



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

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

FREQUENTLY ASKED QUESTIONS

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

Unless otherwise defined herein, all capitalised terms have the meaning ascribed to them in the announcement titled "Proposed Merger of ESR-REIT and ARA LOGOS Logistics Trust by way of a Trust Scheme of Arrangement".

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

15 October 2021

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Responsibility Statement

*The directors of the Manager (including those who may have delegated detailed supervision of this Announcement) have taken all reasonable care to ensure that the facts stated and opinions expressed in this Announcement (other than those relating to ALOG and/or the manager of ALOG (the "**ALOG Manager**") are fair and accurate and that there are no other material facts not contained in this Announcement, the omission of which would make any statement in this Announcement misleading. The directors of the Manager jointly and severally accept responsibility accordingly.*

Where any information has been extracted or reproduced from published or otherwise publicly available sources (including the ARA Acquisition Announcement) or obtained from a named source (including ALOG and/or the ALOG Manager), the sole responsibility of the directors of the Manager has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Announcement. The directors of the Manager do not accept any responsibility for any information relating to ALOG and/or the ALOG Manager or any opinion expressed by ALOG and/or the ALOG Manager.

Appendix 1

Question 1

What is the Merger about?

- This transaction involves the proposed merger of ESR-REIT and ALOG by way of a trust scheme of arrangement.
- ALOG Unitholders will receive a Scheme Consideration of S\$0.950 per ALOG Unit comprising:
 - Cash Consideration: S\$0.095 per ALOG Unit. The aggregate Cash Consideration to be paid to each ALOG Unitholder shall be rounded to the nearest S\$0.01.
 - Allotment and issuance of 1.6765 new ESR-REIT Units (the "**Consideration Units**") for each ALOG Unit, at an issue price of S\$0.510 for each Consideration Unit, such Considerations Units to be credited as fully paid. No fractions of a Consideration Unit shall be allotted and issued to any ALOG Unitholder and fractional entitlements shall be disregarded in the calculation of the Consideration Units to be allotted and issued to any ALOG Unitholder pursuant to the Scheme.
- Scheme Consideration implies a gross exchange ratio of 1.863x.
- By way of illustration, an ALOG Unitholder will receive S\$95.00 in cash and 1,676 Consideration Units for every 1,000 ALOG Units held by it as at the Books Closure Date.
- The ESR-REIT Manager and the ALOG Manager are each permitted to announce, declare, pay or make distributions to their respective unitholders (the "**ESR-REIT Permitted Distributions**" and the "**ALOG Permitted Distributions**" respectively) in the ordinary course of business, in respect of the period from 1 July 2021 up to the day immediately before the Effective Date.
- ALOG Unitholders shall have the right to receive and retain the ALOG Permitted Distributions in addition to the Scheme Consideration.
- The enlarged REIT will be known as ESR-LOGOS REIT.

Question 2

What is the rationale for the Merger for ESR-REIT Unitholders?

- **Increased Exposure to Sustainable "In-Demand" Logistics Properties**
 - We believe that the high-specs industrial and, in particular, the logistics sector in Asia remains the largest secular opportunity in Asia given the paradigm shift in the way goods are consumed, produced and delivered, exacerbated by technological improvements which are expected to continue to drive sustainable demand for logistics and high-specs industrial space.
- **Size Increasingly Matters** – The Merger will add a high-quality portfolio of 29 logistics Portfolio Properties¹, which results in ESR-LOGOS REIT owning 87 Portfolio Properties. With the increased scale, the Manager is of the view that ESR-LOGOS REIT will become a stronger platform, and at the same time, enjoy the benefits of a larger and well-diversified portfolio as outlined below:
 - **Income Diversification** – both geographically and operationally.
 - **Increased Income Stability** – Higher occupancy, underpinned by a longer WALE profile of 3.2 years². The STB portfolio in Australia will scale up the visibility and quality of earnings due to longer leases and built-in rental escalations of between 2.5% to 4.0% throughout the lease tenures.
 - **Enhanced Portfolio Resilience** – Post-Merger, ESR-LOGOS REIT will gain more exposure to freehold and/or longer land lease assets, which will further strengthen the portfolio's resilience.
 - **Improved Tenant Quality and Reduced Concentration Risk** – ESR-LOGOS REIT is expected to benefit from the combined pool of high-quality tenants that enhances the quality and diversification of its tenant base.

