



ASCOTT RESIDENCE TRUST

A stapled group comprising:

Ascott Real Estate Investment Trust
(A real estate investment trust constituted on 19 January 2006 under the laws of the Republic of Singapore)

Managed by
Ascott Residence Trust Management Limited
(Company Registration No. 200516209Z)

Ascott Business Trust
(A business trust constituted on 9 September 2019 under the laws of the Republic of Singapore)

Managed by
Ascott Business Trust Management Pte. Ltd.
(Company Registration No. 201925299R)

ANNOUNCEMENT

AGREEMENTS RELATING TO MASTER LEASES FOR CERTAIN PROPERTIES IN FRANCE

1. INTRODUCTION

Ascott Residence Trust Management Limited (the “**Reit Manager**”), as manager of Ascott Real Estate Investment Trust (“**Ascott Reit**”), and Ascott Business Trust Management Pte Ltd (the “**BT Trustee-Manager**”), as trustee-manager of Ascott Business Trust, wish to announce that the relevant property holding companies (the “**Master Lessors**”) under Ascott Reit have entered into the following agreements with Citadines SA (the “**Master Lessee**”):

- (i) Master Lease Amendment Agreements (“**AMLAs**”) to revise the rent structure and/or extend the term of the Master Lease Agreements for certain of its properties in France. The list of properties and the details of the amendments are set out at paragraphs 2.1(i) and 2.1(ii) below; and
- (ii) Rent Abatement Agreements (“**RBAs**”) for certain of its properties in France. Particulars of the rent abatement are set out at paragraph 2.4 below.

2. TERMS AND CONDITIONS OF THE AMLAs AND RBAs

2.1 The terms of the AMLAs include:

- (i) Extension of the duration of the Master Lease Agreements as follows:

No.	Property	Effective Termination Date	Renewal Period	Revised Effective Termination Date Pursuant to AMLA
1.	Citadines Croisette Cannes	02-Dec-20 ⁽³⁾	3 years	02-Dec-23
2.	Citadines Antigone Montpellier			
3.	Citadines Les Halles Paris	31-Dec-20 ⁽¹⁾	3 years	31-Dec-23

4.	La Clef Louvre Paris			
5.	Citadines Place d'Italie Paris			
6.	Citadines Presqu'île Lyon			
7.	Citadines Austerlitz Paris	24-Mar-21 ⁽²⁾	2 years	24-Mar-23
8.	Citadines Maine Montparnasse Paris			
9.	Citadines Castellane Marseille			
10.	Citadines Republique Paris			
11.	Citadines Montmartre Paris	30-Sep-21 ⁽¹⁾	3 years	30-Sep-24
12.	Citadines Tour Eiffel Paris			
13.	Citadines Trocadero Paris			
14.	Citadines Prado Chanot Marseille			
15.	Citadines City Centre Lille			

Notes:

- (1) These leases are for a period of 9 years, with either party having an option to terminate at each three-year interval. Effectively, the leases are for a term of 3 years subject to renewal on mutual agreement.
- (2) These leases are at the 10th year, having been extended for 1 year in March 2020, and will be extended for a further term of 2 years. Leases of more than 12 years are subject to tax.
- (3) These leases have reached the full 9-year term and will be extended for a further term of 3 years. Leases of more than 12 years are subject to tax.

(ii) Revision of rent which will comprise fixed and variable components as follows:

