



(Constituted in the Republic of Singapore pursuant to a Trust Deed dated 11 February 2010 as amended and restated)

Response to The Business Times Article

Singapore, 18 January 2022 – ARA LOGOS Logistics Trust Management Limited, the manager (the “**ALOG Manager**”) of ARA LOGOS Logistics Trust (“**ALOG**”) refers to the article titled “*Proxy advisory calls ALog-ESR deal process ‘questionable’, recommends voting against merger*” published by The Business Times on 17 January 2022 (the “**Article**”) in relation to the recommendation by a proxy advisory, Institutional Shareholder Services (“**ISS**”), on the resolutions relating to the proposed merger of ALOG with ESR-REIT (the “**Proposed Merger**”). Capitalised terms not defined herein shall have the same meaning as that set out in the scheme document issued by ALOG dated 5 January 2022 (the “**Scheme Document**”).

ISS’s Analysis and Recommendation

The ALOG Manager notes that the Article quotes ISS as having raised concerns over valuation and the conduct of the sale process. The ALOG Manager would like to address the concerns raised by the Article.

(A) **Negotiation of the terms of the Proposed Merger was led by the ALOG Independent Directors and its merits were considered on a holistic basis**

The exchange ratio and other terms for the Proposed Merger were the subject of extensive consideration and were negotiated on an arm’s length basis, led by the directors of ALOG Manager who are independent for the purposes of the Scheme (the “**ALOG Independent Directors**”).

In arriving at its recommendation on the Proposed Merger, the ALOG Independent Directors have considered, among others: (i) the financial terms of the Scheme Consideration, and the opinion of IFA; and (ii) the rationale and benefits of the Proposed Merger, including the potential advantages afforded to ALOG Unitholders as stakeholders in a larger platform with the common sponsorship of ESR Group.

The ALOG Manager would like to emphasise that the Proposed Merger is intended as a merger of ALOG and ESR-REIT and the relative valuations of ALOG and ESR-REIT would need to be balanced from the perspectives of their respective unitholders. If the Proposed Merger is approved, ALOG Unitholders will continue to be invested in the existing portfolio of ALOG assets, which will be part of the enlarged ESR-REIT.

In recommending that ALOG Unitholders vote in favour of the Proposed Merger, the ALOG Independent Directors have considered the following benefits of the Proposed Merger:

- (a) For illustrative purposes only, based on the financial statements of ESR-REIT and ALOG for FY2020, and other bases and assumptions set out in Appendix D of the Scheme Document:
 - (1) assuming that the Proposed Merger had been completed on 1 January 2020, **the historical pro forma DPU for FY2020 for ALOG Unitholders would increase by approximately 8.2 per cent.** This represents the highest level of

historical pro forma DPU accretion when compared to all successfully completed S-REIT mergers;¹ and

- (2) assuming that the Proposed Merger had been completed on 31 December 2020, **the historical pro forma NAV of ALOG as at 31 December 2020 would increase by approximately 2.2 per cent.**

ALOG Unitholders are advised to refer to (i) table 11 on page B-44 of the ALOG IFA Letter set out in Appendix B of the Scheme Document and (ii) Appendix D of the Scheme Document for full details of the pro forma financial effects of the Proposed Merger and the related bases and assumptions. For the avoidance of doubt the historical pro formas are for illustrative purposes only and are not intended to be nor shall they constitute projections or forecasts.

- (b) The Proposed Merger also **satisfies longer term value creation objectives**. ALOG Unitholders may wish to refer to paragraph 2.4 of the Letter to ALOG Unitholders set out in the Scheme Document for the full rationale for the Proposed Merger.
- (c) The pending merger of the respective sponsors of ALOG and ESR-REIT presents an opportunity for the ALOG Unitholders to enjoy the **benefits of the enlarged ESR Group as their sponsor**. The Proposed Merger is conditional upon the completion of the acquisition of ARA by ESR Cayman and the sponsorship of the enlarged ESR Group would be available to ALOG Unitholders. ALOG Unitholders may wish to refer to paragraphs 2.4(b) and 2.4(c) of the Letter to ALOG Unitholders set out in the Scheme Document on the key benefits which the sponsorship of ESR Group will bring to ALOG.
- (d) The exchange ratio was based on a “market price” reference, and the exchange ratio takes into account ALOG’s increase in unit price of **over 79 per cent. since April 2020 to the date of announcement of the Proposed Merger**. ALOG Unitholders may wish to refer to paragraph 2.4(a) of the Letter to Unitholders set out in the Scheme Document for ALOG units’ price increase in the period leading to the Proposed Merger.
- (e) **Enlarged REIT may offer other benefits** including (1) competitive costs of capital, (2) enhanced financial capacity and flexibility to pursue larger and more sizeable growth opportunities, (3) reduced tenant concentration risk and (4) ability to conduct active portfolio rebalancing and capital recycling to pursue supercharged growth trajectory. ALOG Unitholders may wish to refer to paragraphs 4 and 5 of the Offeror’s Letter to ALOG Unitholders set out in Appendix C of the Scheme Document for ESR-REIT’s rationale for the Proposed Merger and an overview of its strategic intention for the enlarged REIT post-Merger.