¹ Portfolio Properties refer to all properties owned either directly or indirectly but excludes Fund Properties.

² Based on GRI for the month of June 2021. Excludes contributions from Fund Properties.

- **Opportunities for Operational Synergies and Portfolio Optimisation** – Stronger bargaining power with service providers, and more opportunities for operational synergies and portfolio optimisation.
- **Leads to More Competitive Costs of Capital** – Broadened access to a wider and more diversified investor base, increased analyst coverage, higher trading liquidity and larger weightage in the EPRA Index, potentially resulting in a potential positive re-rating.
- **Transformational Scale and Sponsor's Network** – ESR-LOGOS REIT is expected to become amongst the top 10 largest S-REIT with a free float market capitalisation of S\$2.5 billion³.
 - **Access ESR Group's⁴ Global Tenant Network** – ESR-LOGOS REIT can leverage the Sponsor's strong network and access its global tenant network.
 - **Leverage ESR Group's Financial Strength and Operating Platform to Grow** – With the ESR Group's continued support, ESR-LOGOS REIT will be able to access ESR Group's assets of >US\$50 billion⁵ in an increasingly scarce environment for quality properties. An initial pipeline of approximately US\$2 billion of visible and executable Asia Pacific New Economy assets available from the ESR Group will accelerate ESR-LOGOS REIT's growth as a leading Future-Ready APAC S-REIT. As the sponsor of ESR-REIT, the ESR Group has also provided strong capital support and financial commitment to ESR-REIT.
 - **The Largest New Economy Pipeline to Supercharge Growth** – Backed by a leading New Economy developer sponsor with the largest AUM in Asia Pacific to supercharge growth to be a leading Future-Ready APAC S-REIT.
 - **Provides Greater Access to Growth Opportunities** – The Merger would increase the development headroom of ESR-LOGOS REIT, enhancing its ability and flexibility to undertake new, larger developments and / or redevelopments to drive value accretive growth.
- **Value Accretive for ESR-REIT Unitholders** – DPU accretive on an FY2020 pro forma basis.
- **Enhanced ESG Offering** – Reinforces ESR-LOGOS REIT's commitment to its green initiatives and ESG performance.

Question 3

Why does the Manager think that the logistics sector is sustainable and "in-demand"? Why is there a strong focus on New Economy assets?

- The Manager is of the view that the high-specs industrial and, in particular, the logistics sector in Asia remains the largest secular opportunity in Asia given the paradigm shift in the way goods are consumed, produced and delivered, exacerbated by technological improvements which are expected to continue to drive sustainable demand for logistics and high-specs industrial space for the following reasons:
 - **Consumption** – Increasing e-commerce penetration.
 - With a rising urbanised population, e-commerce penetration rates are also expected to increase, thus supporting long-term demand for modern logistics in the APAC region.
 - **Production** – Transformation in global supply chain manufacturing.
 - Global supply chain disruption caused by ongoing US-China trade tensions exacerbated by the Covid-19 pandemic.

³ Free float excludes ESR-REIT Units held by the Sponsor, Summit Group, the Manager, the directors of the Manager, other substantial ESR-REIT Unitholders and their respective associates. The free float of the Enlarged REIT post-Merger also excludes ESR-REIT Units that would be held by the ALOG Manager, the directors of the ALOG Manager, and their respective associates. ESR LOGOS REIT's free float of S\$2.5 billion is computed based on 4,951 million free float units multiplied by an issue price of S\$0.510 per ESR-LOGOS REIT unit.

⁴ Unless stated otherwise, any reference to ESR Group and / or Sponsor figures across this FAQ assumes that the proposed acquisition by ESR Cayman Limited of 100% of ARA Asset Management Limited is completed.

