



(Constituted in the Republic of Singapore pursuant to a trust deed dated 19 October 2006 (as amended))

RESPONSES TO THE SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FROM UNITHOLDERS

1. **Background.** The Board of Directors (the “**Board**”) of First REIT Management Limited, in its capacity as manager of First Real Estate Investment Trust (“**First REIT**”, and the manager of First REIT, the “**Manager**”), refers to:
 - (a) the annual report of First REIT for the financial year ended 31 December 2023 (“**FY2023**”); and
 - (b) the notice of annual general meeting (“**AGM**”) issued on 28 March 2024 informing the unitholders of First REIT (the “**Unitholders**”) that the Fifteenth AGM of First REIT will be convened and held at Hilton Singapore Orchard (333 Orchard Road, Singapore 238867), Grand Ballroom, Level 6, Orchard Wing on Monday, 22 April 2024 at 2.30 p.m.
2. **Response to questions from Unitholders.** The Manager would like to thank Unitholders for submitting their questions in advance of First REIT’s AGM. The Manager would like to inform that the responses to all substantial and relevant questions which have been submitted by Unitholders shall be published in this announcement. Please refer to **Annex A** hereto for the list of substantial and relevant questions received from Unitholders, and the Manager and the Board’s responses to these questions.
3. **Subsequent clarifications or substantial and relevant follow-up questions.** As stated in the notice of AGM issued on 28 March 2024, the Manager will respond to questions or follow-up questions submitted after the 5.00 p.m. on Friday, 12 April 2024 deadline either within a reasonable timeframe before the AGM, or at the AGM itself. Where substantially similar questions are received, the Manager will consolidate such questions and consequently not all questions may be individually addressed.

By Order of the Board

Tan Kok Mian Victor
Executive Director and Chief Executive Officer
First REIT Management Limited
(As Manager of First REIT)

16 April 2024

ANNEX A

RESPONSES TO THE SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FROM UNITHOLDERS

Questions	Responses
<p>1. Over the last five years, the DPU of the company has dropped quite significantly. When will the decline reverse?</p> <p>2. How has the 2.0 Growth Strategy panned out especially since DPU has significantly declined over the years? When can unitholders see a positive impact from the 2.0 Growth strategy?</p>	<p>The distribution per unit in First REIT (“DPU”) fell from 8.60 Singapore cents in the financial year ended 31 December 2019 to 2.61 Singapore cents in the financial year ended 31 December 2021 (“FY2021”), due to challenges brought about by the Covid-19 pandemic. These challenges affected patient volumes as many patients chose to defer elective medical procedures. First REIT’s major tenant then, PT Lippo Karawaci Tbk (“LPKR”)⁽¹⁾, also faced financial challenges, and First REIT had to restructure the master lease agreements for the 11 hospitals that First REIT leased to LPKR or LPKR and certain subsidiaries of Siloam (the “LPKR MLA Restructuring”).</p> <p>The DPU improved from 2.61 Singapore cents in FY2021 to 2.64 Singapore cents in the financial year ended 31 December 2022 (“FY2022”) following a stable and sustainable rental income contribution from Indonesia and First REIT’s entry into the Japan market, in line with First REIT 2.0 Growth Strategy⁽²⁾. The acquisition of 14 Japan nursing homes in FY2022 added future income streams in a large and growing market.</p> <p>First REIT’s DPU declined from 2.64 Singapore cents in FY2022 to 2.48 Singapore cents in FY2023, mainly due to higher finance costs and a depreciation of foreign currencies, partly offset by a full-period contribution from the nursing homes portfolio in Japan.</p> <p>While there are uncertainties such as the outlook on interest rates and the impact from currency translation, approximately 87.2% of First REIT’s debt are on fixed rates or hedged as at 31 December 2023. The Manager also continues to focus on strengthening First REIT’s capital structure in line with First REIT’s 2.0 Growth Strategy⁽²⁾ to deliver stable and sustainable distributions to Unitholders over the long term.</p> <p>Notably, 25.5% or over one quarter of First REIT’s assets under management (“AUM”) of S\$1.14 billion as at 31 December 2023 are now in developed markets. With this latest appraised valuation, we are at the halfway point from reaching our target of having more than 50% of AUM in developed markets by the financial year ended 31 December 2027 (“FY2027”).</p>

