



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

ACQUISITION OF STAKE IN 37 AUSTRALIAN ASSETS VIA 10.0% OF THE UNITS IN ESR AUSTRALIA LOGISTICS PARTNERSHIP

1. Introduction

ESR Funds Management (S) Limited, in its capacity as manager of ESR-REIT (the “**Manager**”), wishes to announce that RBC Investor Services Trust Singapore Limited, in its capacity as trustee of ESR-REIT (the “**Trustee**”), has on 6 May 2021 entered into a unit sale agreement (the “**Unit Sale Agreement**”) with ESR Investment Management 2 (Australia) Pty Limited, in its capacity as trustee of ESR Co-Invest Trust (the “**Guarantor**”), and One Funds Management Limited, in its capacity as trustee of ESR Queensland Hold Trust (the “**Vendor**”), to acquire 10.0% of the total issued units (“**Sale Units**”) of ESR Australia Logistics Partnership (the “**Fund**”), which indirectly holds 33 income-producing properties (“**Income-Producing Properties**”), two land parcels for future development (the “**Land Parcels**”) and two properties which are currently under development (the “**Development Properties**”), and together with the Income-Producing Properties and Land Parcels, the “**Properties**”) from the Vendor (the “**Acquisition**”). The Guarantor has agreed to guarantee and procure the performance of the Vendor under the Unit Sale Agreement.

As part of the Acquisition, ESR Investment Management 1 (Australia) Pty Limited, in its capacity as trustee of the Fund (the “**Fund Trustee**”), the Vendor and the Trustee have also entered into a commitment deed (the “**Commitment Deed**”) under which the Trustee agrees to commit to subscribe for units of the Fund and acquire the Sale Units from the Vendor subject to the terms and conditions of the Commitment Deed and the trust deed of the Fund executed by the Fund Trustee dated 29 June 2018 (as amended) (the “**Fund Trust Deed**”).

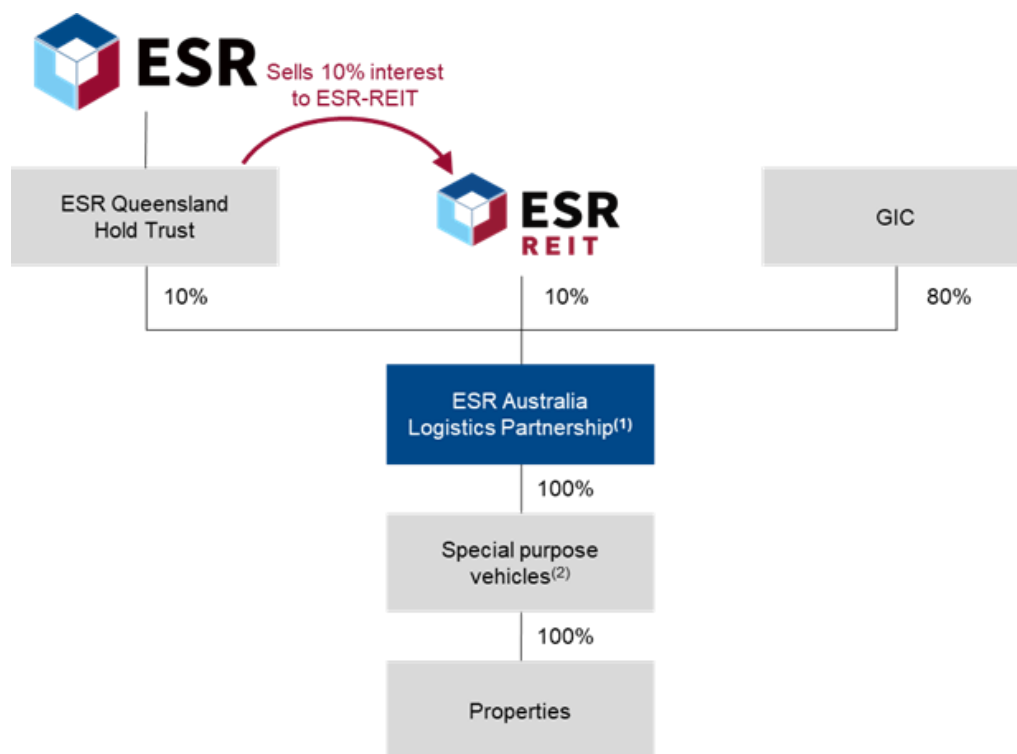
2. The Acquisition

2.1 Information on the Fund and the Properties

The Fund is a private fund constituted under the Fund Trust Deed, and is managed by ESR Asset Management (Australia) Pty Ltd (“**ESR AM**”), which is an indirect subsidiary of the sponsor of ESR-REIT, ESR Cayman Limited (the “**Sponsor**”).

As at the date of this announcement, the Vendor holds a 20.0% interest in the Fund, with the remaining 80.0% interest in the Fund held by a wholly-owned subsidiary of GIC (Realty) Private Limited (“**GIC**”), whose primary business is to hold real estate investments of GIC

Private Limited, a global investment firm established in 1981 to manage Singapore’s foreign reserves. Following the Acquisition, ESR-REIT and the Vendor will each hold a 10.0% interest in the Fund, with GIC will holding the remaining 80.0% interest in the Fund.



Note:

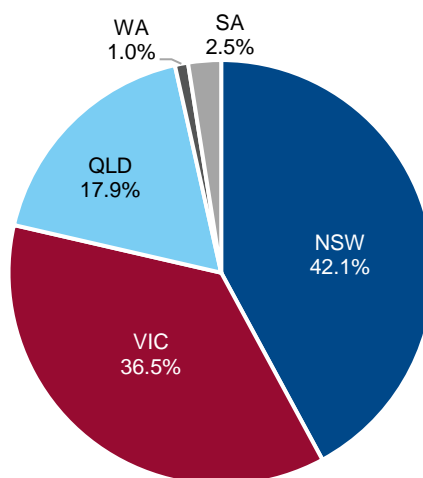
- (1) Managed by ESR Asset Management (Australia) Pty Ltd, which is an indirect subsidiary of the Sponsor.
- (2) Simplified holding structure showing key entities only.

The principal investment strategy of the Fund is to invest in a diversified portfolio of income-producing core-plus logistics real estate located primarily in the eastern seaboard cities of Australia (e.g. Sydney, Melbourne and Brisbane) with a minimum allocation of 65% of the total portfolio across Sydney and Melbourne.

The Fund’s portfolio currently comprises the Properties which are located in Australia across New South Wales (“**NSW**”), Victoria (“**VIC**”), Queensland (“**QLD**”), South Australia (“**SA**”) and Western Australia (“**WA**”), with a total land area of approximately 1,319,468 square metres (“**sqm**”), an occupancy rate of 95.9% and a weighted average lease expiry (“**WALE**”) of 4.87 years¹ as at 31 March 2021². The breakdown of the Income-Producing Properties (excluding the newly acquired asset, 65-75 Strelecki Avenue) (the “**32 Income-Producing Properties**”) by Australian state (by rental income) as at 31 March 2021 is as follows²:

1 Weighted by rental income.

2 Excludes 65-75 Strelecki Avenue, Sunshine West, Victoria, (“**65-75 Strelecki Avenue**”) which was acquired by the Fund on 19 April 2021.



Please refer to Appendix A for further details on the 32 Income-Producing Properties.

2.2 Purchase Consideration for the Acquisition

The purchase consideration payable by the Trustee under the Unit Sale Agreement (the “**Purchase Consideration**”) is A\$60.5 million (approximately S\$62.4 million³), being 10.0% of the adjusted net asset value of the Fund as at 31 March 2021⁴. The Purchase Consideration was arrived at on a willing-buyer and willing-seller basis, taking into account the two independent valuations as at 31 March 2021 commissioned by the Trustee and the Manager for the 32 Income-Producing Properties², and the book value of the Development Properties and the Land Parcels. The Purchase Consideration will be paid in cash.

Details of the adjusted net asset value of the Fund are set out in the table below.

Details of adjusted net asset value of the Fund	As at 31 March 2021 (A\$ million)
32 Income-Producing Properties	1,031.9
Development Properties and Land Parcels	100.2
Other assets	79.4
Total assets	1,211.5
Total liabilities	(607.5)

³ Using an illustrative exchange rate of A\$1.000 : S\$1.032.

⁴ The Fund has entered into an agreement for the sale of one of the Income-Producing Properties, 7 Modal Crescent, Canning Vale, Western Australia (“**7 Modal Crescent**”) and has also entered into an agreement to acquire an additional property under development located in the state of New South Wales (the “**Additional Property**”). Completion of the sale of 7 Modal Crescent and the acquisition of the Additional Property is targeted to be post-Acquisition. For the avoidance of doubt, the new acquisition of 65-75 Strelecki Avenue which was completed on 19 April 2021, the sale of 7 Modal Crescent and the acquisition of the Additional Property have already been taken into account in arriving at the Purchase Consideration.

Net asset value	604.0
Adjustment ⁽¹⁾	1.0
Adjusted net asset value	605.0

Note:

(1) The adjustment relates to the exclusion of interest rate swap revaluation reserve as part of net asset value as the value of the interest rate swap revaluation reserve will equate to zero when the interest rate swaps expire.

2.3 Valuation

The Trustee has commissioned independent valuers, Knight Frank Valuation & Advisory and CBRE Valuations Pty Limited (collectively, the “**Trustee Valuers**”), and the Manager has commissioned an independent valuer, Colliers International Valuation & Advisory Services (the “**Manager Valuer**”, and together with the Trustee Valuers, the “**Independent Valuers**”), to value the Properties.

The Trustee Valuers in their reports stated that the total market value of the 32 Income-Producing Properties as at 31 March 2021 is A\$1,030.60 million (approximately S\$1,063.58 million³). In arriving at the open market value, the Trustee Valuers relied on the market capitalisation, discounted cashflow and direct comparison approach.

The Manager Valuer in its reports stated that the total market value of the 32 Income-Producing Properties as at 31 March 2021 is A\$1,031.85 million (approximately S\$1,064.87 million³). In arriving at the open market value, the Manager Valuer relied on the market capitalisation, discounted cashflow and direct comparison approach.

Please refer to Appendix A for further details on the valuations by the Independent Valuers.

The above valuations have been commissioned as a matter of good corporate governance and transparency. For the avoidance of doubt, ESR-REIT will be holding its interest in ESR Australia Logistics Partnership as an investment in a private property fund and not as an investment in real estate.

2.4 Estimated Total Transaction Cost

The estimated total cost of the Acquisition (the “**Total Transaction Cost**”) is approximately S\$64.9 million, comprising:

- (i) the Purchase Consideration of A\$60.5 million (approximately S\$62.4 million³); and
- (ii) the estimated professional and other fees and expenses incurred or to be incurred by ESR-REIT in connection with the Acquisition of approximately S\$2.5 million.

2.5 Method of Financing the Acquisition

The Total Transaction Cost is expected to be financed 100% through debt.

2.6 Principal Terms of the Unit Sale Agreement and the Commitment Deed

The principal terms of the Unit Sale Agreement and the Commitment Deed include customary provisions relating to the Acquisition, including representations and warranties.

