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

**PROPOSED MERGER OF ESR-REIT AND ARA LOGOS LOGISTICS TRUST BY WAY OF A TRUST SCHEME OF ARRANGEMENT**

**FREQUENTLY ASKED QUESTIONS**

ESR Funds Management (S) Limited, as manager of ESR-REIT (the "**Manager**"), has prepared a list of frequently asked questions in relation to the proposed merger of ESR-REIT and ARA LOGOS Logistics Trust ("**ALOG**"). The Manager's responses to key questions can be found in the Appendix to this announcement.

Unless otherwise defined herein, all capitalised terms have the meaning ascribed to them in the announcements titled "Proposed Merger of ESR-REIT and ARA LOGOS Logistics Trust by way of a Trust Scheme of Arrangement" dated 15 October 2021 and "Proposed Merger of ESR-REIT and ARA LOGOS Logistics Trust by way of a Trust Scheme of Arrangement – Revision of Scheme Consideration" dated 22 January 2022.

**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
9 February 2022

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***Responsibility Statement***

*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 ALOG and/or the manager of ALOG (the "**ALOG 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 Manager jointly and severally accept responsibility accordingly.*

*Where any information has been extracted or reproduced from published or otherwise publicly available sources (including the ARA Acquisition Announcement) or obtained from a named source (including ALOG and/or the ALOG Manager), 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 do not accept any responsibility for any information relating to ALOG and/or the ALOG Manager or any opinion expressed by ALOG and/or the ALOG Manager.*

***Forward-Looking Statements***

*All statements other than statements of historical facts included in this Announcement are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as "seek", "expect", "anticipate", "estimate", "believe", "intend", "project", "plan", "strategy", "forecast" and similar expressions or future or conditional verbs such as "will", "would", "should", "could", "may" and "might". 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 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, and the Manager does not undertake any obligation to update publicly or revise any forward-looking statements.*

## Appendix

### Question 1:
### What is the rationale for the revised Scheme Consideration?

**(a) Growth of ESR-REIT and ALOG likely to be negatively impacted if conflicts of interest arising between ESR-REIT and ALOG from a common sponsor are not resolved**

- Following completion of the Proposed ARA Acquisition on 20 January 2022, the ESR Group is now an indirect majority controlling shareholder of the LOGOS Group.
- Both ESR-REIT and ALOG share a common sponsor, and have overlapping mandates in relation to asset pipeline, tenant and operational network, and financial resources.
- Conflicts of interest will inevitably arise which may negatively impact both REITs' growth potential as ESR-REIT and ALOG will have to compete for new assets and financial resources from the ESR Group. Such conflicts of interest will also result in uncertainties arising from the type and amount of asset pipeline tenant and operational network and financial resources and to be provided by the Sponsor (collectively, the "**Sponsor Resources**").
- As such, the growth potential of both ESR-REIT and ALOG is likely to be negatively impacted if the conflicts of interest are not resolved and each REIT remains as a standalone sub-scale REIT with higher cost of capital and lower trading liquidity.
- The Merger will address the issue of overlapping mandates and potential conflicts, safeguard the interests of ESR-REIT Unitholders and ALOG Unitholders and allow better economies of scale.
- The enlarged ESR-REIT, to be renamed ESR-LOGOS REIT, will enjoy access to the Sponsor's New Economy pipeline of more than US$59 billion[1], development work-in-progress of over US$10 billion and a development pipeline of over 9 million square metres across 10 countries[2], in addition to the committed financial and operational support from the Sponsor.
- If the Merger is not successful, the ESR Group could resolve the conflicts of interest by (i) selling the manager of either ESR-REIT or ALOG to a third party, and in such an instance, the manager, and by reference the REIT, that is sold will not be able to leverage the ESR Group's asset pipelines, tenant and operational network and financial resources, or (ii) the divestment of either REIT's portfolio of assets, some of which are under non-sale moratoriums imposed by JTC Corporation. It is the Manager's opinion that either of such options is not in the interests of either REIT's unitholders as it would curtail such REIT's growth prospects which may result in either REIT losing its current premium to net asset value ("**NAV**") pricing.
- In addition, a sale of the Manager which results in the Manager ceasing to be a subsidiary (whether directly or indirectly) of the Sponsor, will trigger the change in control provisions in ESR-REIT's existing debt facilities of an aggregate outstanding principal amount of approximately S$1.29 billion. Any potential buyer of the Manager is likely required to obtain debt financing to replace such existing debt facilities, and there is no guarantee that the new financing terms will be more favourable than ESR-REIT's current financing terms. Such change in control provisions are common in S-REIT debt facilities given the sponsor's support and credit profile are key to the performance of a REIT.

