

ESR achieves outstanding financial and operational results with record highs for FY2022¹

- Total AUM^{2,3} increased 11% year-on-year to hit a new record of US\$156 billion, supercharged by New Economy AUM^{2,3} which delivered 23% growth to reach US\$73 billion
- Total EBITDA⁴ and PATMI⁵ rose 10% and 9% year-on-year to US\$1.15 billion and US\$655 million, respectively
- Stabilised Group New Economy occupancy hit 98%⁶ ex-China with record leasing of 4.6 million⁶ sqm across the portfolio and record weighted average rental reversion of 7.5%^{6,7}
- Largest New Economy development workbook in APAC, reaching US\$11.9 billion fuelled by record development starts of US\$6.5 billion (up 20% year-on-year) and US\$5.5 billion of completions (up 85% year-on-year)
- Strong balance sheet with healthy gearing of 22.8%⁸ on the back of active capital recycling (US\$1.7 billion of assets) and substantial liquidity (US\$1.8 billion in cash)
- Received 'AA-' Foreign Currency Long-term Investment Grade rating with a stable outlook from Japan Credit Rating Agency
- Returning value to shareholders with final dividend of HK\$12.5 cents per share (1.6 US cents) implying a 1.9%⁹ dividend yield)

HONG KONG, 22 March 2023 – ESR Group Limited (“ESR” or the “Company”, together with its subsidiaries as the “Group”; SEHK Stock Code: 1821), APAC’s largest real asset manager powered by the New Economy, today announced its results for the financial year ended 31 December 2022 (“FY2022”).

The Group’s Revenue for FY2022 is US\$821 million, up 7.1% from the pro forma Enlarged Group FY2021 revenue of US\$767 million. Total EBITDA⁴ increased by 10.2% from US\$1.0 billion in pro forma Enlarged Group FY2021 to US\$1.15 billion in FY2022. PATMI⁵ grew 9.3% from US\$599 million pro forma Enlarged Group FY2021 to US\$655 million. If not for the substantial weakness of most APAC currencies vs the US dollar in 2022, Total EBITDA and PATMI would have surged 20% and 24% year-on-year, respectively, vs pro forma Enlarged Group 2021. The higher revenue was driven by higher fees from the Group’s Fund Management segment while EBITDA was boosted by an increase in fee income, share of profits of co-investments and gains on divestment from balance sheet assets to ESR-managed funds in Australia and China.

US\$ million	FY2021 (ESR standalone) (a)	FY 2022 (b)	Growth (%) (b) vs (a)	FY2021 (Pro Forma Enlarged Group) (c)	Growth (%) (b) vs (c)
Revenue	360 ¹⁰	821	127.7	767 ¹⁰	7.1
Total EBITDA ⁴	707	1,152	63.0	1,046	10.2
PATMI ⁵	377	655	73.5	599	9.3

Jeffrey Perlman, Chairman of ESR, said: “I am very pleased with the full year results for the ESR Group. 2022 represented one of the most challenging market environments since the global financial crisis with sustained inflation, record rate hikes and significant geopolitical and macro challenges. Even amidst these headwinds and market volatility, ESR has continued to deliver solid growth which is a strong testament to our business model.

With the acquisition of ARA and the continued active fundraising activity, the Group’s total AUM hit a new record. Our development starts and completions have scaled substantially to reach new heights on the back of near zero vacancies as well as record leasing (which accelerated further in the second half of the year) across our existing portfolio. To further capture the favourable operating backdrop, we ramped up our development workbook (the largest in APAC) during the year and we expect to add substantial starts and completions over the next 12 months with healthy development margins.

We also remain very focussed on the Group’s continued transformation and on our goal to simplify the business further. Our successful integration of ARA has produced substantial cost synergies and we have already started integrating parts of the LOGOS business. As we accelerate our asset-light strategy and streamline our business further, we have identified up to US\$750 million of potential non-core divestments which will allow us to redeploy the capital back into our 3 core growth pillars going forward – New Economy, Alternatives (including infrastructure and renewables) and REITs.

The scale of ESR is truly remarkable. With 12 of the top 20 global capital partners on the ESR platform, we remain a trusted partner for leading investors to deploy capital across APAC. Despite the growing uncertainty in the market – geopolitical, future rate hikes, inflation and others, ESR has entered 2023 from a position of fundamental strength with a well-capitalised balance sheet to take advantage of market dislocations and seize on new opportunities. As APAC’s largest real asset manager powered by the New Economy and the biggest REIT platform across the region, we are well-positioned to deliver long-term value for shareholders.”

