



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

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

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**1. INTRODUCTION**

The board of directors of ESR Funds Management (S) Limited, as manager of ESR-REIT (the "**ESR-REIT Manager**") refers to:

- (a) the joint announcement dated 15 October 2021 issued by the ESR-REIT Manager and ARA LOGOS Logistics Trust Management Limited (the "**ALOG Manager**") in relation to the proposed merger (the "**Merger**") of ESR-REIT and ARA LOGOS Logistics Trust ("**ALOG**"), to be effected through the acquisition by RBC Investor Services Trust Singapore Limited (in its capacity as trustee of ESR-REIT) of all the units of ALOG held by the unitholders of ALOG, in exchange for a combination of cash and units in ESR-REIT, by way of a trust scheme of arrangement (the "**Scheme**") in compliance with the Singapore Code on Take-overs and Mergers;
- (b) the announcement dated 15 October 2021 issued by the ESR-REIT Manager in relation to the Merger and the Scheme (the "**Acquisition Announcement**");
- (c) the circular (the "**Circular**") dated 5 January 2022 issued by the ESR-REIT Manager to the unitholders of ESR-REIT in relation to the Merger;
- (d) the scheme document (the "**Scheme Document**") dated 5 January 2022 issued by the ALOG Manager to the unitholders of ALOG in relation to the proposed amendments to the deed of trust constituting ALOG and the Merger; and
- (e) the joint announcement released today by the ESR-REIT Manager and the ALOG Manager titled "Proposed Merger of ESR-REIT and ARA LOGOS Logistics Trust by way of a Trust Scheme of Arrangement – Revision of Scheme Consideration" (the "**Revised Joint Announcement**").

Unless otherwise defined, all capitalised terms in this announcement (this "**Announcement**") shall bear the same meaning as set out in the Circular and/or the Scheme Document.

## 2. **THE MERGER AND THE SCHEME**

### 2.1 **Amended and Restated Implementation Agreement**

In connection with the Merger, the ESR-REIT Manager, the ESR-REIT Trustee, the ALOG Manager and the ALOG Trustee have today entered into a supplemental letter amending and restating the Implementation Agreement (the "**Amended and Restated Implementation Agreement**") setting out the amended terms on which the Scheme will be implemented. Further details of the amended terms of the Scheme are summarised in the Revised Joint Announcement.

### 2.2 **Revised Scheme Consideration**

As stated in the Revised Joint Announcement, pursuant to the Amended and Restated Implementation Agreement, each of the ESR-REIT Trustee and the ESR-REIT Manager will, following the Scheme becoming effective in accordance with its terms, pay or procure the payment of S\$0.970 (the "**Revised Scheme Consideration**") for each ALOG Unit held by each of the ALOG Unitholders as at the Books Closure Date, comprising a revised Cash Consideration of S\$0.097 and 1.7729 Consideration Units to be issued at an issue price of S\$0.4924 per Consideration Unit.

In arriving at the Revised Scheme Consideration, the ESR-REIT Manager had taken into account the following factors including, inter alia:

- (a) the commercial rationale of the Merger (as set out in paragraph 5 of this Announcement, the Scheme Document and the Joint Announcement);
- (b) strong conviction that the Merger is the best way forward for both ALOG and ESR-REIT as it would combine two best-in-class platforms to form a leading New Economy APAC S-REIT;
- (c) the quality of ALOG's portfolio, the robustness and strong demand of the overall Australian market, in particular the logistics sector, which continues to see strong demand growth and cap rate compression;
- (d) the historical relative trading prices of ALOG Units and ESR-REIT Units;
- (e) balancing the respective financial impact to ALOG Unitholders and ESR-REIT Unitholders from a DPU and NAV per unit accretion and dilution perspective;
- (f) the gearing of the combined REIT post-Merger; and
- (g) other factors previously set out in the Joint Announcement and Scheme Document.

### **3. DEFERMENT OF THE EGM**

**In view of the Amended and Restated Implementation Agreement and the Revised Scheme Consideration, the ESR-REIT Manager will be deferring the EGM scheduled at 11.00 a.m. (Singapore time) on 27 January 2022 to a future date to be determined. The deferred EGM is expected to be held in March 2022. Accordingly, ESR-REIT Unitholders are reminded not to access the "live" webcast for the EGM originally scheduled at 11.00 a.m. (Singapore time) on 27 January 2022.**

As the EGM has been deferred, the ESR-REIT Manager has not published the responses to the ESR-REIT Unitholders' substantial and relevant questions in relation to the Merger on 21 January 2022. ESR-REIT Unitholders may continue submitting questions related to the resolutions to be tabled for approval at the EGM in the following manner:

- (a) if submitted electronically, on the Pre-registration Page at <https://smartagm.sg/esrreitegm2022> or via electronic mail to [ir@esr-reit.com.sg](mailto:ir@esr-reit.com.sg); or
- (b) if submitted by post, be deposited at the office of the Unit Registrar of ESR-REIT, Boardroom Corporate & Advisory Services Pte.Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623.

The ESR-REIT Manager will address all substantial and relevant questions received prior to the making of this Announcement in due course.

Further details on the deferred meeting, including, among others, details of how to attend the postponed meetings and the new deadline for submission of questions and proxy forms, will be provided by the ESR-REIT Manager in due course.