As at the date of this announcement, the current unitholders of the Fund (the “**Fund Unitholders**”) have committed A\$70.5 million (the “**Total Capital Commitment**”) which is payable to the Fund at any time when called upon by the Fund to finance its activities. Further to the Acquisition and pursuant to the Commitment Deed, ESR-REIT has committed A\$7.05 million (the “**Capital Commitment**”) which is its pro-rata share of the Total Capital Commitment as a holder of a 10.0% interest in the Fund. ESR-REIT’s Capital Commitment is payable to the Fund at any time post-Acquisition when called upon by the Fund to finance its activities.

2.7 Management of the Fund

In addition to the Fund Trust Deed under which the Fund Trustee has agreed to act as trustee of the Fund and which is binding on the Fund Unitholders, the Fund Trustee has entered into an investment management agreement with ESR AM (the “**Investment Management Agreement**”), a property management agreement with ESR AM (the “**Property Management Agreement**”) and a development management agreement with ESR Developments (Australia) Pty Ltd (“**ESRD**”), which is an indirect majority owned entity of the Sponsor (the “**Development Management Agreement**”, and together with the Investment Management Agreement and the Property Management Agreement, the “**Management Agreements**”) for the provision of management services to the Fund.

The asset management services provided by ESR AM to the Fund are pursuant to the Investment Management Agreement. These services include, but are not limited to, the management of assets in accordance with the Fund’s plans and policies, the establishment of investment vehicles for the Fund, ongoing reporting and analysis in respect of the assets of the Fund, preparation of a draft annual business plan and budget each year and the supervision of property management (involving overseeing the property manager of the Properties).

Pursuant to the Property Management Agreement, ESR AM also provides services in connection with the management of the Properties including, but not limited to, lease administration, financial administration, compliance, inspections, management of tenants’ works, reporting and project management (to the extent not covered under the Development Management Agreement).

The Fund Trustee has also entered into the Development Management Agreement pursuant to which ESRD provides services in connection with the carrying out of development works in relation to the Properties including, but not limited to, the evaluation of development proposals and feasibility studies, preparation of development budgets and plans, design, procuring of

development approvals, project development co-ordination and oversight, administration of works contracts and payments to contractors.

The fees payable to ESR AM and ESRD pursuant to the Management Agreements (the “**Fund Fees**”) will be paid by the Fund. The Manager will not be charging any base fee in respect of ESR-REIT’s investment in the Fund⁵. In addition, no acquisition fees will be payable by ESR-REIT to the Manager in relation to the Acquisition.

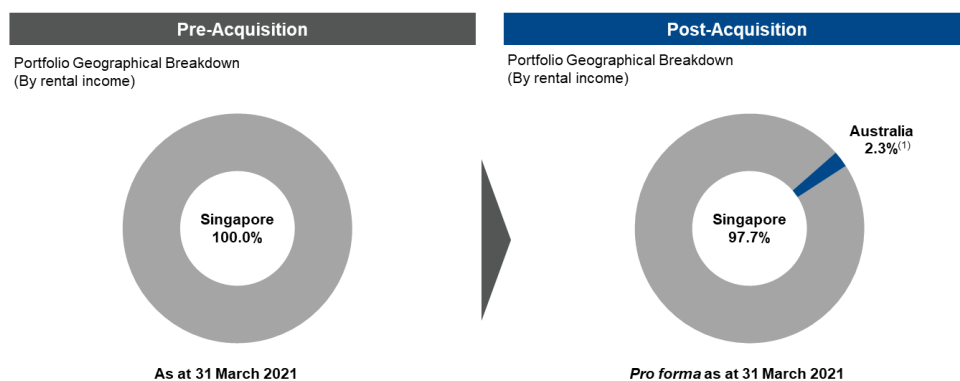
2.8 Rationale for and Key Benefits of the Acquisition

The Manager believes that the Acquisition will bring the following key benefits to the unitholders of ESR-REIT (“**Unitholders**”):

(i) **ESR-REIT’s maiden overseas acquisition provides geographical diversification**

The Acquisition is ESR-REIT’s maiden overseas acquisition and is in line with the Manager’s strategy to invest in markets where the Sponsor has real estate operational capabilities and presence so as to leverage the Sponsor’s capabilities in those markets.

ESR-REIT’s exposure to Australia post-Acquisition is expected to be 2.3% by rental income as at 31 March 2021². This provides geographical diversification to ESR-REIT’s portfolio, and an exposure to an established economic market, thereby reducing ESR-REIT’s current concentration risk due to its 100% exposure to the Singapore economy.



Note:

(1) Excludes 65-75 Strelecki Avenue which was acquired by the Fund on 19 April 2021.

⁵ For the avoidance of doubt, the calculation of the Manager’s performance fee is pegged to the increase in the distribution per unit (“**DPU**”) of ESR-REIT and will therefore take into account ESR-REIT’s investment in the Fund. The Manager’s performance fee is computed at 25% of the growth in DPU for such financial year multiplied by the weighted average number of units in ESR-REIT (“**Units**”) in issue for such financial year. The DPU growth is measured by the excess of DPU for such financial year to the highest DPU achieved by ESR-REIT in the previous years for which a performance fee was payable.

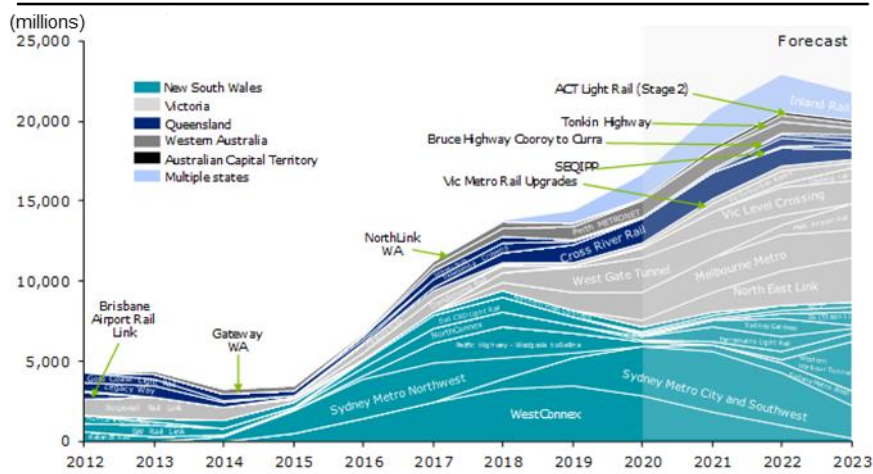
(ii) Provides opportunity to capitalise on Australia’s attractive logistics market

According to the independent market research report issued by Colliers International Consultancy & Valuation Pty Ltd dated 31 March 2021 (the “**Independent Market Research Report**”), despite the outbreak of COVID-19, the industrial and logistics sector in Australia has outperformed all other mainstream real estate sectors. Driven by infrastructure investments and e-commerce growth, fundamentals of the industrial and logistics sector in Australia remains favourable. Key market drivers (including infrastructure investment and e-commerce growth) are expected to remain strong and will continue to be a positive influence on industrial occupancy and investor demand.

Additionally, occupiers in e-commerce, food logistics, pharmaceutical, transport and logistics sectors have performed well with some businesses reporting a doubling of revenue since March 2020.

In relation to infrastructure investments, according to the Independent Market Research Report, Australia is currently witnessing an era of transformation and renewal, with an unprecedented amount of funds being directed to transport infrastructure projects. These include new roads, rail, intermodal terminals and an airport. For the industrial sector, these projects will shape the location of industrial demand as areas that were previously considered secondary may become prime demand areas. According to the Independent Market Research Report, it is estimated that there is A\$133 billion worth of transport infrastructure projects under construction and committed, 65% of which is scheduled for completion in the next three to five years.

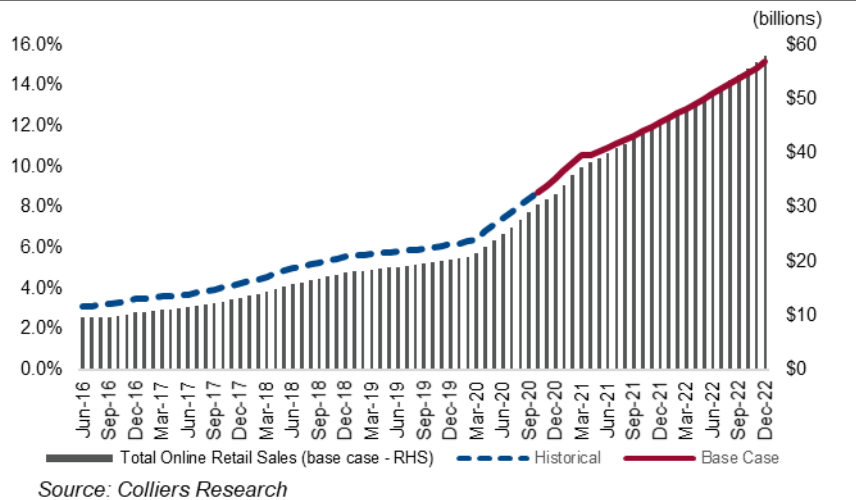
Unprecedented Amount of Transport Infrastructure Projects under Construction and Committed



According to the Independent Market Research Report, the attractiveness of e-commerce has increased exponentially as a result of COVID-19 and online retailers are expected to gain market share at the expense of brick-and-mortar retailers as consumers increasingly make purchases online. COVID-19 is expected to pave the way to a significant structural and cultural shift in the way consumers buy their goods. In the long term, these buying habits are expected to be permanent as consumers become accustomed to online shopping.

According to the Independent Market Research Report, in the 12 months leading up to December 2020, online retail sales growth increased by 53.8%, well above the 18.3% recorded at the same point in 2019. In response to COVID-19, online retail sales accounted for approximately 10% of total retail sales in recent months, up from 6.6% a year ago.

The attractiveness of e-commerce has increased exponentially as a result of COVID-19



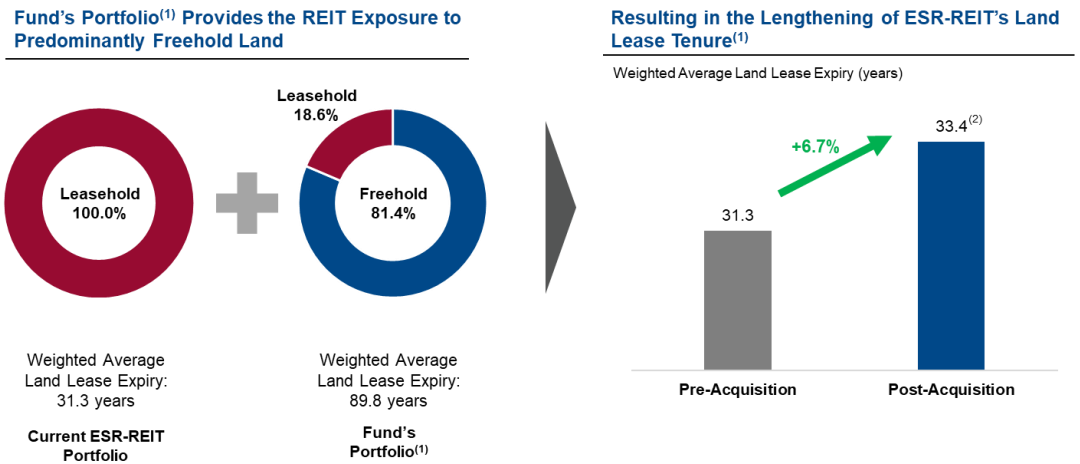
(iii) Exposes ESR-REIT to freehold assets and lengthens the weighted average land lease tenure of ESR-REIT's portfolio

ESR-REIT's existing portfolio in Singapore comprises only leasehold properties with a weighted average land lease expiry of 31.3 years as at 31 March 2021.