1 ESR Group's data as at 31 December 2021, based on the Sponsor's management estimate for the ESR Group (including AUM of its associates) as of 31 December 2021.
2 2021-2023 pipeline as of the financial quarter ended 31 March 2021.

**(b) Proxy Advisers recommended that ALOG Unitholders vote against the Scheme based on the original Scheme terms**

- Proxy advisers, Glass, Lewis & Co and Institutional Shareholder Services, issued reports recommending that ALOG Unitholders vote against the Scheme based on the original Scheme terms.
- Taking into account the views of the proxy advisers that the original terms of the Scheme were not compelling for ALOG Unitholders and most of the benefits of the Merger will accrue to ESR-REIT Unitholders, ESR-REIT decided to revise the Scheme Consideration to seek a balance for both ALOG Unitholders and ESR-REIT Unitholders.

**(c) Compression of cap rates for Australia industrial / logistics properties due to strong underlying fundamentals**

- ALOG's Australian portfolio continues to be an attractive acquisition.
- Australia industrial / logistics sector is supported by strong underlying fundamentals.
- Elevated take up rates, low vacancy and strong rental growth in 4Q2021, which is expected to continue over the next 12 months. Online retail sales have grown strongly given lockdowns, with online retail now representing 14.3% of total retail sales, and will continue to support industrial leasing activity.
- There is potential capital appreciation of Australia industrial / logistics properties through the compression of cap rates due to favourable fundamentals coupled with strong investor demand and a relatively low interest rate environment.

**Question 2:**

**The revised Scheme Consideration reflects only a 2.1% increase in the Scheme Consideration. Do you think the revised Scheme Consideration is attractive to ALOG Unitholders?**

- It is incorrect to state that the revised Scheme Consideration only represents a 2.1% increase from the original Scheme Consideration.
- The Scheme Consideration shall be satisfied by 10% Cash Consideration and 90% Consideration Units in the form of new ESR-REIT Units to ALOG Unitholders.
- Key highlights of the revised Scheme Consideration for ALOG Unitholders are outlined below:
  - Cash Consideration has been **raised by 2.1%** from S$0.095 per ALOG Unit to S$0.097 per ALOG Unit
  - The number of Consideration Units to be allotted and issued to each ALOG Unitholder has **increased by 5.8%** from 1.6765 new ESR-REIT Units to 1.7729 new ESR-REIT Units.
  - The gross exchange ratio (derived from the Scheme Consideration divided by the issue price of each Consideration Unit) has **increased by 5.8%** from 1.863x to 1.970x.
  - The illustrative value of the revised Scheme Consideration of S$0.933 ("**Illustrative Value per Unit**")[3] is **5.3% higher than the original Scheme Consideration** when compared on a like-for-like basis using ESR-REIT's one (1)-month volume weighted average price ("**VWAP**") of S$0.4716 per ESR-REIT Unit as at 14 October 2021, being the last full trading day immediately prior to the Joint Announcement Date ("**Last Trading Date**").
  - The Illustrative Value per Unit also represents a premium of **0.5 – 31.2%** when compared to ALOG's one (1)-month, three (3)-month, six (6)-month, 12-month and 24-month VWAPs as at the Last Trading Date. This also represents a **c.40% premium** to ALOG's NAV[4] which is the highest premium paid for any precedent S-REIT mergers/privatisations.

