FIRST REIT

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

RESPONSE TO SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FROM UNITHOLDERS

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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 as manager of First REIT, the "**Manager**"), refers to:

   (a) the Circular dated 28 December 2020 (the "**Circular**") in relation to the Proposed LPKR MLA Restructuring and the Proposed Whitewash Resolution (both as defined in the Circular) (the "**Proposed Transactions**");

   (b) the notice of extraordinary general meeting ("**EGM**") dated 28 December 2020 notifying Unitholders of the EGM to be convened and held by way of electronic means on 19 January 2021 at 2.30 p.m.;

   (c) the accompanying general announcement released on 28 December 2020 titled "Extraordinary General Meeting of the Unitholders to be held on 19 January 2021" setting out, amongst others, the alternative arrangements relating to attendance at the EGM via electronic means and the submission of questions in advance of the EGM; and

   (d) the announcement of First REIT released on 28 December 2020 titled "Proposed Rights Issue".

2. **Response to questions from unitholders.** The Manager would like to thank unitholders of First REIT ("**Unitholders**") for submitting their questions in advance of First REIT's EGM. The Manager would like to inform that the responses to substantial and relevant questions which have been submitted by unitholders shall be published in this announcement. Please refer to **Annex A** attached hereto for a list of substantial and relevant questions received from Unitholders, and the Management and the Board's responses to these questions.

By Order of the Board

Tan Kok Mian Victor
Executive Director and Chief Executive Officer
First REIT Management Limited
(Company registration no. 200607070D)
As Manager of First Real Estate Investment Trust

13 January 2021

ANNEX A

RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM UNITHOLDERS

For full details of the Proposed Transactions by First REIT, please refer to the Circular to Unitholders dated 28 December 2020 in relation to, among others, the proposed restructuring of certain master leases of First REIT (the "Circular"). Capitalised terms used herein, unless otherwise defined, shall have the meanings ascribed to them in the Circular.

Questions	Responses
Alignment of the Manager and Stakeholders	
1. Can the Manager list out all the sacrifices they have made individually and also collectively (as the Manager) in this crisis? 2. What assurances can First REIT's management provide so that there is no further share price dilution after issuing the rights entitlements?	Since the listing of First REIT, the Manager has been committed to enhancing Unitholder value and delivering stable dividends and returns for Unitholders. However, First REIT is now facing a confluence of challenges which require an immediate and resolute response. **Commitment from Sponsor Group** The Sponsor Group[1] has been supporting First REIT in the Proposed Recapitalisation Exercise (as defined herein) including in its discussion with the lending banks for the S$260 million Refinancing Facility. The Sponsor Group has additionally committed to provide up to approximately S$158.2 million of additional equity injection into First REIT via an irrevocable undertaking ("**Sponsor Irrevocable Undertaking**") to subscribe for its *pro rata* entitlement under the Rights Issue and also to take up any Units which are not subscribed for under the Rights Issue without any underwriting fee. The Sponsor Irrevocable Undertaking is a critical component of the Proposed Recapitalisation Exercise as it underpins the Rights Issue which is a condition of the S$260 million Refinancing Facility. Without it, First REIT will not be able to meet its up and coming S$196.6 million repayment obligation due on 1 March 2021. **Commitment from the Manager** Additionally, the Manager has provided an irrevocable undertaking to subscribe for its *pro rata* share of the proposed Rights Issue, amounting to a commitment of approximately S$17.8 million. Beyond the Manager's fiduciary duties to Unitholders, the Manager's economic interest are also aligned with Unitholders. The Manager currently holds approximately 9.36% of First REIT Units[2], and has consistently elected to receive a majority of its management fees in units (approximately 85.5% for the financial year ended 2019 ("**FY2019**")) since OUE and OUELH acquired the Manager in 2018. The Manager's fee structure (the "**Manager Fee Structure**") of (i) a base fee of 0.4% per annum of First REIT's assets; and (ii) a performance fee of 5.0% per annum of First REIT's net property income, was designed to ensure alignment of interest and is expected to decline as a result of the

[1] "Sponsor Group" means OUE Limited ("**OUE**"), OUE Lippo Healthcare Limited ("**OUELH**"), the Manager and their respective affiliates, and any reference to the Sponsor Group includes each of them.

[2] As at 31 December 2020.

