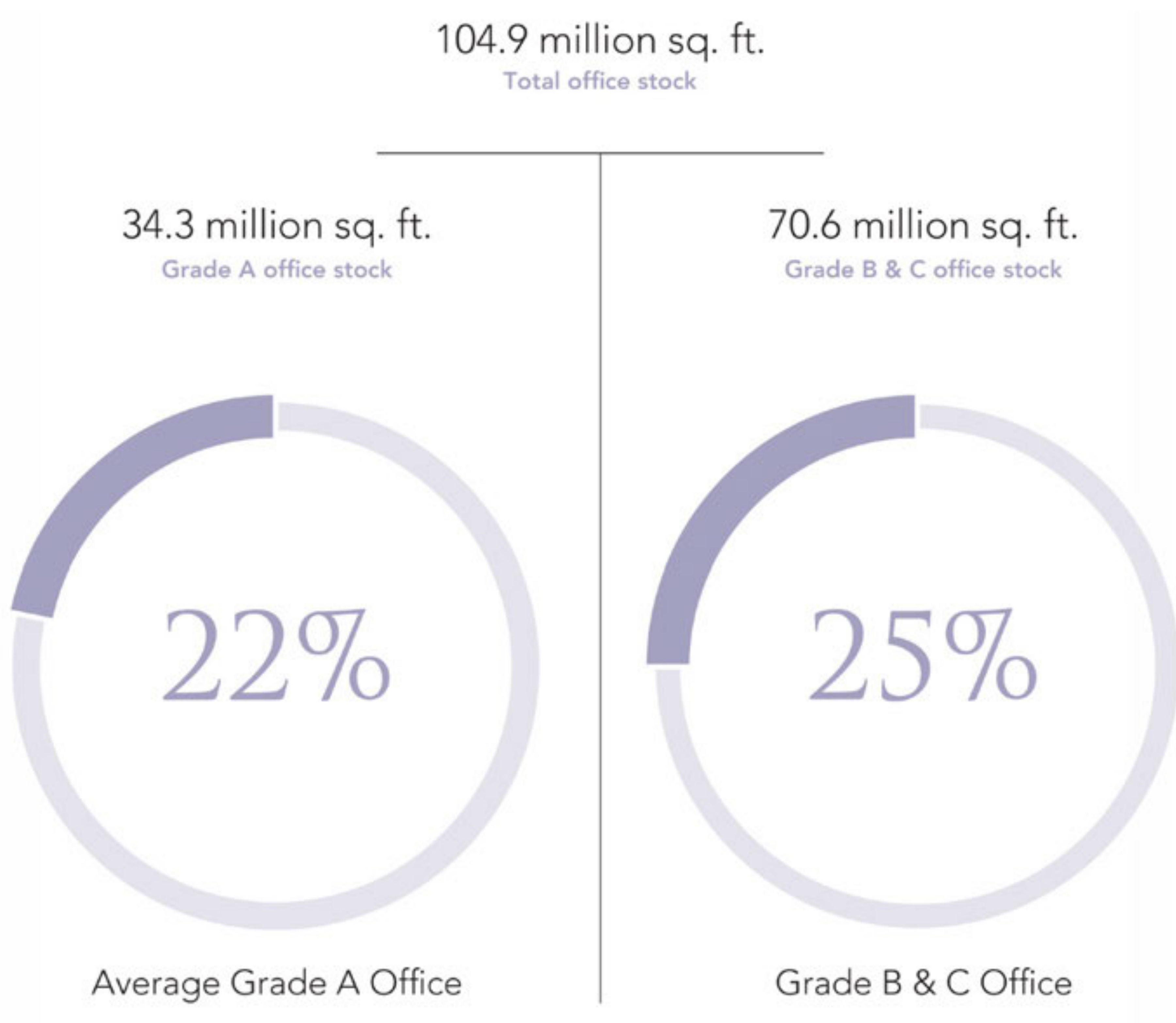


Source: Bloomberg, S&P, The National News, Knight Frank, Deloitte

DUBAI OFFICE MARKET
2020 REVIEW

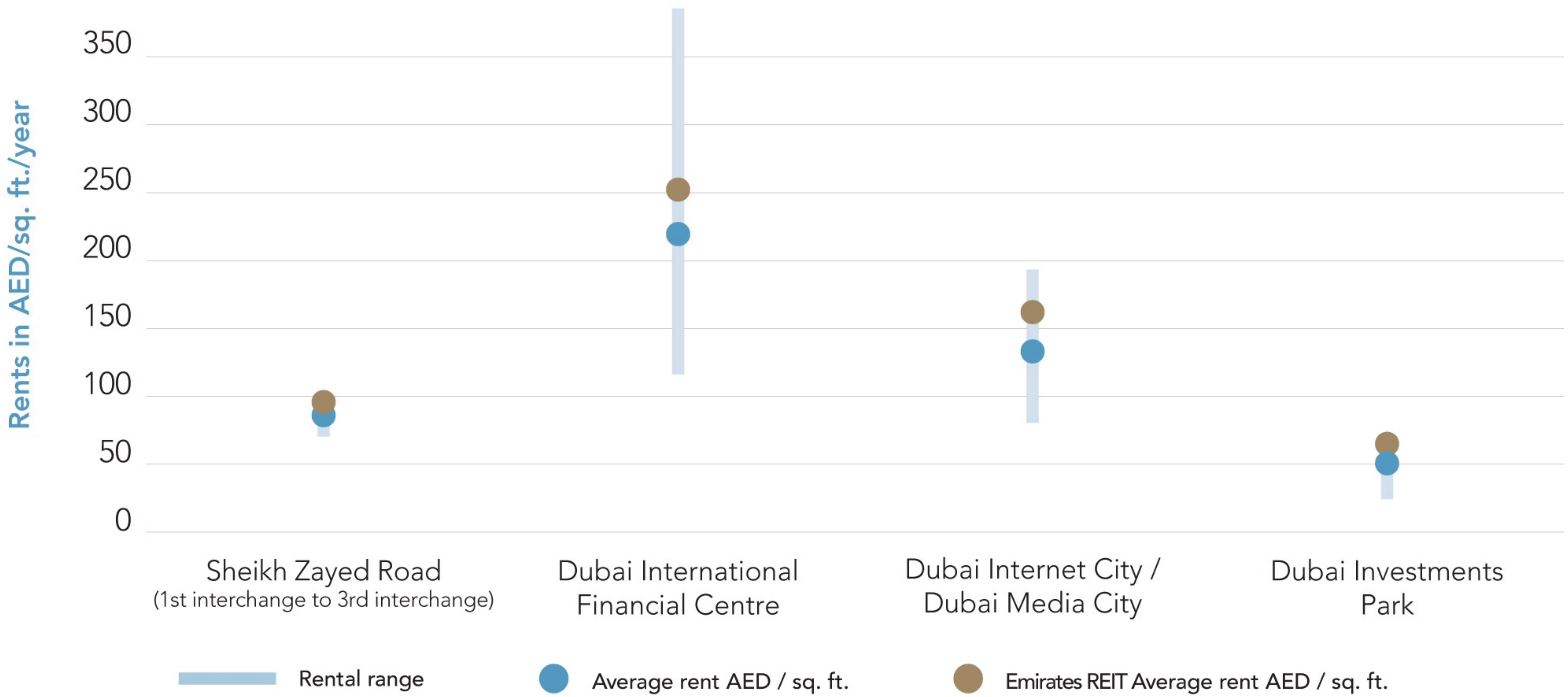
- The commercial market witnessed challenges in 2020 as a result of the implementation of the remote working model and lock-downs due to the COVID-19 pandemic. With a return to work policies varying across companies
- Vast majority of demand is coming from existing occupiers that are looking to consolidate or upgrade their space
- In 2020 limited activity was witnessed from new corporate occupiers
- Q2 and Q3 2020 was particularly impacted by low demand. Q4 saw some positive demand for commercial space
- As of Q4 2020, average rent in Dubai declined by 6.9% during the year
- Occupancy in Dubai's office market is estimated to have declined by 5.5% in 2020 to 75.7%
- Market sentiment improved in Q1 2021