⁽¹⁾ As at 31 December 2023, First REIT has 11 tenants including LPKR. In FY2023, LPKR (excluding PT Siloam International Hospitals Tbk and subsidiaries (“Siloam”)) contributed only 34.9% of First REIT’s rental income (without recognition of FRS 116 rental straight-lining adjustments).

⁽²⁾ Please see <https://www.first-reit.com/about-growth-strategy.html> for more information on First REIT’s 2.0 Growth Strategy.

Questions	Responses
<p>3. What about Net Asset Value (“NAV”) per unit? When will the decline reverse?</p>	<p>The NAV per unit in First REIT declined from 30.70 Singapore cents as at 31 December 2022 to 30.18 Singapore cents as at 31 December 2023 mainly due to the depreciation of the Japanese Yen and the Indonesia Rupiah against the Singapore Dollar.</p> <p>Prior to 2020, First REIT had a positive track record of steadily growing its AUM and NAV per unit since its IPO listing in December 2006.</p> <p>The Manager is working towards reaching the target of having more than 50% of AUM in developed markets by FY2027, which is in line with First REIT’s 2.0 Growth Strategy. With a higher proportion of assets in developed markets and a more diversified portfolio by FY2027, we believe First REIT will be better positioned to achieve sustainable long-term growth in its NAV per unit.</p>
<p>4. The cost of debt has increased from 3.7% in FY2022 to 5% in FY2023. Are you able to provide some illustrations if interest rate is to reduce or rise, what will be the impact on cost of debt and the impact of DPU?</p>	<p>As at 31 December 2023, approximately 87.2% of First REIT’s debt is on a fixed rate or hedged basis. Of the 87.2% fixed or hedged, 36% will be expiring in December 2024, 8% will expire in 2025, another 31% will expire in 2026 and another 25% will expire in 2027.</p> <p>On that basis, we are cautiously optimistic that the debt cost will be quite stable for the financial year ended 31 December 2024. We also estimate that every 100 basis points increase in the interest rate will have a S\$0.6 million impact on First REIT’s total distributable amount and a S\$0.6 million impact on First REIT’s total distributable amount will translate to a very limited impact on First REIT’s DPU.</p>
<p>5. LPKR constitutes 35% of rental income. Is LPKR current in its rental payments? What is its current financial position and financial performance of LPKR? Going forward, will it be able to make its rental to First REIT in time and in full?</p>	<p>Please refer to LPKR’s website (https://www.lippokarawaci.co.id/) for information on LPKR’s financial position and performance.</p> <p>LPKR has been current on payments to date. As part of the LPKR MLA Restructuring, the Manager had provided written undertakings to Singapore Exchange Securities Trading Limited (the “SGX-ST”) that, among others, it will make timely announcement of any material late rental payment by LPKR and/or Siloam.</p>