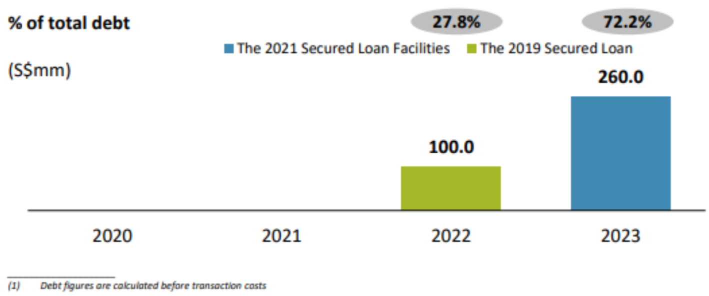
Questions	Responses
	Proposed Transactions. There will be an impact to the Manager's fee, based on the existing Manager Fee Structure. The Sponsor Group and the Manager remain fully committed to First REIT and believe in the strong fundamentals of First REIT. Further, First REIT remains an integral element of OUE's strategy to grow its healthcare platform.
Proposed LPKR Restructuring Terms and Rationale	
3. How would we know that LPKR and Siloam would honour the restructuring agreement going forward and not ask for another restructuring? 4. The two resolutions are aimed to stabilise First REIT for now. How long can this plan be sustained? 5. The concern is how confident are the Board and Management that the operation of LPKR will turn positive in the near future, after the restructuring? 6. Is the Manager convinced that without the restructuring, LPKR will go bankrupt or are they just trying to get a better deal? Any analysis? 7. The proposed restructuring rental amount is kind of too low. What methodology did the Management use to estimate the reasonable rental amount to be? 8. Why is First REIT conceding to LPKR under threat of default when LPKR is painting such a rosy and positive picture of their financial position to their own shareholders? Has management considered that any inefficiencies due to poor management and operating cost blowouts on their side should not be passed to First REIT Unitholders, but instead, LPKR should come up with their own way of reducing costs or improving revenue? 9. What other options have been considered, whether viable or not,	PT Lippo Karawaci Tbk ("**LPKR**") is facing significant liquidity pressure and this is confirmed by the three rating agencies in their most recent reports; the Covid-19 pandemic also played a significant role in worsening their financial condition. This is covered extensively in paragraph 5 of the Circular. If the terms of the existing LPKR master lease agreements ("**LPKR MLAs**") are enforced, there is a real risk and high probability that LPKR will default and there are severe consequences in such a scenario; these are listed as follows: • First REIT will be faced with a loss of approximately 72.1% of rental income represented by the LPKR MLAs that are within the scope of the Proposed LPKR MLA Restructuring; • There will be lengthy, costly and cumbersome legal disputes, during which, First REIT will be incurring operating and capital expenditures with limited visibility on the rental income stemming from the LPKR MLAs; • Consequently, friction costs will be incurred to identify a new tenant for a large proportion of the Indonesian portfolio. At the end of 2019, the Manager conducted a similar process on a smaller scale without success. This is a highly complex process as there are attributes unique to the healthcare asset class, one of which being the licensing and regulatory requirements of operating a hospital in Indonesia. This will therefore be a difficult, uncertain and lengthy leasing exercise to secure an alternative tenant-cum-operator, that will be doubly challenging to administer during the current Covid-19 pandemic; and • First REIT will breach its existing debt covenants. The Board together with the Management took a proactive approach as it was critical to move resolutely to renegotiate a new plan to restructure all the MLAs with LPKR following LPKR's unilateral announcement in June 2020. Given that the Proposed LPKR MLA Restructuring constitutes an interested party transaction, an independent board committee (the "**Independent Committee**") comprising the Independent Directors of the Board was set up and together with our appointed advisors, negotiated and evaluated the proposals from LPKR rigorously, with the intention of protecting Unitholder interest.

Questions	Responses
besides the restructuring of the LPKR MLAs? Was First REIT in a position to counter propose? If so, what was/were proposed? If not, what's the worst that can happen? 10. Why not get LPKR to do their own rights issue or other fundraising so as to meet their rent obligations? Why is this problem instead being passed down to the Unitholders? 11. The Proposed LPKR MLA Restructuring will have 66% expiry in 2035, which will give LPKR great bargaining power. How does First REIT intend to ensure that LPKR will continue to renew the rental without negotiating down the rental price? 12. What are the options to replace LPKR as middleman between First REIT and Siloam?	Given the numerous meetings and length of time in which the Independent Committee had worked to deliver a viable restructured plan, the Independent Committee is confident that LPKR has been sincere and professional in the negotiation process and that this new plan is sustainable for LPKR and in turn, for First REIT. Finally, it is important to note that in terms of hospital operators in Indonesia, Siloam stands out as it is the largest hospital operator in Indonesia and has an extensive hospital and healthcare network and it would be beneficial for First REIT to continue a long-term partnership with such a professional operator. The entry of its major shareholder CVC Capital Partners, has also further professionalised its business.
13. What would be the FY2019 pro forma rent payable by LPKR and MPU based on the proposed "Base Rent Escalation 4.5% annually" if the rent is calculated backdated from the initial public offering (“**IPO**”) until today.	This scenario analysis involves backdating the proposed rentals and rental structure as contained within the Proposed Transactions which will apply for the period of 1 January 2021 to 31 December 2035, to the date of First REIT’s IPO, being 11 December 2006. This is a hypothetical scenario that is not based on any legal agreement(s), be it existing or proposed, and the Manager is of the opinion that there is no merit in conducting such an academic exercise.
14. What would be the FY2019 pro forma rent payable by LPKR and MPU based on the proposed "8% of GOR performance-based rent"?	Under the restructured LPKR MLAs, if given Unitholder approval, the first year will commence on 1 October 2021 and end on 30 September 2022, and the adopted annual rent shall be the higher of: (i) 8.0% of the gross operating revenue (“**GOR**”) for each respective hospital for the preceding financial year (from 1 January to 31 December); or (ii) the Commencement Base Rent X (1 + S) = Second Lease Year Base Rent, where “S” is the escalation amounting to 4.5%. For the avoidance of doubt, (1 + S) will equal 1.045. Point (i) refers to the performance-based rent which will apply from the second year and onwards, and will kick in when the 8% of the GOR for each of the respective hospitals exceeds the computation that is defined in (ii).