No.	Property (in € '000)	2019 Actual Rent	2021 Fixed Rent	2021 Variable Rent	For Illustrative Based on 2019 Revenue, Variable Rent
1.	Citadines Croisette Cannes	318	180	10.35% of Total Revenue	137
2.	Citadines Antigone Montpellier	534	290		327
3.	Citadines Les Halles Paris	3,356	2,000		1,089
4.	La Clef Louvre Paris	1,588	850		564
5.	Citadines Place d'Italie Paris	2,040	1,130		693
6.	Citadines Presqu'île Lyon	1,056	530		377
7.	Citadines Austerlitz Paris	327	180		171
8.	Citadines Maine Montparnasse Paris	965	500		260
9.	Citadines Castellane Marseille	364	190		226
10.	Citadines Republique Paris	1,022	580		307
11.	Citadines Montmartre Paris	1,428	790		471
12.	Citadines Tour Eiffel Paris	1,929	1,070		575
13.	Citadines Trocadero Paris	1,515	840		543
14.	Citadines Prado Chanot Marseille	469	260		171
15.	Citadines City Centre Lille	740	410		273
	Total	17,651	9,800		6,184

2.2 Apart from the amendments listed at 2.1(i) and 2.1(ii) above, there is no other change to the terms and conditions of the Master Lease Agreements for the relevant properties under the AMLAs.

2.3 An independent consultant, HVS – London Office (“HVS”) has been engaged to assess the revised rent structure in light of the operating lease market in France. In its report dated 16 December 2020, HVS has opined that the fixed rent for the operating lease market is within 15% to 31% of total revenue and variable rent for the operating lease market is within the range of nil to 13% of total revenue.

2.4 The RBAs provide for rent abatement as follows:

No.	Property (in € '000)	Existing Rent for the period of abatement	Aggregated Revised Rent ⁽¹⁾ for the period of abatement
1.	Citadines Croisette Cannes	96	6
2.	Citadines Antigone Montpellier	166	67
3.	Citadines Les Halles Paris	1,195	63
4.	La Clef Louvre Paris	569	27
5.	Citadines Place d'Italie Paris	731	157
6.	Citadines Presqu'île Lyon	337	50
7.	Citadines Montmartre Paris	508	50
8.	Citadines Tour Eiffel Paris	683	108
9.	Citadines Trocadero Paris	540	87
10.	Citadines Prado Chanot Marseille	149	24
11.	Citadines City Centre Lille	236	44
12.	Citadines Didot Montparnasse Paris	423	75
13.	Citadines City Centre Grenoble	151	22
	Total	5,784	780

⁽¹⁾ Based on certain percentage of property's total revenue during the lock-down periods

2.5 Rent abatement will be applicable during three periods: (i) for properties outside of Paris, for the period commencing 24 March 2020 and ending 1 June 2020; (ii) for properties in Paris, for the period commencing 24 March 2020 and ending 14 June 2020; and (iii) for all properties, for the period commencing 1 November 2020 and ending 14 December 2020, all corresponding with the lock-downs in Paris and/or France.

2.6 Christie & Co, an independent consultant, opined in their report dated 23 November 2020, that rent abatement in France would be within the range of up to an equivalent of 8 months' rent holiday (full rent holiday for the months of April, May and June 2020, 50% of rent for the second half of 2020 and a further rent holiday for the months of January and February 2021) to rent deferral for 6 months from April to September 2020 together with variable rent at 28% of total revenue from October 2020 until the end of 2021.

3. RATIONALE

The rationale for renewing the Master Lease Agreements is as follows:

- (a) The Ascott Limited (“TAL”) is one of the leading international lodging owner-operators. It owns and/or operates more than 40 properties across 7 countries in Europe, with a strong track record and extensive market resources in France. Retaining TAL as the master lessee ensures business continuity, offers the assurance of a steady recovery

from COVID-19 and in turn a relatively higher market rent (since market rent is assessed on the basis of affordability of the master lessee's projected operating performance);

- (b) in view of COVID-19, it is challenging to appoint an alternative operator that can provide a fixed lease structure. Changing operators and brands during these uncertain times is also expected to be disruptive to the properties' performance and operations;
- (c) international visitor arrivals could take between two-and-a-half and four years to return to 2019 levels ¹, affecting recovery in the hospitality sector. Demand for accommodation in Europe is expected to remain muted, as the region is currently experiencing a second wave;
- (d) the fixed rent component of the AMLAs provides certainty to ART's income and the variable rent component enables the properties to capture the upside as the COVID-19 situation improves; and
- (e) the proposed rent structure is within the range recommended by the independent consultant,

and for the Rent Abatement is as follows:

- (f) the periods for which the Rent Abatement applies corresponds with the lock-downs in Paris and/or France, when the operating performance of the properties was profoundly impacted. The Rent Abatement is reflective of the market norm in France; and
- (g) given the pro-tenant environment in France and grounds for the rent abatement, there is no certainty that there would be a favourable outcome from engaging in legal proceedings.

4. PRO FORMA FINANCIAL EFFECTS

4.1 Assumed Exchange Rates

In preparing the pro forma distribution per stapled security in ART ("**Stapled Security**" and the distribution per Stapled Security, ("**DPS**") and net asset value ("**NAV**") per Stapled Security for FY2019, the exchange rates between € and the Singapore dollar are assumed to be as follows:

	Average rate for FY2019	31 December 2019
€	1.53173	1.50352

4.2 Pro Forma DPS

The table below sets out the pro forma financial effects of the (1) AMLAs and (2) RBAs on ART's DPS for FY2019, as if the AMLAs and RBAs were entered into on 1 January 2019:

	Pro Forma Financial Effects for FY2019		
	Existing Portfolio	After Renewal of the Master Leases	After Rent Abatement
Distribution Income (S\$'000)	165,557 ⁽¹⁾	163,795 ⁽³⁾	160,269 ⁽⁴⁾
Stapled Securities in issue ('000)	3,083,089 ⁽²⁾	3,083,089	3,083,089
DPS (Singapore cents)	7.61	7.55	7.44
% change in DPS	-	-0.8	-2.3

¹ UNWTO, "Tourism back to 1990 levels as arrivals fall by more than 70%", 17 December 2020.

Notes:

(1) Based on the audited consolidated financial statements of ART for FY2019 (“**2019 Audited Consolidated Financial Statements**”).

(2) Number of Stapled Securities in issue as at 31 December 2019.

(3) After taking into account the impact arising from the AMLAs only.

(4) After taking into account the impact arising from the RBAs only.

4.3 Pro Forma Consolidated NAV

The table below sets out the pro forma financial effects of the (1) AMLAs and (2) RBAs on the consolidated NAV as at 31 December 2019, as if the AMLAs and RBAs were entered into on 31 December 2019:

	Pro Forma Financial Effects for FY2019		
	Existing Portfolio	After Renewal of the Master Leases	After Rent Abatement
NAV (S\$'000)	3,860,553 ⁽¹⁾	3,837,399 ⁽³⁾	3,853,336 ⁽⁴⁾
Stapled Securities in issue ('000)	3,083,089 ⁽²⁾	3,083,089	3,083,089
NAV per Stapled Security (S\$)	1.252	1.245	1.250
% change in NAV	-	-0.6	-0.2

Notes:

(1) Based on the 2019 Audited Consolidated Financial Statements.

(2) Number of Stapled Securities in issue as at 31 December 2019.

(3) Based on the estimated valuation of the properties, after taking into account the impact arising from the AMLAs only.

(4) Based on the estimated valuation of the properties, after taking into account the impact arising from the RBAs only.

5. OPINION OF THE AUDIT COMMITTEE

After taking into consideration the reports of HVS and Christie & Co and the rationale for the AMLAs and RBAs respectively as set forth above, the Audit Committee is of the view that the AMLAs and RBAs respectively are on normal commercial terms and are not prejudicial to the interests of ART and its minority Stapled Securityholders.

6. OTHER INFORMATION**6.1 Interested Person Transaction and Interested Party Transactions**

As at the date of this announcement, CapitaLand Limited has (i) direct and deemed interests of approximately 40.6% of the total number of Stapled Securities in issue² and (ii) wholly owns the Managers and is therefore regarded as a Controlling Stapled Securityholder of ART and a Controlling Shareholder of the Managers respectively under the Property Funds Appendix and the Listing Manual.