VACANCY LEVELS



Source: Bloomberg, S&P, The National News, Knight Frank, Deloitte

DUBAI OFFICE RENTS
Q4 2020



This market study was prepared by CORE. Established in 2008 and present in Abu Dhabi, Dubai and Bahrain,
CORE is a full-service real estate advisory, brokerage and management firm delivering integrated expertise across Office, Retail, Industrial and Hotel sectors.

OFFICE MARKET FORECAST

OFFICE IS HERE TO STAY

Flexibility around remote working will remain prevalent. Importance of the physical office is unlikely to be diminished, given the need common spaces to foster innovation, productivity, company culture and teamwork.

SECOND WAVE OF RELOCATIONS

We expect a second wave of relocations in 2021 when global corporates inevitably adjust their workplace strategies. Most of the demand for these relocations/consolidations are expected in the Grade A market.

RESISTANCE IN HEADLINE RENTS

Landlords are providing a variety of incentives to attract and retain tenants as tenant retention continues to be the most important issue for landlords.

OCCUPANCY AND TENANT RETENTION

As most new office demand is dominated by relocation or downsizing activity while sub-leasing activity also gathers pace, we foresee maintaining occupancy levels and retaining tenants be the main focus for commercial landlords

RISE OF TECHNOLOGY CLIENTS

Globally, technology and allied sectors are the new major landlords, superseding the BFSI and service industries. We are also seeing rising volumes of technology clients and take-up in Dubai.

FURNISHING AND FITTING OUT

As most enquiry levels are for fitted/plug and play offices, we expect landlords to increasingly convert their shell and core assets to CAT A fit-out (raised floor and ceiling) or completely furnish to aid absorption.

REPURPOSING BUILDING USE

With some of the older stock underperforming, developers and landlords are looking at refurbishing office units or repurposing retail/mixed use into office space to optimise asset classes and footprint.

GRADE A SUPPLY PERFORMANCE

With nearly 67% of new supply coming in the Grade A segment (2018 - 2020), most of the large occupier activity is expected to be in this segment in the next few years.

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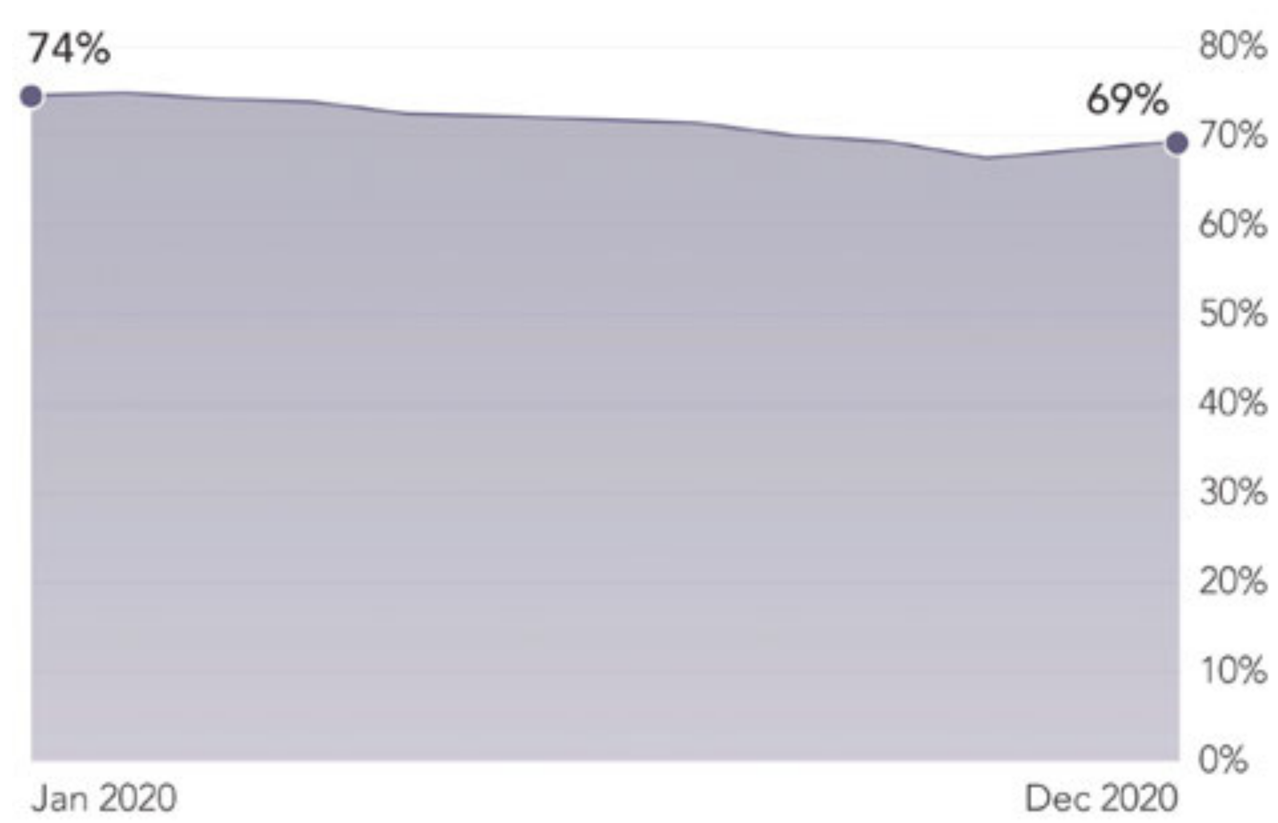
PORTFOLIO HIGHLIGHTS