### **4. RATIONALE FOR THE REVISED SCHEME CONSIDERATION**

#### **4.1. Proxy advisers recommended that ALOG Unitholders vote against the Scheme**

The Revised Scheme Consideration is being proposed as proxy advisers, Glass, Lewis & Co and Institutional Shareholder Services, issued reports on 14 January 2022 and 15 January 2022 respectively, recommending that ALOG Unitholders vote against the Scheme based on the previous Scheme terms. ESR-REIT has taken into account the views of the proxy advisers that the previous terms of the Scheme were not compelling for ALOG Unitholders and most of the benefits of the Merger will accrue to ESR-REIT, and decided to revise the Scheme Consideration as set out in this Announcement.

#### **4.2. Growth of ESR-REIT and ALOG likely to be negatively impacted if both ESR-REIT's and ALOG's conflicts of interest arising from a common sponsor are not resolved**

The Proposed ARA Acquisition was completed on 20 January 2022. Accordingly, the ESR Group is now an indirect majority controlling shareholder of the LOGOS Group. Following the completion of the Proposed ARA Acquisition, both ESR-REIT and ALOG will share a common sponsor, and have overlapping mandates. Since ESR-REIT and ALOG have overlapping

mandates, conflicts of interest may inevitably arise which may negatively impact both REITs. In the absence of the Merger, both ESR-REIT and ALOG will have to compete for new assets from the ESR Group. The Merger will address the issue of overlapping mandates in relation to asset pipeline, tenant and operational network, and financial resources.

The Merger will address these potential conflicts and safeguard the interests of ESR-REIT Unitholders and ALOG Unitholders. The enlarged ESR-REIT, to be renamed ESR-LOGOS REIT, will enjoy access to the Sponsor's New Economy pipeline of more than US\$59 billion, development work-in-progress of over US\$10 billion<sup>1</sup> and a development pipeline of over 9 million square meters<sup>2</sup> across 10 countries, in addition to the committed financial and operational support from the Sponsor. If ESR-REIT and ALOG were to continue to operate independently, the Sponsor would have to split its resources to support two REITs with overlapping investment mandates. Over time, both ESR-REIT and ALOG may not be able to fully leverage the ESR Group's resources for sustainable growth and would have to compete for the same pool of resources from the Sponsor or even for the same third party assets.

If the Merger is not successful, in order to resolve the conflicts of interest, the ESR Group may have to sell either the ESR-REIT Manager or the ALOG Manager to a third party. In such a scenario, either set of unitholders would cease to have access to the potential pipeline of New Economy assets of more than US\$59 billion<sup>3</sup> from the ESR Group.

#### 4.3. **Compression of cap rates for Australia industrial/logistics properties due to strong underlying fundamentals**

The Australia industrial/logistics sector remains highly sought-after as it continues to be supported by strong underlying fundamentals of robust demand and moderate supply. Macro factors such as the accelerated growth of e-commerce and restructuring of supply chains have resulted in elevated take up rates, low vacancy and strong rental growth across Brisbane, Melbourne and Sydney in the financial quarter ended 31 December 2021 ("**4Q2021**") and is expected to continue over the next 12 months. For example, Brisbane's occupier demand for 2021 reached 690,000 square metres, which is more than double the 320,000 square metres recorded in 2020. Vacancy rates in 4Q2021 remain low at 2.6%, with rents increasing by up to 4.9% from the previous year<sup>4</sup>. Due to the favourable fundamentals coupled with strong investor demand and a low interest rate environment, Australia industrial/logistics properties have experienced strong capital appreciation through the compression of cap rates. For 2021, cap rates for Brisbane compressed by approximately 128 bps and are now averaging at 4.18% while cap rates for Melbourne and Sydney have compressed by approximately 133bps and 98bps, respectively and are averaging at 3.78% and 3.53% respectively<sup>5</sup>.

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<sup>1</sup> ESR Group data as of 30 June 2021.

<sup>2</sup> 2021-2023 pipeline as of the financial quarter ended 31 March 2021.

<sup>3</sup> Based on the ESR Group's management estimate for the ESR Group (including the AUM of its associates) as of 31 December 2021.

<sup>4</sup> Source: Colliers Industrial Market Commentary for Brisbane, Melbourne, and Sydney for 4Q2021.

<sup>5</sup> Source: Colliers Industrial Market Commentary for Brisbane, Melbourne, and Sydney for 4Q2021.

## 5. RATIONALE FOR THE MERGER

The ESR-REIT Manager is of the view that the merits of the Merger in creating a leading APAC New Economy REIT as set out in the Acquisition Announcement, the Circular and the Scheme Document remain.

ALOG represents a highly strategic opportunity to bring together two best-in-class platforms and management teams to create a leading APAC New Economy REIT. The ESR-REIT 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. ALOG's portfolio will also provide ESR-REIT Unitholders with increased exposure to the robustness and strong demand of the overall Australia market, in particular the logistics sector which continues to see strong demand growth and cap rate compression. The enlarged REIT will have approximately 65% exposure to New Economy assets comprising both logistics assets and high-specs assets suitable for advanced manufacturing and data-centre operators.

