



LIPPO MALLS INDONESIA RETAIL TRUST

(Constituted in the Republic of Singapore pursuant to a Trust Deed dated 8 August 2007 (as amended))

RESPONSE TO SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FROM UNITHOLDERS

1. The Board of Directors (the “**Board**”) of LMIRT Management Ltd., in its capacity as manager of Lippo Malls Indonesia Retail Trust (“**LMIR Trust**”, and as manager of LMIR Trust, the “**Manager**”), refers to:
 - (a) the annual report of LMIR Trust for the financial year ended 31 December 2023 (the “**Annual Report**”); and
 - (b) the notice of annual general meeting (“**AGM**”) dated 3 April 2024 informing Unitholders that the Fifteenth AGM of LMIR Trust will be convened and held on Thursday, 25 April 2024 at 10.00 a.m. at Village Hotel Changi, Basement 1, Square Ballroom, 1 Netheravon Road, Singapore 508502.

2. **Response to questions from Unitholders.** The Manager would like to thank Unitholders for submitting substantial and relevant questions in advance of the AGM. As there was substantial overlap between several questions received from Unitholders, the Manager has summarised and grouped these questions accordingly. The Manager’s responses are also outlined in “**Annex A**” of this announcement.

By Order of the Board

LMIRT MANAGEMENT LTD.

(As manager of Lippo Malls Indonesia Retail Trust)

(UEN/Company registration number: 200707703M)

Liew Chee Seng James

Executive Director and Chief Executive Officer

18 April 2024



LIPPO MALLS INDONESIA RETAIL TRUST

(Constituted in the Republic of Singapore pursuant to a Trust Deed dated 8 August 2007 (as amended))

RESPONSE TO QUESTIONS RECEIVED FROM UNITHOLDERS (ANNEX A)

- 1. On 6 March 2023, the company announced that it had appointed "Stirling Coleman Capital Limited ("SCCL") as its financial advisor in relation to the capital management initiatives of LMIR Trust." More than a year has passed since the announcement, please provide updates on the progress and the outcome of the exercise. What advice did SCCL provide? Did the REIT implement their advice? Please detail and elaborate clearly.**

SCCL's engagement as Financial Adviser is an ongoing process to advise and report to the Board of Directors of the Manager and the Trustee of LMIR Trust, on a suitable and sustainable capital structure for LMIR Trust going forward.

Since engagement, SCCL has been working closely with the Manager in assessing the different situations, evaluating the various options available to LMIR Trust in view of balancing multiple and competing demands on the Trust's resources to determine the next steps at different stages to maintain a sustainable capital structure and reduce aggregate leverage.

The Manager has continued to implement the various capital management initiatives, including non-distribution of dividends to conserve financial resources and the tender offers exercises for the outstanding US\$250.0 million Guaranteed Senior Notes ("**2024 Notes**") and US\$200.0 million Guaranteed Senior Notes ("**2026 Notes**") conducted in December 2023 and January 2024. Should there be any further material developments, the Manager will, in compliance with applicable rules, make further announcements as appropriate.

- 2. Are we still giving any tenant support or tenant relief? If so, when will these tenant support cease? Which tenants are we still giving tenant support? Are these tenants receiving tenant support related parties? i.e. subsidiaries of our sponsor Lippo Karawaci such as Matahari Department stores and supermarkets... Please detail and elaborate.**

With improving operating conditions and easing of social restrictions in 2022, all rental support or reliefs were significantly reduced in FY 2022.

During FY 2023, as a general policy, we no longer provide rental reliefs to tenants. Any rental relief requests are assessed on a case by case basis, irrespective of whether these tenants are related or non-related parties. Key considerations on whether any reliefs should be provided includes the industry segment in which the tenant operates (e.g. the hypermarket/supermarket segment remains challenging, as evidenced by the exit of Carrefour from almost all of our malls), the occupancy of the relevant mall (e.g. in malls like Istana Plaza, Lippo Mall Kuta, Lippo Plaza Jogja, The Plaza Semanggi etc, rental reliefs or discounted rentals were provided to tenants to ensure they remain operational in the mall), or whether tenants were operating within our retail spaces which remains challenging as many individual unit owners remain closed.



LIPPO MALLS INDONESIA RETAIL TRUST

(Constituted in the Republic of Singapore pursuant to a Trust Deed dated 8 August 2007 (as amended))

3. What is the impact of the elections on the REIT and Indonesia economy? What plans does new President Prabowo have for the Indonesia retail sector? Are new (or increased) consumption taxes part of Prabowo's agenda? Does Prabowo intend to increase corporate taxes (or reduce corporate taxes). Please detail and explain any new economic or fiscal or monetary policy that the new President intends to pursue that may impact the REIT both positively and/or negatively?