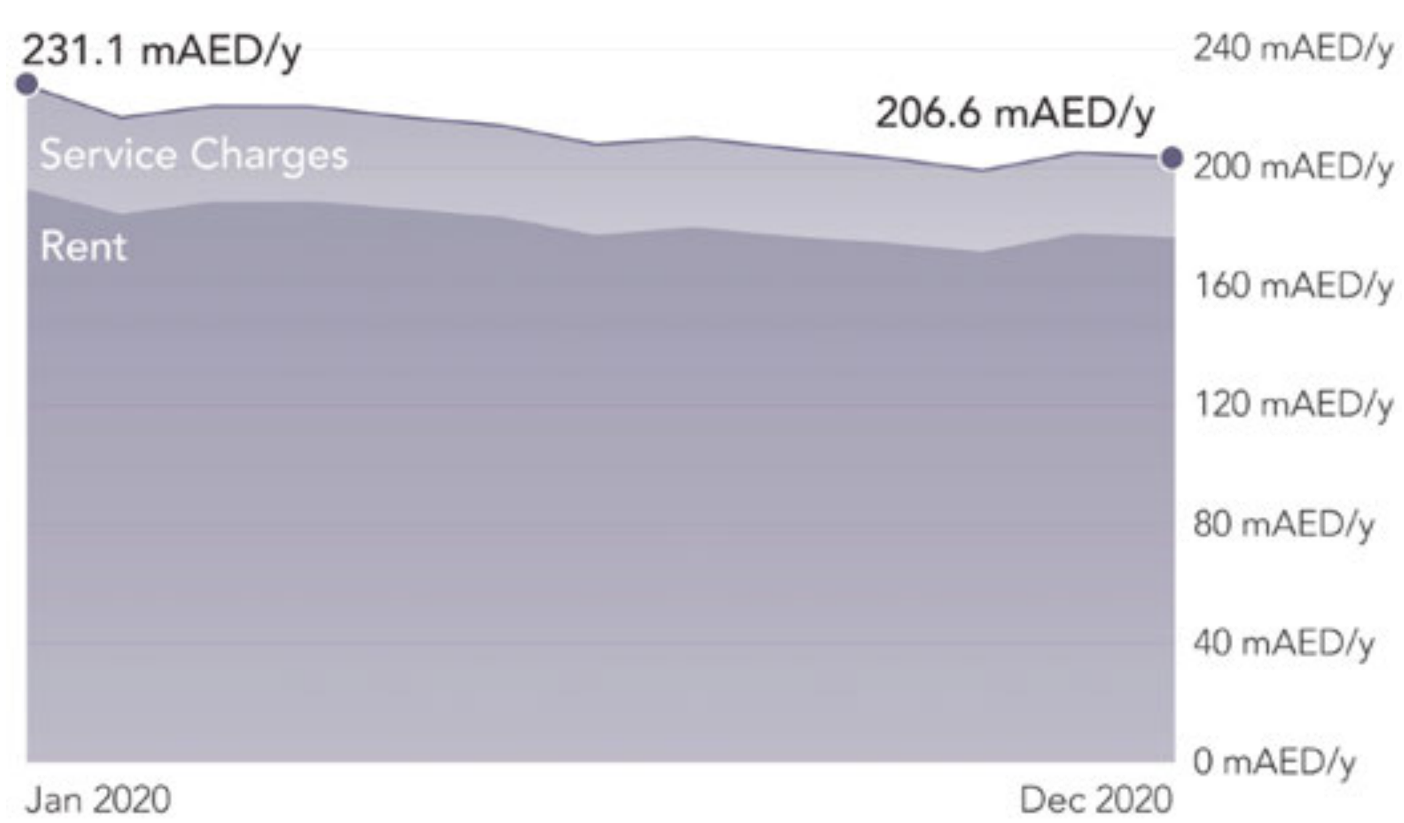
OPERATIONAL HIGHLIGHTS

FY 2020

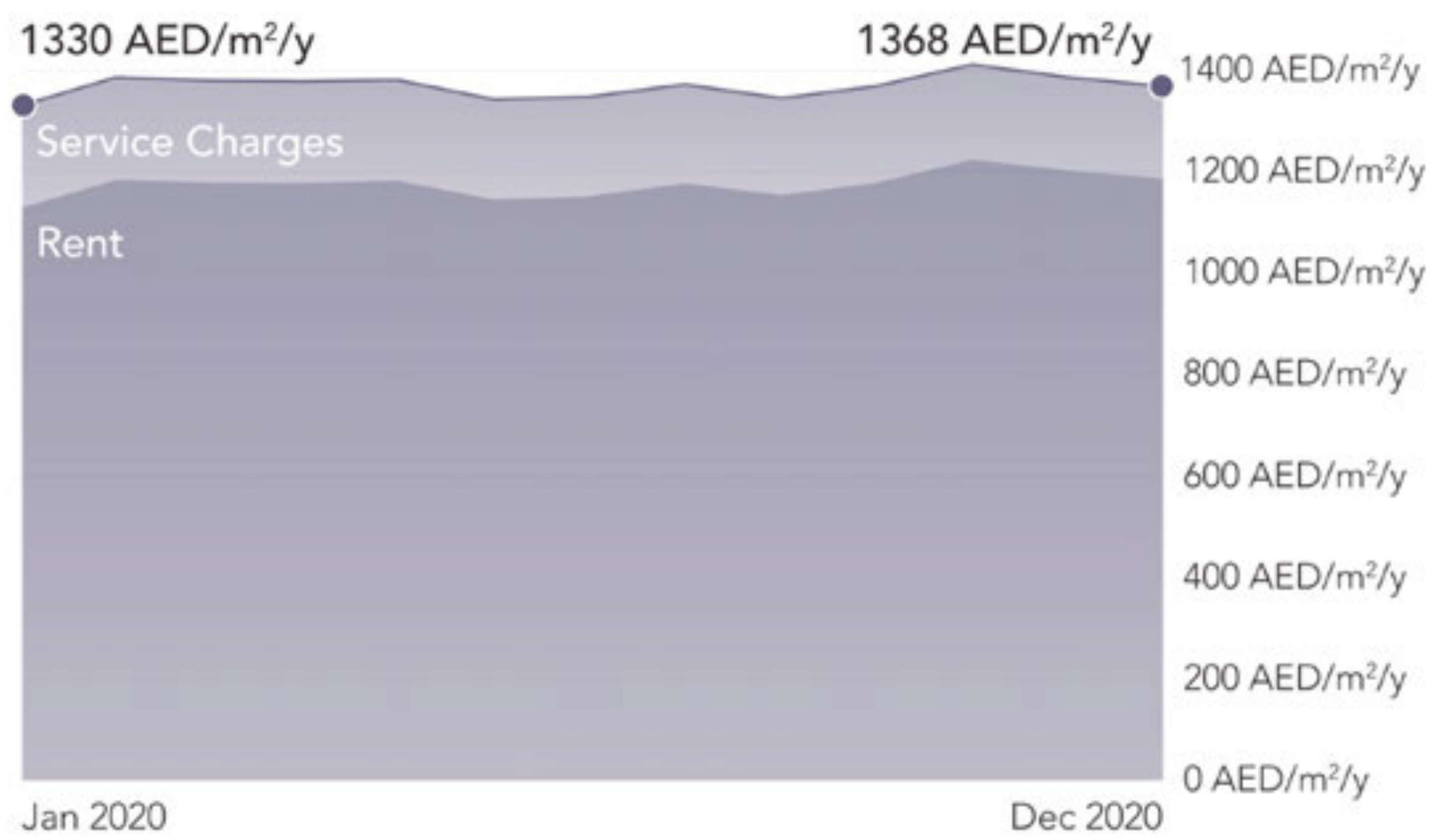
OCCUPANCY | **-5.1%**



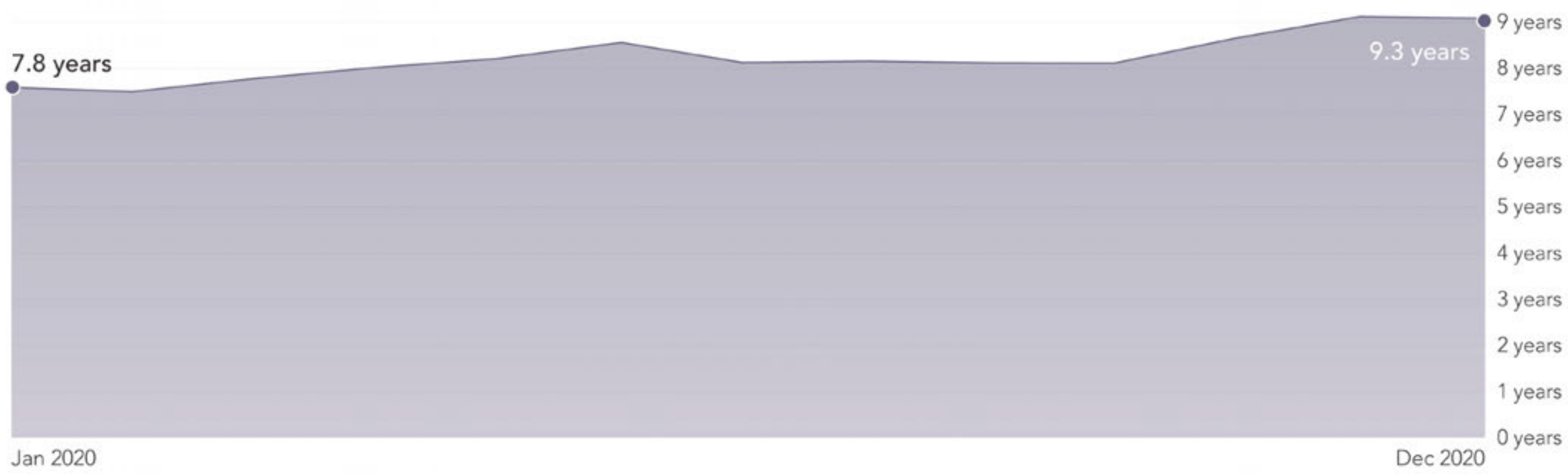
PROPERTY INCOME | **-6.1%**



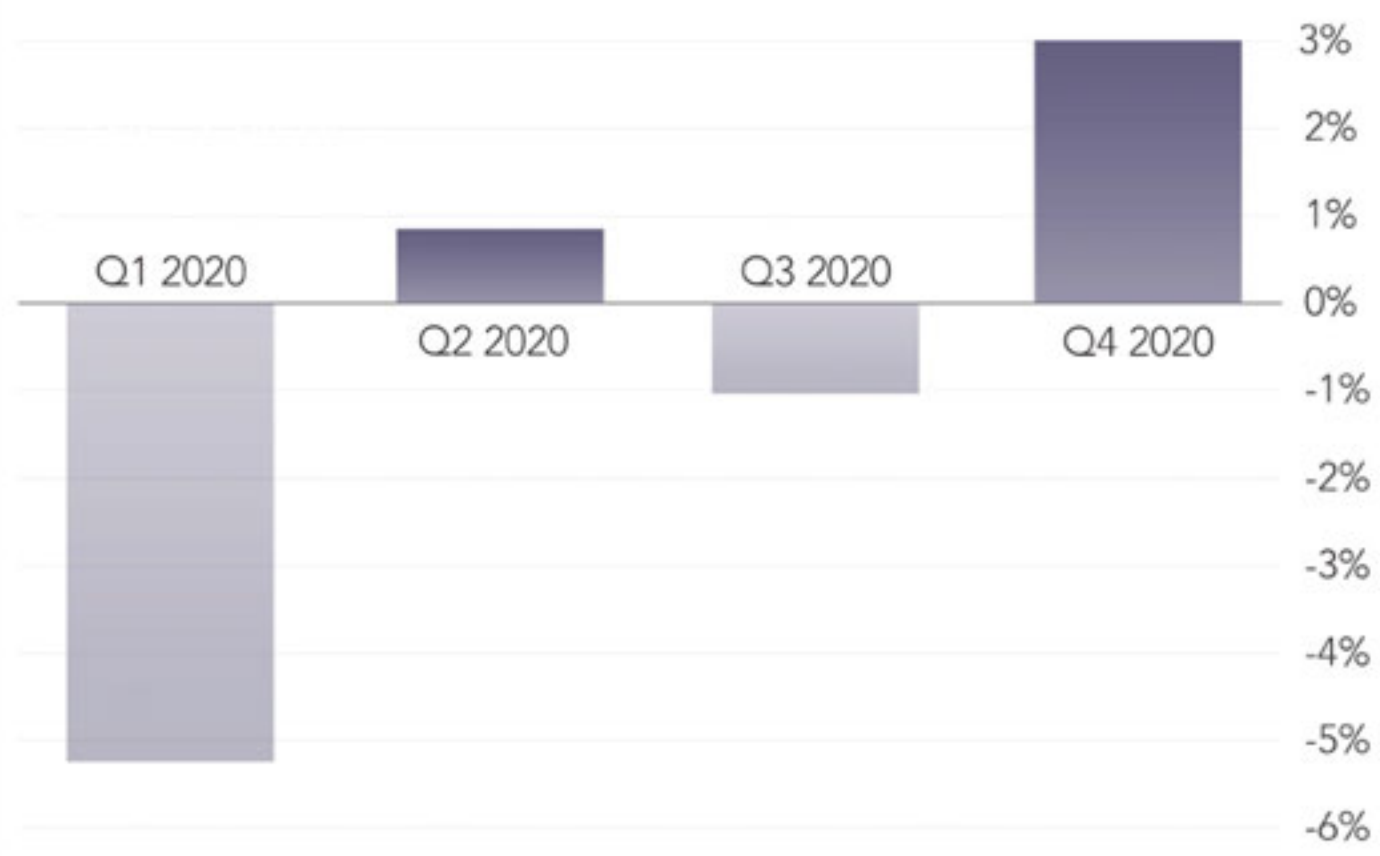
RENTAL RATES | **+2.8%**



UNEXPIRED LEASE TERM | **+19.8%**



ORGANIC GROWTH IN RENT



OPERATIONAL HIGHLIGHTS
FY 2020

- **Covid-19**
  - Prevention measures
  - Support to tenants
- Support to tenants through deferments and lease resets
- **Focus on commercial operations:**
  - Focus on tenant retention (142 renewals - 289,000 sq ft) and new leases (97 leases - 175,000 sq ft)
  - REIT Largest property under direct management
- **Property improvement program**
  - Quality Assurance review
  - Complete refurbishment of Index Mall and Index Park
  - Repainting and rebranding of the Loft Offices
  - Soft refurbishment of Office Park

