LIPPO MALLS INDONESIA RETAIL TRUST

(Constituted in the Republic of Singapore pursuant to a Trust Deed dated 8 August 2007 (as amended))

RESPONSE TO SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FROM UNITHOLDERS

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1. The Board of Directors (the **"Board"**) of LMIRT Management Ltd, in its capacity as manager of Lippo Malls Indonesia Retail Trust ("**LMIR Trust**", and as manager of LMIR Trust, the "**Manager**"), refers to:

   (a) the annual report of the LMIR Trust for the financial year ended 31 December 2020 (the "**Annual Report**");

   (b) the notice of annual general meeting ("**AGM**") dated 1 April 2021 informing Unitholders that the twelfth AGM of LMIR Trust will be convened and held by way of electronic means on Wednesday, 21 April 2021 at 10:00 a.m.; and

   (c) the accompanying general announcement released on 1 April 2021 setting out, *inter alia*, the alternative arrangements relating to attendance at the AGM via electronic means.

2. **Response to questions from Unitholders**. The Manager would like to thank Unitholders for submitting substantial and relevant questions in advance of the AGM. As there was substantial overlap between several questions received from Unitholders, the Manager has summarised and grouped these questions accordingly. The Manager's responses are also outlined in "**Annex A"** of this announcement.

By Order of the Board

LMIRT MANAGEMENT LTD.
(As manager of Lippo Malls Indonesia Retail Trust)
(UEN/Company registration number: 200707703M)

Liew Chee Seng James
Executive Director and Chief Executive Officer
20 April 2021

RESPONSE TO QUESTIONS RECEIVED FROM UNITHOLDERS (ANNEX A)

1. **How is the COVID-19 situation in Indonesia now? Is LMIRT still giving tenants rental rebate? If so, how much more rental rebates will be given? I understand that the sponsor owns Matahari and others and is a key tenant of LMIRT. Are we giving rental rebates to the sponsor's companies such as Matahari? How does the Board address conflict of interest issues in such scenario?**
2. **Should supermarkets (which are booming) still be given rental rebates?**

Indonesia reported on 7th April 2021 that the country has seen a steady decline in the number of daily cases and deaths in the past nine weeks, with the number of daily cases dropping by around 70% and fatalities by around 60% in Jakarta since early February. This is the longest decline since the pandemic hit the capital in March 2020. Authorities have cautioned the public to continue to remain vigilant, especially ahead of the Idul Fitri holiday season in May and despite the decline in cases, the Jakarta administration has decided to extend its containment policy, micro-scale mobility restrictions for another two weeks until 3rd week of April.

The Trust has extended both rental and service charges discounts to tenants at a lower average base discount for 1Q 2021, compared to the base discount of 33% in 4Q 2020, given the improving conditions. However, as the pandemic in Indonesia has not yet ended with both shopper traffic and tenant sales yet to recover to pre-Covid levels, the Trust will have to continue to provide rental support to affected tenants although at a reduced rate over the course of 2021.

In addition, the Trust has also extended additional rental reliefs to selected key tenants, both related (including Matahari) and non-related party tenants, to support their business recovery, especially those in the entertainment and education segments which continue to face operating restrictions. The Board ensures that rental support provided to related parties are generally in line with what has been provided to non-related parties taking into consideration factors such as the tenant's contribution to the Trust overall portfolio occupancy, significance of their operations to respective mall's business (such as anchor / non-anchor), retail mix, ability to obtain alternative tenants, etc.

In contrast to supermarkets in Singapore which has benefited from the pandemic with increased sales, the supermarkets located in the Trust's retail malls, continued to suffer declines in sales due to the pandemic. As shoppers need to travel some distance to retail malls in Indonesia, usually via motor vehicles, the outbreak of Covid-19 has made shoppers adopt a more cautious approach with preference to conduct their grocery shopping at convenience stores or smaller standalone supermarkets/ wet markets nearer to their homes. In addition, shopper traffic at the Trust's retail malls has yet to recover back to pre-Covid levels. These negative factors continue to put pressure on the supermarkets operating within the Trust's retail malls with their sales currently at about 70% of pre-Covid levels. In fact, the pandemic has resulted in PT Trans Retail (in which GIC Singapore reportedly investing US$387 million for a 17.4% stake in February 2016), which has 5 outlets within the Trust's portfolio (operating the Carrefour and Transmart Carrefour brands), facing bankruptcy or suspension of debt payment obligation suits by vendors following failure to make payments for supplies. With respect to the Trust's exposure to PT Trans Retail, the Trust has unpaid rental and service charges amounting to about S$2.7 million since the pandemic outbreak in March 2020. The Manager is actively working with the property manager to try to recover the overdue payments. For prudence, the Manager has already provided some doubtful debt allowance for PT Trans Retail's overdue payments within the FY2020 accounts. Other supermarket operators within the Trust's portfolio, including related party Hypermarket, remain current in their rental payments, despite achieving lower sales as explained above. Given the above situation, the Manager believes it is in the best interest of the Trust to continue to provide rental support to supermarkets in their business recovery given their status as anchor tenants and their effect on retail mix within the malls.

