FIRST REIT

NEWS RELEASE
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First REIT to Restructure Master Lease Agreements of Indonesian Hospital Assets

- Restructuring creates a sustainable path for First REIT which takes into account the current Indonesian economic and operating environment
- Increases long term cash flow certainty with First REIT's weighted average lease expiry extending from 7.4 years as at 31 December 2019 to 12.6 years
- Facilitates First REIT's refinancing and effects a stable capital structure
- Preserves long-term value for Unitholders and repositions First REIT for the future

Singapore, 29 November 2020 – Perpetual (Asia) Limited, in its capacity as trustee of First REIT (the "**Trustee**"), had on 28 November 2020 signed a memorandum of understanding ("**LPKR MOU**") with PT Lippo Karawaci Tbk ("**LPKR**") to restructure the master lease agreements ("**MLAs**") relating to the 11 hospitals ("**LPKR Hospitals**") which LPKR leases from First REIT (the "**Proposed LPKR MLA Restructuring**"). Separately, the Trustee had on 28 November 2020 also signed a memorandum of understanding with PT Metropolis Propertindo Utama ("**MPU**") to restructure the MLAs relating to the 3 hospitals ("**MPU Hospitals**") which MPU leases from First REIT ("**MPU MLA Restructuring**").

Approach by LPKR

The MLAs in respect to Siloam Hospitals Surabaya, Siloam Hospitals Kebon Jeruk, Siloam Hospitals Lippo Village, being the hospitals that were leased to LPKR at the time of First REIT's initial public offering in December 2006, will expire in December 2021. First REIT Management Limited, in its capacity as manager of First REIT (the "**Manager**"), has been engaging with LPKR on the renewal of these MLAs since 2019.

On 1 June 2020, LPKR unilaterally announced its intention to restructure all of the MLAs which LPKR had entered into with First REIT for the LPKR Hospitals (the "**LPKR MLAs**"). Subsequently in September 2020, the Manager received a non-binding rental restructuring proposal from LPKR.

The Manager has set up an independent board committee ("**Independent Committee**") to carefully consider and evaluate the non-binding proposal and appointed Merrill Lynch (Singapore) Pte. Ltd. as financial adviser to the Manager in connection with the restructuring discussions. The Independent Committee has been engaging with LPKR to understand the context of LPKR's request and negotiate the terms of a restructuring.

The LPKR MOU has been entered into after extensive discussions and negotiations with LPKR.

Key Terms of the Proposed LPKR MLA Restructuring

Under the Proposed LPKR MLA Restructuring, the term of all of the LPKR MLAs will be extended to 31 December 2035, with an option for a further 15-year term by mutual agreement. The rental under all of the restructured LPKR MLAs will be the higher of either the base rent or the variable rent.

The aggregate commencement base rent, which shall be payable in Indonesian Rupiah (instead of Singapore Dollars), under the restructured LPKR MLAs from 1 January 2021 will be approximately S$50.9 million (or approximately IDR550.7 billion) per annum. The commencement base rent will enjoy a fixed escalation rate of 4.5% per annum, compared to a base rent escalation capped at 2.0% per annum under the existing LPKR MLAs. The higher escalation rate is intended to compensate for the potential increased volatility associated with the proposed switch in rental payment currency from Singapore Dollars to Indonesian Rupiah.

The restructured LPKR MLAs will also feature a new performance-based rent mechanism where the actual rent paid will be the higher of either the base rent or the performance-based rent at 8.0% of the relevant hospital's gross operating revenue for the preceding year. This replaces the existing variable rent structure, which has contributed not more than 4.2% to the total rent received for each year over the past three years under the existing LPKR MLAs, and provides an enhanced upside sharing mechanism for First REIT.

Further, the security deposit under the restructured LPKR MLAs will also be increased from 6 months to 8 months.

Background and Context of the Proposed LPKR MLA Restructuring

The Manager understands that LPKR is facing severe liquidity pressure due to its significant recurring expenses, weak operating cash flows and its inability to divest assets. This is worsened by the impact of the Covid-19 pandemic on LPKR's business which has further weakened its operating performance in the medium term. LPKR's dire liquidity position has been confirmed by rating agencies in their most recent reports and credit ratings. The situation is exacerbated by the depreciation of the Indonesian Rupiah against the Singapore Dollar by approximately 44.8% since the IPO of First REIT which adds further pressure on LPKR as rent payments under the existing LPKR MLAs have to be made in Singapore Dollars.