Delivering sustainable value to shareholders

In line with ESR’s goal of a sustainable dividend policy, the Board of ESR recommended the declaration of a final dividend of HK\$12.5 cents per share (approximately 1.6 US cents per share) (which implies a 1.9%⁹ yield) for the second half of the financial year ended 31 December 2022. This amounts to a full year dividend of HK\$25 cents per share (approximately 3.2 US cents per share), amounting to approximately US\$141 million for the financial year ended 31 December 2022. The final dividend will be paid to Shareholders on Friday, 30 June 2023.

Standout fund management performance backed by deep capital partner relationships

The Group’s Fund Management segment achieved another year of outstanding performance in FY2022, backed by our deep capital partner relationships. Fund Management Segmental EBITDA¹¹ grew 14.5% to US\$568 million, driven by high recurring fee revenue from higher AUM, record development, leasing fees and solid promotes. The segment was propelled by the exceptional growth momentum of the Group’s fund AUM^{2,3} which rose 12% year-on-year to US\$152 billion, out of which New Economy AUM^{2,3} grew by 23% to US\$73 billion, including a new Pan Asia discretionary logistics vehicle. The Group’s Fund Management segment also benefitted from ARA’s recurring and stable fee revenue.

As global institutional investors sought to rebalance their portfolio allocations in light of the growth in Asia Pacific, the Group raised US\$7.6 billion in committed capital across 28 new or upsized funds and mandates. These included:

- The Group, in partnership with a leading global institutional investor, acquired a prime logistics and industrial portfolio in Greater Shanghai, China. The portfolio, which consists of 11 completed logistics and industrial assets with a total GFA of over 550,000 sqm, represents the largest logistics and industrial portfolio ever sold in Greater Shanghai.
- US\$1 billion inaugural APAC data centre fund which comprises a development pipeline of eight seed projects with over 260 megawatts of capacity.
- The Group's first US\$1 billion infrastructure and renewables fund in ASEAN, in partnership with Export-Import Bank of China.
- ESR has committed to develop a prime cold storage and logistics facility at Kwai Chung in Hong Kong through a Joint Venture with Chinachem Group.
- First collaboration between ESR and LOGOS in the Pan Asia core plus discretionary fund with US\$250 million of initial equity commitments, investing in prime logistics assets in the APAC region.
- Partnership with GIC on the A\$1 billion ESR Australia Development Partnership II (EADP II), for a combined anchor close of A\$540 million, which will further expand ESR Australia's strategy of delivering premium, sustainable and human-centric designed industrial estates, and the ESR Australia Logistics Partnership III (EALP III) to expand ESR's core plus logistics strategy with equity commitments of A\$600 million.

In addition, in South Korea, ESR upsized its second development Joint Venture with APG and Canada Pension Plan Investment Board by up to US\$1 billion for investment in and development of a best-in-class industrial and warehouse logistics portfolio. In India, ESR and GIC entered into a US\$600 million Joint Venture to invest in core industrial and logistics assets in the country.

The Group has a record US\$19.9 billion of “dry powder” (equity and debt) to capitalise on new opportunities, giving the Group the agility to take advantage of market dislocation.

Record high leasing and rental reversions with close to zero vacancies in most markets

The Group achieved record leasing for FY2022 with 4.6 million sqm⁶ of logistics space leased across the portfolio. E-commerce acceleration and supply chain resilience have spurred demand for large-scale modern logistics space, representing 76% of new leases signed in FY 2022. The Group achieved an occupancy rate of 95%⁶ (98%⁶ ex-Greater China), with close to full occupancies in Australia/ New Zealand, Japan, India and South Korea. Among the Group's top 10 tenants by income, nine out of ten tenants are e-commerce or 3PL related.

High occupancy is underpinning strong rental growth in many of the markets in which the Group operates. In particular, ESR has seen an overall positive weighted average portfolio rental reversion of 7.5%^{6,7} which was recorded across the New Economy portfolio and the Group's portfolio has a weighted average lease expiry (“WALE”) (by income) of 4.5 years⁶. With relatively subdued supply in many of the markets where it operates and elevated inflation, the Group is positioned to capture outsized rental growth with one-third of its leases due in the next 24 months.