With the Revised Scheme Consideration, the Merger remains 4.7% DPU accretive for ESR-REIT Unitholders on a FY2020 pro forma basis. Further details on the pro forma financial effects of the Merger (and the related transactions in connection therewith) are set out in Schedule 1 to this Announcement. It is also important to highlight that the pro forma DPU accretion excludes any operational and trust level savings or potential synergies from the Merger. As set out in the Acquisition Announcement and the Circular, scale increasingly matters.

The ESR-REIT Manager is confident that it can leverage its prior experience with the integration of operations in Viva Industrial Trust where there was realisation of synergies (some examples outlined below), to replicate similar success with the Merger.

- **Lower cost of loan financing:** Weighted average "all-in" margins have decreased following the merger with Viva Industrial Trust, and this has been achieved with a longer debt tenure and a flatter debt expiry profile. As an example, for a four (4)-year tenure loan, the "all-in" margin had reduced by 59 basis points from 1.99% in 2015 to the current 1.40%. In relation to the Merger, from an "all-in" cost of debt perspective, the expected weighted average "all-in" cost of debt is expected to decrease by 40 basis points from 3.24% pre-Merger to 2.84% post-Merger.
- **Lower cost of bond financing:** The coupon rate of ESR-REIT's bond financing has also decreased given the better credit of ESR-REIT. In August 2021, ESR-REIT issued a S\$125.0 million five (5)-year bond at a 2.6% coupon rate. This coupon rate is lower as compared with a similar tenure issuance in May 2015 (prior to the merger of ESR-REIT with Viva Industrial Trust) where ESR-REIT issued a S\$130.0 million five (5)-year bond at a 3.95% coupon rate.

In addition, the ESR-REIT Manager believes that the larger and more diversified enlarged REIT will be in a stronger position to obtain good investment grade ratings (e.g. BBB+ or better) compared to the current size of ESR-REIT and ALOG as respective standalone REITs. As such, the ESR-REIT Manager intends to seek a credit rating for the enlarged REIT post-

Merger<sup>6</sup>, as it is of the view that a good investment grade rating is able to reduce the cost of funding (e.g. bond and perpetual securities market) and increase its access to new sources of capital (e.g. US\$ bond market).

The ESR-REIT Manager is also of the view that scale, together with the dedicated Sponsor resources focused on a single enlarged REIT, brings about benefits to both sets of unitholders, and equips the enlarged REIT with access to multiple levers of future growth such as the flexibility to pursue value-accretive acquisitions and undertake developments and asset enhancement initiatives at competitive costs of funding. The S\$1.2 billion loan facility provided by the lenders on a 100% unsecured basis to fund the Merger (including the refinancing all of ALOG's existing indebtedness) still remains, which provides funding certainty to complete the Merger.

## **6. TOTAL ACQUISITION COST AND SOURCE OF FUNDS FOR THE MERGER**

6.1 The total cost of the Merger is estimated to be approximately S\$2,413.6 million comprising:

- (a) the aggregate Revised Scheme Consideration of approximately S\$1,406.7 million, based on the Revised Scheme Consideration of S\$0.970 for each ALOG Unit and an aggregate of 1,450,174,297 ALOG Units in issue as at the date of the Acquisition Announcement (the "**Original Announcement Date**");
- (b) estimated upfront land premium payable to JTC Corporation ("**JTC**") of approximately S\$87.9 million;
- (c) the acquisition fee payable to the ESR-REIT Manager for the Merger (the "**Acquisition Fee**") which is estimated to be approximately S\$15.9 million, based on the Revised Scheme Consideration;
- (d) the refinancing of ALOG's total borrowings and related interest rate swaps and derivative liabilities of S\$768.7 million;
- (e) the redemption of ALOG's perpetual securities of S\$101.5 million; and
- (f) the estimated professional and other costs, fees and expenses (including taxes) of approximately S\$32.9 million incurred in connection with the Scheme.

6.2 **Revised Scheme Consideration.** The Revised Scheme Consideration of S\$0.970 per ALOG Unit will be satisfied through the payment of an aggregate cash amount (the "**Revised Cash Consideration**") of approximately S\$140.7 million and the allotment and issue of approximately 2,571.1 million Consideration Units at an issue price of S\$0.4924 for each Consideration Unit, to the ALOG Unitholders.

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<sup>6</sup> Both ESR-REIT and ALOG are currently not rated by any of the credit agencies.

- 6.3 **Consideration Units.** The Consideration Units will be issued and credited as fully paid to the ALOG Unitholders upon the Scheme becoming effective in accordance with its terms. The issue of the Consideration Units at an issue price of S\$0.4924 for each Consideration Unit requires the approval of the ESR-REIT Unitholders by way of an Ordinary Resolution.

