



PRESS RELEASE

ESR-REIT and Sabana REIT Announce Proposed Merger

- *Solidifying position as a benchmark developer-backed industrial S-REIT with a larger free float and higher expected trading liquidity*
- *Enhancing portfolio diversification and resilience, while improving growth outlook from potential operational synergies, as well as lease-up and asset enhancement initiative (“AEI”) opportunities*
- *Enlarging asset base and enhancing balance sheet flexibility, better positioning the enlarged REIT (the “**Enlarged REIT**”) for further growth opportunities*
- *Backed by ESR Group, the Enlarged REIT will be well-positioned for growth and overseas expansion through a visible pipeline of quality assets and network across Asia*
- *Transaction is DPU¹-accretive for both ESR-REIT unitholders and Sabana REIT unitholders (“**Sabana Unitholders**”) on a pro forma basis*

SINGAPORE, 16 July 2020 – The respective managers of ESR-REIT and Sabana Shari’ah Compliant Industrial Real Estate Investment Trust (“**Sabana REIT**”) today jointly announced the proposed merger (the “**Merger**”) of ESR-REIT and Sabana REIT.

Mr Adrian Chui, Chief Executive Officer and Executive Director of the ESR-REIT manager said: “The Merger is in line with our strategy to establish ESR-REIT as one of the leading Pan-Asian industrial REITs. We believe the Merger will deepen our presence in Singapore and solidify the Enlarged REIT’s position as the 5th largest industrial REIT in the country by asset size² and the 4th largest by market share³. The Enlarged REIT is expected to have a larger market capitalisation and free float, as well as higher trading liquidity. These will help to facilitate its potential inclusion in key indices which will provide the Enlarged REIT with access to a wider and more diversified investor base and increased analyst coverage. Moreover, the greater scale of the Enlarged REIT diversifies our portfolio, reduces risks and enhances our resilience, especially in view of the COVID-19 pandemic. It also provides us with the potential to reap significant operational synergies and realise upside through portfolio lease-up, AEI, and redevelopment opportunities, thereby enabling us to build long-term value for unitholders.”

¹ Distribution per unit.

² By total assets as of latest company information.

³ Based on ESR-REIT’s and Sabana REIT’s latest available gross floor area divided by total available Singapore industrial real estate (public and private) space from the URA Realis database as at 31 March 2020.

Mr Donald Han, Chief Executive Officer of the Sabana REIT manager said: “The Merger will be transformational for Sabana REIT, accelerating our growth and propelling us immediately to be amongst the largest industrial REITs in Singapore. The enhanced scale will raise our visibility and enable us to be more competitive within the industrial S-REIT space, while the larger asset and tenant base will put us in a stronger position to undertake initiatives to improve and rejuvenate the portfolio at lower costs with minimised execution risks. With ESR as a developer-sponsor, the Enlarged REIT will also have access to a pipeline of assets worth over US\$22 billion in a market where quality logistics properties are increasingly scarce. This better positions us to capitalise on further expansion opportunities and participate in the continued growth of the industrial sector as the global economy emerges from the COVID-19 pandemic.”

Details of the Merger

The Merger will be effected by way of a trust scheme of arrangement (the “**Scheme**”) in compliance with the Singapore Code on Take-overs and Mergers, with ESR-REIT acquiring all units of Sabana REIT (“**Sabana Units**”) in exchange for new units in ESR-REIT (the “**Consideration Units**”).

By way of illustration, if the Scheme becomes effective in accordance with its terms, each Sabana Unitholder will receive 94 Consideration Units⁴ for every 100 Sabana Units held.

Based on the illustrative issue price of S\$0.401⁵ per Consideration Unit and the gross exchange ratio of 0.94x, the implied scheme consideration payable to Sabana Unitholders is S\$0.377 per Sabana Unit, and the implied aggregate scheme consideration is approximately S\$396.9 million.

Following the Merger, the Sponsor, ESR, is expected to hold approximately 12.2% of the total issued units in the Enlarged REIT.

Transaction Rationale

The Merger will provide the Enlarged REIT with six key benefits, as outlined below.

1. Solidifying position as a benchmark developer-backed industrial S-REIT

The Merger will solidify the Enlarged REIT’s position amongst the top five developer-backed industrial S-REITs by asset size, with total assets increasing to approximately S\$4.1 billion. The Enlarged REIT will also become the 4th largest industrial S-REIT by market share based on gross floor area (“**GFA**”).

⁴ No fractions of a Consideration Unit will be issued and fractional entitlements shall be disregarded in the calculation of Consideration Units to be issued to any Sabana Unitholder pursuant to the Scheme.

⁵ Based on the one-month volume weighted average price of ESR-REIT units with reference to the 30-calendar day period from 10 June 2020 up to and including 9 July 2020.

The Merger will also lead to a larger market capitalisation of approximately S\$1.8 billion and a free float of approximately S\$1.3 billion. Consequently, this increases the probability of the Enlarged REIT being included in key indices, which could lead to a wider and more diversified investor base, higher trading liquidity and broader research coverage. The Enlarged REIT could also potentially enjoy a positive re-rating that will benefit all unitholders in the long-term.

2. Improving portfolio diversification and resilience

The Merger will result in more than half of the Enlarged REIT's portfolio comprising High-Specs, and Logistics / Warehouse assets, with exposure to General Industrial assets being under 30%. Accordingly, the Enlarged REIT will be "future-ready" and able to meet the increasing demand from third-party logistics, e-commerce, and advanced manufacturing businesses amid the national stockpiling of essential goods and expected changes to the global manufacturing supply chain due to increasing US-China trade tensions and the COVID-19 pandemic.