Questions	Responses
	When recovery sets in and the performance of the LPKR Hospitals improve, the proposed restructured plan will allow for the rent to be calculated based on the higher of either the base rent or the performance-based rent and it will be possible for further upside sharing in the future.
15. Can Management please list down the salient differences between the current MLA and the Proposed LPKR MLA Restructuring. and highlight the impact of these on First REIT's DPU and the dilutive nature of this entire exercise for Unitholders? 16. How does this restructuring affect future DPU going forward? 17. If both resolutions are passed, what is the forecast distribution per unit for 2021 and 2022?	A comparison of the key terms of the existing MLAs and restructured LPKR MLAs can be found on page 4 of the Circular, and paragraph 4.2 of the Circular provides further detail on the key terms of the restructured LPKR MLAs. Additionally, the impact of the Proposed Transactions is highlighted on the cover page of the Circular.
18. What are some of the new assurances in the proposed new MLAs that First REIT has over LPKR to buffer any fallout from their future default on rental if it happens? Any (additional) rental deposits, corporate and personal undertakings, charge over assets of LPKR?	First REIT as lessor will obtain security deposits amounting to eight months of annual rent in the form of irrevocable bankers' guarantees, up from the six months of annual rent that is mandated under the existing LPKR MLAs. Additionally, LPKR has provided a written undertaking, that: (i) LPKR will immediately inform the Manager of any matter (including any deterioration in LPKR's creditworthiness) that has a material and adverse impact on its ability to fulfil its obligations to make payments under the restructured LPKR MLAs; and (ii) LPKR will not unilaterally novate or assign the restructured LPKR MLAs to other parties (other than a subsidiary of LPKR in accordance with the terms of the restructured LPKR MLAs), and will inform the Manager of any changes to the lease arrangements set out in the restructured LPKR MLAs (including any novation or assignment of the restructured LPKR MLAs in accordance with the terms of the restructured LPKR MLAs).
19. What is the approach if Covid-19 continues to have a negative impact on First REIT? Will there be more resolutions needed and rights issuances? 20. Does the company expect to conduct further rights issuances in the near future to manage the debt?	The Manager believes that the Proposed Transactions will ensure that First REIT is well-positioned for the challenges ahead. With a renewed capital structure, First REIT will look to diversifying its funding sources and this will not be limited to equity fund raisings.

Questions	Responses
21. Assuming the proposed Rights Issue proceeds, how likely is First REIT to require another round of recapitalisation within the next 5 years?	
22. Please provide more details and assurance that after the proposed recapitalisation, First REIT will be able to remain sustainable. How will the distributions to Unitholders be affected? Will First REIT's rental income be hedged to SGD/USD?	The proposed Rights Issue is part of a holistic recapitalisation exercise ("**Proposed Recapitalisation Exercise**") of First REIT. It will allow First REIT to meet its immediate debt repayment obligations on 1 March 2021 and also deleverage its balance sheet, extend First REIT's weighted average debt maturity by 11 months and path a way for further diversification of funding sources as part of the plan to further optimise First REIT's balance sheet. Following the completion of the recapitalisation exercise, First REIT's debt headroom will be approximately S$321.1 million (based on an assumed 50% gearing threshold). This, along with the completion of the Proposed LPKR MLA Restructuring, will stabilise First REIT and reposition it for further growth. On distributions, the Manager will continue with its commitment of dividend payments. For changes to DPU, please refer to page 72 of the Circular. The Manager is aware of the foreign exchange risk associated with receiving its rentals in Indonesia Rupiah for the LPKR and MPU MLAs and is reviewing its options with regard to potential hedging strategies; Unitholders will be updated as and when there are material developments in this regard.
23. Currently LPKR is subsidising a large portion of the rental. Under the new lease structure, is LPKR still subsidising the rent? Or is Siloam paying the rent in full?	LPKR remains the master tenant of the LPKR Hospitals, with Siloam remaining as the sub-lessee for 11 of the 14 affected LPKR Hospitals. For Siloam Hospitals Labuan Bajo, Siloam Hospitals Buton and Siloam Hospitals Yogyakarta, Siloam through its subsidiary is a tenant together with LPKR. Factors such as the free cash flow and rent over EBITDAR was taken into consideration when determining the base rent. Given the absence of direct comparable evidence within the direct Indonesia market, the broader ASEAN and North America regions healthcare REITs lease structures such as Parkway Life REIT, Northwest Healthcare Properties, Medical Properties Trust and RHT Health Trust have been utilised as comparables. The ASEAN markets have been selected due to its close proximity to Indonesia and the North American market for its maturity and availability of information. Trade related properties such as hospitals and hotels are bought and sold on the basis of their trading potential. The calculation of the proposed contract rental has been assessed via a ratio of the Rental / EBITDAR, which is typical and reflective of the asset as a trade related property. Based on publicly available information, the adopted rental structure is broadly in line with the Rent / EBITDAR ratio of these healthcare REITs which ranges from 40-45%, which we believe to be broadly reasonable.

Questions	Responses
Alternatives to Raising Capital	
24. Wouldn't a sale of all existing properties and liquidation of First REIT generate a better value for the Unitholders rather than this current restructuring and rights issue exercise? 25. Why can't the Manager deal directly with the respective hospital tenants instead of the Lippo Group. Is it possible to bypass LPKR or sell part of the assets?	The Manager has explored other funding sources including potential asset divestments. However, the Manager believes that the proposed Rights Issue is the only viable alternative at this stage. In particular, the Manager believes that an asset divestment is not a viable alternative at the moment having considered the below: The practical difficulty of conducting a sale process amidst the well-publicised financial difficulty of First REIT, which will likely result in a suboptimal price discovery process for First REIT's assets, particularly during a pandemic season where only opportunistic buyers may be present; The ongoing Proposed LPKR MLA Restructuring and MPU MLA Restructuring will limit any potential asset divestments to First REIT's Singapore and Korean assets only. As at 31 December 2019, the aggregate value of the Singapore and Korean assets held by First REIT was valued at approximately S$42.6 million which is significantly lower than the S$140.0 million repayment requirement imposed by the lending banks; and The long-term goal of First REIT to preserve unitholder value and diversify from LPKR and MPU related master leases. Further, there are challenges for First REIT to sell hospital assets (land and buildings only) to third- party operators as the underlying hospitals are already master-leased to LPKR. Hospitals are special properties that require very strict local licensing procedures and regulations and even if there are third- party buyers who are keen to purchase First REIT's hospitals to operate, replacing the operator and reapplying for new licensing requirements are just some of the friction costs associated with a sale of any assets. Any due diligence which may be conducted by potential buyers of First REIT's assets may also require some time to be completed. As such, First REIT would only be able to realise cash from potential hospital property sales after a period of time, which may not be timely for First REIT to meet its repayment obligations due on 1 March 2021.
26. Why can't OUE or LPKR or the Sponsor extend a shareholder's loan to First REIT to get over the loan covenant breach instead of doing a rights issues? OUE/ Lippo/ Sponsor can charge a higher interest rate to offset the rental they are paying without restructuring the leases so drastically. 27. Why the company did not take up another loan to finance the debt in the current low interest	The Manager had been in discussions with LPKR on these MLAs since 2019. However, following the unilateral announcement made by LPKR on 1 June 2020, the announcement of their intention to restructure all the LPKR MLAs triggered a sequence of events that was not within the control of the Manager or the Board. Further, the Rights Issue is a condition for the S$260 million Refinancing Facility announced on 24 December 2020. Without the Rights Issue, the Refinancing Facility will not be implemented. Without both the Rights Issue and the Refinancing Facility, First REIT is faced with the possibility of an imminent default as it has a significant financing hurdle with approximately 80.2% of debt due in the next 18 months and 39.8% coming due on 1 March 2021. The rights ratio, Issue Price and discount to TERP were determined after considering precedent transactions as well as the transaction size. The