## 7. **CHAPTER 10 OF THE LISTING MANUAL**

- 7.1 For the purposes of Chapter 10 of the Listing Manual, the relative figures of the Merger computed on the bases set out in Rules 1006(b) to (d) of the Listing Manual are as follows. The figures are based on ESR-REIT's and ALOG's unaudited consolidated financial statements for 1H2021 (being the latest announced financial statements of ESR-REIT and ALOG as at the Original Announcement Date):

<b>Bases</b>	<b>ALOG Group (million)</b>	<b>ESR-REIT and its subsidiaries (million)</b>	<b>Relative figures (%)</b>
Net property income attributable to the assets acquired, compared with the group's net property income. <sup>(1)</sup>	S\$51.4	S\$87.0	59.1
The aggregate value of the consideration given, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares. <sup>(2)</sup>	S\$1,406.7	S\$1,863.5	75.5
The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	2,571.1 <sup>(3)</sup>	3,877.2	66.3

**Notes:**

- (1) In the case of a REIT, net property income is a close proxy to the net profits attributable to its assets.
- (2) Based on the Revised Scheme Consideration of S\$0.970 per ALOG Unit, the aggregate Revised Scheme Consideration is approximately S\$1,406.7 million. Market capitalisation is based on S\$0.465 per ESR-REIT Unit (as at close of trading on 14 October 2021) and 4,007,446,385 ESR-REIT Units in issue.
- (3) Aggregate number of Consideration Units to be issued as consideration for the Merger.

- 7.2 Pursuant to Rule 1014(1) of the Listing Manual, where an acquisition of assets is one where any of the relative figures as computed on the bases set out in Rule 1006 exceeds 20% but not 100%, the transaction is classified as a "major transaction" under Chapter 10 of the Listing Manual.

- 7.3 As shown in the table above, as the relative figures of the Merger on the bases set out in Rule 1006(b), 1006(c) and 1006(d) exceed 20% but not 100%, the Merger is considered a "major transaction" under Chapter 10 of the Listing Manual. Accordingly, the approval of the ESR-REIT Unitholders is required in respect of the Merger and included as a Scheme Condition.

## **8. FINANCIAL EFFECTS OF THE MERGER**

- 8.1 The pro forma financial effects of the Merger (and the related transactions in connection therewith) on (a) ESR-REIT's DPU; (b) the NAV and NTA per ESR-REIT Unit; and (c) the aggregate leverage of ESR-REIT are set out in **Schedule 1** to this Announcement.
- 8.2 The financial effects of the Merger on ESR-REIT as set out in **Schedule 1** to this Announcement are for illustrative purposes only and do not reflect the actual financial performance or position of ESR-REIT after the Merger. The financial effects of the Merger have been prepared based on ESR-REIT's and ALOG's audited consolidated financial statements for FY2020, after making certain adjustments. The bases and assumptions on which the pro forma financial effects of the Merger have been prepared are also set out in **Schedule 1** to this Announcement.

## **9. INTERESTED PERSON TRANSACTION AND INTERESTED PARTY TRANSACTION**

- 9.1 Under Chapter 9 of the Listing Manual, where an issuer proposes to enter into a transaction with an interested person and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S\$100,000, with the same interested person (as defined in Chapter 9 of the Listing Manual) during the same financial year) is equal to or exceeds 5.0% of the listed group's latest audited NTA, unitholders' approval is required in respect of the transaction. Further, under Paragraph 5 of the Property Funds Appendix, a property fund is also required to make an immediate announcement and obtain a majority vote at a participants' meeting, if the value of the transaction with an interested party is equal to or exceeds 5.0% of its NAV.
- 9.2 Based on ESR-REIT's latest audited consolidated financial statements for FY2020, its NAV and NTA as at 31 December 2020 was approximately S\$1,447.0 million. Accordingly, if the value of a transaction which is proposed to be entered into in the current financial year by ESR-REIT with an interested person is, either in itself or in aggregation with all other earlier transactions (each of a value equal to or greater than S\$100,000) entered into with the same interested person during the current financial year, equal to or in excess of S\$72.4 million, such a transaction would be subject to the approval of the ESR-REIT Unitholders.
- 9.3 The Sponsor, through its wholly-owned subsidiaries, holds approximately 67.3% of the shares in the ESR-REIT Manager, and is therefore a "controlling shareholder" of the ESR-REIT Manager under both the Listing Manual and the Property Funds Appendix. Upon completion of the Proposed ARA Acquisition, ARA will be wholly-owned by the Sponsor and accordingly, ARA and its subsidiaries (including LOGOS Units No. 1 Ltd ("**LOGOS Units**")) will be "associates" of the Sponsor under both the Listing Manual and the Property Funds Appendix. As such, each of them will be (for the purposes of the Listing Manual) an "interested person" and (for the purposes of the Property Funds Appendix) an "interested party" of ESR-REIT.



