

FINANCIAL REVIEW

STATEMENT OF NET INCOME AND DISTRIBUTION	FY2022	FY2021	Fav/(Unfav)
	S\$'000	S\$'000	%
Gross revenue	343,232	241,286	42.3
Property expenses	(98,989)	(68,025)	(45.5)
Net property income ("NPI")	244,243	173,261	41.0
Income from investments at fair value through profit or loss	11,129	1,536	n.m.
Management fees	(21,201)	(14,840)	(42.9)
Trust expenses	(5,172)	(2,772)	(86.6)
Borrowing costs, net	(62,247)	(43,869)	(41.9)
Finance costs on lease liabilities for leasehold land	(23,743)	(11,825)	(100.8)
Net income	143,009	101,491	40.9
Taxable income	147,561	113,568	29.9
Tax-exempt income	12,049	183	n.m.
Capital distribution	17,487	642	n.m.
Amount available for distribution to Unitholders	177,097	114,393	54.8
Distribution per Unit ("DPU") (cents)	3.000	2.987	0.4

Note: n.m. - not meaningful

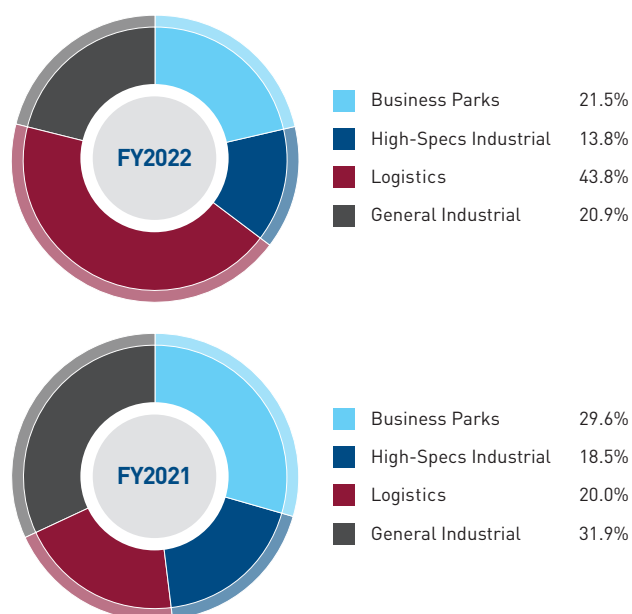
In April 2022, ESR-LOGOS REIT completed the merger with ALOG, by way of a trust scheme of arrangement (the "Merger"). As part of ESR-LOGOS REIT's strategy to grow the enlarged REIT into a leading New Economy and Future-Ready APAC S-REIT, the Manager has commenced the execution of several strategic initiatives, including the rejuvenation of the portfolio through redevelopments and asset enhancement initiatives as well as recycle capital through the divestment of non-core assets. Despite the challenges posed by the impact of high inflation, rising interest rates and geopolitical tensions, ESR-LOGOS REIT delivered a set of robust results for the financial year ended 31 December 2022 ("FY2022").

Gross Revenue

ESR-LOGOS REIT's gross revenue for FY2022 was S\$343.2 million, an increase of S\$101.9 million or 42.3% from FY2021. The increase was mainly due to contributions from ALOG following the completion of the Merger in April 2022 and the acquisition of ESR Sakura Distribution Centre in October 2022.

Gross Revenue by Asset Class

(%)

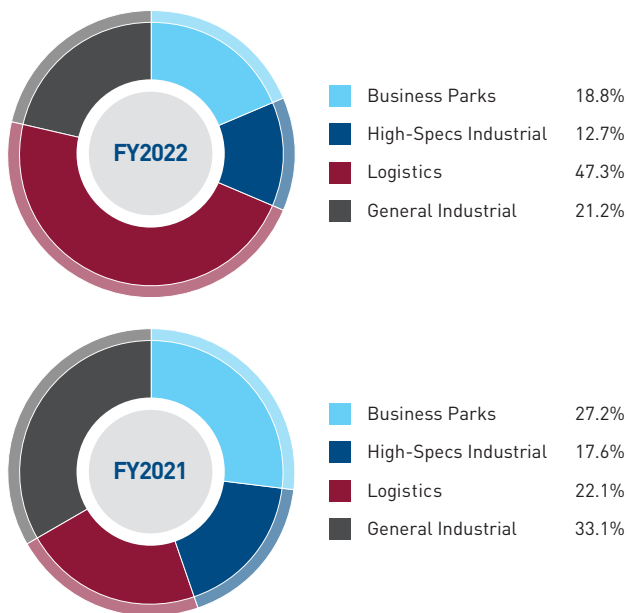


Net Property Income

NPI for FY2022 was S\$244.2 million, an increase of S\$71.0 million or 41.0% from FY2021, in tandem with the higher gross revenue. The increase was partially offset by divestments as well as higher property expenses in FY2022 as a surge in global energy prices and higher electricity demand drove utilities expenses higher and inflationary pressures resulted in higher operating expenses.