3 Based on net exchange ratio of 1.7729x and ESR-REIT's 1-month VWAP of S$0.4716 per Unit as at the Last Trading Date, plus cash consideration of S$0.097 per ALOG unit.

4 Based on ALOG's pro forma NAV per unit of S$0.6921 per unit

    - Historical FY2020 pro forma DPU accretion for ALOG Unitholders increases significantly from **8.2% to 12.8%** and historical pro forma FY2020 NAV per unit accretion for ALOG Unitholders increases from **2.2% to 5.3%**.
    - The **DPU accretion of 12.8%** is also the highest[5] amongst the five completed S-REIT mergers since 2018. We also wish to highlight that the pro forma DPU accretion excludes any operational and trust level savings or potential synergies from the Merger.
- It is also important to highlight that the proposed transaction is intended as a merger of two best-in-class platforms and not a sell-out of ALOG and/or its underlying assets.
- Growth of ESR-REIT and ALOG is likely to be negatively impacted if the potential conflicts of interest between ESR-REIT and ALOG arising from a common sponsor are not resolved.

### Question 3:

### Is ESR-REIT overpaying for ALOG at the revised Scheme Consideration of S$0.970 per ALOG Unit?

- Given the feedback received from Glass, Lewis & Co, Institutional Shareholder Services and some ALOG Unitholders, we wanted to put forth a scheme consideration and gross exchange ratio that balances the benefits of the Merger for both ALOG Unitholders and ESR-REIT Unitholders.
- The exchange ratio implied by the original Scheme Consideration was computed using the issue price of S$0.510 per ESR-REIT Unit and the original Scheme Consideration of S$0.950 per ALOG Unit, which took into consideration the respective REITs' 52-week high and the trading volumes on those days. As the revised Scheme Consideration of S$0.970 per ALOG Unit is higher than the 52-week high, for the purpose of deriving the revised issue price of the Consideration Units, the Manager has considered the following for ESR-REIT: (a) the ESR-REIT Unit price performance over the last six (6) months up to 14 October 2021; and (b) brokers' / investment research houses' average target price consensus.
- Over the last six (6) months up to 14 October 2021, the revised issue price of S$0.4924:
    - remains within the trading range of S$0.379 – S$0.510; and
    - represents a premium of 5.6%, 4.5%, 5.0%, 10.1% to the one (1)-day, one (1)-month, three (3)-month and six (6)-month VWAP respectively.
- The revised issue price of S$0.4924 is also in line with brokers' / investment research houses' average target price consensus as of 14 October 2021.
- The implied gross exchange ratio of 1.970x represents a premia / (discount) of (1.1)%, 0.1%, 1.1%, and 0.5% over the implied exchange ratio between the ESR-REIT Units and the ALOG Units of 1.992x, 1.969x, 1.948x, and 1.960x as at 14 October 2021, and for the one (1)-month, three (3)-month and six (6)-month periods up to and including 14 October 2021 respectively.

5 For comparison, the historical pro forma DPU accretions for the following successfully completed S-REIT mergers are: (a) CCT-CMT merger (7.6%); (b) FCOT-FLT merger (2.5%); (c) A-HTRUST-ART merger (1.8%); (d) OUE H-TRUST-OUE C-REIT merger (1.4%); and (e) ESR-REIT-VIT merger (3.6%).

| Historical Exchange Ratio Reference period | VWAP (S$) | | Implied exchange ratio | Implied premium / (discount) to Exchange Ratio (%)[6] |
|---|---|---|---|---|
| | ESR-REIT | ALOG | | |
| ***For periods up to and including 14 October 2021[7]*** | | | | |
| **14 October 2021** | 0.466 | 0.929 | 1.992x | (1.1) |
| **1 month** | 0.471 | 0.928 | 1.969x | 0.1 |
| **3 months** | 0.469 | 0.914 | 1.948x | 1.1 |
| **6 months** | 0.447 | 0.876 | 1.960x | 0.5 |

Source: FactSet.

