



(Constituted in the Republic of Singapore pursuant to a trust deed dated 31 March 2006 (as amended))

**ANNUAL GENERAL MEETING TO BE HELD ON 22 APRIL 2021
DETAILED RESPONSES TO KEY QUESTIONS FROM UNITHOLDERS**

ESR Funds Management (S) Limited, as manager of ESR-REIT (the "**Manager**"), would like to thank ESR-REIT unitholders ("**Unitholders**") for submitting their questions in advance of the Annual General Meeting in respect of the financial year ended 31 December 2020 ("**AGM**") to be held tomorrow morning at 10.00 a.m. The Manager's responses to the key questions from Unitholders can be found in the Appendix to this announcement.

As there was substantial overlap between many of the questions received from Unitholders, we have, for Unitholders' easy reference and reading, summarised some of the questions and also grouped related and similar questions and our responses together.

BY ORDER OF THE BOARD

ESR Funds Management (S) Limited

As Manager of ESR-REIT

(Company Registration No. 200512804G, Capital Markets Services Licence No. 100132)

Adrian Chui

Chief Executive Officer and Executive Director

21 April 2021

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Appendix 1

Question 1:

Do you have any assets with untapped plot ratio that can be maximised in your portfolio?

- There is c.1.0 million sqft of unutilised plot ratio in our portfolio, split between 2 assets - 7000 Ang Mo Kio Avenue 5 and 3 Tuas South Ave 4 at c.500,000 sqft each.
- We have previously announced that we will be undertaking an asset enhancement initiative (“AEI”) to develop a new high-specs building of 270,000 sqft at 7000 Ang Mo Kio Avenue 5 on the site of the existing surface car park. There is remaining 225,000 sqft of space at 7000 Ang Mo Kio Avenue 5 for further development in the future.
- 3 Tuas South Ave 4 is currently tenanted till 2034 and is one of the assets identified for AEI to maximise its plot ratio. We will announce plans for any AEI at the appropriate time.

Question 2:

Are there any plans to rebrand the portfolio to better promote properties and increase occupancy?

- Our two largest business parks, ESR BizPark @ Chai Chee (“BPCC”) (formerly known as Viva Business Park) and ESR BizPark @ Changi (“BPCG”) (formerly known as UE BizHub EAST) have recently undergone an AEI and rebranding exercise. We have also repositioned and converted 30 Marsiling Industrial Road 8 and 19 Tai Seng Ave (Temporary Occupation Permit expected in 3Q2021) from general industrial to high-specs industrial buildings.
- BPCG underwent an AEI to transform the business park into a vibrant self-contained community, with offerings of amenities and improved traffic flow. Workspaces were also reshaped in response to work-from-home arrangements to enhance overall tenant experience. Following the AEI which was completed in 1Q2021, UE BizHub EAST was rebranded as ESR BizPark @ Changi to reinforce its position as ESR-REIT’s flagship property.
- 30 Marsiling Industrial Road 8 was repositioned as high-specs industrial in 2019 and reported a healthy occupancy of 100% as at 31 December 2020. Quality new economy tenants include Aptiv - a global technology solutions company and FormFactor - a Nasdaq listed company and leading provider of essential testing and measurement technologies for semiconductors.

Question 3:

How will the REIT’s performance be impacted should the COVID-19 situation drag on or worsen in Singapore?

- We remain watchful of the evolving COVID-19 situation despite signs of stabilization.
- To date, business operations of most of our tenants have resumed to pre-COVID-19 levels with safe management measures in place and rental collections have been averaging 95% - similar to pre-pandemic levels. In addition, tenants have gradually resumed rental payments that were deferred under the COVID-19 (Temporary Measures) Act 2020.
- As at 31 December 2020, we held an average security deposit of 5.4 months for multi-tenanted buildings and 8.8 months for single tenanted buildings.
- Despite the COVID-19 pandemic, our occupancy and retention rates for FY2020 have remained healthy at c.91.0% and c.85.0%, respectively.
- We also took the opportunity to carry out AEIs (e.g. BPCG) and plan to undertake developments (e.g. 7000 Ang Mo Kio Avenue 5) in order to ensure that our properties remain relevant and future-ready.

Question 4:

What measures have been undertaken to reduce gearing levels and maintain a healthy balance sheet?

- We have successfully refinanced all expiring debt due in 2021 ahead of expiry with no more debt refinancing requirements in 2021.
- Gearing is only one parameter in capital management. Other key parameters that lenders consider when deciding on loan pricing, whether to lend and amount to lend include interest coverage ratio, debt expiry profile, proportion of assets that are unsecured, asset and lease concentration risks, as well as Sponsor’s quality.

- A REIT with low gearing may not necessarily have the best loan terms (in terms of pricing, amount, tenor, early repayment penalties etc) and/or the ability to lever up if the assets are all secured (despite a low Loan-to-Value (“LTV”) ratio)
- ESR-REIT has reduced capital structure risk with a 100% unsecured portfolio, a well spread-out debt maturity profile with weighted average debt expiry of 2.2 years and no more than 33% of debt expiring each year. 89.0% of ESR-REIT’s debt are on fixed interest rates for 2.0 years.
- Despite an average gearing level of c.40% since 2019, we have been able to refinance our debt ahead of expiry and at reduced interest margin – notwithstanding the COVID-19 pandemic – while expanding our network of lending banks and securing committed credit lines for working capital and growth purposes. This is validation of our strong capital structure and balance sheet.