3. Is LMIRT still doing forex hedging? I recall we lost quite a lot of money in forex trades. What is LMIRT doing to ensure this does not recur?

The Manager's policy is to hedge up to 80% of the quarterly expected cashflow from Indonesia to Singapore. For FY2020, the Trust achieved S$0.5 million of foreign exchange gains from such hedging contracts put in place. The remaining foreign exchange losses of S$11.0 million realised are mainly due to the need to repatriate existing cash balance from Indonesia back to Singapore to repay the S$75 million EMTN due in June 2020.

Based on Indonesian accounting standards, depreciation of real estate is a mandatory expense of the Indonesia subsidiaries when determining the net profit from operations of an Indonesian subsidiary that would be available for payment as dividends. This effectively traps cash in Indonesia subsidiaries as depreciation is not a cash expense. However, the properties of LMIR Trust are treated as investment properties carried at valuation and hence are not depreciated in LMIR Trust's accounts. Accordingly, such depreciation of real properties is not treated as an expense item when computing Distributable Amount of LMIR Trust for distribution to Unitholders.

Since IPO, a structure has been put in place principally to repatriate the cash trapped or excess cash held by the Indonesia subsidiaries, whereby LMIR Trust subscribes to the RPS issued by the respective Singapore SPCs (the parent companies of the Indonesia subsidiaries), which then extends a corresponding shareholder's loan to the Indonesia subsidiaries at an amount equal to the RPS. Please refer to page 91 of LMIR Trust's Prospectus for details of Distributions structure.

The RPS are mainly denominated in Indonesian Rupiah ("IDR") and recognised in the financial statements of LMIR Trust at historical SGD/IDR exchange rates when the RPS were issued, and some of the RPS were issued since the listing of LMIR Trust in 2007. As IDR has weakened since the RPS were issued, any redemption of RPS at current SGD/IDR exchange rates will likely result in significant realised foreign exchange losses.

Given the impact of Covid-19 on financial markets in mid-2020, LMIR Trust chose to use internal cash resources to repay the S$75 million notes due in June 2020. Such internal cash resources were mainly held in the Indonesia subsidiaries, and subsequently repatriated to LMIR Trust in 2Q 2020 by way of redemption of RPS, which consequently resulted in the foreign exchange losses.

The Manager will continue to adopt a prudent foreign exchange hedging strategy taking into account the potential amount of distributable income and need for funds at the Trust level to meet payment obligations.

4. The dividend is miniscule in recent quarters, due to the distribution being withheld. (likely due to non-payment of perps and low revenue due to rental rebates) When will distribution go back to normal?

5. **The yield at current price is very low, and the risk (implied by gearing levels) is high. How would the current situation attract investors to LMIRT? What is the company doing to change and improve the situation? We need drastic changes. Doing the same thing again and again is silly and would not make a difference.**

   Distributions to unitholders in FY2020 were negatively affected due to the impact of Covid-19 pandemic on the mall operations and rental income received due to rental rebates given to support business recovery.

   As the Covid-19 situation gradually stabilises with most of our tenants able to resume normal operations, we have gradually reduced our rental rebates and discounts but we expect some degree of support would still be required over the course of 2021, especially to tenants hard hit by the pandemic such as the entertainment segment. Nevertheless, the Board's position is to return to the 90% pay-out of distributable income policy as soon as practicable taking into consideration the pace of recovery of the financial performance of the retail malls amid the continued outbreak of the pandemic in Indonesia.