- Overall, the revised Scheme Consideration offers ESR-REIT Unitholders one of the highest DPU accretion amongst completed S-REIT mergers.
- In addition, at the issue price of S$0.4924 per ESR-REIT Unit, the implied P/NAV of the new ESR-REIT Unit is 1.22x[8], translating to a 14.7% premium based on ALOG's P/NAV of 1.40x. However, we believe the premium paid is fair as the Merger allows us to:
  - Address the underlying short land lease issue that is inherent with Singapore industrial land with exposure to ALOG's freehold and longer land tenure logistics properties;
  - Benefit from the strong performing Australia logistics sector with 50% of ALOG's portfolio by net lettable area consisting of Australian properties;
  - Increase the exposure to New Economy assets from 47.0%[9] to 65.7%[9], with exposure to the logistics segment increasing from 15.6%[9] to 45.3%[9];
  - Diversify geographically and hence lower overall portfolio risks.

## Question 4

**The original Scheme Consideration was 5.8% DPU accretive and NAV dilutive to us. Now that you have revised the Scheme Consideration, the Merger is even less attractive now with a lower DPU accretion and a higher NAV dilution. Why should I support the Merger?**

- The Merger benefits both sets of unitholders as this not only addresses the potential conflicts of interest with a common sponsor, it will also position the enlarged ESR-LOGOS REIT, as the Leading New Economy APAC REIT that is backed by a committed Sponsor with strong Sponsor Resources.
- The revised Scheme Consideration seeks to balance the benefits of the Merger for both ESR-REIT Unitholders and ALOG Unitholders and the Merger can only happen if both sets of unitholders approve the resolutions put forth at their respective EGMs and/or Scheme Meeting (as the case may be).
- Importantly, the strategic merits of the Merger still remain intact. With the revised Scheme Consideration, the Merger continues to be financially attractive for ESR-REIT Unitholders with a DPU accretion of 4.7% on a FY2020 pro forma basis
- While the pro forma NAV of the Merger is dilutive by approximately 8.5% on a FY2020 basis, we believe that the DPU accretion plus the access to ALOG's freehold and longer land tenure logistics portfolio which is benefitting from the strong performing Australia logistics sector will be beneficial for ESR-REIT Unitholders to balance the land lease decay of the leasehold nature of ESR-REIT's portfolio.
- As a result, ESR-REIT Unitholders should evaluate the transaction objectively and in its entirety based on the longer-term commercial merits that can be achieved from this Merger.

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6 Refers to the premium of the exchange ratio to the implied exchange ratio based on the respective volume weighted average prices for each period.

7 Periods analysed are as follows – (a) Closing price as at 14 October 2021; (b) the period of one (1) month from 15 September 2021 up to 14 October 2021 (both dates inclusive); (c) the period of three (3) months from 15 July 2021 up to 14 October 2021 (both dates inclusive); and (d) the period of six (6) months from 15 April 2021 up to 14 October 2021 (both dates inclusive).

8 Based on ESR REIT's pro forma NAV of S$0.4026 per unit.

9 Based on GRI for the month of June 2021. Excludes contribution from fund properties.

**Question 5:**

**ESR-REIT Unit price in recent months has been relatively stable at around S$0.475 per ESR-REIT Unit while ALOG has been trading below the Scheme Consideration of S$0.950 per ALOG Unit. Why didn't the Manager's board and management team use the recent prices to derive the revised gross exchange ratio?**

- The current trading prices of both REITs is only one of the considerations. More importantly, the revised Scheme Consideration takes into consideration the recommendations of the proxy advisers, the downside risks to both ESR-REIT Unitholders and ALOG Unitholders arising from the potential conflicts of interest from a common Sponsor and the need to balance the benefits of the Merger to both sets of unitholders.