The land leases of the 32 Income-Producing Properties² are predominantly freehold (81.4% by value as at 31 March 2021), with the weighted average land lease expiry being 89.8 years⁶. Post-Acquisition, based on the weighted average land lease expiry of ESR-REIT's existing portfolio and the 32 Income-Producing Properties² as

⁶ Assuming that freehold land has an equivalent land lease tenure of 99 years and taking into account only a 10.0% interest in the Fund.

at 31 March 2021, the *pro forma* weighted average land lease expiry of ESR-REIT's enlarged portfolio will increase from 31.3 years to 33.4 years⁷.



Notes:

- (1) Excludes 65-75 Strelecki Avenue which was acquired by the Fund on 19 April 2021.
- (2) Assuming that freehold land has an equivalent land lease tenure of 99 years and taking into account only a 10.0% interest in the Fund.

(iv) Provides exposure to an income-producing portfolio with a complementary opportunity for risk-managed development upside

The Fund's portfolio consists of predominantly income-producing assets with long leases and built-in rental escalations averaging 2.5% to 3.0% per annum and also comprises assets with risk-managed development upside.

As at 31 March 2021, 94.6%⁸ of the Fund's portfolio (by value)² consists of income-producing real estate and provides a stable and growing income stream for ESR-REIT. The remaining 5.4% of the Fund's portfolio (by value)² comprises four land parcels, two of which are currently under development. These developments would be undertaken by ESRD which has an experienced development team familiar with

⁷ Assuming that freehold land has an equivalent land lease tenure of 99 years and taking into account only a 10.0% interest in the Fund.

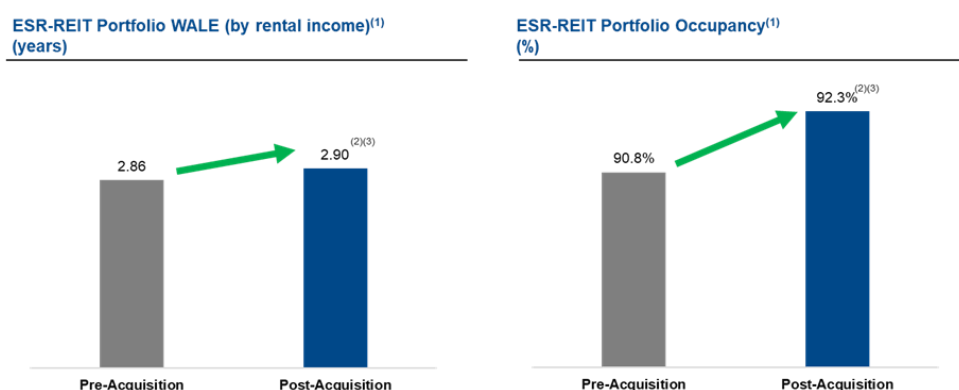
⁸ Of the 94.6% of income-producing real estate (by value), 49.6% are single tenant master leases (by value) and 45.0% are multi-tenant leases (by value).

the Australian market, thereby providing development upside while reducing development risks.

(v) Increases portfolio WALE and occupancy

As at 31 March 2021, 55.3% of the leases in the Fund’s portfolio (by rental income)² are single tenant master leases with longer lease tenures and built-in rental escalations averaging 2.5% to 3.0% per annum. These complement ESR-REIT’s existing portfolio which as at 31 March 2021 consists wholly of income-producing assets, of which a majority are multi-tenanted (73.7% by rental income) with average lease tenure of three years.

With the inclusion of the Properties², the *pro forma* WALE (by rental income)⁹ of ESR-REIT’s enlarged portfolio will increase from 2.86 years to 2.90 years as at 31 March 2021 and the *pro forma* portfolio occupancy rate of ESR-REIT’s enlarged portfolio will increase from 90.8% to 92.3% (as at 31 March 2021).



Notes:

- (1) As at 31 March 2021.
- (2) Taking into account only a 10.0% interest in the Fund.
- (3) Excludes 65-75 Strelecki Avenue which was acquired by the Fund on 19 April 2021.

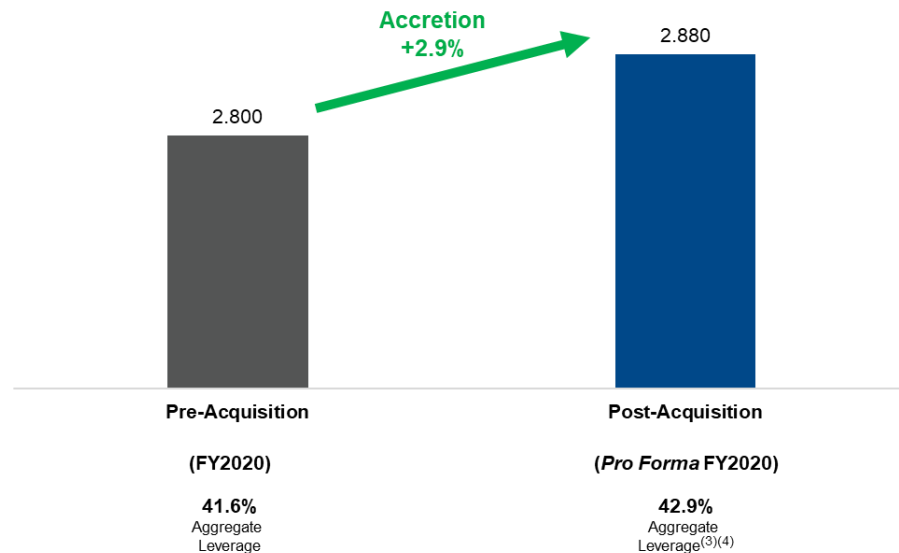
(vi) DPU Accretive acquisition

The Acquisition is expected to be DPU accretive. Based on the *pro forma* financial effects of the Acquisition on ESR-REIT’s DPU for the financial year ended 31 December 2020 (“FY2020”), assuming the Acquisition had been completed on 1 January 2020 and ESR-REIT held the Sale Units through to 31 December 2020, the Acquisition would have increased ESR-REIT’s FY2020 DPU by 2.9%. Any debt to

⁹ Taking into account only a 10.0% interest in the Fund.

be incurred will be in Australian dollars which will create a natural hedge to reduce foreign currency risk.

(DPU Singapore cents)⁽¹⁾⁽²⁾



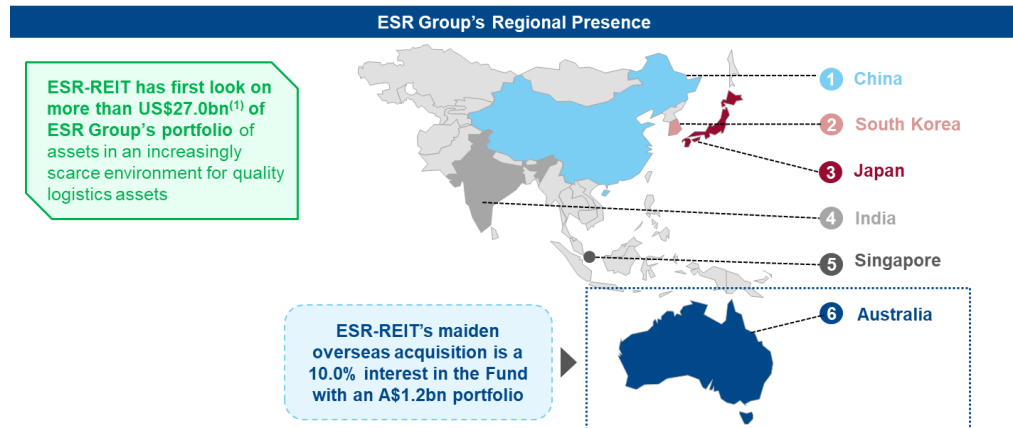
Notes:

- (1) Based on the *pro forma* financial effects of the Acquisition on ESR-REIT's DPU for FY2020, assuming the Acquisition had been completed on 1 January 2020 and ESR-REIT had held the Sale Units through to 31 December 2020.
- (2) Purchase Consideration of S\$62.4 million is fully funded by borrowings with an all-in interest cost of approximately 2.31% per annum.
- (3) Based on the *pro forma* financial effects of the Acquisition on ESR-REIT's aggregate leverage as at 31 December 2020, assuming the Acquisition had been completed on 31 December 2020.
- (4) On 28 April 2021, ESR-REIT announced the divestment of 11 Serangoon North Avenue 5 and 3C Toh Guan Road East for approximately S\$53.0 million (the "Divestment"). Assuming the Divestment had been completed on 31 December 2020 and the net proceeds from the Divestment had been fully utilised to repay outstanding borrowings, the *pro forma* aggregate leverage of ESR-REIT as at 31 December 2020 would have been reduced by approximately 1.0% from 42.9% to 41.9%.

(vii) Demonstrates ESR-REIT's access to the Sponsor's pipeline of assets with the Fund's underlying assets a potential asset pipeline for ESR-REIT

The Acquisition signals the Sponsor's commitment to grow ESR-REIT by facilitating the diversification of ESR-REIT's portfolio and reducing ESR-REIT's operational risks. The Acquisition also demonstrates ESR-REIT's ability to access the Sponsor's pipeline of quality assets and to leverage the established regional real estate platform of the Sponsor for a clear growth trajectory.

ESR-REIT's 10.0% interest in the Fund provides comparative advantage in acquisition opportunities should the Fund decide to divest its underlying assets in an increasingly competitive market where access to quality logistics assets is scarce.



Note:

(1) As at 31 December 2020.

3. Relative Figures under Chapter 10 of the Listing Manual

Chapter 10 of the listing manual of Singapore Exchange Securities Trading Limited (the "SGX-ST", and the listing manual of the SGX-ST, the "Listing Manual") governs the acquisition or divestment of assets, including options to acquire or dispose of assets, by ESR-REIT. Such transactions are classified into the following categories:

- (i) non-discloseable transactions;
- (ii) discloseable transactions;
- (iii) major transactions; and
- (iv) very substantial acquisitions or reverse takeovers.

A transaction by ESR-REIT may fall into any of the categories set out above depending on the size of the relative figures computed on, *inter alia*, the following bases of comparison set out in Rules 1006(b) and 1006(c) of the Listing Manual:

- (b) the net profits attributable to the assets to be acquired, compared with ESR-REIT's net profits; and
- (c) the aggregate value of the consideration given, compared with ESR-REIT's market capitalisation based on the total number of issued units in ESR-REIT excluding treasury Units.

The relative figures for the Acquisition using the applicable bases of comparison described above are set out in the table below.

Comparison of	Acquisition (S\$ million)	ESR-REIT (S\$ million)	Relative Figure (%)
Net Profits	4.2 ⁽¹⁾	164.2 ⁽²⁾	2.6%
Consideration against market capitalisation	69.7 ⁽³⁾	1,466.6 ⁽⁴⁾	4.8%

Notes:

- (1) Refers to post-tax dividend from the Fund using an illustrative exchange rate of A\$1.000 : S\$1.032.
- (2) Refers to net property income where, in the case of a real estate investment trust, the net property income is a close proxy to the net profits attributable to its assets.
- (3) Includes both the Purchase Consideration and the Capital Commitment using an illustrative exchange rate of A\$1.000 : S\$1.032.
- (4) The figure is based on the weighted average traded price of S\$0.4084 per Unit on the SGX-ST as at 5 May 2021, being the market day immediately preceding the date of the Unit Sale Agreement.