New Economy Development Segment delivers strong growth

ESR had over 38 million sqm of GFA in operation and under development across its portfolio and a sizeable landbank of over 6 million sqm for future development as of 31 December 2022.

ESR has a development work-in-progress (“WIP”) of US\$11.9 billion, the largest development workbook in APAC, providing clear visibility on future fee income. Over 80% of WIP is planned for completion between 2023 to 2025. The Group achieved a record US\$6.5 billion of development starts as well as US\$5.5 billion in completions which accelerated in the second half of 2022. The Group substantially

increased its development starts by 20% year-on-year given the record low vacancy rates across APAC, which was further complemented by development completions that increased by 85% year-on-year.

ESR's core strength as a leading developer of New Economy real estate in APAC delivered strong New Economy Development Segment EBITDA. The New Economy Development Segment delivered 35% growth year-on-year versus pro forma Enlarged Group FY2021, contributed by record development completions, share of development profits of the Group's Joint Venture and Associates and fair value gains of projects under development.

In addition, ESR's strong development pipeline includes a number of landmark projects that are set to create new benchmarks in the market and drive future fees and development profit:

- The Group is developing a US\$1.5 billion multi-phase logistics park, ESR Kawanishi Distribution Centre, on a 505,647 sqm site in Greater Osaka, unveiling one of the largest and most significant urban rezoning developments to accommodate Japan's ongoing expansion in e-commerce driven New Economy real estate.
- The Group is also developing one of Japan's tallest distribution centres, the nine-storey ESR Higashi Ogishima DC. With a GFA of 365,385 sqm, the double-ramped, high-throughput facility has been master-planned around the most premium specifications and standards.
- LOGOS and its partners are in the process of developing the US\$3 billion Moorebank Logistics Park, Australia's largest intermodal logistics facility at Moorebank in south-western Sydney, into high quality industrial property and infrastructure including initial approval for 850,000 sqm of warehouse opportunities directly adjacent to key rail intermodal facilities.
- In Singapore, ESR is partnering with PGIM Real Estate in a build-to-suit redevelopment to build a 64,490 sqm logistics facility for POKKA, which has signed a 10-year lease to commit a minimum of 70% of the building space.

Robust capital management and commitment to an asset light strategy

ESR had a robust and well-capitalised balance sheet with US\$1.8 billion in cash and a healthy gearing⁸ of 22.8% as of 31 December 2022. Throughout the year, the Group continued to expand and diversify its funding and capital structure which is crucial for fuelling the Group's long-term growth.

- In January 2022, the Group closed a 5-year JPY28 billion Sustainability-Linked Loan ("SLL"), which was upsized to JPY32.5 billion at Tibor +1.75%.
- In May 2022, the Group closed a 5-year S\$370 million SLL at SORA +1.6%.
- In September 2022, the Group closed a 5-year SLL of approximately HK\$4.65 billion at Hibor + 1.8%, with an option to upsize to HK\$7 billion. It was further upsized to HK\$8.88 billion subsequent to year-end.

The Group remains focussed on its asset light approach with US\$1.7 billion of divestments from its balance sheet to ESR managed funds in FY2022, achieving 3 times its annual historical target with a specific focus on crystallising gains from selected China balance sheet assets. The sell-down of a 850,000 sqm portfolio in China represented the Group's largest self-developed balance sheet sell-down to date. The Group also executed on the successful tender of its 18.16% holding in China Logistics Property Holdings Co., Ltd in May 2022, receiving US\$349 million and delivering a strong return on this 4-year investment.

The Group remains very focussed on its asset-light strategy with a 7.4% average co-investment as of 31 December 2022, which meaningfully enhances the Group's tangible return on equity while maintaining sufficient funding capacity across the Group.