**Question 6:**

**If the Merger fails, what are the potential implications for both ESR-REIT Unitholders and ALOG Unitholders?**

- The growth of ESR-REIT and ALOG is likely to be negatively impacted if both ESR-REIT's and ALOG's conflicts of interest arising from a common sponsor are not resolved.
- In the absence of the Merger, there are overlapping mandates between ESR-REIT and ALOG in relation to the Sponsor Resources. In addition, both ESR-REIT and ALOG will continue to compete with each other in bidding for new assets/developments outside of the ESR Group's pipeline.
- If ESR-REIT and ALOG were to continue to operate independently, the ESR Group would also have to split its resources to support the two REITs which further limit either REIT's potential for asset growth as well as support in raising funds for future growth.
- In addition, to resolve the potential conflicts of interest, the ESR Group may sell one of the REIT managers to a third party. Should the Sponsor sell the manager of either ESR-REIT or ALOG to a third party, the Sponsor Resources are not likely to be available to the manager and, by extension, the REIT. This may result in either REIT potentially losing its "halo" effect and its current premium to net asset value if the ESR Group divests its manager as the Sponsor Resources will no longer be available to such REIT. This could potentially result in the unit price of the REIT (post sale of the manager) trading close to or at net asset value. For reference, developer sponsored industrial/logistics S-REITs[10] traded at an average P/NAV of 1.36x[11] whereas non-developer sponsored industrial/logistics S-REITs[12] traded at an average P/NAV of 0.96x[11] as of 14 October 2021. Furthermore, S-REITs which are backed by developer sponsors tend to have more competitive costs of capital (e.g. lower cost of debt and better loan terms) due to the availability of the sponsor's resources. For reference, developer sponsored industrial/logistics S-REITs had an average all-in cost of debt of 2.29%[13], whereas non-developer sponsored industrial/logistics S-REITs had an average all-in cost of debt of 2.90%[13].
- In addition, a sale of the Manager which results in the Manager ceasing to be a subsidiary (whether directly or indirectly) of the Sponsor, will trigger the change in control provisions in ESR-REIT's existing debt facilities of an aggregate outstanding principal amount of approximately S$1.29 billion. Any potential buyer of the Manager is likely required to obtain debt financing to replace such existing debt facilities, and there is no guarantee that the new financing terms will be more favourable than ESR-REIT's current financing terms. Such change in control provisions are common in S-REIT debt facilities given the sponsor's support and credit profile are key to the performance of a REIT.

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10 Includes Mapletree Industrial Trust, Mapletree Logistics Trust, ARA LOGOS Logistics Trust, Ascendas REIT, Frasers Logistics and Commercial Trust, and ESR-REIT.

11 Based on closing price as of 14 October 2021 and NAV as of 30 September 2021.

12 Includes AIMS APAC and Sabana REIT.

13 Based on company filings as of 30 September 2021.

- We want to reiterate that as an enlarged REIT, both ESR-REIT Unitholders and ALOG Unitholders will jointly enjoy access to the ESR Group's New Economy pipeline of more than US$59 billion, development work-in-progress of over US$10 billion[14] and a development pipeline of over 9 million square metres[15] across 10 countries, in addition to the committed financial and operational support from the ESR Group.

**Question 7:**

**We recognise that the Manager is mitigating the leasehold, geographical risks etc. in its portfolio with the Merger. Why can't the Manager acquire a single asset or a portfolio of logistics properties directly from the Sponsor's pipeline instead of spending time and resources going through this Merger?**

- This Merger is similar to an acquisition of a portfolio of assets. The time and resources spent on acquiring multiple single assets of $100 million each is no less than undertaking this Merger. In fact, compared to the acquisition of individual assets to achieve a portfolio of similar size, the Merger is less risky from an execution and financing perspective.
- In addition, the Proposed ARA Acquisition by the ESR Group was completed on 20 January 2022. Accordingly, the ESR Group is now an indirect majority controlling shareholder of the LOGOS Group, and is the common sponsor of ESR-REIT and ALOG. In the absence of the Merger, there is an overlap of mandates in relation to competition for the Sponsor Resources, which is likely to negatively impact the growth of both ESR-REIT and ALOG.

**Question 8:**

**How is the Manager funding the additional acquisition costs pertaining to the revised offer? How would the gearing be affected with the revised Scheme Consideration?**

- The additional acquisition costs of S$2.7 million pertaining to the revised Scheme Consideration shall be satisfied 90% in new ESR-REIT Units and remaining 10% in cash to be funded by the unsecured bank facilities provided by DBS Bank Ltd, Malayan Banking Berhad, Singapore Branch and Sumitomo Mitsui Banking Corporation Singapore Branch.
- There will be no increase in pro forma gearing of 42.1% post-Merger.