As the relative figures computed on the bases set out above do not exceed 5.0%, the Acquisition is classified as a non-discloseable transaction under Chapter 10 of the Listing Manual.

4. **Pro Forma Financial Effects of the Acquisition – FOR ILLUSTRATIVE PURPOSES ONLY**

4.1 **Certain Financial Information Relating to the Acquisition**

The *pro forma* financial effects of the Acquisition presented below are strictly for illustrative purposes only and do not reflect the actual position of ESR-REIT following completion of the Acquisition. The *pro forma* financial effects were prepared based on ESR-REIT's latest audited financial statements for FY2020, the unaudited management accounts of the Fund and on the following assumptions:

- (i) the Purchase Consideration of S\$62.4 million is fully funded by borrowings with an all-in interest cost of approximately 2.31% per annum;
- (ii) the estimated professional and other fees and expenses (including the upfront fees of the borrowings referred to in paragraph (i) above) of approximately S\$3.2 million are funded by existing bank loan facilities with an all-in interest cost of approximately 1.85% per annum; and
- (iii) using an illustrative exchange rate of A\$1.000 : S\$1.032.

4.2 **Pro Forma DPU**

FOR ILLUSTRATIVE PURPOSES ONLY: The *pro forma* financial effects of the Acquisition on ESR-REIT's DPU for FY2020, assuming the Acquisition had been completed on 1 January 2020 and ESR-REIT had held the Sale Units through to 31 December 2020, are as follows:

	Before the Acquisition	After the Acquisition
Net Property Income (S\$'000)	164,207	164,207

Dividend Income from the Fund (S\$'000)	-	4,216 ⁽²⁾
Income available for distribution (S\$'000)	99,127	101,972
Applicable number of Units ('000)	3,540,250 ⁽¹⁾	3,540,250
DPU (cents)	2.800	2.880
DPU Accretion	-	2.9%

Notes:

- (1) Based on the applicable number of Units during FY2020.
- (2) Based on an assumed first year pre-tax dividend yield of approximately 7.3% on the Purchase Consideration and assuming 50% of the dividend income is subject to Australia withholding tax at 15%, the post-tax dividend yield on the Purchase Consideration is approximately 6.8%.

4.3 Pro Forma NAV

FOR ILLUSTRATIVE PURPOSES ONLY: The *pro forma* financial effects of the Acquisition on the NAV per Unit of ESR-REIT as at 31 December 2020, assuming the Acquisition had been completed on 31 December 2020, are as follows:

	Before the Acquisition	After the Acquisition
NAV attributable to Unitholders (S\$'000)	1,446,990	1,444,530 ⁽²⁾
Number of Units ('000)	3,576,362 ⁽¹⁾	3,576,362
NAV per Unit (cents)	40.5	40.4

Notes:

- (1) Number of Units in issue as at 31 December 2020.
- (2) After payment of approximately S\$2.5 million of estimated professional and other fees and expenses directly attributable to the Acquisition.

4.4 Pro Forma Capitalisation and Gearing

FOR ILLUSTRATIVE PURPOSES ONLY: The *pro forma* financial effects of the Acquisition on the capitalisation and gearing of ESR-REIT as at 31 December 2020, assuming the Acquisition had been completed on 31 December 2020, are as follows:

	Before the Acquisition	After the Acquisition
Gross debt (S\$'000)	1,264,926	1,330,603
Total deposited property (S\$'000)	3,038,272	3,100,708
Aggregate Leverage⁽¹⁾	41.6%	42.9% ⁽²⁾

Notes:

- (1) Includes ESR-REIT's 49% share of the borrowings, lease liabilities and total assets of PTC Logistics Hub LLP but excludes the effects arising from the adoption of Financial Reporting Standard (FRS) 116 Leases which became

effective on 1 January 2019 where such effects relate to operating leases that were entered into in the ordinary course of ESR-REIT's business and were in effect before 1 January 2019.

- (2) On 28 April 2021, ESR-REIT announced the Divestment for approximately S\$53.0 million. Assuming the Divestment had been completed on 31 December 2020 and the net proceeds from the Divestment had been fully utilised to repay outstanding borrowings, the *pro forma* aggregate leverage of ESR-REIT as at 31 December 2020 would have been reduced by approximately 1.0% from 42.9% to 41.9%.

5. Other Information

5.1 Interested Person Transaction and Interested Party Transaction (collectively, "IPTs")

As at the date of this announcement, the Sponsor holds an indirect interest of approximately 67.3% of the total number of issued shares of the Manager, and is therefore regarded as a "controlling shareholder" of the Manager for the purposes of both the Listing Manual and Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (the "**Property Funds Appendix**").

As the Vendor, the Guarantor and the Fund Trustee are subsidiaries of the Sponsor, for the purposes of Chapter 9 of the Listing Manual and paragraph 5 of the Property Funds Appendix, the Vendor, the Guarantor and the Fund Trustee (each being a subsidiary of a "controlling shareholder" of the Manager) is (for the purposes of the Listing Manual) an "interested person" of ESR-REIT and (for the purposes of the Property Funds Appendix) an "interested party" of ESR-REIT.

Therefore, the entry by the Trustee into the Unit Sale Agreement and Commitment Deed constitutes an Interested Person Transaction under Chapter 9 of the Listing Manual, as well as an Interested Party Transaction under the Property Funds Appendix.

However, as the aggregate value of the Purchase Consideration and the Capital Commitment of approximately A\$67.6 million (approximately S\$69.7 million³) (which is 4.8% of both the latest audited net tangible assets ("**NTA**") and NAV of ESR-REIT as at 31 December 2020) is more than 3.0% of ESR-REIT's latest audited NTA but less than 5.0% of ESR-REIT's latest audited NTA when aggregated with other transactions entered into with the same interested person during the same financial year (excluding transactions with a value of below S\$100,000 and transactions which have been approved by Unitholders), the entry into of the Acquisition is not subject to the requirement of approval of Unitholders.

5.2 Independent Financial Adviser

While it is not necessary for an independent financial adviser to be appointed in respect of the Acquisition, in the interest of good corporate governance and transparency, KPMG Corporate Finance Pte Ltd (the "**IFA**") has been appointed as the independent financial adviser to advise the Audit, Risk Management and Compliance Committee of the Manager (the "**ARCC**"), the independent directors of the Manager (the "**Independent Directors**") and the Trustee as to whether the Acquisition is on normal commercial terms and is not prejudicial to the interests of ESR-REIT and its minority Unitholders.

A copy of the letter from the IFA to the members of the ARCC, the Independent Directors and the Trustee (the “**IFA Letter**”) is set out in Appendix B to this announcement.

Based on the considerations set out in the IFA Letter and subject to the qualifications and assumptions set out in the IFA Letter, the IFA is of the opinion that the Acquisition (including the Commitment Deed) is on normal commercial terms and is not prejudicial to the interests of ESR-REIT and its minority Unitholders.

Unitholders should read the IFA Letter in its entirety as set out in Appendix B to this announcement.

5.3 Statement of the Audit, Risk Management and Compliance Committee

Based on the IFA's opinion as set out in the IFA Letter in Appendix B to this announcement and the rationale for the Acquisition as set out in paragraph 2.8 of this Announcement, the ARCC is of the view that the Acquisition is on normal commercial terms and is not prejudicial to the interests of ESR-REIT and its minority Unitholders.

5.4 Interests of Directors and Substantial Unitholders

As at the date of this announcement, the interests of the Directors in the Acquisition are as follows:

- (i) Mr Jeffrey Perlman, the Non-Executive Director of the Manager, is also the Chairman of ESR Cayman Limited; and
- (ii) Mr Philip Pearce, the Non-Executive Director of the Manager, is also the CEO of ESR Australia.

Based on the Register of Directors' Unitholdings maintained by the Manager, the direct and deemed interests of the Directors in the Units as at 5 May 2021, being the latest practicable date prior to this announcement (the “**Latest Practicable Date**”) are as follows:

Directors	Direct Interest		Deemed Interest		Total Interest	
	No. of Units	% ⁽¹⁾	No. of Units	% ⁽¹⁾	No. of Units	% ⁽¹⁾
Mr. Ooi Eng Peng	-	-	-	-	-	-
Mr. Khor Un-Hun	-	-	-	-	-	-
Mr. Philip Pearce	-	-	-	-	-	-
Mr. Jeffrey Perlman	-	-	-	-	-	-

Directors	Direct Interest		Deemed Interest		Total Interest	
	No. of Units	% ⁽¹⁾	No. of Units	% ⁽¹⁾	No. of Units	% ⁽¹⁾
Dr. Leong Horn Kee	-	-	-	-	-	-
Mr. Ronald Lim	158,757	0.0044	-	-	158,757	0.0044
Ms. Stefanie Yuen Thio	148,527	0.0041	35,804 ⁽²⁾	0.0010	184,331	0.0051
Mr. Wilson Ang	3,793,387	0.1056	-	-	3,793,387	0.1056
Mr. Tong Jinquan	172,802,987	4.8119	664,861,279 ⁽³⁾	18.5140	837,664,266	23.3260
Mr. Adrian Chui	-	-	-	-	-	-

Notes:

- (1) The percentage interest is computed based on the total number of Units in issue as at 5 May 2021 of 3,591,125,531.
- (2) As 35,804 Units are held by Ms Stefanie Yuen Thio's husband, Ms. Stefanie Yuen Thio is deemed to be interested in these Units.
- (3) Wealthy Fountain Holdings Inc ("**WFHI**") holds 60 Units and Skyline Horizon Consortium Ltd ("**SHCL**") holds 13,172,094 Units. Both WFHI and SHCL are wholly-owned by Shanghai Summit Pte Ltd ("**SSPL**"). The Manager holds 29,736,447 Units and is 25% owned by SSPL. Both SSPL and Shanghai Summit (Group) Co., Ltd ("**SSGCL**") are wholly-owned by Mr. Tong Jinquan. Therefore, he is deemed to be interested in 621,952,678 Units held by SSGCL and 42,908,601 Units held by SSPL.