- 9.4 As at the Original Announcement Date, LOGOS Units is the holder of 177,862,538 ALOG Units, representing approximately 12.26% of the total number of ALOG Units. As the Merger will be completed after the completion of the Proposed ARA Acquisition, the acquisition of ALOG Units from LOGOS Units pursuant to the Merger will constitute an "interested person transaction" under Chapter 9 of the Listing Manual as well as an "interested party transaction" under the Property Funds Appendix.
- 9.5 The total amount at risk to ESR-REIT is the aggregate Revised Scheme Consideration of approximately S\$1,406.7 million, based on the Revised Scheme Consideration of S\$0.970 for each ALOG Unit and an aggregate of 1,450,174,297 ALOG Units in issue as at the Original Announcement Date. Pursuant to the Merger, LOGOS Units will be entitled to receive from ESR-REIT approximately S\$172.5 million to be satisfied partly in cash and partly in the form of new ESR-REIT Units, as consideration for the acquisition of the ALOG Units held by LOGOS Units. The aggregate Revised Scheme Consideration represents approximately 97.2% of the latest audited NTA and NAV of ESR-REIT. Of this 97.2%, the Revised Scheme Consideration payable by ESR-REIT to LOGOS Units represents approximately 11.9% of the latest audited NAV and NTA of ESR-REIT. As mentioned in paragraph 6 above, the ESR-REIT Manager will also receive an Acquisition Fee payable in ESR-REIT Units pursuant to the Merger, estimated to be approximately S\$15.9 million based on the Revised Scheme Consideration.
- 9.6 Accordingly, the Merger will require the approval of the ESR-REIT Unitholders pursuant to Rule 906(1) of the Listing Manual. Pursuant to Rule 919 of the Listing Manual and Paragraph 5.2(b) of the Property Funds Appendix, the Sponsor and its associates will abstain from voting (either in person or by proxy) in respect of the resolutions relating to the Merger at an extraordinary general meeting of ESR-REIT to be convened (the "**EGM**").

## 10. **EXTRAORDINARY GENERAL MEETING AND REVISED CIRCULAR**

- 10.1 As mentioned in paragraph 3 above, ESR-REIT will be deferring the EGM to seek the approval of the ESR-REIT Unitholders for, *inter alia*:
- (a) the Merger; and
  - (b) the issue of Consideration Units for the Merger.

Further details on the deferred meeting, including details of how to attend the postponed meeting, will be provided by the ESR-REIT Manager in due course.

- 10.2 The ESR-REIT Manager will issue a revised circular containing, *inter alia*, details of the Amended and Restated Implementation Agreement, the Revised Scheme Consideration and the opinions and recommendations of the ESR-REIT Independent Directors in relation thereto.

## **11. DOCUMENTS FOR INSPECTION**

The Amended and Restated Implementation Agreement will be available for inspection<sup>7</sup> by ESR-REIT Unitholders during normal business hours at the office of the ESR-REIT Manager in Singapore at 8 Changi Business Park Avenue 1, #05-51, ESR BizPark @ Changi (South Tower), Singapore 486018 from the date of this Announcement up to and including the date falling three (3) months after the date of this Announcement.

The ESR-REIT Trust Deed will be available for inspection at the registered office of the ESR-REIT Manager for so long as ESR-REIT is in existence.

## **12. FURTHER ANNOUNCEMENTS**

The ESR-REIT Manager will make further announcements, in compliance with the requirements of the Listing Manual, as and when there are material developments in respect of the Merger, the Scheme, the Amended and Restated Implementation Agreement and/or other matters contemplated by this Announcement.

## **13. RESPONSIBILITY STATEMENT**

The directors of the ESR-REIT 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 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 ESR-REIT Manager jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources or obtained from a named source (including ALOG and/or the ALOG Manager), the sole responsibility of the directors of the ESR-REIT 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 ESR-REIT 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.

## **14. CAUTION IN TRADING**

ESR-REIT Unitholders and potential investors should note that the Merger is subject to the fulfilment of, *inter alia*, the Scheme Conditions set out in the Scheme Document, including the obtaining of the relevant regulatory approvals, and accordingly, should exercise caution when

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<sup>7</sup> Prior appointment is required in light of the COVID-19 situation. To ensure compliance with applicable measures and restrictions relating to safe distancing and to curb the spread of COVID-19, the ESR-REIT Manager reserves the right to limit the time allocated for inspection of documents, and the taking of copies in any form and/or removal of any documents is strictly not permitted.

trading in the ESR-REIT Units. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

**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

22 January 2022

*Any queries relating to this Announcement, the Merger or the Scheme should be directed to:*

**Citigroup Global Markets Singapore Pte. Ltd.**

Tel: +65 6657 1959

**Maybank Securities Pte. Ltd.**

(Formerly known as Maybank Kim Eng Securities Pte. Ltd.)

Tel: +65 6231 5179

Forward-Looking Statements

*All statements other than statements of historical facts included in this Announcement are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as "seek", "expect", "anticipate", "estimate", "believe", "intend", "project", "plan", "strategy", "forecast" and similar expressions or future or conditional verbs such as "will", "would", "should", "could", "may" and "might". Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of occupancy or property rental income, changes in operating expenses (including employee wages, benefits and training costs), governmental and public policy changes and the continued availability of financing in amounts and on terms necessary to support future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the ESR-REIT Manager's current view of future events, and the ESR-REIT Manager does not undertake any obligation to update publicly or revise any forward-looking statements.*

## 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 GFA of approximately 15.6 million square feet and an aggregate property value of S\$3.2 billion<sup>8</sup>. 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 ESR-REIT 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.

The ESR-REIT Manager is owned by namely, ESR Cayman Limited ("**ESR**") (67.3%), Shanghai Summit Pte. Ltd. (25.0%), and Mitsui (7.7%).

For further information on ESR-REIT, please visit [www.esr-reit.com.sg](http://www.esr-reit.com.sg).