Question 5:

Will the Manager be launching a rights issue? Can the Manager provide justifications for future rights issue as they often have negative impact on share price?

- Equity fund raising is an integral part of capital management of any REIT for operational and growth strategies given that REITs pay out at least 90% of its distributable income. Rights issue is one of the common forms of equity fund raising.
- The key is that the Manager has always been consistent in its approach that should there be an equity fund raising exercise, there will be disclosures of clear use of proceeds, rationale and financial impact analysis which are in line with our business strategies such as pursuing organic growth and/or acquisition opportunities.
- Such rationale and analysis disclosures will take into consideration the impact on our capital structure, growth strategies, returns and portfolio risk for the benefit of our unitholders in the medium to long term.
- In determining the structure of an equity fund raising exercise (e.g. private placement or rights issue or a combination of both), we will take into consideration the size of the equity fund raising, the prevailing market conditions and the costs and financial impact, balanced against the certainty of financing in order to deliver on growth strategies and potential dilution to unitholders’ shareholding if they do not have the opportunity to participate. The availability of financial support from substantial unitholders is crucial to achieving this balance.
- Since ESR Cayman Limited became the Sponsor of ESR-REIT, they have provided financial support/backing to ESR-REIT for all of our equity fund raising.

Question 6:

What is the REIT's strategy to bring up the share price to pre COVID-19 levels?

- The Manager’s strategy is to enhance operational stability and organic growth by ensuring that our portfolio remains relevant and well-positioned for the eventual economic recovery. This can be achieved via active leasing of our properties, AEIs and redevelopment of existing assets, accompanied with divestment of non-core assets to improve portfolio quality.
- We have identified 2 to 3 assets for AEIs to be executed over the next 12 to 18 months, with an average yield on cost of c.7.0% upon stabilisation, thereby actively creating value for our unitholders.
- ESR-REIT has access to our Sponsor’s asset pipeline for overseas acquisition growth. Overseas expansion is important because of:
 - (a) the short land leases of Singapore industrial properties which have a shorter “runway” for growth and require higher yields which has a negative impact on share price.
 - (b) the increasingly competitive environment for quality and freehold assets. Having access to the Sponsor’s pipeline of assets is crucial in ensuring that the portfolio has sustainable growth while reducing overall portfolio risks.
- We also seek to reduce uncertainties in our capital structure, reduce borrowing costs and increase financial flexibility for our operations.
- We have successfully refinanced all expiring debt due in 2021 ahead of expiry with a new S\$320 million unsecured loan facility and have no more debt refinancing requirements in 2021.

Question 7:

If ESR-REIT were to expand overseas via investment in a property fund, how will dividends be paid out and will such dividends be taxed?

- Should ESR-REIT expand overseas via investment in a property fund, any income derived from such overseas investments will be distributed to unitholders, together with the income derived from its Singapore assets. Depending on the jurisdiction in which ESR-REIT's overseas investments are located, the distributions to unitholders in relation to the overseas investments may be in the form of capital distributions and/or tax-exempt distributions, both of which will not be taxable in the hands of unitholders.

Question 8:

What is your growth strategy for 2021 and beyond?

- Organic Strategies
 - (a) We have identified S\$60 million to S\$70 million of AEs to be undertaken over the next 12 to 18 months with average yield on cost expected to be c.7.0% on a stabilised basis.
- Acquisition Strategies
 - (a) We believe that "Size Does Matter" and acquisitions remain an integral part of our portfolio growth strategy.
 - (b) While continuing to remain predominantly Singapore focused with local acquisitions, we will look to expand overseas by tapping into our Sponsor, ESR Cayman's asset pipeline which will provide the REIT with geographical diversification, growing and stable distributions and importantly, address the short land lease issue inherent to industrial land in Singapore.
 - (c) Expanding into countries where our Sponsor has operational footprint allows ESR-REIT to leverage our Sponsor's network and expertise in these countries. The Sponsor's pipeline includes a mix of scalable income-producing and development assets
- Divestments
 - (a) We have divested non-core assets over the last few years, in line with our portfolio reconstitution strategy to improve the quality of our portfolio.
 - (b) We intend to divest up to S\$50 million of non-core assets and use the divestment proceeds to pare down outstanding debt and/or fund asset rejuvenation projects.

Question 9:

As per Note 16, the property rental income has dropped to S\$221.5 million in 2020 from S\$236.7 million in 2019. What are reasons for decline in rental income and what is the REIT manager's strategy to reverse this trend?

- Property rental income in FY2020 was lower than that of FY2019 mainly due to:
 - (a) Lease conversion from single to multi-tenancy for a number of properties as part of our strategy to re-optimize our portfolio and tenant mix; and
 - (b) Non-renewals and downsizing of some leases at lower rental rates on the back of the softer industrial market due to the COVID-19 pandemic.
- As the economy gradually reopens and our AEs are completed, we expect a pick-up in leasing activities and minimal rental rebates (if any) to be provided to our tenants. The key is to ensure that our portfolio remains relevant and well-positioned for the eventual economic recovery and seek to reduce uncertainties in our capital structure and increase financial flexibility for our operations. Please refer to our response to Questions 6.