Based on the Register of Substantial Unitholders' Unitholdings maintained by the Manager, the direct and deemed interests of the substantial Unitholders in the Units as at the Latest Practicable Date are as follows:

Substantial Unitholders	Direct Interest		Deemed Interest		Total Interest	
	No. of Units	%*	No. of Units	%*	No. of Units	%*
Mr. Tong Jinquan	172,802,987	4.8119	664,861,279 ⁽¹⁾	18.5140	837,664,266	23.3260
SSGCL	-	-	621,952,678 ⁽²⁾	17.3192	621,952,678	17.3192
Longemont Real Estate Pte. Ltd. (" LREPL ")	-	-	621,952,678 ⁽²⁾	17.3192	621,952,678	17.3192
Leading Wealth Global Inc (" LWGI ")	621,952,678	17.3192	-	-	621,952,678	17.3192

Substantial Unitholders	Direct Interest		Deemed Interest		Total Interest	
	No. of Units	%*	No. of Units	%*	No. of Units	%*
The Sponsor	-	-	355,331,099 ⁽³⁾	9.8947	355,331,099	9.8947
e-Shang Jupiter Cayman Limited (“ESJC”)	-	-	355,331,099 ⁽³⁾	9.8947	355,331,099	9.8947
e-Shang Infinity Cayman Limited (“ESIC”)	315,302,679	8.7801	40,028,420 ⁽⁴⁾	1.1146	355,331,099	9.8947

Notes:

- * Based on Substantial Unitholders’ disclosures in respect of interests in securities.
- (1) WFHI holds 60 Units and SHCL holds 13,172,094 Units. Both WFHI and SHCL are wholly owned by SSPL. The Manager holds 29,736,447 Units and is 25% owned by SSPL. Both SSPL and SSGCL are wholly owned by Mr. Tong Jinqun. Therefore, he is deemed to be interested in 621,952,678 Units held by SSGCL and 42,908,601 Units held by SSPL.
 - (2) SSGCL is the sole shareholder of LREPL, which is in turn the sole shareholder of LWGI. Therefore, each of SSGCL and LREPL is deemed to be interested in the 621,952,678 Units held by LWGI.
 - (3) The Sponsor is the sole shareholder of ESJC, which is in turn the sole shareholder of ESIC. Therefore, each of the Sponsor and ESJC is deemed to be interested in the 355,331,099 Units held by ESIC.
 - (4) ESIC indirectly owns 67.3% equity interest in the Manager and 100.0% equity interest in ESR Property Management (S) Pte. Ltd. (“ESRPM”). Each of the Manager and ESRPM holds 29,736,447 Units and 10,291,973 Units, respectively. Therefore, ESIC is deemed to be interested in the 40,028,420 Units held by the Manager and ESRPM.

Save as disclosed above and as at the Latest Practicable Date, none of the Directors or Substantial Unitholders has an interest, direct or indirect, in the Acquisition.

5.5 Directors’ Service Contracts

No person is proposed to be appointed as a Director in connection with the Acquisition or any other transactions contemplated in relation to the Acquisition.

5.6 Existing IPTs

As at the date of this announcement, the value of all IPTs entered into between ESR-REIT and the Sponsor and its subsidiaries and associates during the course of the current financial

year is approximately S\$71.6 million, which is approximately 4.9% of the latest audited NTA and NAV of ESR-REIT as at 31 December 2020.

Save as described above, there were no IPTs entered into for the current financial year.

6. Documents for Inspection

Copies of the following documents are available for inspection¹⁰ during normal business hours at the registered office of the Manager at 138 Market Street, #26-03/04 CapitaGreen, Singapore 048946, from the date of this announcement up to and including the date falling three months from the date of this announcement:

- (i) the Unit Sale Agreement;
- (ii) the Commitment Deed;
- (iii) the valuation reports on the Properties issued by the Independent Valuers;
- (iv) the Independent Market Research Report; and
- (v) the audited financial statements of ESR-REIT for FY2020.

The trust deed dated 31 March 2006 (as amended) constituting ESR-REIT will also be available for inspection at the registered office of the Manager, for so long as ESR-REIT is in existence.

¹⁰ Prior appointment with the Manager is required. Please contact ESR-REIT investor relations.

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

6 May 2021

For further enquiries, please contact:

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Appendix A

The table below sets out a summary of selected information on the 32 Income-Producing Properties (on a 100% basis) as at 31 March 2021, unless otherwise stated.

	Income-Producing Properties	State	Land Area (sqm)	Land Tenure (years)	Trustee Valuers Valuation⁽¹⁾ (A\$'million)	Manager Valuer Valuation⁽²⁾ (A\$'million)
1	50-52 Airds Road, Minto	NSW	54,340.00	Freehold	470.50	467.10
2	122 Newton Road, Wetherill Park		33,050.00	Freehold		
3	164-166 Newton Road, Wetherill Park		23,590.00	Freehold		
4	Lot 6, Skyline Crescent, Horningsea Park		22,240.00	88.8		
5	Lot 8, Skyline Crescent, Horningsea Park		22,470.00	89		
6	7-15 Gundah Road, Mount Kuring-Gai		58,320.00	Freehold		
7	1 Orielton Road, Smeaton Grange		13,267.00	Freehold		
8	2 Costello Place, Seven Hills		7,982.20	Freehold		
9	205 Fairfield Road, Yennora		55,400.00	Freehold		
10	495 Victoria Street, Wetherill Park		22,690.00	Freehold		
11	12A Rodborough Road, Frenchs Forest		8,725.00	Freehold		
12	98 Kurrajong Avenue, Mount Druitt		19,280.00	Freehold		
13	27 Frank Street, Wetherill Park		41,677.00	Freehold		
14	71-83 Whiteside Road & 74-84 Main Road, Clayton	VIC	66,330.00	Freehold	354.85	355.00
15	144-168 National Boulevard, Campbellfield		34,220.00	Freehold		
16	349 Perry Rd, Dandenong South		53,090.00	Freehold		

	Income-Producing Properties	State	Land Area (sqm)	Land Tenure (years)	Trustee Valuers Valuation⁽¹⁾ (A\$million)	Manager Valuer Valuation⁽²⁾ (A\$million)
17	82 Taryn Drive, Epping		20,993.00	Freehold		
18	25 Strezlecki Avenue, Sunshine West		36,473.00	Freehold		
19	63-73 Woodlands Drive, Braeside		14,874.00	Freehold		
20	Melbourne Markets, 315 Cooper Street, Epping		152,660.00	34.9		
21	127-145 Cherry Lane, Laverton North		43,740.00	Freehold		
22	309 Fitzgerald Road, Derrimut		48,250.00	Freehold		
23	379 Sherbrooke Road, Willawong	QLD	25,547.00	Freehold	175.00	179.25
24	163 Viking Drive, Wacol		26,520.00	Freehold		
25	183 Viking Drive, Wacol		21,000.00	Freehold		
26	55 Tonka Street, Luscombe		69,910.00	Freehold		
27	Phase 1, 450 Sherbrooke Road, Willawong		18,350.00	Freehold		
28	17 Sugarmill Road, Pinkenba		31,685.00	Freehold		
29	7 Viola Place, Brisbane Airport		14,920.00	26.5		
30	48 Alexandra Place, Murarrie		16,590.00	Freehold		
31	7 Modal Crescent, Canning Vale (identified to be sold)	WA	30,802.00	Freehold	16.00	16.00
32	103 West Avenue, Edinburgh	SA	25,650.00	Freehold	14.25	14.50

Notes:

(1) The Trustee Valuers relied on the market capitalisation, discounted cashflow and direct comparison approach.

(2) The Manager Valuer relied on the market capitalisation, discounted cashflow and direct comparison approach.

APPENDIX B

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The Independent Directors
Audit, Risk Management and Compliance Committee
ESR Funds Management (S) Limited
(as manager of ESR-REIT)
138 Market Street
#26-03/04 CapitaGreen
Singapore 048946

RBC Investor Services Trust Singapore Limited
(as trustee of ESR-REIT)
8 Marina View #26-01
Asia Square Tower 1
Singapore 018960

6 May 2021

Dear Independent Directors, Audit, Risk Management and Compliance Committee and Trustee

**INDEPENDENT FINANCIAL ADVICE IN RELATION TO THE PROPOSED ACQUISITION OF
STAKE IN 37 AUSTRALIAN ASSETS VIA 10.0% OF THE UNITS IN ESR AUSTRALIA
LOGISTICS PARTNERSHIP**

*For the purposes of this letter, capitalised terms not otherwise defined herein shall have the same meaning as given in the announcement to the unitholders of ESR-REIT (“**ESR-REIT**”) (the “**Unitholders**”) dated 6 May 2021 (the “**Announcement**”)*

1. INTRODUCTION

Transaction Overview

On 6 May 2021, ESR Funds Management (S) Limited in its capacity as manager of ESR-REIT (the “**Manager**”) announced that RBC Investor Services Trust Singapore Limited, in its capacity as trustee of ESR-REIT (the “**Trustee**”), has on 6 May 2021 entered into a unit sale agreement (the “**Unit Sale Agreement**”) with ESR Investment Management 2 (Australia) Pty Limited, in its capacity as trustee of ESR Co-Invest Trust (the “**Guarantor**”), and One Funds Management Limited, in its capacity as trustee of ESR Queensland Hold Trust (the “**Vendor**”), to acquire 10.0% of the total issued units (“**Sale Units**”) of ESR Australia Logistics Partnership (the “**Fund**” or “**EALP**”), which indirectly holds 33 income-producing properties (“**Income-Producing Properties**”), two land parcels for future development (the “**Land Parcels**”) and two properties

which are currently under development (the “**Development Properties**”, and together with the Income-Producing Properties and Land Parcels, the “**Properties**”) from the Vendor (the “**Acquisition**”). The Guarantor has agreed to guarantee and procure the performance of the Vendor under the Unit Sale Agreement.

As part of the Acquisition, ESR Investment Management 1 (Australia) Pty Limited, in its capacity as trustee of the Fund (the “**Fund Trustee**”), the Vendor and the Trustee have also entered into a commitment deed (the “**Commitment Deed**”) under which the Trustee agrees to commit to subscribe for units of the Fund and acquire the Sale Units from the Vendor subject to the terms and conditions of the Commitment Deed and the trust deed of the Fund executed by the Fund Trustee dated 29 June 2018 (as amended) (the “**Fund Trust Deed**”).

Information on the Fund and the Properties

The Fund is a private fund constituted under the Fund Trust Deed, and is managed by ESR Asset Management (Australia) Pty Ltd (“**ESR AM**”), which is an indirect subsidiary of the sponsor of ESR-REIT, ESR Cayman Limited (the “**Sponsor**”).

As at the date of this announcement, the Vendor holds a 20.0% interest in the Fund, with the remaining 80.0% interest in the Fund held by a wholly-owned subsidiary of GIC (Realty) Private Limited (“**GIC**”), whose primary business is to hold real estate investments of GIC Private Limited, a global investment firm established in 1981 to manage Singapore’s foreign reserves. Following the Acquisition, ESR-REIT and the Vendor will each hold a 10.0% interest in the Fund, with GIC will holding the remaining 80.0% interest in the Fund.

The principal investment strategy of the Fund is to invest in a diversified portfolio of income-producing core-plus logistics real estate located primarily in the eastern seaboard cities of Australia (e.g. Sydney, Melbourne and Brisbane) with a minimum allocation of 65.0% of the total portfolio across Sydney and Melbourne.

The Fund’s portfolio currently comprises the Properties which are located in Australia across New South Wales (“**NSW**”), Victoria (“**VIC**”), Queensland (“**QLD**”), South Australia (“**SA**”) and Western Australia (“**WA**”), with a total land area of approximately 1,319,468 square metres (“**sqm**”), an occupancy rate of 95.9% and a weighted average lease expiry (“**WALE**”) of 4.87¹ years as at 31 March 2021².

The Fund is in the process of several transactions and has entered into:

- an agreement for the sale of one of the Income-Producing Properties, 7 Modal Crescent, Canning Vale, Western Australia (“**7 Modal Crescent**”) with the target date of completion being post-Acquisition; and
- an agreement to acquire an additional property under development located in the state of New South Wales (the “**Additional Property**”) with the target date of completion being

¹ Weighted by rental income.

² Excludes 65-75 Strelecki Avenue, Sunshine West, Victoria (“**65-75 Strelecki Avenue**”) which was acquired by the Fund on 19 April 2021.

post-Acquisition.