The master lessee under the AMLAs and RBAs is a wholly owned subsidiary of CapitaLand. Accordingly, the master lessee is an Interested Person of ART and an Interested Party of Ascott Reit and the AMLAs and RBAs constitute Interested Person Transactions under Chapter 9 of the Listing Manual and/or Interested Party Transactions under Paragraph 5 of the Property Funds Appendix.

As at the date of this announcement, save for the AMLAs and RBAs, the value of all the interested person transactions entered into between ART and CapitaLand and its subsidiaries and associates during the course of the current financial year ending 31 December 2020 is approximately S\$64.8 million (which is approximately 2.0% of the NTA and NAV of Ascott Reit as at 31 December 2019 and 1.7% of the NTA and NAV of ART as at 31 December 2019).

² Based on 3,108,047,703 Stapled Securities in issue in ART as at the date of this announcement.

Including the AMLAs and RBAs, the value of all interested person transactions entered into between ART and CapitaLand and its subsidiaries and associates during the course of the financial year ending 31 December 2020 is approximately S\$140.1 million, which exceeds 3% but does not exceed 5% of the NTA and NAV of Ascott Reit and ART as at 31 December 2019.

6.2 Interests of Directors and Substantial Stapled Securityholders

As at the date of this announcement, certain directors of the Manager collectively hold an aggregate interest of 1,061,582 Stapled Securities in ART and 2,406,091 shares in CapitaLand Limited.

Mr Lee Chee Koon is a common director of CapitaLand and the Managers. Mr Andrew Lim is the CFO of CapitaLand and Mr Kevin Goh is the CEO of The Ascott Limited.

Save as disclosed in this announcement, none of the Directors or the controlling Stapled Securityholders has an interest, direct or indirect, in the transaction, other than their respective Stapled Securityholdings in ART.

6.3 Directors' Service Contracts

No person is proposed to be appointed as a director of the REIT Manager or the BT Trustee-Manager as a result of the AMLAs, the RBAs or any other transactions contemplated in relation thereto.

7. Copies of the following documents are available for inspection from 10.00 a.m. to 5.00 p.m. at the registered office of the REIT Manager at 168 Robinson Road #30-01 Capital Tower Singapore 068912 from the date of this announcement up to and including the date falling three months after the date of this announcement:

- (i) the AMLAs and the RBAs; and
- (ii) the reports of HVS and Christie & Co.

By Order of the Board

ASCOTT RESIDENCE TRUST MANAGEMENT LIMITED

(Company Registration No. 200516209Z)

As manager of Ascott Real Estate Investment Trust

ASCOTT BUSINESS TRUST MANAGEMENT PTE. LTD.

(Company Registration No. 201925299R)

As trustee-manager of Ascott Business Trust

Karen Chan

Company Secretary

31 December 2020

IMPORTANT NOTICE

The past performance of Ascott Residence Trust (“**ART**”) is not indicative of future performance. The listing of the stapled securities in ART (the “**Stapled Securities**”) on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) does not guarantee a liquid market for the Stapled Securities. The value of the Stapled Securities and the income derived from them may fall as well as rise. Stapled Securities are not obligations of, deposits in, or guaranteed by, Ascott Residence Trust Management Limited as manager of Ascott Real Estate Investment Trust or Ascott Business Trust Management Pte. Ltd. as trustee-manager of Ascott Business Trust (collectively, the “**Managers**”) or any of their respective affiliates. An investment in the Stapled Securities is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request that the Managers redeem or purchase their Stapled Securities while the Stapled Securities are listed on the SGX-ST. It is intended that holders of Stapled Securities may only deal in their Stapled Securities through trading on the SGX-ST.

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Stapled Securities.