Net Property Income Contribution by Asset Class

(%)



A breakdown of the half yearly DPU from FY2020 to FY2022 is as follows:

HALF YEARLY DPU	1 Jan to 30 Jun (1H)	1 Jul to 31 Dec (2H)	Total DPU for the year
FY2020	1.359	1.441	2.800
FY2021	1.554	1.433	2.987
FY2022	1.460	1.540	3.000

ESR-LOGOS REIT's distribution yield as at 31 December 2022 was 8.1% per annum¹. The REIT has consistently been delivering a yield higher than that of the Singapore Government 10-year SGD bond of 3.1%.

Net Income

Net Income for FY2022 was S\$143.0 million, an increase of S\$41.5 million or 40.9% from FY2021 on the back of higher NPI and income contribution from the investments in ESR Australia Logistics Partnership ("EALP"), New LAIVS Trust and Oxford Property Fund. The higher net income was partially offset by higher borrowing costs due to higher base rates and borrowing costs for the debt drawn to partially fund the Merger.

The higher trust expenses for FY2022 was mainly due to the enlarged group subsequent to the Merger.

Distributions Paid to Unitholders

The amount available for distribution to Unitholders for FY2022 amounted to S\$177.1 million, an increase of S\$62.7 million or 54.8% as compared to FY2021, which was mainly attributable to higher net income, a non-recurrent tax-exempt income distribution from Viva Trust and distribution of capital gains from the sale of investment properties in prior years.

FY2022 DPU of 3.000 cents was 0.4% higher than the FY2021 DPU of 2.987 cents. ESR-LOGOS REIT's distribution frequency is on a half yearly basis with effect from 2H2022.

Included in the amount available for distribution to Unitholders was approximately S\$0.4 million (DPU of 0.006 cents) of income support in relation to ESR Sakura DC that was received and paid to Unitholders in FY2022.

¹ Based on closing price of S\$0.370 as at 31 December 2022

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Distribution Reinvestment Plan

The Distribution Reinvestment Plan (“DRP”) was in place for the distributions for FY2022. The Manager has continued to maintain an active DRP as a component of longer-term capital management and to allow unitholders flexibility in receiving their distribution entitlements. The DRP provides a measured and efficient mean of accessing additional equity capital from existing unitholders.

Change in the Number of Issued Units

During FY2022, the Manager issued a total of 2,688,930,838 new units pursuant to the partial payment of management fees, distribution reinvestment plan, partial consideration paid in relation to the Merger as well as acquisition fees paid in relation to the Merger and the acquisition of ESR Sakura Distribution Centre. A breakdown of the change in the number of issued units during FY2022 as compared to FY2021 is as follows:

	FY2022	FY2021
	Number of units	Number of units
Issued units at beginning of the year	4,030,257,149	3,576,362,126
Issuance of new units pursuant to:		
— Management fees paid in units	29,931,841	17,475,221
— Distribution Reinvestment Plan	39,907,171	43,530,233
— Private Placement	—	268,818,000
— Preferential Offering	—	124,071,569
— Partial consideration paid in units pursuant to the Merger	2,575,788,303	—
— Acquisition fees paid in units ²	43,303,523	—
Issued units at end of the year	6,719,187,987	4,030,257,149

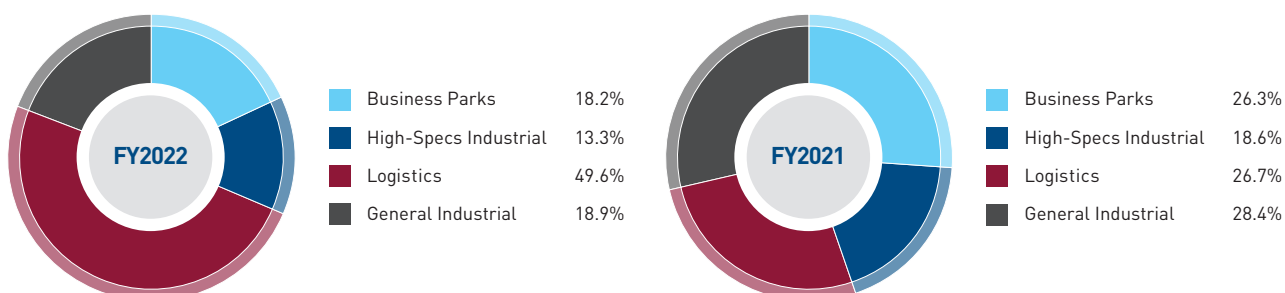
Valuation of Properties

As at 31 December 2022, the total carrying value of ESR-LOGOS REIT’s investment properties was S\$4.6 billion³ based on independent external valuations.