Purchase Consideration for the Acquisition

The purchase consideration payable by the Trustee under the Unit Sale Agreement (the “**Purchase Consideration**”) is A\$60.5 million (approximately S\$62.4 million³), being 10.0% of the adjusted net asset value of the Fund as at 31 March 2021. The Purchase Consideration was arrived at on a willing-buyer and willing-seller basis, taking into account the two independent valuations as at 31 March 2021 commissioned by the Trustee and the Manager for the 32 Income-Producing Properties², and the book value of the Development Properties and the Land Parcels. The Purchase Consideration will be paid in cash.

The estimated total cost of the Acquisition (the “**Total Transaction Cost**”) is approximately S\$64.9 million, comprising:

- (i) the Purchase Consideration of A\$60.5 million (approximately S\$62.4 million³); and
- (ii) the estimated professional and other fees and expenses incurred or to be incurred by ESR-REIT in connection with the Acquisition of approximately S\$2.5 million.

The Total Transaction Cost is expected to be financed 100% through debt.

For the avoidance of doubt, the new acquisition of 65-75 Strelecki Avenue which was completed on 19 April 2021, the sale of 7 Modal Crescent and the acquisition of the Additional Property have already been taken into account in arriving at the Purchase Consideration.

Interested Person Transaction and Interested Party Transaction (collectively, “**IPTs**”)

The entry by the Trustee into the Unit Sale Agreement and Commitment Deed constitutes an Interested Person Transaction under Chapter 9 of the Listing Manual of Singapore Exchange Securities Trading Limited, as well as an Interested Party Transaction under Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (the “**Property Funds Appendix**”).

However, as the aggregate value of the Purchase Consideration and the Capital Commitment of approximately A\$67.6 million (approximately S\$69.7 million³) (which is 4.8% of both the latest audited net tangible assets (“**NTA**”) and NAV of ESR-REIT as at 31 December 2020) is more than 3.0% of ESR-REIT’s latest audited NTA but less than 5.0% of ESR-REIT’s latest audited NTA when aggregated with other transactions entered into with the same interested person during the same financial year (excluding transactions with a value of below S\$100,000 and transactions which have been approved by Unitholders), the entry into of the Acquisition is not subject to the requirement of approval of Unitholders.

KPMG Corporate Finance Pte Ltd (“**KPMG Corporate Finance**”) has been appointed as the independent financial adviser (“**IFA**”) to advise the Audit, Risk Management and Compliance Committee (the “**ARCC**”), the independent directors of the Manager (the “**Independent**

³ Using an illustrative exchange rate of A\$1.000 : S\$1.032.

Directors") and the Trustee as to whether the Acquisition (including the Commitment Deed) is on normal commercial terms and is not prejudicial to the interests of ESR-REIT and its minority Unitholders.

This letter sets out, *inter alia*, our views and evaluation of the Acquisition (including the Commitment Deed).

2. TERMS OF REFERENCE

Our responsibility is to provide an opinion in respect of the Acquisition (including the Commitment Deed) (the “**Opinion**”).

Our Opinion is delivered for the use and benefit of the addressees of this letter (as appropriate) (the “**Addressees**”) for their deliberations on the Acquisition (including the Commitment Deed), before arriving at a decision on the merits or demerits thereof, and in making any recommendations by the Independent Directors and/or the ARCC.

We were not involved in any aspect of the negotiations pertaining to the Acquisition (including the Commitment Deed), nor were we involved in the deliberations leading up to the decisions of and recommendations by the Independent Directors and/or the ARCC to proceed with these. The decisions of and recommendations made by the Independent Directors and/or the ARCC shall remain their sole responsibility.

We have not conducted a comprehensive review of the business, operations or financial conditions of ESR-REIT. Our terms of reference also do not require us to evaluate or comment on the merits and/or risk, whether strategic, commercial, financial or otherwise, of the Acquisition (including the Commitment Deed), or on the future prospects of ESR-REIT and as such, we do not express opinions thereon. Such evaluations or comments remain the sole responsibility of the Independent Directors and/or the ARCC.

It is also not within our terms of reference to compare the relative merits of the Acquisition (including the Commitment Deed), to any alternative transactions previously considered by, or that may have been available to, ESR-REIT or any alternative transactions that may be available in the future. Such evaluations or comments remain the sole responsibility of the Independent Directors and/or the ARCC, although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our Opinion.

In addition, we have not made any independent evaluation or appraisal of the existing or proposed assets or liabilities (including without limitation, real property) of ESR-REIT. The Trustee has commissioned independent valuers, Knight Frank Valuation & Advisory and CBRE Valuations Pty Limited (collectively, the “**Trustee Valuers**”), and the Manager has commissioned an independent valuer, Colliers International Valuation & Advisory Services (the “**Manager Valuer**”, and together with the Trustee Valuers, the “**Independent Valuers**”), to value the Properties and prepare valuation reports (the “**Valuation Reports**”). We have relied on these independent Valuation Reports.

We are not experts in the evaluation or appraisal of the assets or liabilities concerned and we have placed sole reliance on these Valuation Reports for such asset appraisals and have not independently verified the contents thereof. By its very nature, valuation work cannot be regarded as an exact science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of the Independent Valuer's judgement. In particular, we do not assume any responsibility for the valuations contained in the Valuation Reports.

In formulating our Opinion, we have held discussions with the directors of the Manager (the “**Directors**”) and its management team. We have considered the information contained in the Announcement, publicly available information collated by us as well as information, both written

and verbal, provided by the Manager and the professional advisers appointed by the Manager and the Trustee, which may include solicitors, auditors, tax advisers and valuers. We have not independently verified such information, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of and do not accept any responsibility for the accuracy, completeness or adequacy of all such information, provided or otherwise made available to us or relied on by us. We have nevertheless made reasonable enquiries and used our judgment in assessing the reasonable use of such information and have found no reason to doubt the accuracy or reliability of such information.

We have relied upon the representation of the Directors including those who may have delegated detailed supervision of the Announcement and the Acquisition (including the Commitment Deed), that they have taken all reasonable care to ensure that all information and facts, both written and verbal, as provided to us by the Manager and the Addressees' professional advisers (which may include solicitors, auditors, tax advisers and valuers) and facts as stated in the Announcement are fair and accurate in all material respects and all material information and facts have been disclosed to us, and that no material information and facts have been omitted, the omission of which would render any statement in the Announcement, information and facts disclosed to us or our Opinion in this letter to be inaccurate, incomplete or misleading in any material respect. Accordingly, no representation or warranty, express or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information and facts.

Our Opinion is based upon market, economic, industry, monetary and other conditions (where applicable) in effect on 5 May 2021 (the "**Latest Practicable Date**"). Such conditions and information can change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our Opinion in the light of any subsequent changes or developments after the Latest Practicable Date even if it may affect our Opinion contained herein.

In rendering our Opinion, we did not have regard to the general or specific investment objectives, financial situation, risk profiles, tax position or particular needs and constraints of any Unitholder.

The Addressees (as appropriate) have been separately advised by their own professional advisers in the preparation of the Announcement (other than this letter). We have no role or involvement and have not and will not provide any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Announcement (other than this letter). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Announcement (other than this letter).

Our Opinion should be considered in the context of the entirety of this letter and the Announcement.

3. OUR EVALUATION OF THE ACQUISITION (INCLUDING THE COMMITMENT DEED)

In arriving at our Opinion in relation to the Acquisition (including the Commitment Deed), we have considered the following key factors:

3.1 Rationale for and Key Benefits of the Acquisition

Information in relation to the rationale for the Acquisition is contained within section 2.8 of the Announcement with the summarised key benefits of the Acquisition as perceived by the Manager extracted as follows:

- (i) ESR-REIT's maiden overseas acquisition provides geographical diversification*
- (ii) Provides opportunity to capitalise on Australia's attractive logistics market*
- (iii) Exposes ESR-REIT to freehold assets and lengthens the weighted average land lease tenure of ESR-REIT's portfolio*
- (iv) Provides exposure to an income-producing portfolio with a complementary opportunity for risk-managed development upside*
- (v) Increases portfolio WALE and occupancy*
- (vi) Accretive acquisition*
- (vii) Demonstrates ESR-REIT's access to the Sponsor's pipeline of assets with the Fund's underlying assets a potential asset pipeline for ESR-REIT*

The rationale has been reviewed and is considered to be reasonable.

3.2 Financial assessment

Given the asset-intensive nature of the property investment and property development business activities of EALP, we have focused on the asset-based valuation approach (as opposed to other valuation approaches) for the purpose of evaluating the financial terms of the Acquisition.

Entities in the real estate industry are often valued using an asset-based approach as their asset backings are perceived as providing support for the value of their equity. Additionally, the reported annual earnings of such entities may vary considerably over time and between entities due to factors such as the redevelopment/upgrading of properties and periodic revaluation of properties.

The Net Asset Value (“NAV”) approach, which is an asset-based approach, provides an estimate of the value of an entity assuming the hypothetical sale of all of its assets over a reasonable period of time, the proceeds of which would be first used to settle the liabilities of that entity with the balance available for distribution to its owners.

The NAV of an entity refers to the aggregate value of all the assets in their existing condition, net of any non-controlling interests and all liabilities of the entity.

NAV of EALP

The main components of the financial position of EALP as at 31 March 2021 are set out below:

Table 1 – Summary balance sheet of EALP as at 31 March 2021

Details of adjusted net asset value of the Fund	As at 31 March 2021 (A\$ million)
32 Income-Producing Properties	1,031.9
Development Properties and Land Parcels	100.2
Other assets	79.4
Total assets	1,211.5
Total liabilities	(607.5)
Net asset value	604.0
Adjustment ⁽¹⁾	1.0
Adjusted net asset value	605.0

Source: Announcement

Note:

- (1) The adjustment relates to the exclusion of interest rate swap revaluation reserve as part of net asset value as the value of the interest rate swap revaluation reserve will equate to zero when the interest rate swaps expire.

As at 31 March 2021, the adjusted NAV attributable to owners of EALP was approximately A\$605 million. We note that the majority of the assets of EALP comprise the Income-Producing Properties (excluding the newly acquired asset, 65-75 Strelecki Avenue) (the “**32 Income-Producing Properties**”) and the Development Properties and Land Parcels, accounting for 85.2% and 8.3% respectively of the total assets of EALP as at 31 March 2021.

It is relevant to highlight, particularly in the context of EALP being an asset-based entity, that the adjusted NAV of EALP has been arrived at based on the market valuation of the 32 Income-Producing Properties as at 31 March 2021 as determined by the Manager Valuer. We note that the 32 Income-Producing Properties were valued by the Manager Valuer using commonly accepted valuation methodologies including the income capitalisation approach, direct comparison method and discounted cash flow methodologies. Further, we understand from the Manager that the fair value adjustments have been incorporated into EALP's adjusted NAV in accordance with EALP's accounting policies.

We note that the Trustee also commissioned the Trustee Valuers to perform valuations of the 32 Income-Producing Properties of EALP. The Trustee Valuers also used commonly accepted valuation methodologies including the income capitalisation approach, direct comparison method and discounted cash flow methodologies in valuing the 32 Income-Producing Properties of EALP.