⁵ Refers to the Enlarged ESR Group (ESR Cayman Limited post acquisition of 100% of ARA Asset Management Limited). Enlarged ESR Group data as at 30 June 2021, inclusive of ARA LOGOS Logistics Trust, adjusted for LOGOS' acquisition of Moorebank Logistics Park announced on 05 July 2021.

- A significant shift from a Just-in-Time inventory model to a Just-in-Case inventory approach, maintaining a larger reserve of both raw materials and finished products.
- Expansion of supply chain footprint, and accelerated demand as occupiers seek a different cost / resilience trade-off and look to localise production and sourcing.
- **Delivery** – Digitalisation of the economy.
 - Businesses are migrating operations and workforce to a digital environment, a move accelerated by the COVID-19 pandemic.
 - This will drive further growth in occupier demand from New Economy sectors such as last mile, cold chain, logistics and parcel.

Question 4:

What will be the financial position of ESR-REIT Unitholders if the Merger is successful?

- The Merger will be 5.8% DPU accretive on a FY2020 pro forma basis.
- The amount of DPU accretion should not be the only determinant in evaluating benefits of this Merger. ESR-REIT Unitholders will also enjoy the intangible strategic benefits from this Merger as elaborated earlier.

Question 5:

How was the Scheme Consideration for the Merger determined?

- The Scheme Consideration was determined based on commercial negotiations between the ALOG Manager and the Manager
- Factors taken into account in arriving at the Scheme Consideration by determining the exchange ratio include (without limitation):
 - the prevailing and historical relative market prices of the ESR-REIT Units and ALOG Units
 - the NAVs of each of ESR-REIT and ALOG
 - the market value of the respective property portfolios
 - the fair value of the respective investments by ESR-REIT and ALOG in property funds
 - relevant precedent trust scheme transactions in Singapore
 - the prevailing and historical price to NAV per unit of each REIT
 - the prevailing and historical distribution yield of each REIT
 - the market capitalisation and trading liquidity of each REIT
 - the historical highest price of each REIT and the accompanying trading volume
 - the capital structure, debt financing and access to capital of each REIT
 - the resulting pro forma financial impact of the Merger on ESR-REIT and ALOG

Question 6:

How was the exchange ratio determined?

- The exchange ratio of the Merger was determined based on independent commercial negotiations between the ALOG Manager and the Manager.
- The exchange ratio was computed using the issue price of S\$0.510 per ESR-REIT Unit and offer price of S\$0.950 per ALOG Unit which took into consideration the respective REITs' 52-week high and the trading volumes on those days.

Question 7:

Is the Merger proposed to mitigate the conflicts of interests as a result of the Proposed ARA Acquisition?

- Both the Manager and the ALOG Manager believe the Merger will be mutually beneficial to both sets of unitholders with the key objective to reposition two leading REITs to form a leading New Economy and Future-Ready S-REIT with the largest New Economy pipeline in APAC.
- Incidentally, the conflicts of interests between ESR-REIT and ALOG are mitigated post-Merger, and provides ESR-LOGOS REIT access to the ESR Group's assets of more than US\$50 billion⁶ in New

⁶ Enlarged ESR Group data as at 30 June 2021 inclusive of ARA LOGOS Logistics Trust, adjusted for LOGOS' acquisition of Moorebank

Economy pipeline in an increasingly scarce environment for quality logistics properties, creating a win-win situation for both sets of unitholders

Question 8:

Who initiated this deal and when did negotiations start?

- Commercial discussions between the Manager and the ALOG Manager on the feasibility of the Merger only commenced after the Sponsor's 4 August 2021 announcement on the Proposed ARA Acquisition, and the merits of a merger were analysed and considered by both Boards before proposing to both set of unitholders.

Question 9:

What is the gearing of ESR-LOGOS REIT post-Merger? What is the gearing target? How will the Manager manage the gearing post-Merger?