PROPERTY OPERATIONS HIGHLIGHTS

FY 2020

INDEX TOWER

- Occupancy at 49%
- Full year benefit from Property under direct management
- Focus on tenant retention and management of tenant relief requests
- Completion of Index Mall, Index Park and connection to the Gate Avenue
- Strong level of inquiries from new companies entering the market during Q4

OFFICE PARK

- Occupancy at 74%
- Two large leases have expired, several corporate downsizing
- Low footfall affecting retail
- Refurbishment of Lobbies, Corridors and common areas (completion H1 2021)
- Installation of access control systems

LOFT OFFICES

- Occupancy at 64% - excluding Loft Offices 3 (in refurbishment)
- Cluster most impacted by Covid-19 disruption
- Concentrated business in Loft 1 & 2
- Vacated Loft 3 in view of re-purpose project to cater for larger corporate
- Completed re-painting, re-branding and exterior works

INDIGO 7

- Occupancy at 45%
- Default of largest tenant occupying the ground floor retail area. This tenant has been since replaced by a new tenant.
- As at 31 March 2021, the occupancy is back at 94

PROPERTY OPERATIONS HIGHLIGHTS

FY 2020

EUROPEAN BUSINESS CENTER

- Occupancy at 71%
- Completion of metro station and road works significantly improving visibility and access
- Successful replacement of EBC's largest tenant (20,000 sqft expired Sept. 2020)
- New Chinese companies entering the market

BUILDING 24

- Occupancy at 45%
- Managed under a PMLA by TECOM
- Lowest occupancy and largest decline in the portfolio
- Assessing a soft refurbishment of common areas
- Discussions with TECOM in relation to the management of the property

TRIDENT GRAND MALL

- Stable occupancy
- 100% retail with tenants particularly impacted by Covid-19
- Assessing a soft refurbishment to increase the attractiveness of Trident

LYCÉE FRANÇAIS JEAN MERMOZ

- Phase 2 was built during 2020 to accommodate for secondary classes
- Enrollment of new students is very positive for 2021

FINANCIAL HIGHLIGHTS

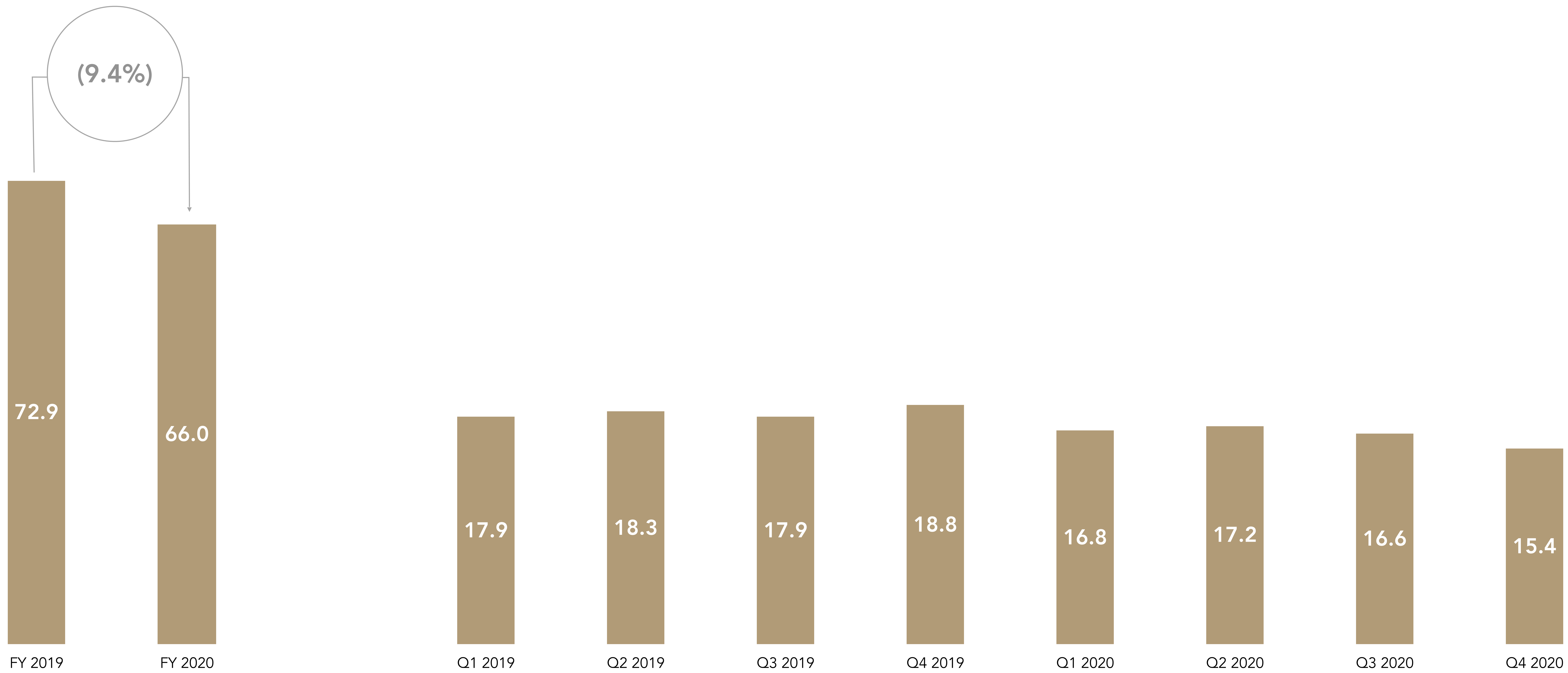
FINANCIAL HIGHLIGHTS

FY 2020

- **Rental Income** -9.7% year-on-year from USD 64.5m (AED 236.9m) to USD 58.2m (AED 213.7m)
- **Total Property Income** -9.4% year-on-year from USD 72.9m (AED 267.8m) to USD 66.0m (AED 242.4m)
- **Total Property Expenses** -1.3% year-on-year from USD 14.2m (AED 52.2m) to USD 14.0m (AED 51.4m)
- **Net Property Income** -11.3% year-on-year from USD 58.7m (AED 215.6m) to USD 52.0m (AED 191.0m)
- **Fund Expenses** -13.1% year-on-year from USD 18.3m (AED 67.2m) to USD 15.9m (AED 58.4m)
- **EBITDA** -12.3% year-on-year in EBITDA from USD 33.4m (AED 122.7m) to USD 29.3m (AED 107.6m)