**Question 9:**

**Post-Merger, new ESR-REIT Units will be issued to ALOG Unitholders at the issue price of S$0.4924 per unit. Would the Merger further lower the unit price of ESR-REIT?**

- We are unable to comment or speculate on the enlarged REIT's unit price post-Merger.
- However, we are confident that that the strategic merits of the Merger are very clear and these have been acknowledged by the institutional investors, research analysts and proxy advisers. In tandem, the financial merits of the Merger are also very clear with both sets of Unitholders enjoying DPU accretion on a pro forma basis.
- We also believe as one of the top 10 S-REITs and with higher weightage in the FTSE EPRA NAREIT Global Real Estate Index Series (Global Developed Index) post-Merger, the enlarged REIT will gain increased research coverage, expand its institutional investor base and increase its trading liquidity, which will potentially lead to an overall re-rating of the unit price.

14 ESR Group data as of 30 June 2021.
15 2021-2023 pipeline as of the financial quarter ended 31 March 2021.

**Question 10:**

**ALOG has stronger portfolio metrics with its portfolio comprising largely freehold and longer tenure logistics assets. What does ESR-REIT have to offer in this Merger?**

- This Merger better positions the enlarged REIT to capture the full value chain from production to delivery to consumption, rather than just relying on a particular asset class (i.e. logistics) that captures only a part of the value chain. The full value chain includes both logistics properties and high-specs assets which are suitable for advanced manufacturing, information communication and technology, data-centre, and pharmaceuticals and life sciences operators. These sectors are driven by the accelerating advancement, broad-based adoption and high-frequency usage of technology which has changed the way we Produce, Deliver and Consume goods.
- In addition, by addressing the potential conflicts of interest arising from the completion of the Proposed ARA Acquisition and with access to the ESR Group's New Economy pipeline of more than US$59 billion, the enlarged REIT can de-risk new market entry into key Asia Pacific markets where the Sponsor has a market leading presence and create a network effect allowing its existing and new customers to expand and optimise their distribution network. This is increasingly important as customers in the logistics space are focused on creating an efficient distribution network for their operations and it is a critical part of their strategy to work with a credible landlord with established presence across multiple geographies for greater efficiency.

**Question 11:**

**The ESR Group also has a stake in the Sabana REIT Manager which the Manager has reiterated that there are strict controls in place and that the Sabana REIT Manager's board is comprised entirely of independent directors to mitigate against any potential conflicts of interest. Why can't the same be done for ALOG to resolve the potential conflicts of interest issue?**

- The internal controls were set up to reduce the potential conflicts of interest when the ESR Group bought over the Sabana REIT Manager while the proposed merger between ESR-REIT and Sabana REIT was in progress. MAS had also required that additional measures be put in place to address specific risks as a result of the ESR Group's holdings in the Sabana REIT Manager and the Manager.
- In the case of ESR-REIT and ALOG, the internal controls were not set up because the merger of the ESR Group and ARA was carried out in parallel with the Merger of ESR-REIT and ALOG. The Merger seeks to resolve the potential conflicts of interest in the overlapping investment mandates of ESR-REIT and ALOG.

**Question 12:**

**Some ALOG Unitholders have griped that they may receive odd lots when the Scheme completes. What should ALOG Unitholders do?**

- ALOG Unitholders with odd lots when the Scheme completes may participate in the odd lots trading arrangement facilitated by the ALOG Manager, to round up or down their unitholding to the nearest board lot size of ESR-REIT Units. Further details of the arrangements implemented by the ALOG Manager for the trading of odd lots of ESR-REIT Units will be provided in due course.
- Alternatively, ESR-REIT has the Distribution Reinvestment Plan which it has applied for its past distributions, including the distribution for the quarter from 1 July 2021 to 30 September 2021. The Distribution Reinvestment Plan will also be applied for the latest distribution for the quarter from 1 October 2021 to 31 December 2021. ALOG Unitholders with odd lots after the Scheme completes, may elect to receive fully paid units after the Scheme in lieu of the cash amount of any distribution (including any interim, final, special or other distribution) declared by ESR-REIT.