## About the Sponsor, ESR

ESR is APAC's largest real asset manager powered by the New Economy and the third largest listed real estate investment manager globally. With US\$140 billion in gross assets under management (AUM), ESR's fully integrated development and investment management platform extends across key APAC markets, including China, Japan, South Korea, Australia, Singapore, India, New Zealand and Southeast Asia, representing over 95% of GDP in APAC, and also includes an expanding presence in Europe and the U.S. ESR provides a diverse range of real asset investment solutions and New Economy real estate development opportunities across its private funds business, which allows capital partners and customers to capitalise on the most significant secular trends in APAC. With 14 listed REITs managed by ESR and its associates, ESR is the largest sponsor and manager of REITs in APAC with a total AUM of US\$45 billion. ESR's purpose – *Space and Investment Solutions for a Sustainable Future* – drives it to manage sustainably and impactfully and ESR considers the environment and the communities in which it operates as key stakeholders of its business. Listed on the Main Board of The Stock Exchange of Hong Kong, ESR is a constituent of the FTSE Global Equity Index Series (Large Cap), Hang Seng Composite Index and MSCI Hong Kong Index. More information is available at [www.esr.com](http://www.esr.com).

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<sup>8</sup> 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.

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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.

## SCHEDULE 1

### PRO FORMA FINANCIAL EFFECTS OF THE MERGER ON ESR-REIT

Purely for illustrative purposes only, the pro forma financial effects of the Merger on ESR-REIT and ESR-LOGOS REIT are set out in the tables below.

#### 1. DPU for FY2020

The pro forma financial effects of the Merger on the amount available for distribution to ESR-REIT Unitholders, the number of ESR-REIT Units and ESR-REIT's DPU, and the accretion thereof, for FY2020, assuming that the Merger had been completed on 1 January 2020 and ESR-LOGOS REIT held and operated the properties of ALOG through to 31 December 2020, and assuming that, among other bases and assumptions stated below, the FY2021 ESR-REIT Acquisitions (as defined herein), the FY2021 ESR-REIT Divestments (as defined herein), the ESR-REIT EFR (as defined herein), the FY2021 ALOG Acquisitions (as defined herein), the FY2021 ALOG Divestments (as defined herein) and the ALOG EFR (as defined herein) were completed on 1 January 2020, are as follows:

	ESR-REIT for FY2020		Effects of the Merger – ESR-LOGOS REIT basis
	Actual	After the FY2021 ESR-REIT Acquisitions, FY2021 ESR-REIT Divestments and ESR-REIT EFR	After the FY2021 ESR-REIT Acquisitions, FY2021 ESR-REIT Divestments, ESR-REIT EFR and the Merger
Amount available for distribution (S\$'000)	99,127	109,155	189,995
Applicable Number of ESR-REIT Units ('000)	3,540,250	3,933,498	6,540,541
DPU (cents)	2.800	2.775	2.905
Accretion (%)			4.7

#### 2. NAV and NTA per ESR-REIT Unit for FY2020

The pro forma financial effects of the Merger on the NAV and NTA, the number of ESR-REIT Units, and NAV and NTA per ESR-REIT Unit, and the accretion thereof, as at 31 December 2020, assuming that the Merger had been completed on 31 December 2020, and assuming that, among other bases and assumptions stated below, the FY2021 ESR-REIT Acquisitions, the FY2021 ESR-REIT Divestments, the ESR-REIT EFR, the FY2021 ALOG Acquisitions, the FY2021 ALOG Divestments, the ALOG EFR and the ESR-REIT Revaluation (as defined below) were completed on 31 December 2020, are as follows:

	ESR-REIT as at 31 December 2020		Effects of the Merger – ESR-LOGOS REIT basis
	Actual	After the FY2021 ESR-REIT Acquisitions, FY2021 ESR-REIT Divestments, ESR-REIT EFR and ESR-REIT Revaluation	After the FY2021 ESR-REIT Acquisitions, FY2021 ESR-REIT Divestments, ESR-REIT EFR, ESR-REIT Revaluation and the Merger
NAV and NTA (S\$'000)	1,446,990	1,597,984	2,420,307
Number of issued ESR-REIT Units ('000)	3,576,362	3,969,252	6,572,594
NAV and NTA per ESR-REIT Unit (cents)	40.5	40.3	36.8
Dilution (%)			(8.5)

### 3. Aggregate Leverage for FY2020

The pro forma financial effects of the Merger on ESR-REIT's aggregate leverage as at 31 December 2020, assuming that the Merger had been completed on 31 December 2020, and assuming that, among other bases and assumptions stated below, the FY2021 ESR-REIT Acquisitions, the FY2021 ESR-REIT Divestments, the ESR-REIT EFR, the FY2021 ALOG Acquisitions, the FY2021 ALOG Divestments, the ALOG EFR and the ESR-REIT Revaluation were completed on 31 December 2020, are as follows:

	ESR-REIT as at 31 December 2020		Effects of the Merger – ESR-LOGOS REIT basis
	Actual	After the FY2021 ESR-REIT Acquisitions, FY2021 ESR-REIT Divestments, ESR-REIT EFR and ESR-REIT Revaluation	After the FY2021 ESR-REIT Acquisitions, FY2021 ESR-REIT Divestments, ESR-REIT EFR, ESR-REIT Revaluation and the Merger
Aggregate leverage (%)	41.6	39.4	42.1

## INTRODUCTION

These pro forma financial effects have been prepared in connection with the Merger.

