

Silk Completes NSW Property Novation

Key Highlights:

- **Silk novates Kemps Creek land purchase contract to ESR Australia**
- **Silk will receive an up-front cash payment of \$13.55 million (net c. \$3.5 million after cash outflows)**
- **Enters agreement for 10-year lease of purpose-built warehouses**
- **Allows Silk to increase warehouse capacity and reduce operating costs**
- **Silk entitled to receive lease incentives of up to \$28.88 million**

Silk Logistics Holdings Limited (ASX: SLH) ("Silk" or the "Company", including its wholly owned subsidiaries) announces it has novated the land purchase contract for the 11-hectare greenfield site in Kemps Creek, NSW to ESR Australia ("ESR") ("Novation").

As announced on 4 November 2021, Silk entered into a contract to acquire the greenfield site for cash consideration of \$58.0 million and outlined plans to identify a take-out party to transfer the land purchase contract and development risk of the site. The Novation achieves this strategic objective.

Silk will receive an up-front cash amount of \$13.55 million in connection with the Novation (which includes a reimbursement of the \$5.8 million deposit, stamp duty of \$3.2 million and other costs incurred by Silk).

As part of the Novation arrangements, Silk has entered into an agreement for lease with ESR ("AFL") under which it may enter into a 10-year lease for purpose-built warehouses on the Kemps Creek site.

Under the terms of the AFL, with the exception of fit-out works which will be undertaken by Silk, ESR is responsible for the construction and associated build costs of the warehouses. The long-term lease is due to commence following practical completion, which is scheduled for 2HCY24.

The AFL is subject to the satisfaction of a number of conditions, including ESR acquiring the land the subject of the Novation together with adjacent land and customary planning, building and development approvals ("Lease Conditions"). The AFL may also be terminated if the cost of the building works exceeds a prescribed amount and the parties have not agreed otherwise.

Subject to the conditions summarised below, Silk will be entitled to receive incentives of up to \$28.88 million in connection with the AFL, as follows:

- subject to the satisfaction of the Lease Conditions and the AFL not being terminated in accordance with its terms, Silk will receive a cash incentive of up to \$10.375 million in FY23¹;
- subject to practical completion, Silk will receive a further cash incentive of up to \$10.375 million in FY25; and
- upon the commencement of the lease, Silk will receive a lease incentive of \$8.126 million, which may be taken as either a rent-free period, rental abatement, fit out contribution, contribution towards tenant variation costs or a combination of the foregoing.

It should be noted that Silk's full year FY22 forecast (provided on announcement of its FY22 interim result on 24 February 2022) did not include allowance for any profits which may result from the transaction.

Managing Director & CEO
Brendan Boyd
investor@silklogistics.com.au

Investor Relations
Melanie Singh
+61 439 748 819
melanie@nwrcommunications.com.au

The release of this announcement has been authorised by the Board of Directors of Silk Logistics Holdings Limited.

Forward-Looking Statements

This announcement contains forward-looking statements, including references to expected outcomes. Forward-looking statements are not guarantees of future performance or events and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond SLH's control and speak only as of the date of this announcement. Readers are cautioned not to place undue reliance on forward-looking statements.

¹ In the event that the agreement for lease is terminated prior to the lease commencing, this amount must be refunded by Silk to ESR.