Questions	Responses
environment, instead of issuing rights entitlements which would lead to reduced Unit values? Could the Management not have released all of these news pertaining to the proposed restructuring and the proposed Rights Issue together, and issued the rights at a much higher price? 28. What about using your cash reserves instead of undertaking a rights issuance?	indicative issue price is at a discount of approximately 33.3% to the TERP which is in line with recent successful rights issue exercises in the market. Given the fixed funding requirement, the pro rata funding requirement required from existing unitholders to subscribe for their entitlement will be fixed regardless of the rights issue price and discount. The Rights Issue will be offered on a pro rata basis to allow all existing Unitholders to participate and to maintain their pro rata unitholdings and avoid dilution. It is hoped that Unitholders will be supportive of the Rights Issue. However, as the Rights Issue is renounceable, Eligible Unitholders may accept (partially or fully), decline, renounce or trade on the SGX-ST (during the Rights trading period prescribed by the SGX-ST) their rights entitlements. First REIT's lenders have expressed concerns over the sustainability of First REIT's capital structure without the infusion of additional equity into First REIT post the MLA restructuring. Additional debt/financing facilities from OUE would further increase aggregate leverage/gearing of First REIT and not address capital structure sustainability concerns from the lenders.
Proposed Rights Issue	
29. May I know how First REIT is going to pay the remaining loan of S$100 million and S$260 million due in the year 2022 and 2023 respectively? Are you going to undertake another rights issue exercise in due course? 30. How long is the tenure of the refinance loan and the recourse on the breach of the MLAs. 31. Will there be any more rights issuances in the future? Will further rights issues be also similarly dilutive?	At the Manager's initiative, talks are ongoing to refinance the remaining S$100 million loan facility due in 2022. First REIT's debt maturity profile will be as follows: **Pro Forma Debt Maturity Profile[1] after Refinancing and Partial Repayment of Loans after the Rights Issue**  Based on the economic climate and market conditions at that time, the Manager will assess and identify the most suitable refinancing options available. The Manager will also look at how it may tap on more unsecured financing avenues such as the bond market. First REIT's gearing will be approximately 33.9% on a pro forma basis as at FY 2019, after the MPU MLA Restructuring, the Proposed LPKR MLA Restructuring and the proposed Rights Issue. This is inclusive of its existing debt obligations and is well below the leverage limit of 50.0%.

Questions	Responses
32. After the proposed Rights Issue, are you able to continue paying dividends to Unitholders?	It is important to note that Unitholder support is required to approve the resolutions at the upcoming EGM. Should Unitholders demonstrate their support, First REIT will be able to restructure and recapitalise. With stable cash flows and valuations, as well as certainty of funding requirements, it is expected that the Manager will continue with its commitment of dividend payments.
33. What if the response of subscription from the retail investors is poor, who will undertake to take up the unsubscribed rights entitlements?	In support of First REIT and the Rights Issue, the Sponsor Group, specifically FRML, OUE and OUELH have each provided irrevocable undertakings as specified in paragraphs 9.7, 9.8 and 9.9 of the Circular. Specifically, FRML will, and OUELH will procure OHI to, accept, subscribe and pay in full for its respective total provisional allotments of the Rights Units. In addition, OUE has provided an irrevocable undertaking that, among others, OUE will either (in the event that the Rights Issue is not underwritten) procure that CDPL applies, subscribes and pays in full for any Excess Rights Units to the extent that they remain unsubscribed after satisfaction of all applications for Excess Rights Units) or (in the event that the Rights Issue is underwritten) commit to the underwriter(s) of the Rights Issue to procure that CDPL subscribes and pays in full for, the Rights Units to the extent that they are not successfully subscribed for under the Rights Issue. However, for the proposed Rights Issue to proceed, Unitholder approval is required for the Proposed Whitewash Resolution which involves the waiver by Unitholders other than CDPL, which is a direct wholly-owned subsidiary of OUE, and its concert parties of their rights to receive a general offer for their Units from CDPL pursuant to Rule 14 of the Takeover Code. Additionally, the viability of the Rights Issue is dependent on the Manager being able to provide certainty in respect of the valuations and cash flows of First REIT's assets through the Proposed LPKR MLA Restructuring. As such, it would be necessary for Unitholders to approve both resolutions tabled at the upcoming EGM. Further details on the Proposed Whitewash Resolution can be found in paragraph 10 of the Circular.
34. Why is the proposed Rights Issue being done at a 50% discount to the traded price of S$0.40 per Unit on 24 December 2020? 35. Why is the proposed Rights Issue not priced at a 25% or 30% discount instead to the last 45 days trading average and why did the sponsor and Manager take such a drastic haircut of 50% for additional rights issue?	The Rights Issue size of S$158.2 million was determined based primarily on the S$140.0 million repayment requirement of the 2018 Secured Loan Facilities following its refinancing through the S$260 million Refinancing Facility announced on 24 December 2020 which was required in order to meet the S$196.6 million repayment obligation on 1 March 2021 and avoid a default. The rights ratio, Issue Price and discount to TERP were determined after considering precedent transactions as well as the transaction size. The indicative issue price is at a discount of approximately 33.3% to the TERP which is in line with recent successful rights issue exercises in the market. Given the fixed funding requirement, the pro rata funding requirement required from existing unitholders to subscribe for their entitlement will be fixed regardless of the rights issue price and discount.