Question 10:

As per Note 19 (Trust Expenses), there has been significant increase in audit fees, non audit fees, valuation fees and other expenses. Can you provide the reasons for the increase in the above expenses and steps that the Manager will be taking in order to bring down these costs in the future?

- The increase in trust expenses was primarily due to the one-off costs incurred in relation to the proposed merger between ESR-REIT and Sabana Shari'ah Compliant Industrial Real Estate Investment Trust. Such costs included (i) additional audit and non-audit fees paid to the auditors for the review of the financial statements for the periods ended 30 June 2020 and 30 September 2020, as well as for tax advice and due diligence work performed; (ii) valuation fees for an additional

valuation exercise carried out on ESR-REIT's portfolio of properties as at 30 June 2020; (iii) legal and professional fees; and (iv) other expenses such as investor relations related costs.

- On a recurrent basis, the Manager expects the FY2021 trust expenses to be comparable to those of FY2019.

About ESR-REIT

ESR-REIT has been listed on the Singapore Exchange Securities Trading Limited since 25 July 2006.

ESR-REIT invests in quality income-producing industrial properties and as at 31 December 2020 holds interest in a diversified portfolio of 57 properties located across Singapore, with a total gross floor area of approximately 15.1 million square feet and an aggregate property value of S\$3.1 billion¹. The properties are in the following business sectors: Business Park, High-Specs Industrial, Logistics/Warehouse and General Industrial, and are located close to major transportation hubs and key industrial zones island-wide.

The Manager's objective is to provide Unitholders with a stable income stream through the successful implementation of the following strategies:

- Acquisition of value-enhancing properties;
- Proactive asset management;
- Divestment of non-core properties; and
- Prudent capital and risk management.

ESR Funds Management (S) Limited, the Manager of ESR-REIT, is owned by namely, ESR Cayman Limited ("**ESR**") (67.3%), Shanghai Summit Pte. Ltd. (25.0%), and Mitsui & Co., Ltd (7.7%).

For further information on ESR-REIT, please visit www.esr-reit.com.sg.

About the Sponsor, ESR

ESR is the largest APAC focused logistics real estate platform by gross floor area (GFA) and by value of the assets owned directly and by the funds and investment vehicles it manages. Co-founded by its senior management team and Warburg Pincus, ESR and the funds and investment vehicles it manages are backed by some of the world's preeminent investors including APG, SK Holdings, JD.com, CPP Investments, Oxford Properties and PGGM. The ESR platform spans across the People's Republic of China, Japan, South Korea, Singapore, Australia and India. As of 31 December 2020, the fair value of the properties directly held by ESR and the assets under management with respect to the funds and investment vehicles managed by ESR recorded approximately US\$30 billion, and GFA of properties completed and under development as well as GFA to be built on land held for future development comprised over 20 million sqm in total. Listed on the Main Board of The Stock Exchange of Hong Kong Limited in November 2019, ESR is a constituent of the Hang Seng Composite Index and MSCI Hong Kong Index.

For more information on ESR, please visit www.esr.com.

¹ Includes 100% of the valuation of 7000 Ang Mo Kio Avenue 5 and 48 Pandan Road, in which ESR-REIT holds 80% interest in 7000 Ang Mo Kio Avenue 5 and 49% interest in 48 Pandan Road, but excludes the effects arising from the adoption of Financial Reporting Standard (FRS) 116 *Leases* which became effective on 1 January 2019.

Important Notice

The value of units in ESR-REIT (“**Units**”) and the income derived from them may fall as well as rise. Units are not investments or deposits in, or liabilities or obligations, of ESR Funds Management (S) Limited (“**Manager**”), RBC Investor Services Trust Singapore Limited (in its capacity as trustee of ESR-REIT) (“**Trustee**”), or any of their respective related corporations and affiliates (individually and collectively “**Affiliates**”). An investment in Units is subject to equity investment risk, including the possible delays in repayment and loss of income or the principal amount invested. Neither ESR-REIT, the Manager, the Trustee nor any of the Affiliates guarantees the repayment of any principal amount invested, the performance of ESR-REIT, any particular rate of return from investing in ESR-REIT, or any taxation consequences of an investment in ESR-REIT. Any indication of ESR-REIT performance returns is historical and cannot be relied on as an indicator of future performance.

Investors have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that investors may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units. This announcement may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of occupancy or property rental income, changes in operating expenses, governmental and public policy changes and the continued availability of financing in amounts and on terms necessary to support ESR-REIT’s future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager’s current view of future events.

This announcement is for information purposes only and does not have regard to your specific investment objectives, financial situation or your particular needs. Any information contained in this announcement is not to be construed as investment or financial advice and does not constitute an offer or an invitation to invest in ESR-REIT or any investment or product of or to subscribe to any services offered by the Manager, the Trustee or any of the Affiliates.