



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

**EXTRAORDINARY GENERAL MEETING TO BE HELD ON 4 DECEMBER 2020
DETAILED RESPONSES TO KEY QUESTIONS FROM UNITHOLDERS**

ESR Funds Management (S) Limited, as manager of ESR-REIT (the “**ESR-REIT Manager**”), would like to thank the ESR-REIT Unitholders for submitting their questions in advance of the Extraordinary General Meeting in respect of the Merger of ESR-REIT and Sabana Shari’ah Compliant Industrial Real Estate Investment Trust (the “**Sabana REIT**”) to be held by way of electronic means on 4 December 2020 (Friday) at 10.00 a.m. (the “**EGM**”).

Further to the ESR-REIT Manager’s announcements on 20 and 27 November 2020, the ESR-REIT Manager has received further questions from unitholders and set out its responses to the key questions in the Appendix to this announcement. Unitholders should read the responses together with the earlier detailed responses which were uploaded on the SGXNET on 20 and 27 November 2020.

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 and organised them under different topic headings.

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

2 December 2020

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Appendix

Question 1:

When will the distribution payout be back to pre-COVID-19 levels?

We are unable to provide forward-looking projections for ESR-REIT. However, the COVID-19 situation in Singapore has stabilised considerably and most of our tenants have resumed operations with safe management measures in place. ESR-REIT's rental collection levels have remained consistently close to 95% of gross rental income, consistent with 1H2020, as well as pre-COVID-19 levels.

We have no intention to retain any more distributable income than is necessary and may pay out the remaining retained distributable income depending on how the COVID-19 situation pans out. The timeline for S-REITs to distribute at least 90% of their taxable income derived in FY2020 has been extended from 3 months to 12 months after the end of FY2020 to qualify for tax transparency treatment.

Question 2:

How does the acquisition of Sabana REIT benefit ESR-REIT Unitholders?

ESR-REIT Unitholders should refer to the rationale for, and the benefits of, the Merger for the ESR-REIT Unitholders, as stated in the Joint Announcement, the Acquisition Announcement and the Circular, should the Merger successfully complete, which include the following:

- DPU and NAV accretive for the ESR-REIT Unitholders on a historical *pro forma* basis
- Larger asset size solidifies the Enlarged REIT's position as a benchmark developer-backed industrial S-REIT
- Larger market capitalisation and free float, thus increasing the probability of inclusion in key indices which provides access to wider pools of capital, lower cost of funding, higher trading liquidity, increased analyst coverage and a potential positive re-rating of ESR-REIT's unit price
- Improved portfolio diversification and resilience which reduced portfolio risks
- Improved growth outlook from potential operational and cost synergies in leasing and property management, as well as the ability to undertake asset enhancement initiatives (AEIs) and redevelopment opportunities to enhance returns at a lower cost while minimising impact to income during the construction phase
- Continued support of a strong developer-sponsor, the ESR Group, which will provide the Enlarged REIT with a visible pipeline of quality assets and an "on the ground" network across Asia. Being the largest Asia-Pacific focused logistics real estate platform, ESR Group's operating platform, footprint and network can be leveraged by the Enlarged REIT to create a leading Pan-Asian industrial REIT. An Enlarged ESR-REIT will be able to acquire sizeable pipeline assets across different geographical regions without altering the risk profile of ESR-REIT considerably.

Question 3:

Will the Merger improve the weighted average lease expiry ("WALE") of ESR-REIT?

Post-Merger, the WALE (by rental income) of the Enlarged REIT is expected to decline slightly from 3.4 years to 3.3 years on a *pro forma* basis as at 30 June 2020. However, the Enlarged REIT will enjoy greater tenant diversification, reduced tenant concentration, as well as an increase in the weighted average land lease expiry. The total number of tenants is expected to increase by 32.9% from 343 to 456. The total contribution to ESR-REIT's gross rental income from the top 10 tenants will be reduced from 31% to 25% on a *pro forma* basis as at 30 June 2020, with no single tenant accounting for more than 4.1% of the Enlarged REIT's gross rental income. The weighted average land lease expiry of the Enlarged REIT is also expected to improve from 31.9 years to 32.2 years¹ on a *pro forma* basis as at 30 June 2020.

¹ Weighted by valuation as at 30 June 2020. For ESR-REIT, the valuations are adjusted to account for 80% of the valuation of 7000 Ang Mo Kio Avenue 5 in which ESR-REIT holds 80% interest and 49% of the valuation of 48 Pandan Road in which ESR-REIT holds 49% interest.

Question 4:

Will there be an increase in management fees and dilution of NAV/NTA post-Merger?

There will not be any change in the fee structure of the Enlarged REIT post-Merger. Sabana REIT's fee structures for asset management, property management and trustee fees will be aligned with the fee structures of ESR-REIT. Post-Merger, the amount of base management fee which is computed as 0.5% per annum of the value of the Deposited Property will increase due to the larger portfolio size of the Enlarged REIT.

Assuming the Merger had been completed on 30 June 2020, the *pro forma* NAV and NTA per ESR-REIT Unit as at 30 June 2020 would have increased from 41.0 Singapore cents to 43.2 Singapore cents, representing an accretion of 5.2%.