TOTAL PROPERTY INCOME

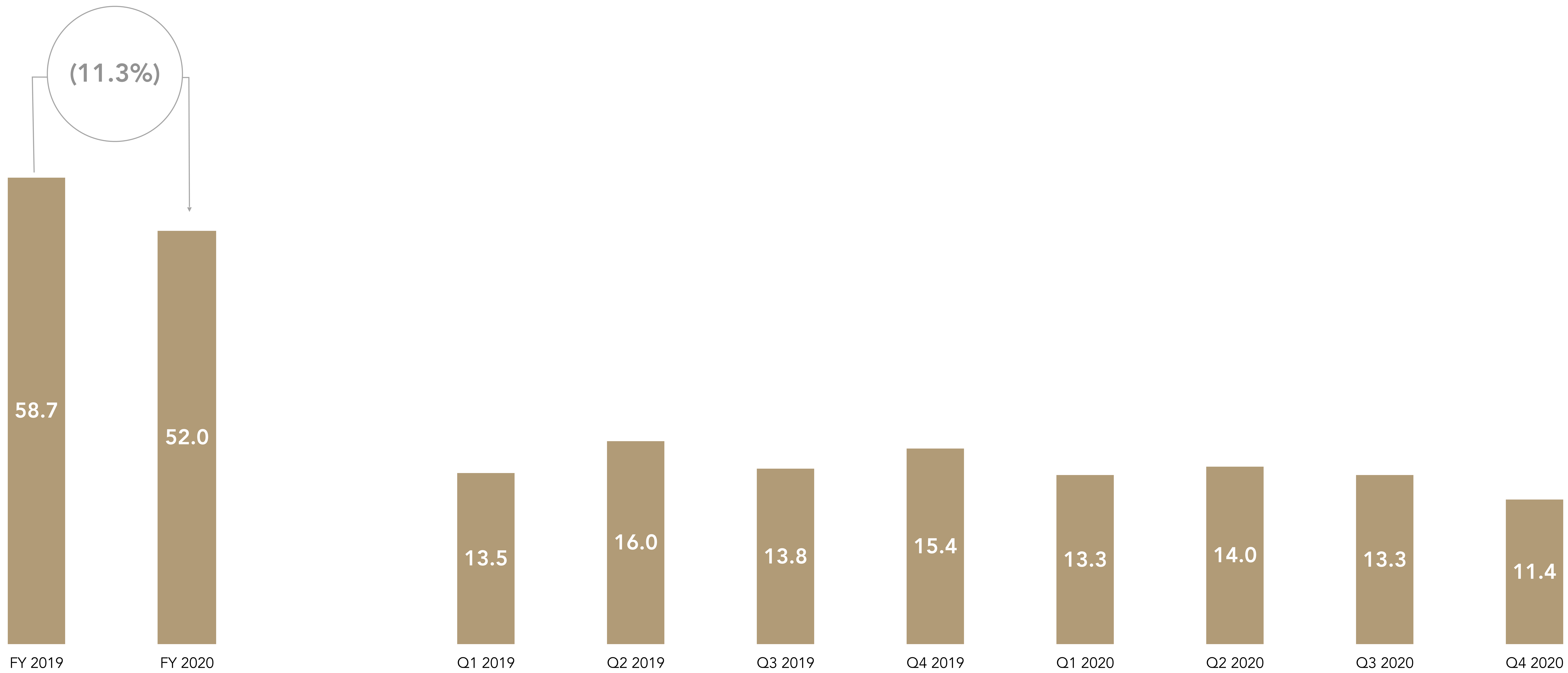
(USD M)



Total Property Income: This includes Rentals, Service Fee and Other Property Income

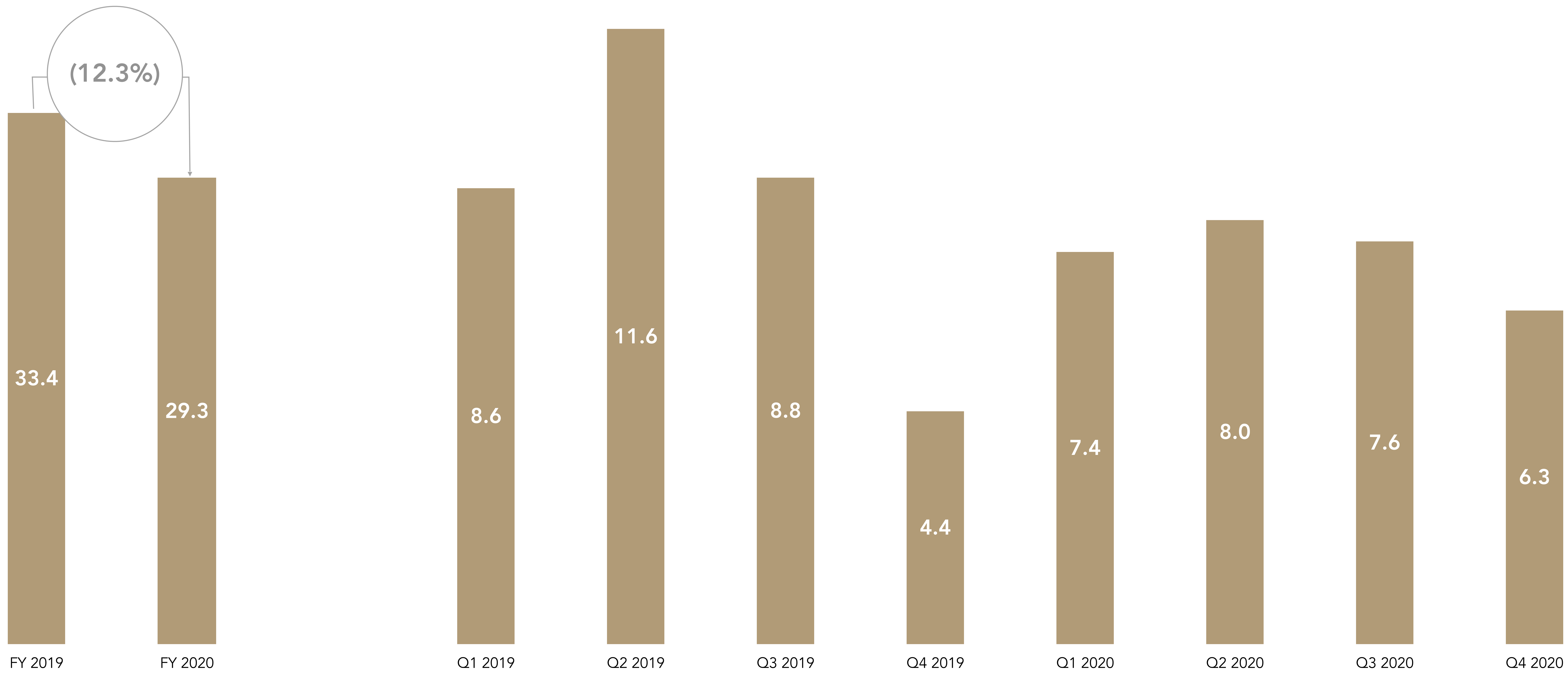
NET PROPERTY INCOME

(USD M)



