



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

ANNOUNCEMENT

1. INTRODUCTION

ESR Funds Management (S) Limited, as the manager of ESR-REIT (the "**Manager**"), refers to the article published by Bloomberg on 26 January 2018 entitled "Warburg-Backed ESR-REIT is said to plan Viva Industrial Merger" and the announcement dated 29 January 2018 by Viva Industrial Trust Management Pte. Ltd., as manager of Viva Industrial Real Estate Investment Trust ("**VI-REIT**", and the manager of VI-REIT, the "**VI-REIT Manager**"), and Viva Asset Management Pte. Ltd., as trustee-manager of Viva Industrial Business Trust ("**VI-BT**" and collectively with VI-REIT, the stapled group, Viva Industrial Trust or "**VIT**", and the trustee-manager of VI-BT, the "**VI-BT Trustee-Manager**", and collectively with the VI-REIT Manager, the "**VIT Managers**").

The Manager wishes to announce that it has submitted a proposal (the "**Proposal**") for the proposed merger of all the issued and paid-up stapled securities (the "**Stapled Securities**") of VIT held by the stapled securityholders of VIT (the "**Stapled Securityholders**") and the units in ESR-REIT held by the unitholders (the "**Proposed Merger**").

The Proposal contemplates that:

- (a) the Proposed Merger will be effected through the acquisition by ESR-REIT of all the Stapled Securities held by the Stapled Securityholders by way of a trust scheme of arrangement (the "**Scheme**") in accordance with the Singapore Code on Take-overs and Mergers; and
- (b) the consideration under the Scheme for the Stapled Securities will be satisfied by the allotment and issue by ESR-REIT of new ESR-REIT units to the Stapled Securityholders.

2. RATIONALE FOR THE PROPOSAL

2.1 Creating a Diversified, Sizeable and Liquid Pan-Asia Industrial REIT Listed on SGX-ST Backed by a Developer Sponsor, ESR

The Proposed Merger is part of ESR-REIT's strategy to create a diversified, sizeable and liquid Pan-Asia developer-backed Singapore-based industrial property REIT with greater financial strength, larger market capitalisation and higher liquidity, which is able to leverage on its sponsor's network and visible pipeline of regional assets, and clear alignment of interests between unitholders, sponsor and the REIT manager. The objective is to create a sizeable and liquid industrial REIT with an Asian footprint well supported by a developer sponsor financially and across the real estate value chain. ESR-REIT believes such a REIT will have cost of capital and stable growth advantages for the benefit of all unitholders.

2.2 **Combination of Complementary Portfolio to Potentially Create Fourth Largest Industrial S-REIT¹**

The Proposed Merger will enable the combination of complementary and high quality portfolio of properties, enhancing the quantity and depth of the enlarged ESR-REIT's portfolio. Post the Proposed Merger, the enlarged ESR-REIT is expected to become the fourth largest industrial S-REIT, with its overall asset size increasing to approximately S\$3.0 billion.

2.3 **Larger Size and Increased Liquidity Provides Resilience, Diversification and Cost of Capital Benefits for Unitholders**

A larger and more liquid ESR-REIT will provide diversification benefits and resilience to the enlarged ESR-REIT's portfolio as well as property management efficiencies, supporting its future growth. An enlarged ESR-REIT will also benefit from a significant increase in market capitalisation, trading liquidity, investor coverage and potential index inclusion. With a larger asset size, better asset class diversification, larger market capitalisation and higher liquidity, ESR-REIT could potentially enjoy a positive re-rating on its unit price and benefit from longer debt tenors at lower margins, as well as better access to alternative funds and pools of capital, resulting in improved cost of capital.

ESR-REIT enjoys strong banking support, reflected by the fact that all of ESR-REIT's debt is on an unsecured basis with competitive margins. In addition, ESR-REIT has been able to diversify its pools of capital across debt and equity capital markets, as well as the perpetual securities market. The Manager believes that the Stapled Securityholders will be able to benefit from ESR-REIT's competitive cost of debt and banking relationships.

2.4 **Strong and Committed Developer Sponsor with Visible Pipeline of Regional Assets and Pan-Asian Footprint**