The following table sets out the appraised values of the 32 Income-Producing Properties of EALP by the Independent Valuers as at the appraisal date of 31 March 2021:

Table 2 – Summary of the 32 Income-Producing Properties

No.	Property Address	State	Land Area (sqm)	Land Tenure (years)	Trustee Valuers Valuation ⁽¹⁾ (A\$'million)	Manager Valuer Valuation ⁽²⁾ (A\$'million)
32 Income-Producing Properties						
1	50-52 Airds Road, Minto		54,340.00	Freehold		
2	122 Newton Road, Wetherill Park		33,050.00	Freehold		
3	164-166 Newton Road, Wetherill Park		23,590.00	Freehold		
4	Lot 6, Skyline Crescent, Horningsea Park		22,240.00	88.8		
5	Lot 8, Skyline Crescent, Horningsea Park		22,470.00	89		
6	7-15 Gundah Road, Mount Kuring-Gai		58,320.00	Freehold		
7	1 Orielton Road, Smeaton Grange	NSW	13,267.00	Freehold	470.50	467.10
8	2 Costello Place, Seven Hills		7,982.20	Freehold		
9	205 Fairfield Road, Yennora		55,400.00	Freehold		
10	495 Victoria Street, Wetherill Park		22,690.00	Freehold		
11	12A Rodborough Road, Frenchs Forest		8,725.00	Freehold		
12	98 Kurrajong Avenue, Mount Druitt		19,280.00	Freehold		
13	27 Frank Street, Wetherill Park		41,677.00	Freehold		
14	71-83 Whiteside Road & 74-84 Main Road, Clayton		66,330.00	Freehold		
15	144-168 National Boulevard, Campbellfield		34,220.00	Freehold		
16	349 Perry Rd, Dandenong South		53,090.00	Freehold		
17	82 Taryn Drive, Epping		20,993.00	Freehold		
18	25 Strezlecki Avenue, Sunshine West	VIC	36,473.00	Freehold	354.85	355.00
19	63-73 Woodlands Drive, Braeside		14,874.00	Freehold		
20	Melbourne Markets, 315 Cooper Street, Epping		152,660.00	34.9		
21	127-145 Cherry Lane, Laverton North		43,740.00	Freehold		
22	309 Fitzgerald Road, Derrimut		48,250.00	Freehold		
23	379 Sherbrooke Road, Willawong		25,547.00	Freehold		
24	163 Viking Drive, Wacol		26,520.00	Freehold		
25	183 Viking Drive, Wacol		21,000.00	Freehold		
26	55 Tonka Street, Luscombe		69,910.00	Freehold		
27	Phase 1, 450 Sherbrooke Road, Willawong	QLD	18,350.00	Freehold	175.00	179.25
28	17 Sugarmill Road, Pinkenba		31,685.00	Freehold		
29	7 Viola Place, Brisbane Airport		14,920.00	26.5		
30	48 Alexandra Place, Murarrie		16,590.00	Freehold		
31	7 Modal Crescent, Canning Vale (identified to be sold)	WA	30,802.00	Freehold	16.00	16.00
32	103 West Avenue, Edinburgh	SA	25,650.00	Freehold	14.25	14.50

Source: Announcement Appendix A

Notes:

- (1) The Trustee Valuers relied on the market capitalisation, discounted cashflow and direct comparison approach.
- (2) The Manager Valuer relied on the market capitalisation, discounted cashflow and direct comparison approach.

We observe that ten percent (10.0%) of the adjusted NAV of EALP, arrived at based on the appraised values of the 32 Income-Producing Properties estimated by the Manager Valuer as at 31 March 2021 and the book value of the Development Properties and the Land Parcels, is A\$60.5 million (approximately S\$62.4 million³) ("**Proportionate EALP NAV**"). The Purchase Consideration of A\$60.5 million (approximately S\$62.4 million³) is equal to the Proportionate EALP NAV.

We highlight the following matters:

1. The Purchase Consideration was arrived at on a willing-buyer and willing-seller basis, taking into account the two independent valuations as at 31 March 2021 commissioned by the Trustee and the Manager for the 32 Income-Producing Properties, and the book value of the Development Properties and the Land Parcels.

The book value of the Development Properties and the Land Parcels is presented in Table 3 below.

Table 3 – Summary of Development Properties and Land Parcels

Development Properties and Land Parcels	Book Value (A\$million)	Trustee Valuers 'as-is' Valuation (A\$million)	Manager Valuer 'as-is' Valuation (A\$million)
Value attributable to vacant land ⁽¹⁾	59.2	60.2	63.9
Value attributable to development works ⁽²⁾	9.4	-	-
Additional property	31.6 ⁽³⁾	-	-
Total	100.2	-	-

Source: The Manager

Notes:

- (1) The value attributable to vacant land includes acquisition costs, valuation adjustment account, development acquisition costs, development holding costs and development land costs.
- (2) The value attributable to development works includes development construction costs, development lease incentives and development project management.
- (3) The book value of the Development Properties and Land Parcels includes an additional property which is being developed by ESR Australia pursuant to a 'fund through' structure. The book value of this property is A\$31.6 million, which is derived by subtracting the estimated costs to complete of A\$56.4 million from the "as-if" valuation of A\$88 million as determined by the Manager Valuer.

We observe that the cumulative totals of the Independent Valuers 'as-is' valuations of the Development Properties and the Land Parcels are A\$60.2 million and A\$63.9 million as determined by the Trustee Valuers and the Manager Valuer respectively.

In order to make a like-for-like comparison of these valuations against the book value as at 31 March 2021, we have excluded from the book value (i) development construction costs as the "as-is" valuations do not consider the additional value from the construction and (ii) allocated expenses namely, development lease incentives and development project management. The book value after these exclusions is A\$59.2 million which we note is lower than the "as-is" valuations of A\$60.2 million and A\$63.9 million as determined by the Trustee Valuers and the Manager Valuer respectively.

There is one additional property that has been valued by the Manager Valuer on an "as-if" basis as it is being developed by ESR Australia pursuant to a 'fund through' structure with

EALP where EALP has paid an initial amount and continues to pay ongoing monthly amounts to ESR Australia up to a maximum agreed price. Upon completion of the development, EALP will acquire the property for no additional consideration. The book value of this property is A\$31.6 million, which is derived by subtracting the estimated costs to complete of A\$56.4 million from the “as-if” valuation of A\$88 million as determined by the Manager Valuer.

- We understand from the Manager that there is a total latent capital gain of A\$28.7 million as at 31 March 2021. Based on the 10% acquisition interest of ESR-REIT, the Manager estimates that the tax at risk (assuming a 15% rate) for ESR-REIT is approximately A\$0.4 million.

The adjusted NAV of EALP and accordingly the Proportionate EALP NAV have not been adjusted downward by A\$4.3 million and A\$0.4 million, respectively, on account of the tax at risk.

- Prior to completion of the Acquisition, the existing unitholders of EALP will receive income distributions for the period up to the date of settlement which have not been distributed at the date of the Unit Sale Agreement and which the Trustee and each sub trustee determines should be distributed. We consider this settlement mechanism to be reasonable in that the purchaser and Vendor capture the benefits of ownership only in accordance with their respective dates of ownership of the Sale Units.
- We have considered the Purchase Consideration relative to the adjusted NAV and NTA of EALP as at 31 March 2021 by comparing against the premium/discount of the price to the respective NAV and NTA of selected entities, which in our view, are comparable to EALP (the “**Comparable Companies**”).

The Comparable Companies were chosen on account of, *inter alia*, being entities holding over 45 percent of their total assets in industrial properties in Australia.

This illustration is set out in the table below:

Table 4 – Comparable Companies

No.	Name	Unit Price ⁽¹⁾ (A\$)	NAV A(\$)	Premium (discount) to NAV (%)	NTA (A\$)	Premium (discount) to NTA (%)
1	APN Industria REIT	3.09	2.89	6.9%	2.88	7.3%
2	Centuria Industrial REIT	3.52	3.00	17.2%	2.99	17.7%
3	Garda Property Group	1.14	1.36	-16.3%	1.20	-5.0%
	Minimum			-16.3%		-5.0%
	Median			6.9%		7.3%
	Mean			2.6%		6.7%
	Maximum			17.2%		17.7%
	EALP			0.0%		0.0%

Source: S&P Capital IQ, Company Reports, KPMG Analysis

Note:

(1) Based on security prices as at the Latest Practicable Date.

Based on the above, we observe that the Purchase Consideration relative to the adjusted NAV and NTA of EALP as at 31 March 2021 is within the range of the premia/discounts of the price to NAV and NTA of the Comparable Companies.

We wish to highlight that the Comparable Companies are not exhaustive and there may not be any entity that is directly comparable to EALP in terms of, *inter alia*, size of operations, clientele base, composition of business activities, asset base, geographical spread, track record, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria. As such, any comparison made with respect to the Comparable Companies is intended to serve as an illustrative guide only.

In addition to the above, we have also sought to identify comparable transactions for the purpose of assessing the Acquisition. In doing so, we sought to identify comparable transactions involving entities holding over 45 percent of their total assets in industrial properties in Australia. However, due to the limited availability of comparable transactions in respect of industrial property owners, we have expanded our search to include transactions wherein the portfolio of the target companies, at least in part, includes industrial properties (the “**Broadly Comparable Transactions**”).

We set out below the comparison of the Purchase Consideration relative to the adjusted NAV and NTA of EALP as at 31 March 2021 against the corresponding premia/discounts of the Broadly Comparable Transactions:

Table 5 – Broadly Comparable Transactions

No	Target Company	Bidder	Announced date	% Sought	Transaction Value (A\$m)	NAV (A\$m)	Premium (discount) to NAV (%)	NTA (A\$m)	Premium (discount) to NTA (%)
1	Irongate Group	360 Capital REIT	29-Jan-21	9.18%	78.6	819.7	4.4%	819.1	4.5%
2	Cromwell Property Group	ARA Asset Management Limited	23-Jun-20	22.02%	518.5	2704.8	-12.9%	2698.2	-12.7%
3	Propertylink Group	*Undisclosed buyer	10-Aug-18	7.70%	46.3	592.4	1.5%	587.8	2.3%
4	Cromwell Property Group	ARA Asset Management Limited	8-Mar-18	19.51%	405.0	1813.3	14.5%	1809.5	14.7%
Minimum							-12.9%		-12.7%
Median							3.0%		3.4%
Mean							1.9%		2.2%
Maximum							14.5%		14.7%
EALP							0.0%		0.0%

Source: S&P Capital IQ, Company Reports, KPMG Analysis

Based on the above, we observe that the Purchase Consideration relative to the adjusted NAV and NTA of EALP as at 31 March 2021 is within the range of the corresponding premia/discounts of the Broadly Comparable Transactions.

We wish to highlight that the Broadly Comparable Transactions are not exhaustive and there may not be any entity that is directly comparable to EALP in terms of, *inter alia*, size of operations, clientele base, composition of business activities, asset base, geographical spread, track record, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria. As such, any comparison made with respect to the Broadly Comparable Transactions is intended to serve as an illustrative guide only.

3.3 Pro forma financial effects of the Acquisition

The *pro forma* financial effects of the Acquisition are extracted from the Announcement.