(B) No alternative offers

The ALOG Manager notes that the Article quotes ISS as reporting that ALOG “*could have, if seeking an exit or increase in size, shopped around for alternative transactions*”.

¹ For comparison, the historical pro forma DPU accretions for the following successfully completed S-REIT mergers are: (i) CCT-CMT merger (7.2 per cent.); (ii) FCOT-FLT merger (2.5 per cent.); (iii) A-HTRUST-ART merger (1.8 per cent.); and (iv) OUE H-TRUST-OUE C-REIT merger (1.4% per cent.).

Since the Proposed Merger was announced on 15 October 2021, the ALOG Manager has not received any other offers for ALOG or any indications of interest to make an offer for ALOG. The Proposed Merger with ESR-REIT remains the only offer for the units of ALOG.

The Proposed Merger would remove any potential overlapping mandate between ESR-REIT and ALOG. The ALOG Manager would also like to highlight that other alternative options such as a direct sale of portfolio assets and a sale of the ALOG Manager to a third party may not be optimal for the following reasons:

- (a) **Premium to NAV.** As the unit price of ALOG was trading at more than 30 per cent. premium to its NAV,² a divestment of the underlying portfolio may not have achieved a similar premium to the NAV and it would also result in ALOG Unitholders ceasing to have an interest in the returns from being invested in the existing portfolio of assets. The Proposed Merger would allow ALOG Unitholders to continue to be invested in the existing portfolio and also benefit from potential growth opportunities which may arise from the enlarged REIT's access to the pipeline from the enlarged ESR Group.
- (b) **Associated costs and financing constraints.** Potential acquirers of the portfolio assets may require acquisition debt financing, which amount could be limited by the asset valuation of the underlying assets. In addition, direct divestment of portfolio assets could result in additional costs relating to stamp duties (for acquirers), and potential tax liability for ALOG.³
- (c) **Limited buyer pool.** The Singapore industrial market is highly regulated, especially for industrial assets located on JTC industrial land. Notably, ALOG's entire portfolio of Singapore assets sits on JTC land. As there are stringent qualifying criteria imposed on buyers of such properties, the pool of potential buyers is likely limited to end-users and entities which hold capital markets services licences.
- (d) If the Sponsor were to sell the ALOG Manager to a third party, ALOG Unitholders would cease to have access to the potential pipeline of New Economy assets of more than US\$50 billion⁴ from ESR Group, being the largest in APAC.

Clarification of the Statement made by Ms Karen Lee, the Chief Executive Officer of ALOG Manager

Ms Karen Lee, the Chief Executive Officer of ALOG Manager, had also been contacted by The Business Times for comments on ISS's analysis and recommendation and Ms Lee was quoted as having commented the following:

² With reference to ALOG's closing price of S\$0.935, as well as 1 month VWAP of S\$0.925, as of last full trading day immediately prior to the Joint Announcement Date, and NAV per ALOG unit of S\$0.68, as of 30 September 2021.

³ Based on information available to the ALOG Manager as at 18 January 2022, the ALOG Manager has estimated the potential tax liability which would arise on ALOG if the ALOG Real Properties (excluding the Heron Property) and the ALOG Fund Investments were to be sold at the amount of the valuation as at 30 September 2021 to be approximately S\$35 million.

⁴ ESR and LOGOS Group's data as at 30 June 2021, inclusive of ALOG, adjusted for LOGOS Group's acquisition of Moorebank Logistics Park announced on 5 July 2021, but excludes announced acquisition of Qantas project on 15 October 2021. Goodman as at 31 March 2021. GLP and Prologis as at 31 December 2020.

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“Lee reiterated the view that longer-term benefits lie in being able to tap ESR-Reit sponsor ESR Cayman’s asset pipeline, as ALog Trust would otherwise find acquisitions “challenging for us in terms of fundraising or even debt-sourcing.””

The ALOG Manager would like to clarify that Ms Lee was referring to “sizeable acquisitions” when she commented that ALOG might find acquisitions challenging (in terms of fundraising or even debt-raising) if the Proposed Merger does not go through. For clarity, the statement in the Article should be read as follows:

*“Lee reiterated the view that longer-term benefits lie in being able to tap ESR-Reit sponsor ESR Cayman’s asset pipeline, as ALog Trust would otherwise find **sizeable** acquisitions from **the multi-billion dollar pipeline** “challenging for us in terms of fundraising or even debt-sourcing given ALog Trust’s current size.””*

Further Information on the Proposed Merger

For full details on the Proposed Merger, please refer to ALOG’s website at <https://investor.aralogos-reit.com/proposed-merger-with-esr-reit.html> and consider the information in the Scheme Document in its entirety.