The Covid-19 pandemic has also severely impacted PT Siloam International Hospitals Tbk ("**Siloam**"), which is a separately listed subsidiary of LPKR and the operator of the LPKR Hospitals and MPU Hospitals. Siloam's revenue and EBITDA decreased by 22% and 55%[(1)] respectively for the second quarter of FY2020 from 1 April 2020 to 30 June 2020 compared to the same quarter in 2019, while inpatient traffic decreased by 39% year-on-year in the third quarter of FY2020 from 1 July 2020 to 30 September 2020. The Manager further understands that the performance of the hospital sector in Indonesia is expected to remain challenged in the fourth quarter of FY2020 and in 2021, as infection and death rates arising as a result of the Covid-19 pandemic remain elevated. This has significantly impacted hospital capacity and a general delay in patients seeking outpatient consultation and elective medical procedures.

Rationale for the Proposed LPKR MLA Restructuring

Having carried out extensive engagements with LPKR and giving due consideration to the matter, the Manager understands that without the Proposed LPKR MLA Restructuring, there is a real risk and high probability that LPKR would default under the existing LPKR MLAs. In this regard, the Manager is of the view that the Proposed LPKR MLA Restructuring should be carried out for the following reasons:

(i) Avoids the adverse consequences of a default by LPKR under the existing MLAs and the resulting termination of the existing MLAs – should LPKR default, this would (a) result in an immediate loss of approximately 72.1% of First REIT's rental income for the financial year ended 30 December 2019 ("**FY2019**"), (b) cause breaches in First REIT's debt covenants and (c) impair First REIT's ability to execute any refinancing and meet its repayment obligations, in particular the S$196.6 million debt coming due in March 2021;

(ii) Avoids the time, costs and complications of enforcing legal rights in Indonesia which First REIT will have to deal with should LPKR default under the LPKR MLAs – First REIT would be in embroiled in a lengthy and expensive legal process of enforcing its legal rights and obtaining vacant possession of the relevant hospitals in Indonesia. During such period of dispute and legal proceedings First REIT would not receive any income from the hospitals but would still be required to fund any costly legal proceedings against LPKR and/or MPU and interest payments under First REIT's borrowings;

(iii) Extending the term of all of the LPKR MLAs to 31 December 2035 would help to achieve certainty in cash flows and valuations for First REIT;

(iv) Certainty in income stream and valuations for First REIT till 31 December 2035 would facilitate debt financing for First REIT - in light of LPKR's current financial circumstances and LPKR's expressed intentions to initiate restructuring discussions on leases with First REIT, First REIT's lenders have also expressed significant concerns over the sustainability of First REIT's capital structure;

(v) Takes into account the changed economic environment in Indonesia given the state of the Indonesian economy and the Covid-19 pandemic, which has significant adverse impact on revenues generated by hospital operations and patient volumes;

(vi) Provides for a sustainable and stable long-term master lease structure with regular fixed increments and potential additional upside through the performance-based rent mechanism; and

(vii) Preserves the long-term value for First REIT unitholders ("**Unitholders**") by maintaining the current ecosystem of having LPKR and Siloam as the operators of the LPKR Hospitals.

MPU MLA Restructuring

On 22 October 2020, the Manager received a request from MPU for, amongst other things, a restructuring of the existing MLAs entered into with MPU and an MPU subsidiary in respect of Siloam Sriwijaya, Siloam Hospitals Purwakarta and Siloam Hospitals Kupang (the "**MPU MLAs**"). Having carried out extensive engagements with MPU and on the basis of similar considerations outlined in the rationale for the Proposed LPKR MLA Restructuring, the Manager wishes to announce that the Trustee had on 28 November 2020 entered into a memorandum of understanding with MPU (the "**MPU MOU**") to restructure the MPU MLAs, as well as to set out MPU's agreement to make payments of all outstanding sums.

The MPU MLA Restructuring will be implemented on terms similar to the Proposed LPKR MLA Restructuring, including the extension of the term to 31 December 2035, with an option for a further 15-year term by mutual agreement.

The MPU MLA Restructuring will also address MPU's outstanding rent arrears of S$5,134,298.45 with MPU committing to make payment of 50% of the outstanding rent arrears by 31 December 2020 and the remaining 50% by 31 March 2021.

The Restructuring of Master Leases Creates a Sustainable Path for First REIT

Adrian Chan, Chairman of the Independent Committee, said: "We believe that the proposed restructuring of the LPKR MLAs and MPU MLAs serves as the first step in restructuring, recapitalising and repositioning First REIT for the future. We want to thank the Board, management, and our Unitholders for their support, patience, and understanding through the years especially during the last few months of this unprecedented year. We look forward to working with all to generate long-term returns to Unitholders."