**Question 13:**

**What is the significance of the issue price and isn't the issue price of new ESR-REIT Unit determined by the market conditions?**

- The Scheme Consideration of S$0.970 per ALOG Unit shall be satisfied by 10% Cash Consideration (S$0.097) and 90% Consideration Units in the form of new ESR-REIT Units to ALOG Unitholders (S$0.873). Hence, the issue price impacts the number of new ESR-REIT Units that ALOG Unitholders will receive for each ALOG Unit held.
- In other words, the Cash Consideration payable to each ALOG Unitholder is S$0.097 per ALOG Unit. The number of Consideration Units to be allotted and issued to each ALOG Unitholder are 1.7729 new ESR-REIT Units (derived by using S$0.873 divided by the issue price of S$0.4924).
- The higher the issue price, the lesser the number of new ESR-REIT Units issued to ALOG Unitholders post-Merger and vice versa.
- The issue price is fixed and is not determined by the market conditions. However, after the allotment and listing of the new ESR-REIT Units, the unit price of the enlarged REIT will be subject to fluctuation in market conditions.

**Question 14:**

**Given that this Merger will be dilutive to ESR-REIT Unitholders on a NAV basis, has the Manager considered waiving the acquisition fee?**

- A sponsor's strong support is important and highly correlated to the growth of a REIT. Post-Merger, the ESR Group remains committed to the enlarged REIT and will provide the enlarged REIT access to its New Economy pipeline of more than US$59 billion[16], development work-in-progress of over US$10 billion and a development pipeline of over 9 million square metres across 10 countries[17], in addition to the committed financial and operational support. There is an initial pipeline of approximately US$2.0 billion of visible and executable Asia Pacific New Economy assets from the ESR Group to accelerate the enlarged REIT's growth.
- Given the Sponsor is a listed real asset fund manager and developer, it will have to demonstrate to its shareholders that it has received returns from providing the Sponsor Resources and support to the enlarged REIT on a continuous basis. The Manager believes that the tangible benefits from the enlarged REIT's continued access to the Sponsor Resources and support from the Sponsor, including access to the initial pipeline of approximately US$2.0 billion of visible and executable Asia Pacific New Economy assets from the ESR Group, far supersedes the acquisition fee payable for the Merger, which is estimated to be approximately S$15.6 million based on the Scheme Consideration.
- It is also important to note that the ESR Group has provided ample financial support for past transactions, surpassing any fees to be earned from the Merger, demonstrating its commitment as sponsor to grow and diversify the REIT. This is evident in the Sponsor's support for ESR-REIT via a S$125 million backstop for the March 2018 preferential offering, S$50 million backstop for the October 2019 preferential offering and S$50 million backstop for the August 2021 preferential offering.
- The backstop by the ESR Group has provided funding certainty to ESR-REIT to undertake the respective acquisitions / asset enhancement initiatives and resulted in savings in underwriting fees which translated to higher DPU accretion to the ESR-REIT Unitholders. Previously, the ESR Group also facilitated the merger with Viva Industrial Trust with the payment of S$62 million for the manager of Viva Industrial Trust.
- In addition, to ensure alignment of interests with ESR-REIT Unitholders, the acquisition fee will be payable in ESR-REIT Units and shall not be sold within one year from the date of issuance in accordance with Paragraph 5.7 of the Property Funds Appendix.

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16 ESR Group's data as at 31 December 2021, based on the Sponsor's management estimate for the ESR Group (including AUM of its associates) as of 31 December 2021.

17 2021-2023 pipeline as of the financial quarter ended 31 March 2021.

**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 2021 holds interest in a diversified portfolio of 56 properties located across Singapore, with a total gross floor area of approximately 15.3 million square feet and an aggregate property value of S$3.2 billion[18]. 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 36 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**

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18 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.

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