Responsibility Statement

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

Where any information has been extracted or reproduced from published or otherwise publicly available sources (including the announcement dated 4 August 2021 released by the Sponsor in relation to the Proposed ARA Acquisition) or obtained from a named source (including ESR-REIT and the ESR-REIT Manager), the sole responsibility of the directors of the ALOG 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 ALOG Manager do not accept any responsibility for any information relating to ESR-REIT and/or the ESR-REIT Manager or any opinion expressed by ESR-REIT and/or the ESR-REIT Manager.

By Order of the Board

ARA LOGOS Logistics Trust Management Limited
(as manager of ARA LOGOS Logistics Trust)
(Company registration no. 200919331H)

Karen Lee
Chief Executive Officer
18 January 2022



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ABOUT ARA LOGOS LOGISTICS TRUST (“ALOG”)

Listed on the Singapore Exchange on 12 April 2010, ARA LOGOS Logistics Trust (“ALOG”) is a real estate investment trust (“REIT”) that invests in quality income-producing industrial real estate used for logistics purposes, as well as real estate-related assets in the Asia Pacific. ALOG is managed by ARA LOGOS Logistics Trust Management Limited.

As at 30 September 2021, ALOG’s portfolio comprises 29 high quality logistics warehouse properties strategically located in established logistics clusters in Singapore and Australia as well as 49.5% and 40.0% stakes in the New LAIVS Trust and Oxford Property Fund respectively. The portfolio has a total gross floor area of approximately 1.0 million square metres and is valued at approximately S\$1.8 billion⁽⁵⁾.

For more information, please visit <https://www.aralogos-reit.com>.

ABOUT ARA LOGOS LOGISTICS TRUST MANAGEMENT LIMITED

ALOG is managed by ARA LOGOS Logistics Trust Management Limited (the “ALOG Manager”), a wholly-owned subsidiary of LOGOS. ARA Asset Management Limited (“ARA” or the “Group”) is a majority shareholder of LOGOS, which operates as ARA’s global logistics real estate platform.

LOGOS is one of Asia Pacific’s leading logistics property groups. It has total Assets Under Management (“AUM”) of US\$17 billion⁽⁶⁾, comprising more than 9.0 million sqm of property owned and under development across 26 ventures, including ALOG. As a vertically integrated business, LOGOS manages every aspect of logistics real estate, from sourcing land or facilities, to undertaking development and asset management, on behalf of some of the world’s leading global real estate investors.

ARA is the largest real assets manager in Asia Pacific with approximately US\$95 billion⁽⁷⁾ gross AUM by the Group and its associates. ARA Group operates a global platform with a focus on APAC, managing public and private investment funds that invest across traditional and New Economy real estate assets spanning office, logistics, retail, residential, hospitality, and data centers, as well as private real estate credit and infrastructure. ARA’s vertically integrated business includes development and value-add asset management capabilities, an in-house capital raising team, and property management expertise in local markets where ARA invests and manages assets. With a resolute focus on creating sustainable value, ARA manages funds on behalf of many of the world’s largest pension funds, sovereign wealth funds and financial institutions.

For more information on ARA and LOGOS, please visit <https://www.ara-group.com> and <https://www.logosproperty.com>.

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IMPORTANT NOTICE

The value of units in ALOG (“Units”) and the income derived from them, if any, may fall or rise. Units are not obligations of, deposits in, or guaranteed by, ARA LOGOS Logistics Trust Management Limited (as the manager of ALOG) (the “ALOG Manager”) or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors should note that they will have no right to request the ALOG Manager to redeem or purchase their Units for so long as the Units are listed on Singapore Exchange Securities Trading Limited (the “SGX-ST”). It is intended

⁵ Portfolio value includes ALOG’s 49.5% and 40.0% stakes in the New LAIVS Trust and Oxford Property Fund respectively.

⁶ As of 30 September 2021, with June 2021 FX rates applied.

⁷ Includes assets under management by ARA Asset Management Limited and the Group of companies (“ARA Group”) and its Associates as at 30 June 2021, adjusted for LOGOS’ acquisition of Moorebank Logistics Park announced on 5 July 2021.



that holders of Units may only deal in their Units through trading on the SGX-ST. The listing of the Units on the SGX-ST does not guarantee a liquid market for the Units. The past performance of ALOG is not necessarily indicative of the future performance of ALOG.