Questions	Responses
36. Why are the rights priced at S$0.20 per unit and not priced higher but with less units?	The Rights Issue will be offered on a pro rata basis to allow all existing Unitholders to participate and to maintain their pro rata unitholdings and avoid dilution. It is hoped that Unitholders will be supportive of the Rights Issue. However, as the Rights Issue is renounceable, Eligible Unitholders may accept (partially or fully), decline, renounce or trade on the SGX-ST (during the Rights trading period prescribed by the SGX-ST) their rights entitlements. Importantly, the Sponsor group has agreed to provide their irrevocable undertakings to backstop the proposed Rights Issue to provide certainty of funding. Therefore, in order to proceed with the Rights Issue, Unitholders' approval is required for the Proposed Whitewash Resolution which involves the waiver by Unitholders other than CDPL, which is a direct wholly-owned subsidiary of OUE, and its concert parties of their rights to receive a general offer for their Units from CDPL pursuant to Rule 14 of the Takeover Code.
37. Can the Manager share its future plans should the resolutions fail to be approved? 38. What is the back-up plan to raise funds, if the majority of Unitholders vote against the proposed Rights Issue? 39. Could you clarify what are the implications for Unitholders if resolution 2 is passed?	Given the numerous meetings and length of time in which the Independent Committee had worked to deliver a viable restructured plan, the Independent Committee is confident that this new plan is sustainable for LPKR and in turn, for First REIT. The Proposed LPKR MLA Restructuring is the best plan that the Independent Committee and Management have negotiated with LPKR. There is no alternative plan at this stage. First REIT faces a significant refinancing wall and the proposed Rights Issue, together with the S$260 million refinancing facility which was announced on 24 December 2020 is the most viable solution to meet upcoming repayment obligations, in particular, S$196.6 million of debt which is coming due in 1 March 2021. It is important to note that Unitholder support is required to approve the resolutions at the upcoming EGM. Should Unitholders demonstrate their support, First REIT will be able to restructure and recapitalise. Only if the resolutions are not approved, will First REIT face a real risk and high probability that LPKR defaults on its MLAs which represents 72.1% of First REIT's rental income and there will be an urgent need for First REIT to re-evaluate alternative funding sources or face financing default. Unitholders are not voting for or against the proposed Rights Issue. Instead, Unitholders are voting for or against the Proposed Whitewash Resolution, i.e. Resolution 2. Without the approval on Resolution 2, the Manager will not be able to proceed with the Rights Issue unless it is able to arrange for the Rights Issue to be underwritten. The S$260 million Refinancing Facility will also be at risk, since implementing the Rights Issue is a condition of this facility. Under these circumstances, First REIT will face an urgent need to re-evaluate alternative funding sources or face financial default.

Questions	Responses
40. Kindly provide a detailed breakdown of the use of funds of the proposed Rights Issue. 41. I have bought my Units under the SRS account, may I know the payment mode if the proposed Rights Issue is approved? Do I need to Top-up my SRS account or just pay cash?	Please note that the proposed Rights Issue has not been launched, and for the proposed Rights Issue to proceed, Unitholder approval is required for the Proposed Whitewash Resolution. Should First REIT proceed with the Rights Issue, there will be additional information provided to Unitholders on the procedures, application and payment of the Rights Issue.
Growth Prospects and Future	
42. How is First REIT going to grow its DPU after this restructuring given that it is extremely disadvantageous to Unitholders and favours the tenants only? Who is fighting for retail investors? 43. What is the outlook on First REIT after the EGM? 44. What is your strategy to improve the net profit margin? 45. What's your outlook and steps taken outside of pegging rent to rupiah and restructuring leases on the hospitality sector pertaining to First REIT leases in the next 5 years so that your company can protect, maintain and maximise unitholder value? 46. How does First REIT plan to increase value for Unitholders post-restructuring? Will there be continuous dividend payments to Unitholders? 47. What is the benefit to the minority Unitholders?	The Manager believes that the underlying healthcare sector remains attractive and that the Proposed Recapitalisation Exercise along with the Proposed LPKR MLA Restructuring provides the most optimal option for First REIT to tide through the short-term volatility, preserve value for Unitholders and position First REIT for future growth. In particular, the Manager will like to highlight the following: • **High Visible Contracted Cash Flows**: The new 15-year sustainable LPKR MLAs and MPU MLAs extends First REIT's weighted average lease expiry from 7.4 years as at 31 December 2019 to 12.6 years (assuming that both the Proposed LPKR MLA Restructuring and the MPU MLA Restructuring are completed) providing Unitholders a highly visible stream of locked-in cash flows and a more certain and stable lease profile to reposition First REIT for future growth; • **Clarity on Asset Valuations**: The Proposed LPKR MLA Restructuring provides Unitholders with certainty regarding the valuation of First REIT's Indonesian hospital assets master leased to LPKR, which currently comprise approximately 72.1% of First REIT's rental income and other income in FY2019, and remove any overhang on unit price caused by the existing unsustainable master lease structures; • **Embedded and Contracted Organic Growth**: Following the completion of the Proposed LPKR MLA Restructuring and the MPU MLA Restructuring, approximately 73% of First REIT's pro forma revenue base will enjoy (i) a minimal rental escalation of 4.5% per annum; and (ii) further upside through a revised performance based rent structure, where the actual rent paid is the higher of the applicable base fee and 8.0% of the hospital's gross operating revenue, which provides the opportunity to enjoy greater upside when underlying hospital assets record better financial performance. This provides our Unitholders visibility over the minimum income growth of the REIT whilst retaining exposure for further upside sharing; • **Sponsor-backed Recapitalisation Resets Capital Structure to a Sustainable Basis**: The sponsor-backed Proposed Recapitalisation Exercise which comprises the 100% sponsor-backstopped S$158.2 million rights issue and the S$260 million Refinancing Facility will (i) bring First REIT's gearing down to approximately 34.4%, (ii) extend its weighted average term to maturity to 1.94 years with zero