## BASES AND ASSUMPTIONS UNDERLYING THE PRO FORMA FINANCIAL EFFECTS OF THE MERGER

### Basis of Preparation for the pro forma financial effects of the Merger on ESR-REIT's DPU for FY2020

The unaudited pro forma consolidated financial effects of the Merger on ESR-LOGOS REIT have been prepared based on the consolidated audited financial statements of ESR-REIT for FY2020 which were announced on 7 April 2021 ("**FY2020 ESR-REIT Audited Financial Statements**") and the consolidated audited financial statements of ALOG for FY2020 which were announced on 8 April 2021 ("**FY2020 ALOG Audited Financial Statements**"), for illustrative purposes only, and based on certain assumptions directly attributable to the Merger after making certain adjustments, to show the pro forma financial effects of the Merger on ESR-REIT's DPU for FY2020.

The assumptions are set out as follows:

- (a) the Merger had occurred on 1 January 2020;
- (b) the following acquisitions by ESR-REIT had occurred on 1 January 2020:
  - (i) the acquisition of 10.0% interest in EALP which was actually completed on 14 May 2021; and
  - (ii) the acquisition of 46A Tanjong Penjuru which was actually completed on 29 June 2021;(collectively, the "**FY2021 ESR-REIT Acquisitions**"), and a full year pro forma financial effect from the FY2021 ESR-REIT Acquisitions was included;
- (c) the following divestments by ESR-REIT had occurred on 1 January 2020 and the net divestment proceeds were used for the repayment of bank borrowings:
  - (i) the divestment of 11 Serangoon North Avenue 5 and 3C Toh Guan Road East as announced on 28 April 2021; and
  - (ii) the divestment of 45 Changi South Avenue 2 as announced on 30 August 2021;(collectively, the "**FY2021 ESR-REIT Divestments**"), and the actual financial information of the FY2021 ESR-REIT Divestments for FY2020 were excluded from the pro forma financial effects of the Merger;
- (d) the ESR-REIT equity fund raising comprising a private placement of 268,818,000 new ESR-REIT Units and a preferential offering of 124,071,569 new ESR-REIT Units (the "**ESR-REIT EFR**"), which were actually completed on 18 May 2021 and 26 August 2021 respectively and



raised gross proceeds of S\$149.6 million to partially finance the FY2021 ESR-REIT Acquisitions, had occurred on 1 January 2020;

- (e) the following acquisitions by ALOG had occurred on 1 January 2020:
- (i) the acquisition of 47 Logistics Place, Larapinta, Queensland located in Australia which was actually completed on 16 April 2021;
  - (ii) the acquisition of (1) 1-5 & 2-6 Bishop Drive, (2) 8 Curlew Street, and (3) 53 Peregrine Drive, all located in Port of Brisbane, Queensland, Australia which was actually completed on 21 April 2021;
  - (iii) the acquisition of a 49.5% interest in the New LAIVS Trust and a 40.0% interest in the Oxford Property Fund which was actually completed on 16 April 2021; and
  - (iv) completion of the development and acquisition of the Heron Property based on its contracted purchase consideration, which was actually completed on 11 January 2022,

(collectively, the "**FY2021 ALOG Acquisitions**"), and a full year pro forma financial effect from the FY2021 ALOG Acquisitions was included;

- (f) the following divestments by ALOG had occurred on 1 January 2020 and the net divestment proceeds were used for the repayment of bank borrowings:
- (i) the divestment of 3 Changi South Street 3, also known as ALOG Changi DistriCentre 2, as announced on 22 April 2021; and
  - (ii) the divestment of 404-450 Findon Road, Kidman Park, South Australia in Australia as announced on 26 April 2021,

(collectively, the "**FY2021 ALOG Divestments**"), and the actual financial information of the FY2021 ALOG Divestments for FY2020 was excluded from the pro forma financial effects of the Merger;

- (g) the ALOG equity fund raising comprising a private placement of 90,498,000 new ALOG Units and a preferential offering of 91,112,930 new ALOG Units (together with the ALOG Subscription Units Issuance (as defined below), the "**ALOG EFR**"), which were actually completed on 11 November 2020 and 25 January 2021 respectively, and raised gross proceeds of S\$100.3 million to partially finance the FY2021 ALOG Acquisitions, had occurred on 1 January 2020;
- (h) the issuance of 126,696,800 new ALOG Units to Ivanhoé Cambridge Asia, and 33,846,100 new ALOG Units to LOGOS Units No. 1 (the "**ALOG Subscription Units Issuance**") which was actually completed on 16 April 2021 and raised gross proceeds of S\$88.7 million to partially finance the FY2021 ALOG Acquisitions, had occurred on 1 January 2020;
- (i) the ESR-REIT Real Properties and the EALP Real Properties held as at 30 September 2021 were revalued in FY2020 based on their latest actual independent valuations as at 30 September 2021 (the "**ESR-REIT Revaluation**");