VIT and its Stapled Securityholders will additionally benefit from being backed by a strong and committed developer sponsor in the ESR group, a leading "pure-play" Pan-Asian logistics real estate developer, operator and fund manager platform. Co-founded by Warburg Pincus and backed by blue-chip institutional investors including APG, CPPIB, Goldman Sachs, Morgan Stanley AIP, PGGM, Ping An, SK Holdings, State Street Global Advisors and Stepstone, the ESR group has an AuM (asset under management) of over US\$10 billion and approximately 10.2 million square metres of projects owned and under development across China, Japan, Singapore, South Korea and India, with capital and funds management offices in Hong Kong and Singapore. The ESR group has a stake of approximately 80% in the Manager and is ESR-REIT's second largest unitholder. To demonstrate its support for ESR-REIT, ESR group has undertaken to back stop up to S\$125.0 million in the proposed equity fund raising by ESR-REIT (as per the announcement dated 14 December 2017), if it is undertaken via a preferential offering. As part of the sponsor group, ESR-REIT may have opportunities in respect of the ESR group's visible pipeline of regional assets, comprising approximately 10.2 million square metres of income producing and under-development projects across China, Japan, Singapore, South Korea and India, positioning it for future scalable growth and overseas expansion where the ESR group has a presence. ESR-REIT is also able to leverage off the ESR group's strong network of strategic relationships with leading global e-commerce companies, retailers, logistic service providers and manufacturers, in order to enhance its tenant quality and diversify its tenant base. Given that ESR-REIT is required to distribute at least 90% of its taxable income annually to unitholders in order to enjoy tax transparency treatment, the backing of the developer sponsor is important in allowing the REIT to grow.

¹ Based on total asset size.

3 EXCLUSIVITY AND FINANCIAL ADVISERS

The Manager is currently in exclusive discussions with the VIT Managers. The exclusivity will expire on the earlier of (a) the date of execution of a definitive implementation agreement between the parties in relation to the Scheme, and (b) 31 March 2018 (or such other date as the VIT Managers and the Manager may agree in writing).

Citigroup Global Markets Singapore Pte. Ltd., RHB Securities Singapore Pte. Ltd. and United Overseas Bank Limited are the financial advisers to the Manager in respect of the Proposed Merger and the Scheme.

The Manager wishes to emphasise that there is no certainty or assurance that any definitive agreements will be entered into or that any transaction will materialise from the current discussions. The Manager will make any relevant announcement in compliance with the requirements of the Listing Manual of the Singapore Exchange Securities Trading Limited in the event that any transaction materialises.

In the meantime, unitholders of ESR-REIT should exercise caution when dealing in the units of ESR-REIT. They should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

ESR Funds Management (S) Limited
as Manager of ESR-REIT
(Company Registration No. 200512804G, Capital Markets Services Licence No. 100132-5)

Adrian Chui
Chief Executive Officer and Executive Director

29 January 2018

Any inquiries relating to this Announcement should be directed during office hours to:

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The directors of the 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 VIT and/or the VIT Managers) 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.

Where any information has been extracted or reproduced from published or otherwise publicly available sources or obtained from VIT and/or the VIT Managers, the sole responsibility of the directors of the 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 Manager jointly and severally accept responsibility accordingly.

About ESR-REIT

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

ESR-REIT invests in quality income-producing industrial properties and as at 31 December 2017 has a diversified portfolio of 48 properties located across Singapore, with a total gross floor area of approximately 9.9 million sq ft and a property value of S\$1.68 billion². The properties are in the following business sectors: Logistics/ Warehouse, Hi-Specs Industrial, Light Industrial, General Industrial and Business Parks, 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 and secure income stream through the successful implementation of the following strategies:

- Acquisition of value-enhancing properties;
- Pro-active 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 two stakeholders, namely, ESR Cayman Limited ("ESR") (indirectly c.80 percent) and Mitsui & Co., Ltd ("Mitsui") (20 percent):

- Headquartered in Hong Kong, ESR is one of the leading "pure-play" pan-Asia logistics real estate platforms, focusing on developing and managing institutional-quality logistics facilities that cater to third-party logistics ("3PLs") providers, e-commerce companies, bricks-and-mortar retailers, cold-chain logistics providers and industrial companies. Co-founded by Warburg Pincus and backed by some of the world's preeminent investors including APG, CPPIB, Goldman Sachs, Morgan Stanley AIP, PGGM, Ping An, SK Holdings, State Street Global Advisors and Stepstone, ESR's platform represents one of the largest in the Asia-Pacific region managing approximately 10.2 million square metres of projects owned and under development across China, Japan, Singapore, South Korea and India, with capital and funds management offices in Hong Kong and Singapore. Its current assets under management stands at over US\$10 billion.
- Mitsui is one of the largest corporate conglomerates in Japan and listed on the Tokyo Stock Exchange. It is one of the largest publicly traded companies in the world. Mitsui also developed the Japan Logistics Fund Inc., a publicly listed REIT in Japan dedicated to investing in distribution facilities.

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

² Includes valuation of 7000 Ang Mo Kio Avenue 5 on a 100% basis, in line with accounting policy.

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 (including employee wages, benefits and training costs), governmental and public policy changes and the continued availability of financing in amounts and on terms necessary to support future ESR-REIT 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 informational 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.