Questions	Responses
	refinancing due in the next 16 months; and (iii) provides a path for further funding source diversification and optimisation; • **Preserve the current ecosystem with LPKR and Siloam as the operators of the Hospitals**: Siloam is the largest hospital operator in Indonesia, and given its extensive hospital and healthcare network, as well as a legacy of having operated all of the First REIT hospitals in Indonesia, Siloam is the natural operator for these assets given their extensive experience with these assets • **Debt Headroom and Sponsor Healthcare Network Supports Future Growth and Diversification**: On a pro forma basis, First REIT will have a debt head room of up to approximately S$321.1 million. This provides First REIT significant firepower to undertake acquisitions for growth and drive diversification efforts. This is further complemented by the Sponsor's network of income producing and development assets across developed markets (such as Japan) and growth markets (such as China); and • **Robust Long-term Outlook for the Healthcare Sector**: 1) There is a rising adoption of technology enabled healthcare services in Indonesia. In Indonesia, there is only 0.4 doctors per 1,000 patients. The introduction of telemedicine makes healthcare accessible to the further regions and decreases pressure on the existing healthcare infrastructure. 2) The Indonesian government is improving the country's healthcare infrastructure to encourage local patients to seek medical treatment domestically. Indonesia's healthcare infrastructure will likely improve under the government's initiative. 3) Demand for healthcare in the country will remain high due to the universal insurance BPJS Kesehatan. First REIT is underpinned by a robust long-term outlook for the healthcare sector and will have sufficient debt headroom after the Proposed Recapitalisation Exercise and the Proposed LPKR MLA Restructuring, to pursue yield accretive acquisitions outside of Indonesia, with no refinancing requirements up to 2022.
48. Most of First REIT's assets are located in Indonesia, how will First REIT divest to minimise concentration risk? 49. What is your strategy for the short and medium term? 50. Is there any plan to divest some of the hospital assets to reduce gearing and improve cash flow?	We are cognizant of the concentration of our assets in Indonesia. Our current priority is to focus on stabilising First REIT with the Proposed LPKR MLA Restructuring and the Proposed Recapitalisation Exercise. With these, First REIT will be in a stronger position with certainty of cash flows and valuations and will also have additional debt headroom to embark on and execute our diversification strategy. Our Sponsor has a strong pipeline of assets across Asia and we will be able to consider expanding our portfolio and identifying yield accretive assets in markets including Japan, China, Myanmar, Australia and even Europe and the United Kingdom, in due course. Broadly, the Manager holds a view to divest its non-core assets in favour of its core healthcare assets.
51. What is the likelihood of rental income returning to pre-Covid 19 levels?	Given the permanent upside sharing mechanism that is built into the Proposed LPKR MLA Restructuring, it is expected that over time, the rental income under the new restructuring plan could exceed the current rental received. However, the actual realisation of this is dependent on

<table>
<tr><th>Questions</th><th>Responses</th></tr>
<tr><td></td><td>the performance of LPKR Hospitals post the Covid-19 pandemic and taking into consideration a number of years required for the recovery of the LPKR Hospitals.</td></tr>
<tr><td colspan="2">Legal Considerations</td></tr>
<tr><td>52. Can the Manager take legal action against Lippo Karawaci?

53. The hospital properties were sold to First REIT with certain rental guarantees. Were there any efforts by First REIT to try to claw back some of the purchase price paid to the sellers of the properties. If not, why?

54. What guarantees are there to prevent LPKR from defaulting on the proposed rental structure in the future? Why no penalty imposed on LPKR in the form of a one-time cash payment or in kind (assets) in the restructuring proposal?

55. Why is there no upfront penalty payment from LPKR in cash or in kind (assets) for changing the rental structure?

56. Lippo was a sponsor of First REIT and now threatens to default on the rental, how can we trust that the contracts can be enforced? if First REIT cannot enforce it now?</td><td>First REIT reserves its rights on decisions it may take on legal action for breaches in agreements.

However, in the case of LPKR, the Manager needs to focus on what is in the best interest of Unitholders. LPKR is facing significant liquidity pressure and this is confirmed by the three rating agencies in their most recent reports; the Covid-19 pandemic also played a significant role in worsening their financial condition. Therefore, if the Manager tries to enforce the current LPKR MLAs, there is a real risk and high probability that LPKR will default.

First REIT will then be faced with an immediate loss of approximately 72.1% of rental income represented by the LPKR hospital leases that are within the scope of the restructuring.

Any legal action taken will lengthy, costly and cumbersome. In the meantime, First REIT will be incurring operating and capital expenditures and will also be faced with friction costs to identify a new tenant, which in the healthcare industry, is not as simple given licensing and regulatory issues. At the end of 2019, the Manager conducted a process to consider a new tenant, without success.

Therefore, restructuring the current MLAs with LPKR is the best option. Given the numerous meetings and length of time in which the Manager has worked with LPKR to deliver a viable restructured plan, the Board and management of the Manager are confident that this new plan is sustainable for LPKR and in turn, for First REIT.</td></tr>
<tr><td colspan="2">LPKR Announcement and Financial Results</td></tr>
<tr><td>57. Please explain the differences in how LPKR's financial position has been disclosed in First REIT's Circular and LPKR's press release of 2 November 2020. Does LPKR have liquidity problems as of their latest reported financials?