Laser-focussed on business transformation and simplification anchored by three key pillars of growth

The Group has continued to drive business transformation and simplification to reinforce the Group's commitment to delivering long-term shareholder value through the following:

- The Group has achieved approximately US\$15 million of cost synergies from the integration of ARA, exceeding its target plan, and successfully integrated part of the LOGOS business. The Group expects to create additional synergies as it further integrates various aspects of the LOGOS business over the next 12 months.
- As part of its priority to streamline and further simplify the business, the Group divested its 18.16% stake in China Logistics Property Holdings with a substantial gain and is evaluating an additional up to US\$750 million of non-core divestments with the plan to redeploy the capital back into core areas of growth.
- In accelerating its asset light trajectory, the Group plans to divest another approximately US\$1 billion of balance sheet assets in 2023. The Group has also further lowered its co-investment stake to 7.4%, placing it in a good position to take on greater development capacity without increasing its existing balance sheet annual commitments.
- The Group's business transformation backed by its asset light model has provided the Group with robust liquidity to redeploy the capital back into its New Economy focus areas. This includes creating its data centre platform with the first close of the US\$1 billion ESR Data Centre Fund and investing in market leaders through its recent strategic investment and partnership with BW Industrial Development in Vietnam to provide best-in-class development, leasing and other fund management services to the company.

On the back of strong secular trends, the Group will focus on three pillars of growth – New Economy, Alternatives (including infrastructure and renewables) and REITs. With e-commerce expanding at 10% across APAC through 2025, hyperscale data centres growing at a 30%+ CAGR through 2025, and heightened focus on R&D and pharmaceuticals caused by the pandemic, the Group will continue to seize opportunities to deploy capital into sectors including data centres, logistics, life sciences and high-tech industrial. The New Economy Pillar will in turn fuel the growth of the Group's Alternatives segments such as infrastructure and renewables as well as its REIT business. With the largest amount of rooftop space in APAC, the Group started an ambitious rollout of solar projects with the support of its capital partners. These renewable opportunities will power New Economy assets such as data centres and cold storage across the Group. In addition, with the APAC REIT market expected to grow by a 12% CAGR to reach US\$1.3 trillion of market capitalisation by 2030, ESR is in a unique position to grow its REITs over time. ESR's capital partners are increasingly turning to the Group to sell down high-quality assets and there is positive REIT legislation that will continue to open new markets and opportunities for the Group across the region. The Group's potential C-REIT spinout is a testament to how REITs remain as the natural takeout of New Economy assets upon stabilisation.

Leading the way forward in ESG as an enlarged Group

Since the launch of its ESG 2025 Roadmap in November 2020, the Group has made significant progress across the three key pillars under its ESG Framework – “Human Centric”, “Property Portfolio” and “Corporate Performance”. With the successful acquisition of ARA, ESR continues to drive best-in-class sustainability practices as a unified platform to create sustainable value for its stakeholders.

Over the past year, the Group has reinforced its corporate core values as an enlarged Group to strengthen and uphold diversity, equity and inclusion in the workplace, with a strong focus on sustainability. To build a more inclusive and equitable workplace, ESR increased its proportion of women in senior management positions to approximately 40% and continues to foster a human centric culture

across the Group. Testament to its commitment to health and safety, and well-being of its stakeholders, the Group worked closely with local authorities and industry bodies to maintain zero ESR workforce fatalities for its employees.

On the environmental front, the Group has installed close to 100 MW of rooftop solar power capacity across its assets globally, in line with its ESG 2025 roadmap to maximise onsite renewable energy generation and sources in the transition to a low carbon future. In Japan, ESR is the first real asset manager to work with Enerbank to issue Renewable Energy Certificates (“**RECs**”) to tenants from solar power generated from its assets’ rooftops. The Group also continues to pursue its target of obtaining sustainable building certificates for 50% of its portfolio, as part of its efforts to enhance operational efficiency.

ESR successfully became a signatory to the United Nations-supported Principles of Responsible Investment (“**UNPRI**”) in June 2022 and has secured approximately US\$3 billion in sustainability-linked loans to date, reinforcing its commitment to adopting and promoting responsible investment and asset management practices across the Group. In line with international ESG benchmarks and global ratings, ESR continues to be recognised for its robust and exemplary ESG disclosure practices with creditable 2022 rankings in the Global Real Estate Sustainability Benchmark (“**GRESB**”) Assessment, MSCI ESG Ratings and Sustainalytics ESG Risk Ratings. As an enlarged Group, ESR will be issuing its inaugural FY2022 ESG Report, aligned to the Global Reporting Initiative (“**GRI**”) Standards, which will be published concurrently with its Annual Report end April 2023.