- (j) the ALOG Real Properties and the ALOG Fund Real Properties held as at 30 September 2021 were stated at 1 January 2020 based on their latest actual independent valuations as at 30 September 2021 and these valuations remained unchanged throughout FY2020;
- (k) the translation of A\$ to S\$ at the exchange rates prevailing in the preparation of the FY2020 ALOG Audited Financial Statements;
- (l) based on the number of ALOG Units issued as at the Original Announcement Date, the Revised Scheme Consideration of approximately S\$1,406.7 million for the Merger was settled by way of an aggregate Revised Cash Consideration of approximately S\$140.7 million and the issuance of approximately 2,571.1 million new ESR-REIT Units;
- (m) ALOG's total borrowings and related interest rate swaps of approximately S\$768.7 million and total perpetual securities outstanding of approximately S\$101.5 million were replaced with new banking facilities of approximately S\$618.7 million at a weighted average "all-in" finance cost of 2.25% per annum and approximately S\$251.5 million of new perpetual securities at an illustrative coupon rate of 4.50% per annum;
- (n) the estimated upfront land premium of approximately S\$87.9 million, funded by new banking facilities at a weighted average "all-in" finance cost of 2.25% per annum, was paid to JTC at completion of the Merger and ESR-LOGOS REIT did not incur any land rent expenses for the ALOG SG Real Properties<sup>9</sup> in FY2020;
- (o) acquisition fees of approximately S\$15.9 million pursuant to the Merger were paid by way of the issuance of approximately 32.3 million new ESR-REIT Units at the illustrative issue price of S\$0.4924 per ESR-REIT Unit;
- (p) ALOG's asset management and trustee fee structures were replaced with the management fee and trustee fee structures in the ESR-REIT Trust Deed with effect from 1 January 2020. Consequently, no performance fee was paid by ESR-LOGOS REIT for FY2020 and approximately 74.2% of the asset management fees for ESR-LOGOS REIT was paid in ESR-REIT Units;
- (q) estimated professional fees, stamp duty, and other fees and expenses of approximately S\$32.9 million related to the Merger were funded by new banking facilities at a weighted average "all-in" finance cost of 2.25% per annum;
- (r) transaction costs related to the Merger and the excess of the Revised Scheme Consideration over the acquired net assets of ALOG were written off; and
- (s) excludes any other operational and trust level savings or potential synergies from the Merger.

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<sup>9</sup> "**ALOG SG Real Properties**" means the ALOG Real Properties which are located in Singapore.

## **Basis of Preparation for the pro forma financial effects of the Merger on ESR-REIT's NAV and NTA per Unit and aggregate leverage as at 31 December 2020**

The unaudited pro forma consolidated financial effects of the Merger on ESR-LOGOS REIT have been prepared based on the FY2020 ESR-REIT Audited Financial Statements which were announced on 7 April 2021 and the FY2020 ALOG Audited Financial Statements which were announced on 8 April 2021, for illustrative purposes only, and based on certain assumptions directly attributable to the Merger after making certain adjustments, to show the pro forma financial effects of the Merger on ESR-REIT's NAV and NTA per Unit and aggregate leverage as at 31 December 2020.

The assumptions are set out as follows:

- (a) the Merger had occurred on 31 December 2020;
- (b) the FY2021 ESR-REIT Acquisitions, the FY2021 ESR-REIT Divestments and the ESR-REIT EFR had occurred on 31 December 2020;
- (c) the FY2021 ALOG Acquisitions, the FY2021 ALOG Divestments and the ALOG EFR had occurred on 31 December 2020;
- (d) the ESR-REIT Real Properties, the EALP Real Properties, the ALOG Real Properties and the ALOG Fund Real Properties held as at 30 September 2021 were stated at 31 December 2020 based on their latest actual independent valuations as at 30 September 2021;
- (e) the translation of A\$ to S\$ at the exchange rates prevailing in the preparation of the FY2020 ALOG Audited Financial Statements;
- (f) based on the number of ALOG Units issued as at the Original Announcement Date, the Revised Scheme Consideration of approximately S\$1,406.7 million for the Merger was settled by way of an aggregate Revised Cash Consideration of approximately S\$140.7 million and the issuance of approximately 2,571.1 million new ESR-REIT Units;
- (g) ALOG's total borrowings and related interest rate swaps of approximately S\$768.7 million and total perpetual securities outstanding of approximately S\$101.5 million were replaced with new banking facilities of approximately S\$618.7 million at a weighted average "all-in" finance cost of 2.25% per annum and approximately S\$251.5 million of new perpetual securities at an illustrative coupon rate of 4.50% per annum;
- (h) estimated upfront land premium of approximately S\$87.9 million, funded by new banking facilities at a weighted average "all-in" finance cost of 2.25% per annum, was paid to JTC at completion of the Merger;
- (i) acquisition fees of approximately S\$15.9 million pursuant to the Merger were paid by way of the issuance of approximately 32.3 million new ESR-REIT Units at the illustrative issue price of S\$0.4924 per ESR-REIT Unit;

- (j) estimated professional fees, stamp duty, and other fees and expenses of approximately S\$32.9 million related to the Merger were funded by new banking facilities at a weighted average "all-in" finance cost of 2.25% per annum; and
- (k) transaction costs related to the Merger and the excess of the Revised Scheme Consideration over the acquired net assets of ALOG were written off.