Commenting on the Proposed LPKR MLA Restructuring and the MPU MLA Restructuring, Executive Director and Chief Executive Officer Victor Tan said: "Since the listing of First REIT, we have been committed to enhancing Unitholder value and generating stable dividends and returns for Unitholders. However, the financial stress facing LPKR and MPU, the impact of the Covid-19 pandemic, the changed macro economy in Indonesia, and First REIT's short-term refinancing pressures have created a significant overhang for First REIT. As such, the re-positioning of the REIT to achieve long term sustainability has been a key strategic initiative that the Manager has been working to resolve over the last few months.

"The proposed restructuring with LPKR and MPU is expected to set a clean path ahead for First REIT to establish sustainable long-term returns with improved upside sharing for Unitholders."

Approvals Required

Both the Proposed LPKR MLA Restructuring and MPU MLA Restructuring require approval from First REIT's lenders. In addition, given that LPKR is an interested person in relation to First REIT under the SGX listing rules, the Proposed LPKR MLA Restructuring is subject to approval by Unitholders at an extraordinary general meeting to be convened.

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Financial Advisor

Merrill Lynch (Singapore) Pte. Ltd. (Bofa Securities) is the financial adviser to the Manager in connection with the restructuring discussions.

Further information on the Proposed LPKR MLA Restructuring and MPU MLA Restructuring can be found in the Announcement issued by the Manager today entitled "Restructuring of Master Leases", which can be downloaded from SGXNET or First REIT's website.

Footnotes:

(1) EBITDA in 2020 is based on the adoption of a new accounting policy of PSAK 73 – leases, whereby leases which were previously classified as operating leases based on PSAK 70. Leases are now recognised as right-of-use assets and lease liabilities which the right-of-use assets are depreciated over the lease period.

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About First REIT

First Real Estate Investment Trust ("First REIT") is a real estate investment trust constituted by the Trust Deed entered into on 19 October 2006 between First REIT Management Limited (formerly Bowsprit Capital Corporation Limited) as the Manager and HSBC Institutional Trust Services (Singapore) Limited as the Trustee. First REIT was listed on the Singapore Exchange Securities Trading Limited on 11 December 2006. On 1 March 2018, HSBC Institutional Trust Services (Singapore) Limited retired as the Trustee of First REIT in favour of Perpetual (Asia) Limited.

First REIT is Singapore's first healthcare real estate investment trust that aims to invest in a diversified portfolio of income-producing real estate and / or real estate-related assets in Asia that are primarily used for healthcare and / or healthcare-related purposes.

Managed by First REIT Management Limited,, First REIT's portfolio consists of 20 properties located in Indonesia, Singapore and South Korea, namely 1) Siloam Hospitals Lippo Village, 2) Siloam Hospitals Kebon Jeruk, 3) Siloam Hospitals Surabaya, 4) Imperial Aryaduta Hotel & Country Club, 5) Mochtar Riady Comprehensive Cancer Centre, 6) Siloam Hospitals Lippo Cikarang, 7) Siloam Hospitals Manado & Hotel Aryaduta Manado, 8) Siloam Hospitals Makassar, 9) Siloam Hospitals Bali, 10) Siloam Hospitals TB Simatupang, 11) Siloam Hospitals Purwakarta, 12) Siloam Sriwijaya, 13) Siloam Hospitals Kupang & Lippo Plaza Kupang, 14) Siloam Hospitals Labuan Bajo, 15) Siloam Hospitals Buton & Lippo Plaza Buton, 16) Siloam Hospitals Yogyakarta, 17) Pacific Healthcare Nursing Home @ Bukit Merah, 18) Pacific Healthcare Nursing Home II @ Bukit Panjang, 19) The Lentor Residence and 20) Sarang Hospital.

Its hospital assets in Indonesia are operated by PT Siloam International Hospitals Tbk, a subsidiary of PT Lippo Karawaci Tbk, a strong brand name in the Indonesian healthcare industry supported by a team of international healthcare professionals whereas The Imperial Aryaduta Hotel & Country Club and Hotel Aryaduta Manado are operated by The Aryaduta Hotel and Resort Group. The Lippo Plaza Kupang and Lippo Plaza Buton are managed by PT Lippo Malls Indonesia. In Singapore, the nursing homes at Bukit Merah and Bukit Panjang are operated by Pacific Healthcare Nursing Home Pte. Ltd. and Pacific Eldercare and Nursing Pte. Ltd., respectively. The Lentor Residence is operated by The Lentor Residence Pte. Ltd. In South Korea, the Sarang Hospital is operated by a private doctor.

Through First REIT, investors can participate in an asset class that has a focus towards Asia's growing healthcare sector, which is boosted by an increase in life expectancy in Indonesia and the rest of Southeast Asia.

Important Notice

This press release is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for units in First REIT ("**Units**").

The value of Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. The past performance of First REIT is not necessarily indicative of the future performance of First REIT.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on 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 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 property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's view of future events.