The pro forma financial effects of the Acquisition presented below are strictly for illustrative purposes only and do not reflect the actual position of ESR-REIT following completion of the Acquisition. The pro forma financial effects were prepared based on ESR-REIT's latest audited financial statements for FY2020, the unaudited management accounts of the Fund and on the following assumptions:

- (i) *the Purchase Consideration of S\$62.4 million is fully funded by borrowings with an all-in interest cost of approximately 2.31% per annum;*
- (ii) *the estimated professional and other fees and expenses (including the upfront fees of the borrowings referred to in paragraph (i) above) of approximately S\$3.2 million are funded by existing bank loan facilities with an all-in interest cost of approximately 1.85% per annum; and*
- (iii) *using an illustrative exchange rate of A\$1.000 : S\$1.032.*

Pro Forma DPU

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Acquisition on ESR-REIT's DPU for FY2020, assuming the Acquisition had been completed on 1 January 2020 and ESR-REIT had held the Sale Units through to 31 December 2020, are as follows:

	Before the Acquisition	After the Acquisition
Net Property Income (S\$'000)	164,207	164,207
Dividend Income from the Fund (S\$'000)	-	4,216 ⁽²⁾
Income available for distribution (S\$'000)	99,127	101,972
Applicable number of Units ('000)	3,540,250 ⁽¹⁾	3,540,250
DPU (cents)	2.800	2.880
DPU Accretion	-	2.9%

Notes:

(1) *Based on the applicable number of Units during FY2020.*

(2) *Based on an assumed first year pre-tax dividend yield of approximately 7.3% on the Purchase Consideration and assuming 50% of the dividend income is subject to Australia withholding tax at 15%, the post-tax dividend yield on the Purchase Consideration is approximately 6.8%.*

Based on the figures above, we note that the Acquisition is expected to be distribution per unit (“DPU”) accretive by 2.9%.

Additionally, we note that the first-year pre-tax dividend yield, based on the Purchase Consideration, is assumed at approximately 7.3% (“**Assumed First Year Pre-tax Dividend Yield**”).

We have compared the Assumed First Year Pre-tax Dividend Yield against distribution yields payable by the Comparable Companies.

The distribution yields payable by the Comparable Companies set out in Table 6 below are extracted from Capital IQ as at the Latest Practicable Date.

A comparison of Assumed First Year Pre-tax Dividend Yield against the distribution yields payable by the Comparable Companies is illustrated below:

Table 6 – Comparable Companies Distribution Yield

No.	Name	FY20 DPU Cents per unit	FY20 DPU Yield ⁽¹⁾
1	APN Industria REIT	17.3	5.6%
2	Centuria Industrial REIT	18.7	5.3%
3	Garda Property Group	8.6	7.5%
Minimum			5.3%
Median			5.6%
Mean			6.1%
Maximum			7.5%
EALP			7.3% ⁽²⁾

Source: S&P Capital IQ, Company Reports, KPMG Analysis

Notes:

- (1) Based on security prices as at the Latest Practicable Date.
- (2) Assumed First Year Pre-tax Dividend Yield.

Based on the above, we observe that the Assumed First Year Pre-tax Dividend Yield is within the range of distribution yields payable by the Comparable Companies.

In addition to the above, we note that the Sponsor issued a press release on 18 April 2021 stating that ESR Milestone Partnership and ESR Australia have entered into a binding agreement to acquire a portfolio comprising 45 income-producing logistics assets across Australia (the “**Milestone Portfolio**”). The Sponsor has disclosed that the consideration attributed to the Milestone Portfolio is expected to provide an initial yield of 4.5%. We observe that the Assumed First Year Pre-tax Dividend Yield is higher than the expected initial yield of the Milestone Portfolio.

Pro Forma NAV

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Acquisition on the NAV per Unit of ESR-REIT as at 31 December 2020, assuming the Acquisition had been completed on 31 December 2020, are as follows:

	Before the Acquisition	After the Acquisition

NAV attributable to Unitholders (S\$'000)	1,446,990	1,444,530 ⁽²⁾
Number of Units ('000)	3,576,362 ⁽¹⁾	3,576,362
NAV per Unit (cents)	40.5	40.4

Notes:

- (1) Number of Units in issue as at 31 December 2020.
(2) After payment of approximately S\$2.5 million of estimated professional and other fees and expenses directly attributable to the Acquisition.

Based on the figures above, we note that the Acquisition is expected to result in the NAV per ESR-REIT Unit falling; from 40.5 (cents) per ESR-REIT Unit to 40.4 (cents) per ESR-REIT Unit. We note that these decreases are attributable to transaction related costs.

Pro Forma Capitalisation and Gearing

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Acquisition on the capitalisation and gearing of ESR-REIT as at 31 December 2020, assuming the Acquisition had been completed on 31 December 2020, are as follows:

	Before the Acquisition	After the Acquisition
Gross debt (S\$'000)	1,264,926	1,330,603
Total deposited property (S\$'000)	3,038,272	3,100,708
Aggregate Leverage⁽¹⁾	41.6%	42.9% ⁽²⁾

Notes:

- (1) Includes ESR-REIT's 49% share of the borrowings, lease liabilities and total assets of PTC Logistics Hub LLP but excludes the effects arising from the adoption of Financial Reporting Standard (FRS) 116 Leases which became effective on 1 January 2019 where such effects relate to operating leases that were entered into in the ordinary course of ESR-REIT's business and were in effect before 1 January 2019.
(2) On 28 April 2021, ESR-REIT announced the divestment of 11 Serangoon North Avenue 5 and 3C Toh Guan Road East for approximately S\$53.0 million (the "Divestment"). Assuming the Divestment had been completed on 31 December 2020 and the net proceeds from the Divestment had been fully utilised to repay outstanding borrowings, the pro forma aggregate leverage of ESR-REIT as at 31 December 2020 would have been reduced by approximately 1.0% from 42.9% to 41.9%.

Based on the figures above, we note that the Acquisition is expected to result in the capitalisation and gearing of ESR-REIT increasing from 41.6% Aggregate Leverage to 42.9%.

3.4 Other relevant considerations

(a) Related Tenancy Agreements

We have confirmed with the Manager that EALP does not lease any of its investment properties to related parties.

(b) ESR-REIT investment mandate

The Manager's investment policy under the ESR-REIT Trust Deed is to invest in real estate and real estate related assets (including unlisted units in unit trusts), and such other investments that are permissible under the Property Funds Appendix.

We note that the Acquisition is in accordance with the Manager's investment policy.

(c) The Commitment Deed

As at the date of the announcement, the current unitholders of the Fund (the "**Fund Unitholders**") have committed A\$70.5 million (the "**Total Capital Commitment**") which is payable to the Fund at any time when called upon by the Fund to finance its activities. Further to the Acquisition and pursuant to the Commitment Deed, ESR-REIT has committed A\$7.05 million (the "**Capital Commitment**") which is its pro-rata share of the Total Capital Commitment as a holder of a 10.0% interest in the Fund. ESR-REIT's Capital Commitment is payable to the Fund at any time post-Acquisition when called upon by the Fund to finance its activities.

We understand from the Manager that the Capital Commitment has been considered as part of its financing considerations.

(d) Management of the Fund

In addition to the Fund Trust Deed under which the Fund Trustee has agreed to act as trustee of the Fund and which is binding on the Fund Unitholders, the Fund Trustee has entered into the following for the provision of management services to the Fund:

- an investment management agreement with ESR AM (the "**Investment Management Agreement**");
- a property management agreement with ESR AM (the "**Property Management Agreement**"); and
- a development management agreement with ESR Developments (Australia) Pty Ltd ("**ESRD**"), which is an indirect majority owned entity of the Sponsor (the "**Development Management Agreement**", and together with the Investment Management Agreement and the Property Management Agreement, the "**Management Agreements**").

A summary of the services and fees in respect of the Management Agreements are set out in section 2.7 of the Announcement.

We note:

- that the terms of the Management Agreements are binding on all of the unitholders of EALP; and
- that the fees payable to ESR AM and ESRD pursuant to the Management Agreements (the "**Fund Fees**") will be paid by the Fund. The Manager will not be charging any base

fee in respect of ESR-REIT's investment in the Fund⁴. In addition, no acquisition fees will be payable by ESR-REIT to the Manager in relation to the Acquisition.

(e) Fund Trust Deed restrictions

We note that the Fund Trust Deed contains certain clauses with respect to the transfer of units in EALP. Whilst these clauses cannot be disclosed due to pre-existing confidentiality restrictions, we note that similar arrangements are not uncommon in equivalent agreements between stakeholders. These clauses have been disclosed to the Independent Directors for the purposes of their consideration of the Acquisition.

(f) Voting approval thresholds

Under the Fund Trust Deed, we note that certain matters in relation to the Fund are subjected to the following voting approval threshold from Fund Unitholders:

- 65%, for matters including but not limited to the following:
 - i) any material changes in respect of strategy, structure and governance matters; and
 - ii) any material changes in respect of operational matters;
- 80%, for matters including but not limited to the following:
 - i) acquisitions or divestments of an asset with an estimated end value exceeding A\$50 million;
 - ii) acquisition of an asset that does not meet the investment criteria of the Fund; and
 - iii) commitments to develop any real estate asset with a gross asset value exceeding A\$50 million, or with a gross asset value lower than A\$50 million which do not meet the investment criteria of the Fund;
- Unanimous, or otherwise 100%, for matters including but not limited to the following:
 - i) any proposed changes to the fees payable from the Fund;
 - ii) any approval, amendment, or replacement of the distribution policy;
 - iii) the liquidation of all or substantially all of the assets of the Fund;

⁴ For the avoidance of doubt, the calculation of the Manager's performance fee is pegged to the increase in the DPU of ESR-REIT and will therefore take into account ESR-REIT's investment in the Fund. The Manager's performance fee is computed at 25% of the growth in DPU for such financial year multiplied by the weighted average number of units in ESR-REIT ("Units") in issue for such financial year. The DPU growth is measured by the excess of DPU for such financial year to the highest DPU achieved by ESR-REIT in the previous years for which a performance fee was payable.

- iv) the issue of any class of securities or fund units; and
- v) redemption of fund units.

(g) *Distribution policy*

We have been informed by the Manager that there is currently no written distribution policy in place for EALP. We note that EALP was incepted in July 2020 and has, since September 2020, distributed 100% of its Adjusted Funds from Operations (“**AFFO**”) on a quarterly basis. The Manager does not expect this arrangement to change.

4. OUR OPINION

Based on the considerations set out above in this letter and subject to the qualifications and assumptions herein, we are of the opinion that the Acquisition (including the Commitment Deed), is: (a) on normal commercial terms; and (b) not prejudicial to the interests of ESR-REIT and its minority Unitholders.

This Opinion is addressed to the Independent Directors, the ARCC and the Trustee for their consideration.

While a copy of this letter may be reproduced in the Announcement, no other person may reproduce, disseminate or quote this letter (or any part thereof) for any purpose (other than the intended purpose in relation to the Acquisition) at any time and in any manner without our prior written consent in each specific case.

For the avoidance of doubt, nothing in this letter prevents ESR-REIT, the Manager, the Directors, the Trustee or the Unitholders from reproducing, disseminating or quoting this letter without our prior consent for the purpose of any matter relating to the Acquisition.

The recommendations to be made by the Independent Directors and/or ARCC to the Unitholders shall remain their responsibility.

A copy of this letter may be reproduced in the Announcement.

This Opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours truly,

for and on behalf of

KPMG Corporate Finance Pte Ltd

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 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 billion¹¹ 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. 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 and India. 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.

¹¹ 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.