Net Property Income: Total Property Income less Property Operating Expenses

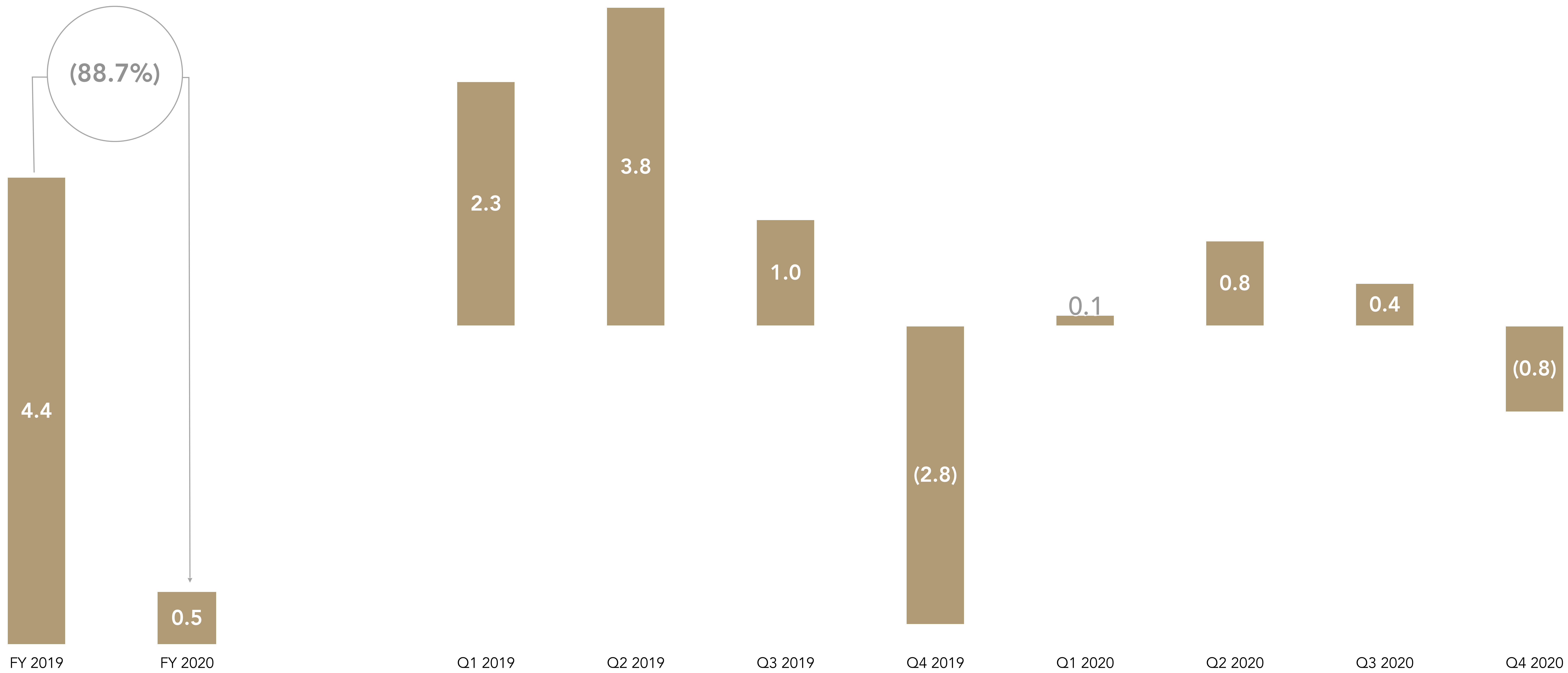
EBITDA
(USD M)



(12.3%)
33.4
29.3
8.6
11.6
8.8
4.4
7.4
8.0
7.6
6.3
FY 2019
FY 2020
Q1 2019
Q2 2019
Q3 2019
Q4 2019
Q1 2020
Q2 2020
Q3 2020
Q4 2020

FFO

(USD M)