- Post-Merger, the pro forma gearing of ESR-LOGOS REIT will be 42.1%⁷ (as at 31 December 2020).
- The Manager is comfortable with the pro forma gearing level as other contributing factors are considered holistically when managing the capital structure. These include debt tenure, costs of funds, encumbrances, flexibility in loan terms, spread of debt expiry profile and access to different lending banks and sources of capital.
- Post-Merger, ESR-LOGOS REIT will have a lower cost of debt and a longer WADE, while maintaining a fully unencumbered portfolio.
 - ESR-REIT's WADE will increase from 2.6 years (as at 30 June 2021) to 3.4 years.
 - ESR-REIT's average all-in-financing cost will decrease from 3.24% (as at 30 June 2021) to 2.84%⁸.
- The Manager has demonstrated a strong track record of managing debt costs while extending debt tenure with a wide range of lending banks, validating its capital management strategy. Post-Merger, the Manager will also review and consider divesting selected non-core assets as part of its ongoing portfolio optimisation strategy to recycle capital and accelerate its pivot into New Economy real estate.

Question 10:

Which overseas markets will ESR-LOGOS REIT expand into post-Merger?

- When considering potential expansion overseas, the Manager will focus on markets in which the Sponsor has an operating platform, footprint, and network which include Southeast Asia, China, South Korea, Japan, India, and Australia.
- This also provides tangible benefits including (i) access to a global tenant network, (ii) leverage local presence to de-risk new market entry, (iii) improving its deal sourcing network; (iii) potential partnership opportunities for new acquisitions; and (iv) leveraging ESR Group's capital sourcing network and its capital commitment to ESR-LOGOS REIT to fund growth.
- With the opportunity to access the Sponsor's assets of >US\$50 billion⁹ and a work-in-progress development value of >US\$10 billion¹⁰ across 10 markets, ESR-LOGOS REIT has a competitive edge to supercharge its growth in an environment where quality New Economy properties are becoming increasingly scarce.

Logistics Park announced on 5 July 2021.

⁷ After adjusting for the FY2021 ESR-REIT Acquisitions, FY2021 ESR-REIT Divestments, ESR-REIT EFR, ESR-REIT Revaluation and the Merger.

⁸ Unsecured banking facilities at an approximate all-in interest cost of 2.25% provided by DBS Bank Ltd, Malayan Banking Berhad, Singapore Branch and Sumitomo Mitsui Banking Corporation Singapore Branch to finance the Cash Consideration payable under the Scheme, refinancing of ALOG's existing debt, derivative liabilities, upfront land premium, stamp duty, estimated professional and other fees and expenses relating to the Merger.

⁹ Enlarged ESR Group data as at 30 June 2021 inclusive of ARA LOGOS Logistics Trust, adjusted for LOGOS' acquisition of Moorebank Logistics Park announced on 5 July 2021.

¹⁰ Based on Enlarged ESR Group data as at 30 June 2021.

About ESR-REIT

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

ESR-REIT invests in quality income-producing industrial properties and as at 30 June 2021 holds interest in a diversified portfolio of 58 properties located across Singapore, with a total gross floor area of approximately 15.6 million square feet and an aggregate property value of S\$3.2 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. ESR-REIT also holds a 10.0% interest in ESR Australia Logistics Partnership, a private fund comprising 36 predominantly freehold logistics properties all located in Australia.

The Manager's objective is to provide Unitholders with a stable income stream through the successful implementation of the following strategies:

- Acquisition of value-enhancing properties;
- Proactive asset management;
- Divestment of non-core properties; and
- Prudent capital and risk management.

ESR Funds Management (S) Limited, the Manager of ESR-REIT, is owned by namely, ESR Cayman Limited ("ESR") (67.3%), Shanghai Summit Pte. Ltd. (25.0%), and Mitsui & Co., Ltd (7.7%).

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

About the Sponsor, ESR

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 with a growing presence in data centres. 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 China, Japan, South Korea, Singapore, Australia, India, Vietnam and Indonesia. As of 30 June 2021, 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\$36.3 billion, and GFA of properties completed and under development as well as GFA to be built on land held for future development comprised over 22.6 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.

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