



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

**EXTRAORDINARY GENERAL MEETING TO BE HELD ON 26 JULY 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 Extraordinary General Meeting to be held on 26 July 2021 at 10.00 a.m. The Manager’s responses to the key questions from Unitholders can be found in the Appendix to this announcement.

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

23 July 2021

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Appendix

Question 1

Why is the Manager proposing a Whitewash Resolution?

- The proposed Whitewash Resolution is to enable the Sponsor, ESR Cayman Limited, to backstop the Preferential Offering (“**PO**”) which entails the subscription by the Sponsor Relevant Entities of the Preferential Offering Units in accordance with the terms of the Sponsor Irrevocable Undertaking.
- The Sponsor Irrevocable Undertaking demonstrates ESR Cayman Limited’s support for and confidence in the PO (and the proposed use of proceeds) and its long-term commitment to ESR-REIT and Unitholders, as well as aligns the interests of the Sponsor with those of other Unitholders. The Sponsor Irrevocable Undertaking also provides certainty of funding and saves underwriting fees for ESR-REIT. The Sponsor has no intention to make a mandatory offer.
- Rule 14.1(b) of the Singapore Code on Take-Over and Mergers states that the Concert Party Group (which includes the Sponsor Relevant Entities) would be required to make a Mandatory Offer, if the Concert Party Group holds not less than 30.0% but not more than 50.0% of the voting rights of ESR-REIT and the Concert Party Group acquires in any period of six months additional Units which carry more than 1.0% of the voting rights of ESR-REIT.
If the Concert Party Group’s percentage Unitholding after the PO increases by more than 1.0% as a result of any allocation further to the application by the Sponsor Relevant Entities for the Preferential Offering Units, the Concert Party Group would then be required to make a Mandatory Offer unless waived by the SIC.
There may be a situation where the Concert Party Group’s percentage Unitholding will increase by more than 1.0% depending on the subscription level and allocation of the New Units pursuant to the PO which will result in an obligation to make a Mandatory Offer.
Accordingly, as required by the SIC Waiver, the Manager proposes to seek approval from the Independent Unitholders for a waiver of their right to receive a Mandatory Offer from the Concert Party Group, in the event that they incur an obligation to make a Mandatory Offer as a result of the subscription by the Sponsor Relevant Entities of the Allotted Preferential Offering Units and Excess Preferential Offering Units in accordance with the terms of the Sponsor Irrevocable Undertaking.
- Please refer to the Circular to Unitholders in relation to the Proposed Whitewash Resolution dated 2 July 2021 (the “**Circular**”) for further details.

Question 2

Are the announced acquisitions of 46A Tanjong Penjuru (“Singapore Acquisition”) and 10% interest in ESR Australia Logistics Partnership (“Australia Acquisition”), and the asset enhancement initiatives DPU accretive and value enhancing?

- As announced on 6 May 2021, the DPU accretions for the Singapore Acquisition (which is partially funded by proceeds raised from the Equity Fund Raising) and the Australia Acquisition (which is fully funded by debt) on a standalone pro forma historical basis for FY2020 are 0.4% and 2.9% respectively. Please refer to paragraph 2.1(i) of the Circular for further details.
- The Equity Fund Raising and the Transactions¹ are expected to be 0.9% DPU accretive on a pro forma historical basis² for FY2020. Please refer to paragraph 2.2 of the Circular for further details on the financial effects of the Equity Fund Raising and the Transactions.

¹ “Transactions” means the Debt Repayment, the Australia Acquisition, the Singapore Acquisition, and the Asset Enhancement Initiatives.

² Assumes the Equity Fund Raising and the Transactions had been completed on 1 January 2020, and ESR-REIT had held the Property pursuant to the Singapore Acquisition and the Sale Units pursuant to the Australia Acquisition through to 31 December 2020.

Question 3

What is the timeline for completion of the asset enhancement initiatives (“AEI”) at 7000 Ang Mo Kio Avenue 5 (“7000 AMK”) and 16 Tai Seng Street (“16 TSS”)?

- The AEI at 7000AMK is expected to commence in 3Q2021 and targeted to be completed in 4Q2023.
- The AEI at 16 TSS is expected to commence in 4Q2021 and targeted to be completed in 4Q2022.

Question 4:

Will there be a loss of income from 7000 AMK and 16 TSS during the course of the AEI?