Question 5:

The revised indicative timeline didn't indicate the expected payment date for the clean-up distribution. Please indicate it for unitholders' information.

Assuming the completion of the Scheme, the clean-up distribution accruing up to the day before the Effective Date will be declared in favour of existing ESR-REIT Unitholders. Based on the Indicative Timetable in the Circular, assuming the Effective Date is 31 December 2020, the books closure date for determining the ESR-REIT Unitholders' entitlement to the clean-up distribution is expected to fall on 30 December 2020. As this is also the end of the financial year for ESR-REIT, more time would be required to prepare the unaudited full year financial statements for the financial year ending 31 December 2020. In line with ESR-REIT's past practices for the payment of its distribution for the fourth quarter, the payment of the clean-up distribution is currently expected to be made in March 2021.

Please note that the timetable for the events which are scheduled to take place after the EGM and the Scheme Meeting is indicative only and may be subject to change. Please refer to future SGXNET announcement(s) by the ESR-REIT Manager for the exact dates of these events.

Question 6:

If Sabana REIT releases all the retention monies but ESR-REIT does not, how does the ESR-REIT Manager ensure that the retained distributable income of ESR-REIT is not unfairly shared by all Enlarged REIT Unitholders including Sabana REIT's converted unitholders? Will all the retained distributable income be distributed to the ESR-REIT Unitholders pre-Merger?

Assuming the completion of the Scheme, the clean-up distribution accruing up to the day before the Effective Date will be declared in favour of existing ESR-REIT Unitholders. The clean-up distribution will include (i) the distribution in respect of the period from 1 October 2020 up to the day immediately before the Effective Date; and (ii) to the extent unutilised, the remaining S\$3.5 million of distributable income from 1Q2020 which was previously retained for prudent cashflow management in view of uncertainties arising from the COVID-19 pandemic.

Question 7:

Has the ESR-REIT Manager addressed the concerns of Sabana REIT's minority unitholders?

The Sabana Manager will be in a better position to address the concerns of Sabana REIT's minority unitholders.

Question 8:

What is the long term outlook if ESR-REIT is to merge vs. not to merge?

We believe a larger and more resilient REIT will be better able to navigate property cycles and crises, and be better positioned to capitalise on attractive growth opportunities when they arise. We would like to reiterate that Size Does Matter for REITs and having a larger sized REIT with the benefits highlighted in the Joint Announcement, the Acquisition Announcement and the Circular has become even more pertinent amid the challenges brought about by the COVID-19 pandemic.

While the Merger is expected to immediately enhance ESR-REIT's overall position and scale, if ESR-REIT Unitholders do not approve the Merger, we will continue to evaluate growth opportunities both organically and through acquisitions locally and overseas to grow and diversify ESR-REIT's portfolio.

We will also continue to have access to various pools of capital and have the support of our developer-sponsor, ESR Group, including access to its US\$26 billion Pan-Asian asset pipeline.

Question 9:

How are the proposed 989.9 million new ESR-REIT Units as the aggregate Scheme Consideration derived to be issued to Sabana Unitholders?

The Scheme Consideration payable to the Sabana Unitholders will be satisfied in full by way of issuance of new ESR-REIT Units and each Sabana Unitholder will be entitled to 0.940 Consideration Unit for each Sabana Unit held as at the Books Closure Date. Hence, based on an aggregate of 1,053,083,530 Sabana Units in issue as at the date of the Joint Announcement and the gross exchange ratio of 0.940x, this translates to a total of approximately 989.9 million Consideration Units.

The Consideration Units will be credited by CDP to the respective Securities Account(s) of the Sabana Unitholders. Based on the Indicative Timetable in the Circular, the expected date for the allotment and issue of the Consideration Units is 5 January 2021, and the expected date for commencement of trading of the Consideration Units is 6 January 2021.

Please note that the timetable for the events which are scheduled to take place after the EGM and the Scheme Meeting is indicative only and may be subject to change. Please refer to future SGXNET announcement(s) by the ESR-REIT Manager for the exact dates of these events.

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 30 June 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 billion². 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, OMERS, PGGM and Ping An. The ESR platform spans across the People's Republic of China, Japan, South Korea, Singapore, Australia and India. As of 30 June 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\$26.5 billion, and GFA of properties completed and under development as well as GFA to be built on land held for future development comprised 18.7 million sqm in total. ESR has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 1 November 2019.

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

² 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 (the “ESR-REIT 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 ESR-REIT 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 ESR-REIT 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 ESR-REIT 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 ESR-REIT Manager, the Trustee or any of the Affiliates.

Responsibility Statement

The directors of the ESR-REIT Manager (including those who may have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and opinions expressed in this announcement (other than those relating to Sabana REIT and/or the Sabana Manager) are fair and accurate and that there are no other material facts not contained in this announcement, the omission of which would make any statement in this announcement misleading. The directors of the ESR-REIT Manager jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources or obtained from a named source (including Sabana REIT and/or the Sabana Manager), the sole responsibility of the directors of the ESR-REIT Manager has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this announcement. The directors of the ESR-REIT Manager do not accept any responsibility for any information relating to Sabana REIT and/or the Sabana Manager or any opinion expressed by Sabana REIT and/or the Sabana Manager.