   The prudent and strategic actions taken by the Trust - divestment of two mature assets, strategic acquisition of the iconic Lippo Mall Puri which will provide a steady stream of income with its rental support, a number of fundraising exercises and early refinancing/repayment of our maturing debt obligations, have helped the Trust managed the impact of the effects of Covid-19 and allowed it to continue to make distributions to perp holders and Unitholders.

   Going forward, we will continue to adopt rational and dynamic strategies to focus on strengthening the intrinsic value of our assets and to ensure and maintain operational stability. We are also starting to resume the asset enhancement initiatives of some our assets that were halted in 2020 to manage our operating expenses, which will reinvigorate and optimise the value of these malls to maximise returns to our Unitholders.

6. **There has been a decrease in the fair value of investment properties in the last 2 financial years. Any significant decrease in the fair value of investment properties going forward could put pressure on the gearing level, which I understand currently stands at 41.9%. What plans do you have in place to avoid any deterioration in the gearing level going forward?**

7. **The Gearing level of the group is still high at more than 40% Will there be another rights issue soon?**

   As at 31 December 2019, LMIR Trust's portfolio of investment properties (excluding the two assets – Pejaten Village and Binjai Supermall, that were divested in 2H2020) were valued at Rp17,571.1 billion. Following the outbreak of the Covid-19 pandemic in Indonesia, the Manager conducted a desktop review of the investment properties as at 31 July 2020, which valued the total portfolio (excluding the two divested assets) at Rp15,716.1 billion, a 10.6% decline, reflecting the effects of the Covid-19 pandemic which has impacted mall traffic and rental income due to the extension of rental reliefs and service charge discounts to support tenants' business recovery. Subsequently, as part of the annual review, the investment properties were again revalued as at 31 December 2020 with valuations determined at Rp15,569.0 billion. This reflects only an additional marginal decline of 0.9%, signalling a stabilising portfolio value given the improving operating environment in Indonesia. The Manager will continue to work closely with the property manager to stabilise the mall operations and increase visitor traffic, which will lead to increased tenant sales and consequently an improvement in the portfolio value over a period of time.

We intend to maintain a stable gearing of around 40% or lower, to give us ample debt headroom for yield-accretive opportunities when they arise as well as provide a buffer arising from foreign exchange fluctuations. With the completion of our rights issue as well as our second USD bond offering in 1Q this year, the Trust has adequate liquidity to meet our operational and near-term financing requirements with our next senior debt due only in November 2022. We will nevertheless continue to utilise a range of financing tools, including both debt and equity instruments, to ensure an optimal capital structure suited for our long-term sustainable business

8. As per Note 8, interest expense has increased to S$42.9 million in 2020 from S$37.5 million in 2019. What has caused this increase especially since overall borrowings of the Reit seem to be somewhat similar in both years and also the global financial environment seems to be one of falling interest rates.

9. What plans do you have to reduce finance costs going forward?

The higher interest expenses are mainly due to the refinancing of the $175 million syndicated term loan and $120 million revolving credit facility by an issuance of US$250 million 7.25% Guarantee Senior Notes due in 2021 in June 2019.

In addition, despite the massive injection of liquidity by the global central banks which has pushed down benchmark rates, the interest margin (reflecting credit risk) paid by the Trust has actually increased due to the negative financial impact of the pandemic on the Trust (with Moody's and Fitch rating agencies both downgrading LMIRT's credit rating in FY2020). Consequently, the overall interest expense from the Trust's recent refinancing activities has increased compared to pre-Covid period.

As the Covid-19 situation gradually stabilises with most of our tenants able to resume normal operations and the rental support given is scaled back, the Trust's financial performance and consequently its credit profile will improve, leading to a reduction in interest margin over time. In addition, the Manager will continue to explore various financing options and new banking relationships to strengthen its financial flexibility.

10. Could the company give an insight on what is the achieved Lippo group performance and its impact on company return?

As LMIR Trust (listed in Singapore's SGX) and the Lippo Group Indonesia are two separate and distinct entities, the Manager is not in a position to provide any comments/ insights on Lippo Group performance.

Notwithstanding the above, the Manager wishes to state that the Sponsor, PT Lippo Karawaci Tbk, has fulfilled its payment obligations to LMIR Trust under its master lease agreements and since the listing of LMIR Trust, there has been no incidence of non-payment or default from any rental payment from the Sponsor. In addition, as a demonstration of support for LMIRT Trust, the Sponsor has not requested nor obtained any rental relief under its master lease agreements (unlike all other tenants) during the Covid-19 pandemic.