58. Lippo has announced 304% year-on-year strong rebound of business on 20 Nov 2020. As such, why did they threaten to default on rental payments to First REIT and demand Unitholders to take a drastic cut in DPU?</td><td>The Manager, during its process of conducting diligence on LPKR, had accounted for LPKR's press release of 2 November 2020 while making its assessment on the liquidity outlook and financial health of LPKR. In particular, the Manager would like to highlight the investor presentation which was released in conjunction with the press release on 2 November 2020 on the LPKR website at the following link: https://www.lippokarawaci.co.id/uploads/file/LPKR%20Presentation%203Q20.final(3).pdf.

Key themes identified from the investor presentation are itemised below as follows:

a. Weak Cash Flow Profile in 9M2020 (please refer to pg. 17 of the investor presentation for further reference):</td></tr>
</table>

Questions	Responses

59. Per LPKR's press release on 2 November 2020, in the first nine months of 2020, "Siloam booked EBITDA of Rp744 billion compared with Rp624 billion in 9M19, an increase of 19.1%. Following very weak EBITDA contraction in 2Q20 of 54.8% year on year, in 3Q20, Siloam booked EBITDA growth of Rp359 billion compared with Rp251 billion in 3Q19, an increase of 43.0%. In 3Q20, Siloam booked a Net Profit After Tax of Rp86 billion."
 	
As Siloam's hospital business has rebounded, why did First REIT give rental relief to them in October and November 2020?
	• LPKR recognised negative cash flow from business operations of (IDR 1,717bn) in 9M2020
	• Pressure on LPKR cash flows based on capex and investing requirements of (IDR 1,816bn) in 9M2020
	• Further pressure on LPKR cash balance upon exclusion of one-time cash inflows including call option unwinding (IDR 860bn), cash proceeds from asset disposal (IDR 484bn), net cash flow from financing (IDR 1,001bn), and forex impacts (IDR 229bn) in 9M2020
	    ○ Excluding the above one-off items, LPKR's cash balance would have decreased to IDR 1,143bn as opposed to its 9M2020 cash balance of IDR 3,717bn, implying a 9M2020 cash burn of IDR 3,542bn
	b. Limited Income from Real Estate Operations to Support Large Capex in 9M2020 (please refer to pg. 16 of the investor presentation for further reference)
	• Limited LPKR real estate and development EBITDA of IDR 314bn and negative net income of (IDR 2,499bn) in 9M2020
	• Of the additional IDR 1,241bn Real Estate Management & Services EBITDA in 9M2020, IDR 744bn is from Siloam (an entity LPKR only has 51.05% control over). For financial purposes, Siloam's financials are consolidated within LPKR's financials (please refer to page 4 of 9M2020 Siloam Hospitals' investor presentation available at https://www.siloamhospitals.com/en/Contents/Investor-Relations/Publication/Company-Presentations)
	    ○ Real estate and development EBITDA and real estate management and services EBITDA (excl. Siloam) for 9M2020 is a total of IDR 811bn
	    ○ By contrast, capital expenditure requirements for LPKR at the LPKR entity level were IDR 1,082bn in 9M2020
	c. Limited Income to Support Rental Payments and Interest Expense in 9M2020 (please refer to pages 9 and 20 of the investor presentation for further reference)
	<u>Rental Payments under existing lease arrangements</u> (First REIT SGD rental payments converted at IDR/SGD = 10,830)
	• First REIT Rental Payments due from LPKR under existing rental structure for 9M2020 would have been IDR 795bn
	• LPKR was provided 3 months of rental relief during 9M2020 (IDR 265bn) due to LPKR business disruptions from Covid-19. LPKR EBITDA without such rental relief would have been IDR 1,319bn (vs. Reported EBITDA of IDR 1,584bn)
	<u>Interest Expense given high leverage</u>
	• Total interest expense for LPKR in 9M2020 was IDR 811bn given high leverage

Questions	Responses
	• This total interest expense compares to LPKR's 9M2020 EBITDA of IDR 1,319 bn based on existing rental arrangements with no rental relief. The EBITDA does not account for additional capex requirements as mentioned above, which adds further pressure on LPKR cash flows Given the above, the Manager has assessed that the challenges that LPKR faces have not abated.
Financing	
60. Given that repayment of First REIT's debt is due on 31 March 2021 (less than 3 months from now), why did the management wait till now to seek financing options? 61. Does the management actually have a finance team overlooking First REIT's debt schedule? 62. How sure are you that this debt issue will not happen again?	The Manager actively manages First REIT's capital structure. Additionally, the Board and Management have been cognizant of the imminent expiry of certain MLAs by December 2021. The Manager had been in discussions with LPKR on these MLAs since 2019. However, following the unilateral announcement made by LPKR on 1 June 2020, the announcement of their intention to restructure all the LPKR MLAs triggered a sequence of events that was not within the control of the Manager or the Board. Stemming from this, the lenders expressed significant concerns over the sustainability of First REIT's capital structure as a result of this. Negotiations with First REIT's lenders subsequently concluded with First REIT signing S$260 million Refinancing Facility, as announced on 24 December 2020. Based on the 2018 Secured Loan Facilities of S$400 million, and the S$260 million Refinancing Facilities that were secured, there was a shortfall of S$140 million. First REIT is currently in a unique situation, given the confluence of challenges. After considering various options, the proposed Rights Issue was identified to make up for the shortfall and to also meet the condition precedent as set out by the lenders under the Refinancing Facilities.
63. Once the funds are acquired for First REIT to meet its repayment obligation of S$140 million, will the S$260 million loan be secured by First REIT? How much cash flow will there be and how long is the cash flow estimated to last once this exercise is done?	Entry into the S$260 million Refinancing Facility was announced on 24 December 2020, where Perpetual (Asia) Limited, in its capacity as trustee of First REIT, entered into a facility agreement with Oversea-Chinese Banking Corporation Limited and CIMB Bank Berhad, Singapore Branch in respect of a term loan facility of S$178.5 million and a revolving credit facility of S$42.5 million, with an accordion option for a S$39.0 million increase in commitments. Following the proposed Rights Issue, First REIT will have sufficient working capital to fulfil its duties, and the Manager does not foresee any adverse impact on its cashflows subsequently.
Miscellaneous	
64. Why was the potential breach of bank covenants not previously highlighted prominently in the proposed rental restructuring agreement with Lippo Karawaci	In the period when the Proposed LPKR MLA Restructuring was announced, discussions with lenders were still ongoing. Subsequently, on 24 December 2020, the Manager had announced that the Trustee of First REIT had entered into the S$260 million Refinancing Facility. A condition of the Refinancing Facility is the requirement to launch the proposed Rights Issue to make up the difference between the S$400 million 2018