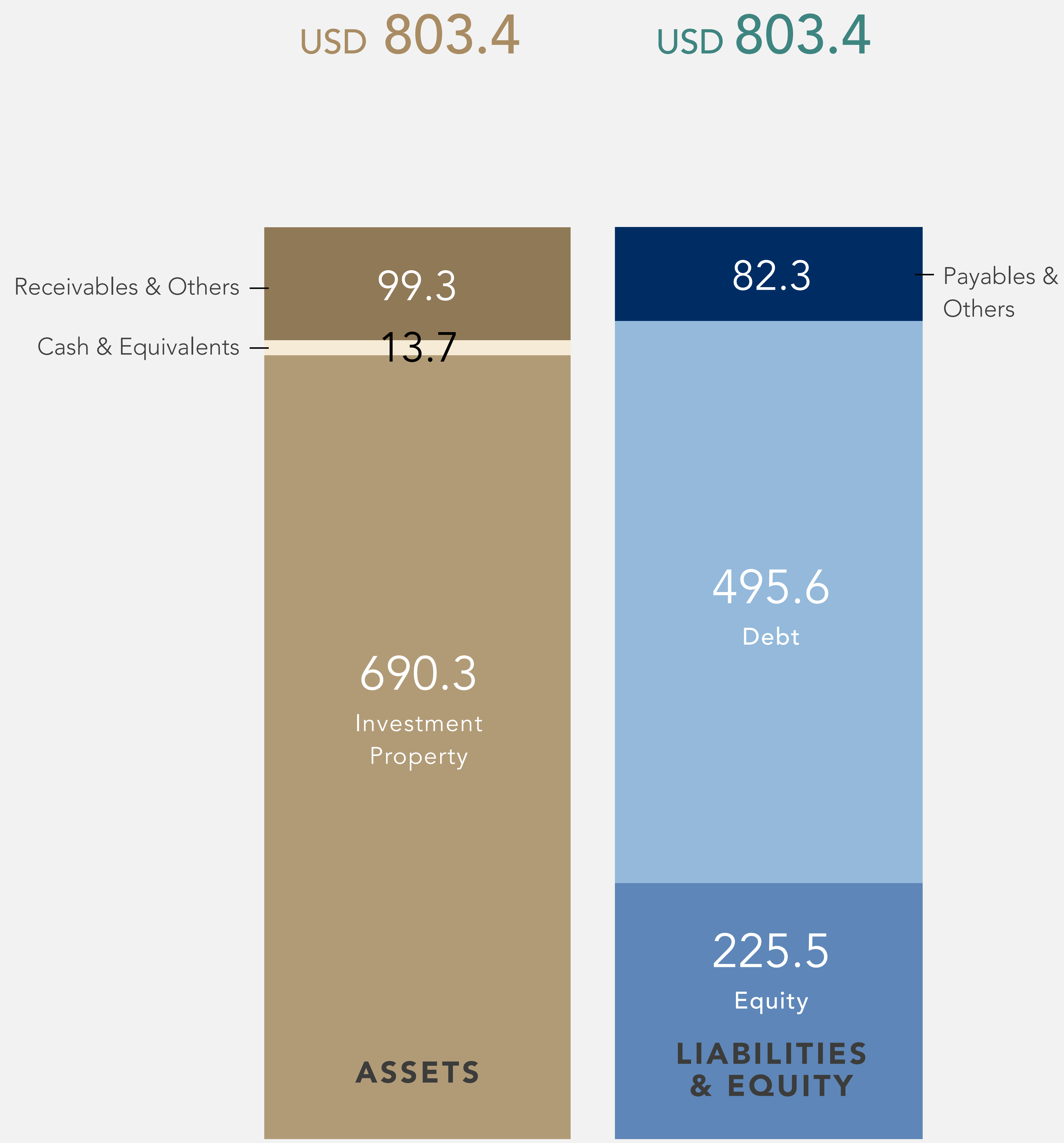

(88.7%)
4.4
0.5
FY 2019
FY 2020
2.3
3.8
1.0
(2.8)
0.1
0.8
0.4
(0.8)
Q1 2019
Q2 2019
Q3 2019
Q4 2019
Q1 2020
Q2 2020
Q3 2020
Q4 2020

BALANCE SHEET OVERVIEW

FY 2020

IN USD M	31 DEC 2020	31 DEC 2019	CHANGE
INVESTMENT PROPERTY	690.3	919.4	(24.9%)
TOTAL ASSETS	803.4	1,058.8	(24.1%)
ISLAMIC FINANCING	495.6	507.4	(2.3%)
TOTAL LIABILITIES	577.9	589.1	(1.9%)
EQUITY	225.5	469.7	(52.0%)
LTV RATIO (%)	61.7%	47.9%	+13.8%
NAV PER SHARE	0.74	1.57	(52.7%)
LIQUIDITY	13.7	48.4	(71.6%)

Includes impact of financing charge as per IFRS 16



31 December 2020

STRATEGIC UPDATES

STRATEGIC REVIEW

HOULIHAN LOKEY

- Houlihan Lokey was engaged on 2 August 2020 to advise on the strategic options for the Emirates REIT's portfolio and on its operational structure
- Equitativa, as manager of the REIT, provided full access to their online system which tracks live the portfolios KPIs (the leases, occupancies, cash flow, valuations etc.). We have been impressed by the technology provided by the platform and the ability to look on a asset by asset basis on granular level
- Over the period of our review the operating environment was particularly challenging because of the Covid-19 pandemic and we observed material improvement in Q1 2021
- The strategic review focused on the Nasdaq Dubai listing and the Sukuk
- Emirates REIT engaged Grant Thornton to look at management fees
- On the following slides, we discuss the outcome of the strategic review

STRATEGIC REVIEW
NASDAQ DUBAI

HOULIHAN LOKEY

- As part of the strategic review, our advisors reviewed the trading volumes of Emirates REIT on the Nasdaq Dubai
- Volume on the exchange is extremely low with only $1.6bn traded value in 2020 of which Emirates REIT represented a significant portion (excluding DP World, which delisted in Jun-20)
- **Emirates REIT accounted for up to 96.8% of trading volumes in recent months (a snapshot of the YTD is provided)**
- The Company is not receiving the value originally envisioned by listing on the Nasdaq Dubai
- The Company is currently deliberating a delisting from the Nasdaq Dubai and potential relisting in another market

EXCHANGE COMPARABLES (INCL. ALL ASSET CLASSES)

ENTITY	LISTED INSTRUMENTS	2020 TRADING VALUE ($BN)	2019 TRADING VALUE ($BN)
Nasdaq Dubai	~150	~1.6bn	~1.6bn
Dubai Financial Market	~180	~17.9bn	~14.5bn
Tadawul	~560	~579.3bn	~238.4bn

TRADING VOLUME ('000S OF SHARES)

ENTITY	JAN-21	FEB-21	MAR-21	APR-21
Al baraka Banking Group	-	-	-	-
BLME Holdings	-	-	-	-
DEPA	53.9	-	27.3	36.6
Emirates REIT	2,341.7	1,822.0	1,539.0	1,726.5
ENBD REIT	675.7	765.0	23.1	243.0
HIKMA Pharmaceuticals	-	-	-	-
Nasdaq	-	-	-	-
Orascom Construction	76.0	248.0	0.1	1.1
TOTAL	3,147.3	2,835.0	1,589.5	2,007.2
Emirates REIT	74.4%	64.3%	96.8%	86.0%
Other (% Total)	25.6%	35.7%	3.2%	14.0%

Emirates REIT accounts for a significant portion of the total equity trading volume of Nasdaq Dubai

STRATEGIC REVIEW
SUKUK

HOULIHAN LOKEY

- It has been a very volatile year with commercial real estate debt markets having a positive underlying tone at the beginning of the year on a fundamental basis
- That tone cracked under extreme strain and forced selling into an illiquid market by many investors given uncertainty around duration of the economic slowdown and shape of the recovery
- A number of borrowers sought forbearance and sought longer term modifications reflecting uncertainty of market recovery
- For Emirates REIT, the sukuk traded as low as $0.40 to $0.62 cents currently
- We believe this reflects market uncertainty around underlying commercial real estate valuations, the unsecured position of the sukuk, and the FITCH downgrade which referenced the prospect of impaired recoveries for sukuk holders in a distressed scenario.

FitchRatings

> "In a distressed scenario, […] we have excluded […] any mortgaged assets. We have applied a 45% discount to reflect a potential decline in the property values. […] The waterfall analysis output percentage is 57%"

Fitch Report: 8 Sep 2020

- The Company is exploring ways to support its sukukholders in this current environment while also ensuring it maintains operational flexibility as the commercial real estate market in Dubai recovers

2021: 20% REDUCTION IN MANAGEMENT FEE

FitchRatings

"REIT manager fees, which at 1.5% of gross asset value appear in line with peers, are based on independent third-party value of properties by CBRE and Atesco, so they remain high relative to lower cash rents received."

Fitch Report: 8 Sep 2020

- The REIT is operating in a very difficult environment, and we have offered short term relief in exchange of longer duration leases to our tenants to support them. We believe this support strengthens the relationship with our tenants while securing the REIT's future cashflows
- The manager is also seeking to support the stakeholders, the REIT sought independent advice from Grant Thornton and Houlihan Lokey in the ways the manager could support the creditors and shareholders of the REIT and considered a number of options

As an exceptional measure to mitigate the impact of COVID on the REIT, Equitativa, the REIT Manager is pleased to announce a reduction of its management fee by 20%, for the last 3 quarters of 2021.

QUESTIONS & ANSWERS

EQUITATIVA
GROUP

THANK YOU

EQUITATIVA
GROUP