During the year, apart from the Merger, ESR-LOGOS REIT acquired ESR Sakura Distribution Centre on 31 October 2022 and also divested 28 Senoko Drive on 14 January 2022, 45 Changi South on 14 March 2022, 3 Sanitarium Drive on 22 July 2022 and 2 Jalan Kilang Barat on 24 November 2022. As at 31 December 2022, two properties (49 Pandan Road and 70 Seletar Aerospace View) were reclassified as investment properties held for divestment.

Valuation of Properties

(%)



- 2 The acquisition fees paid in units during FY2022 comprised (i) 38,255,683 new units issued on 17 May 2022 at an issue price of S\$0.4170 per unit as payment in relation to the Merger; and (ii) 5,047,840 new units issued on 15 November 2022 at an issue price of S\$0.3357 per unit as payment in relation to the acquisition of ESR Sakura Distribution Centre
- 3 Includes the valuation of 7000 Ang Mo Kio Avenue 5 on a 100% basis of which ESR-LOGOS REIT holds 80% interest, but excludes the valuation of 48 Pandan Road which is held through a joint venture in which ESR-LOGOS REIT holds 49.0% interest

Change in Fair Value of Investment Properties

In accordance with the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore, a valuation of ESR-LOGOS REIT's investment properties must be conducted at least once every year. Any increase or decrease in fair value is credited or charged to the Statement of Total Return as change in fair value of investment properties. Such fair value changes are not taxable/tax deductible and therefore, have no impact on distributable income.

As at 31 December 2022, independent valuations for investment properties were undertaken by Colliers International Consultancy & Valuation (Singapore) Pte Ltd, Edmund Tie & Company (SEA) Pte Ltd, Savills Valuation and Professional Services (S) Pte Ltd, CBRE Pte. Ltd., Knight Frank Pte Ltd, Jones Lang LaSalle Property Consultants Pte Ltd, Cushman & Wakefield VHS Pte Ltd.,

CBRE Valuations Pty Limited and Colliers International Japan KK. In determining the fair value of ESR-LOGOS REIT's portfolio, the direct comparison method, capitalisation approach, discounted cash flows and residual value approach were used. The valuation methods used are consistent with those used in prior years.

The change in fair value of investment properties of approximately S\$22.5 million in FY2022 comprised the following:

- fair value loss of S\$24.3 million based on the independent valuations of the investment properties as at 31 December 2022; and
- partially offset by adjustments for straight-line rent and marketing commission for FY2022 of S\$1.8 million.

Net Assets Attributable to Unitholders

	31 December 2022	31 December 2021	Variance
	S\$'000	S\$'000	%
Total Assets	5,654,158	3,329,765	69.8
Total Liabilities	2,805,071	1,580,682	77.5
Net Assets Attributable to Unitholders	2,444,653	1,597,968	53.0
Net Asset Value ("NAV") per Unit (cents)	36.4	39.6	(8.1)

Total assets increased by 69.8% from S\$3.3 billion as at 31 December 2021 to S\$5.7 billion as at 31 December 2022. The increase was mainly due to the Merger and the acquisition of ESR Sakura Distribution Centre, partially offset by the divestments of 28 Senoko Drive, 45 Changi South, 3 Sanitarium Drive and 2 Jalan Kilang Barat.

Net assets attributable to Unitholders increased by 53.0% to S\$2.4 billion as at 31 December 2022 as compared to S\$1.6 billion as at 31 December 2021. NAV per unit as at 31 December 2022 was 36.4 cents as compared to 39.6 cents as at 31 December 2021. The decrease in NAV per unit was mainly due to the premium paid over ALOG's NAV and transaction costs that were incurred in relation to the Merger being written off in FY2022.

Rental collection for FY2022 has remained healthy with more than 98.0% of total receivables being collected.

Accounting Policies

The financial statements of ESR-LOGOS REIT are prepared in accordance with the recommendations of the Statement of Recommended Accounting Practice 'Reporting Framework for Investment Funds' (RAP 7) issued by the Institute of Singapore Chartered Accountants and the applicable requirements of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore and the provisions of the Trust Deed. RAP 7 requires that accounting policies adopted should generally comply with the recognition and measurement principles of Singapore Financial Reporting Standards.