Questions	Responses
<p>6. The company mentioned previously it is looking to divest non-core assets like Imperial Aryaduta Hotel & Country Club (“IAHCC”). What is the current progress of the divestment? How many prospective buyers have the REIT spoken to? How many prospective buyers have had a look at the REIT's properties? Why is the process taking so long? Please elaborate.</p>	<p>The Manager has spoken to a few interested third parties for the sale of IAHCC and we are optimistic that we will be able to divest this asset sooner rather than later.</p> <p>Hence, we believe it is prudent to have in place a short-term lease in line with market terms while this process remains ongoing. In December 2023, the master lease of IAHCC had been renewed up to 31 December 2024 and a further term of one year may be granted upon mutual agreement. The renewed lease provides some revenue stability from IAHCC while still allowing the Manager strategic flexibility as it further refines its longer-term business plans.</p> <p>We will make an announcement as and when there are any material developments in accordance with the listing manual of the SGX-ST (the “Listing Manual”).</p>
<p>7. Other than IAHCC, are there any more assets identified as non-core assets?</p>	<p>We continue to focus on the divestment of IAHCC. Besides non-core assets, First REIT may also divest mature assets as part of the 2.0 Growth Strategy. For instance, in September 2022, we completed the divestment of Siloam Hospitals Surabaya for S\$40.3 million.</p> <p>We will make an announcement as and when there are any material developments on other non-core or mature assets identified, in accordance with the Listing Manual.</p>
<p>8. Is First REIT looking at acquisition this coming full year?</p>	<p>We remain committed to our goal of having more than 50% of AUM in developed markets by FY2027. As at 31 December 2023, 25.5% or over one quarter of our AUM was in developed markets.</p> <p>We continue to look for healthcare assets beyond hospitals and nursing homes, and these could range from medical centres, medical warehouses and pharmaceutical properties as well.</p> <p>We will be looking to further expand our presence in Japan if there are suitable opportunities. Japan is a big market with huge growth potential especially with its rapidly ageing population and growing demand for healthcare and eldercare facilities. We are also constantly looking for opportunities to expand here in Singapore, but it is challenging to find accretive acquisitions. We may also look at other developed markets such as Australia.</p>

Questions	Responses
<p>9. On Indonesia, what is the impact of the incoming president Indonesian President Prabowo on the company? Are there any new or changes in economic or healthcare policies that unitholders should be made aware of? Any change in corporate tax rate? Enhanced healthcare subsidies for Indonesian citizens? Etc. What is Mr Prabowo's healthcare policy? Please elaborate.</p>	<p>Indonesia has one of the largest populations in the world, and a burgeoning middle class with an increasing demand for private healthcare. First REIT is well positioned to benefit from the increase in healthcare demand in Indonesia as the annual increase in rental income from First REIT's hospitals in Indonesia is the higher of a base rent increment of 4.5% or a performance-based rent that is 8.0% of each hospital's gross operating revenue in the preceding year⁽³⁾, in accordance with the Master Lease Agreements ("MLA").</p> <p>Under these MLAs, First REIT does not bear the cost of property tax, property insurance and property operating expenses. Furthermore, in accordance with First REIT's 2.0 Growth Strategy, First REIT targets to have developed markets comprise more than 50% of its AUM by FY2027, resulting in a greater diversification of First REIT's geographical and tenant mix.</p> <p>Given the MLA structure and the diversification into developed markets, which is in line with First REIT's 2.0 Growth Strategy, we do not envisage a significant impact on First REIT resulting from a change in Indonesia's President.</p>
<p>10. I note that the directors of First REIT are not subject to unitholder re-election. Would First REIT subject all directors to unitholder re-election going forward?</p>	<p>The Manager, through the Nominating and Remuneration Committee, has in place a process to review the appointment and re-appointment of directors, taking into account the performance and time commitments of the directors, and having regard to the need for succession planning and progressive renewal of the Board and ensuring the Board is well balanced and diverse.</p> <p>More than half of the Manager's board comprises independent directors and as such, the Manager will not be voluntarily subjecting any appointment or re-appointment of directors to voting by Unitholders.</p>

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⁽³⁾ Rental income from First REIT's hospitals in Indonesia, excluding Siloam Hospitals Lippo Cikarang, is denominated in Indonesia Rupiah. Siloam Hospitals Lippo Cikarang's rent is denominated in Singapore Dollars with a fixed base rental, an annual base rental escalation (2x percentage increase of Singapore CPI, capped at 2%), and an additional variable rental growth component that is a function of the year-on-year increase in its gross revenue.