- The scope of work at 7000 AMK includes the development of a new building on what is currently an open-air carpark. 7000 AMK currently comprises a 6-storey production block and a 5-storey office block, which will continue to be operational during the course of the AEI.
- The scope of work at 16 TSS includes adding an additional floor to the existing building. 16 TSS is currently a 5-storey building and tenants located on the 5th floor will be affected by the construction of the new 6th floor. We may relocate these tenants to other suitable spaces within our portfolio. Affected tenants contribute approximately 0.2% of portfolio rental income.
- The Manager may resume distribution of capital gains to minimize the impact from loss of income due to the closing down of the premises, relocation of existing tenants and/or for incentives to secure quality tenants during the construction period.

Question 5:

When will the Singapore Acquisition and the Australia Acquisition start contributing income to ESR-REIT?

- The Singapore Acquisition was completed on 29 June 2021 and started contributing income on 30 June 2021.
- The Australia Acquisition was completed on 14 May 2021. ESR-REIT is entitled to its share of the distributable income of the Australia Acquisition from 14 May 2021. There is however a time lag of one financial quarter for the income to be repatriated to ESR-REIT. Hence, the income for the period from 14 May 2021 to 30 June 2021 will only be recognised in 3Q2021.

Question 6:

Does the Manager have any strategy to ensure Unit price stability?

- Our objective is to ensure growing and stable distributions while minimizing portfolio and capital risks.
- We plan to achieve this by executing our three-pronged strategy of
 - Organic growth: Maintaining operational stability by improving leasing prospects and rental reversions while managing expenses, undertaking AEIs and/or redevelopment of existing properties to ensure that the assets remain relevant and are future-ready for industrialists’ use
 - Acquisition growth: Acquiring value adding properties to increase DPU, reducing overall portfolio risks and/or extending ESR-REIT’s underlying land lease tenor while achieving economies of scale
 - Capital management: Minimizing refinancing and/or funding risks while balancing overall costs and ensuring continued access to funding

Question 7:

What is ESR-REIT's growth strategy?

- **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 Limited's asset pipeline which will provide ESR-REIT with geographical diversification, growing and stable distributions and importantly, will 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.
- **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 have recently divested two non-core assets – 3C Toh Guan Road East and 11 Serangoon North Avenue 5, at a 5.0% premium to their aggregate fair value.

Question 8:

Do we expect to see more overseas acquisitions underpinning ESR-REIT's growth and in which sector?

- Overseas acquisitions are an integral part of ESR-REIT's growth strategies for DPU growth, to diversify its portfolio risks and to address the underlying short land lease issue inherent in Singapore industrial assets.
- Expansion overseas will be in jurisdictions where our Sponsor, ESR Cayman Limited, has operational footprint; with greater emphasis on developed countries.
- ESR Cayman Limited has AuM of c.US\$30 billion and is the largest APAC focused logistics real estate platform by gross floor area and by value of the assets owned directly and by the funds and investment vehicles it manages.
- Accordingly, ESR-REIT's portfolio mix may pivot towards being logistics focused. Since 2018, the majority of acquisitions made by ESR-REIT have been in the modern, ramp-up logistics assets class. For example, 15 Greenwich Drive, 48 Pandan Road and the recently acquired 46A Tanjong Penjuru.
- We see the demand for logistics assets being sustainable in the long run as business trades and consumption patterns change.

Question 9:

Do you intend to issue Perpetuals ("PERPs")?

- We are always exploring alternative pools of capital for our funding needs and will assess the viability of these instruments based on costs, tenor, flexibility of terms and conditions, and market demand amongst other factors.
- A key consideration is the sustainability of the financing instrument as a long-term funding source.
- PERPs are a viable source of financing and ESR-REIT has outstanding PERPs. We will utilise PERPs when we believe it is in the interest of the capital structure to do so.
- ESR-REIT currently has strong support from the banking and bond markets for our funding requirements.

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 2021 holds interest in a diversified portfolio of 58 properties located across Singapore, with a total gross floor area of approximately 15.6 million square feet and an aggregate property value of S\$3.2 billion³. 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. ESR-REIT also holds a 10.0% interest in ESR Australia Logistics Partnership, a private fund comprising 37 predominantly freehold logistics properties all located in Australia.

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. ESR and the funds and investment vehicles it manages are backed by some of the world's preeminent investors including APG, CPP Investments, JD.com, Oxford Properties, PGGM and SK Holdings. The ESR platform spans major economies across the APAC region, including the People's Republic of China, Japan, South Korea, Singapore, Australia, India and Vietnam. 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 FTSE Global Equity Index Series (Large Cap), Hang Seng Composite Index and MSCI Hong Kong Index.

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

³ 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.