Indonesia's recent election and Prabowo Subianto's presidency are expected to signal economic policy continuity with a focus on growth. Fitch Ratings suggests that economic policy under Prabowo is likely to remain broadly unchanged, ensuring policy continuity⁽¹⁾.

His specific plans for retail sector and taxes are not explicitly outlined in available sources, hence the specific impact on the Trust would depend on the details and implementation of his policies.

(1). 20 February 2024, Fitch Ratings - Indonesia Election Outcome Points to Broad Economic Policy Continuity

4. The ICR of LMIR Trust is less than 2.5x, and hence the maximum permissible gearing limit is 45%, which only allows a small buffer given the REIT's current gearing of 44.3%. Are there plans by the REIT to reduce its gearing level? With the impending rise in interest rates, how does the company plan to manage its debts, borrowings and other liabilities? Also, the company auditor has issued an emphasis of matter regarding "going concern" and the company has stopped the payment of distributions to perpetuals. This means that distributions to unitholders would have to cease also. Will the company go bankrupt? Will the company need to conduct another rights issue to recapitalise, similar to the one we did many years ago? Please explain and elaborate.

During the year, we have exercised caution and took strategic actions to manage our capital structure effectively. We took necessary steps to temporarily halt distributions to perpetual securities holders and unitholders to conserve cash and ensure financial flexibility. We also successfully extended our maturing loan facilities of approximately S\$198.0 million with a final maturity in November 2026 through amendment and restatement agreements.

In December 2023, we obtained a Rp2.5 trillion secured amortising term loan facility ("IDR Facility"), which was mainly utilised to repurchase 2024 Notes and 2026 Notes. To this end, we commenced our tender offers for our outstanding notes in December 2023 and January 2024, resulting in a significant reduction in the outstanding notes. The 2024 Notes declined from US\$231.8 million to US\$188.3 million as at 31 December 2023 and further to US\$138.4 million as at the date of the release of our Annual Report. Similarly, the 2026 Notes reduced from US\$181.7 million to US\$143.2 million as at 31 December 2023 and to US\$114.7 million as at the date of our Annual Report.

These strategic initiatives have enabled us to keep our leverage ratio below the regulatory credit limit, standing at 44.3% as at 31 December 2023. At the same time, we extended our weighted average debt maturity to 2.75 years.

We will continue to actively engage our existing and new lenders as well as explore available options to address our maturing debt obligations and maintain a sustainable capital.



LIPPO MALLS INDONESIA RETAIL TRUST

(Constituted in the Republic of Singapore pursuant to a Trust Deed dated 8 August 2007 (as amended))

The Trust has a resilient portfolio of 29 assets strategically located across Indonesia. Fundamentally, the Trust's operational performance is recovering, except for the downsizing and exit of the hypermarket trade sector.

Capitalising on the exit or downsizing of anchor leases in select malls, we have intensified our asset enhancement initiatives ("AEIs"). These efforts aim to ensure sustainable operational performance by optimising space utilisation, increasing mall value, and revitalising certain areas to enhance the overall shopping experience for our shoppers as well as prepare for new tenants.

In the coming two years, we intend to refurbish a combined net lettable area ("NLA") of 163,550 square metres across nine properties, allocating a budget of approximately Rp584.2 billion for these AEIs. This strategic investment is crucial to enhancing our operational performance and ensuring sustained growth.

5. I note that the directors of LMIR Trust are not subject to unitholder re-election. In the name of enhancing corporate governance, and upholding high ESG standards (in particular "Governance" - see definition of "Governance" below per Investopedia). Would the REIT subject all directors of the REIT to unitholder re-election going forward? Please advise?

Governance: Ensures a company uses accurate and transparent accounting methods, pursues integrity and diversity in selecting its leadership, and is accountable to shareholders.

Under Regulation 13(D) of the Securities and Futures (Licensing and Conduct of Business) Regulations, unitholders are required to vote on the re-election of directors only when independent directors do not make up at least half of the Board. The current board composition of the REIT Manager comprises 4 Directors of which 3 are independent.

We also note that currently a significant majority of S-REITs do not subject their Directors to voting by unitholders. Nevertheless, the Board will continue to monitor, evaluate and adopt best practises among S-REITs in Singapore with regards to the appointment of Directors.