Looking ahead

The Group remains confident in the strong fundamentals and future prospects for real assets. E-commerce acceleration and digital transformation will continue to drive demand for logistics infrastructure and data centres, ESR’s core growth pillar.

Jeffrey Shen and Stuart Gibson, ESR Co-founders and Co-CEOs, said: “While the Group remains cautious about the changing external environment, we are in a strong position to weather any unforeseen headwinds and capitalise on opportunities that may present themselves. ESR will continue to further strengthen our market-leading position in New Economy real estate and our REITs across APAC while starting to build up a scaled infrastructure and renewables platform. We remain focussed on accelerating our asset light trajectory, maintaining cost discipline which continues to drive fund management EBITDA margin improvement and further diversify our funding sources and lower our borrowing costs.

In addition, our ambition is to push forward our ESG and sustainability efforts, embedding them in all aspects of our operations as we embark on our Group-wide ESG 2025 Roadmap to shape a low carbon and climate resilient future.”

Notes

¹In the interests of providing a more uniform illustration of the growth achieved, the Group's FY2022 results have been compared to the pro forma Enlarged Group for FY2021 as if the ARA acquisition had already been completed. Comparisons to the stand-alone ESR Group without the ARA acquisition (which was completed on 20 Jan 2022) are also provided in the comparison table for financial results.

²Based on constant FX translation as of 31 December 2021 for a like-for-like comparison. Based on FX translation as of 31 December 2022, total AUM would be US\$145 billion (US\$11 billion FX translation impact), New Economy AUM would be US\$68 billion (US\$5 billion FX translation impact) and Fund AUM would be US\$142 billion (US\$10 billion FX translation impact).

³ Refers to the sum of (i) the fair value of the properties held in the private funds and investment vehicles we manage; (ii) the total uncalled capital commitments in the private funds and investment vehicles; (iii) the additional debt that is estimated to be incurred with reference to the target leverage ratio of the relevant private funds and investment vehicles we manage when all capital is called and invested; and (iv) the appraised carrying value of listed REITs.

⁴ Total EBITDA excludes amortisation of intangibles and transaction costs relating to ARA and M&A related items such as bargain purchase, share of fair value on investment properties and financial assets at fair value through profit or loss and financial instruments in relation to certain Associates; as well as share-based compensation expense. Statutory Total EBITDA is US\$1,068 million.

⁵ PATMI excludes amortisation of intangibles and transaction costs relating to ARA and M&A related items such as bargain purchase, share of fair value of investment properties and financial assets at fair value through profit or loss and financial instruments in relation to certain Associates. Statutory PATMI is US\$574 million.

⁶ Stabilised New Economy assets only. Excludes listed REITs and Associates.

⁷ Weighted by AUM.

⁸ Net Debt/Total Assets.

⁹ Based on closing share price of HK\$13.26 on 21 March 2023.

¹⁰ Excludes construction income related to the sale of construction arm by ESR Australia.

¹¹ Excludes amortisation of intangibles and transaction costs relating to ARA and M&A related items such as bargain purchase, share of fair value on investment properties and financial assets at fair value through profit or loss and financial instruments in relation to certain Associates. Reclassification of Cromwell under Investment segment to reflect the current asset heavy nature of the investment.

About ESR

ESR is APAC's largest real asset manager powered by the New Economy and the third largest listed real estate investment manager globally. With US\$156 billion in total assets under management (AUM), our fully integrated development and investment management platform extends across key APAC markets, including China, Japan, South Korea, Australia, Singapore, India, New Zealand and Southeast Asia, representing over 95% of GDP in APAC, and also includes an expanding presence in Europe and the U.S. We provide a diverse range of real asset investment solutions and New Economy real estate development opportunities across our private funds business, which allow capital partners and customers to capitalise on the most significant secular trends in APAC. ESR is the largest sponsor and manager of REITs in APAC with a total AUM of US\$46 billion. Our purpose – *Space and Investment Solutions for a Sustainable Future* – drives us to manage sustainably and impactfully and we consider the environment and the communities in which we operate as key stakeholders of our business. Listed on the Main Board of The Stock Exchange of Hong Kong, ESR is a constituent of the FTSE Global Equity Index Series (Large Cap), Hang Seng Composite Index and MSCI Hong Kong Index. More information is available at www.esr.com.

For more information on ESR, please visit www.esr.com.

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