Questions	Responses
that was announced on 29 Nov 2020?	Secured Loan Facilities and the maximum amount under the Refinancing Facility. The requirements needed to meet the outstanding refinancing requirements, including the repayment obligation of S$196.6 million due on 1 March 2021, became clear on 24 December 2020.
65. First REIT used to be a very strong counter, please explain the depreciation in the value of the Units?	Since the listing of First REIT, the Manager has been committed to enhancing Unitholder value and generating stable dividends and returns for Unitholders. Unfortunately, First REIT is currently in a unique situation as it is facing a confluence of challenges as follows, which require an immediate and resolute response: - the financial stress facing LPKR and its ability to honour its obligations under the MLAs with First REIT in view of the significant changes in the Indonesian economic and operating environment; - imminent refinancing pressure, with approximately S$196.6 million of debt due on 1 March 2021, representing approximately 39.8% of the total debt of First REIT; and - the initial term of the MLAs in respect of Siloam Hospitals Surabaya, Siloam Hospitals Kebon Jeruk and Siloam Hospitals Lippo Village will expire in December 2021. Given these challenges, First REIT urgently needs to (i) restructure the MLAs for all of the hospitals which First REIT had leased to either LPKR or LPKR and certain subsidiaries of Siloam to ensure their long-term sustainability, (ii) recapitalise with a rights issue to strengthen its financial position, and (iii) refinance its bank loans to avoid defaulting on its debt repayment due on 1 March 2021. The Manager shares the frustration faced by existing Unitholders but seeks their understanding that these are the realities facing first REIT today. The Manager has worked tirelessly to protect the interest of Unitholders and the Proposed LPKR MLA Restructuring and proposed Rights Issue are the most viable option to overcome the current challenges and stabilise the REIT. The Manager seeks Unitholder support to approve the resolutions at the upcoming EGM and to ensure that First REIT restructures, recapitalises and repositions itself for a sustainable future.
66. Will there be a possibility of liquidation? 67. What will be the residual value per share in the event of winding up? 68. Could you explain what will happen to Unitholders in the event that both resolutions are not passed and there is a default?	A more pressing priority to consider is not the possibility of a liquidation but of the upcoming resolutions. Should the resolutions not be passed at the EGM, there is a real risk and high probability that LPKR will default on the current MLAs and this will have serious consequences for First REIT. Without the Rights Issue and further funding, First REIT will face an urgent need to re-evaluate alternative funding sources or face financing default. We would like to appeal to Unitholders to consider these circumstances and vote in favour of both resolutions at the upcoming EGM.
69. Why wasn't the prerequisite for new capital raising through rights	Given discussions with multiple stakeholders, it was necessary to ensure that all factors were considered before making any appropriate

Questions	Responses
issuance announced together with the rest of the prerequisites after the new loan was secured?	announcements. The Manager made the announcement at the earliest practicable date, being 28 December 2020.
70. In August 2020, the Board responded to a query from SGX that "The Board of Directors are of the view that there is no material change to the carrying amounts of First REIT's investment properties for 1H2020 necessary at this stage". Did the Board or Manager know about the distress faced by its major tenant during 3Q 2020?	The SGX query and our corresponding announcement was released on 11 August 2020. The Manager explained the rationale at that point in time, and also assessed that potential adjustments to the valuation of First REIT's properties may arise from restructuring of the master leases. While the Manager had on 1 June 2020 announced that LPKR wished to initiate a rental restructuring process, no agreement had been reached following their unilateral announcement and as such the existing terms continued to apply between the parties. The Manager explained further that, until parties could agree on new definitive terms, there was no basis for the Manager to reassess the valuation of the properties at that stage. The Manager subsequently announced the receipt of a non-binding proposal from LPKR on 20 September 2020.
71. How is LPKR resolving its debt obligations?	This is a question for LPKR and First REIT is unable to comment on their behalf.
72. Pertaining to the restructuring plan as set out in Resolution 1, which are the certain subsidiaries of Siloam as mentioned?	For Siloam Hospitals Labuan Bajo, Siloam Hospitals Buton and Siloam Hospitals Yogyakarta, these three hospitals are leased to LPKR and subsidiaries of Siloam (being PT Lintas Buana Jaya, PT. Bina Bahtera Sejati and PT. Taruna Perkasa Megah) as the respective master lessees of these three hospitals.
73. What is the worst case scenario if: a) the Proposed LPKR MLA Restructuring takes place; or b) the Proposed LPKR MLA Restructuring does not take place, in terms of the cash flow of First REIT?	Under scenario (a), the rental and other income of First REIT declines by S$32.9mm for the FY2019 Pro Forma financials. Under scenario (b), there is a real risk and high probability that First REIT will face financial default.
74. Does the Manager plan to redeem the FIRTSP 5.680% PERPETUAL CORP (SGD) Bond on the reset date on 8 July 2021?	The Manager will make an announcement on this at the appropriate time.