In addition, Business Park assets will account for around 22% of the Enlarged REIT's portfolio. Singapore Business Park metrics, including occupancy rates and rents, have improved over the past few quarters and the segment's outlook is expected to remain favourable as companies continue to look towards decentralising their operations.

The Merger will also result in lower concentration risks. While ESR-REIT's and Sabana REIT's respective top 10 tenants currently account for 31% and 46% of the two REITs' respective gross rental income ("GRI"), the Enlarged REIT's top 10 tenants will account for only 25% of its GRI and no single tenant will account for more than 4.1% of its GRI. This significantly reduces its reliance on any particular tenant, given its broader tenant base across different trade sectors.

3. Improving growth outlook from potential synergies, as well as lease-up and AEI opportunities

Furthermore, the Enlarged REIT will enjoy the operational advantages of having an expanded network of 75 assets with a total GFA of approximately 19.2 million square feet ("sq ft") located close to major transportation hubs and within key strategic industrial zones across Singapore. Leveraging ESR-REIT's and the ESR Group's network for expansion, as well as their marketing, leasing, and asset management platforms, the Enlarged REIT will have access to a wider pool of tenants across a range of industries and will be able to enhance leasing opportunities and explore cross marketing activities. It will also be able to extract economies of scale across operations, and have stronger bargaining power when negotiating with tenants and service providers. In addition, tenants may also realise potential cost savings as a result of the integration of property management services that may arise given that the assets in each cluster in which the Enlarged REIT is present are in close proximity to each other.

Significant value can also be unlocked via AEIs. In particular, there is approximately 2.2 million sq ft of unutilised GFA in the portfolios that the Enlarged REIT can develop. With a larger tenant base, the Enlarged REIT will be able to better identify the optimal use for the unutilised GFA and develop in-demand space for emerging industries without adversely impacting its earning

performance while the AEs are underway, as the potential downtime or temporary loss of income associated with each AE will have a smaller impact on the Enlarged REIT's earnings.

4. Enlarging asset base and enhancing balance sheet flexibility

Following the Merger, the Enlarged REIT is expected to benefit from having an increased asset base, significantly higher debt headroom and access to more diversified funding sources. The stronger balance sheet and greater financial flexibility would better position it to undertake asset enhancement, development and portfolio reconstitution initiatives, as well as drive value-accretive acquisitions and organic growth for unitholders.

Furthermore, the Enlarged REIT will have a longer weighted average debt expiry profile of 3.2 years at lower costs of funding and a more evenly distributed debt maturity profile over the next five years, providing it with a more resilient capital structure. The Enlarged REIT will also have a fully unencumbered portfolio, allowing it to gain access to wider pools of capital.

5. Support of a strong developer-sponsor

The Merger is in line with both ESR-REIT's and Sabana REIT's strategy, representing a key step in realising ESR-REIT's vision of being one of the leading Pan-Asian industrial REITs and Sabana REIT's vision to be a prominent REIT with an outstanding portfolio of assets. The Enlarged REIT will be well-supported by the Sponsor, ESR Cayman Limited ("**ESR**"), which will provide it with the opportunity to have a "first look" at a pipeline of the ESR Group's assets worth more than US\$22 billion. This will give the Enlarged REIT an edge in an environment where quality logistics assets are becoming increasingly scarce. It also puts the Enlarged REIT in good stead for future overseas expansions, particularly in countries where ESR has an established "on the ground" presence.

6. DPU-accretive for unitholders

The Merger will be DPU-accretive on a pro forma basis for both ESR-REIT unitholders and Sabana Unitholders by 3.5% and 12.9% respectively. Unitholders will continue to benefit from the continued upside of the Enlarged REIT given its enhanced portfolio scale, diversification, flexibility and resilience.

Approvals Required

The Scheme will require, amongst others, the approval of the Sabana Unitholders for the amendments to the Sabana REIT trust deed and the Scheme, at an extraordinary general meeting and a scheme meeting to be convened, respectively.

In addition to the approvals required from Sabana Unitholders, the Scheme will require the order of the Singapore Court for the convening of the scheme meeting and the sanction of the Scheme (if approved at the scheme meeting).

ESR-REIT will also be required to seek the approval of ESR-REIT unitholders at an extraordinary general meeting to be convened for the Merger and the issue of the Consideration Units in consideration for the Merger.

Financial Advisers

Citigroup Global Markets Singapore Pte. Ltd., Maybank Kim Eng Securities Pte. Ltd., RHB Securities Singapore Pte. Ltd.⁶ and United Overseas Bank Limited are the financial advisers to the ESR-REIT manager in respect of the Merger and the Scheme.

Credit Suisse (Singapore) Limited and The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch are the financial advisers to the Sabana REIT manager in respect of the Merger and the Scheme.

Further information on the Merger can be found in the joint announcement, as well as both ESR-REIT's and Sabana REIT's investor presentations, which can be downloaded from SGXNET or from ESR-REIT's and Sabana REIT's respective websites.

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⁶ On 29 June 2020, RHB Bank Berhad ("**RHB Bank**") announced on Bursa Malaysia that it entered into a conditional share purchase agreement with Philip Securities Pte. Ltd. to dispose of its entire equity interest in RHB Securities Singapore Pte. Ltd. ("**RHBSEC**"), an indirect wholly-owned subsidiary of RHB Bank (the "**Proposed Disposal**"). The Corporate Finance Department of RHBSEC which undertakes the engagement as joint financial adviser to the ESR-REIT Manager will be transferred to RHB Bank Berhad through its Singapore branch ("**RHB Singapore**") prior to the completion of the Proposed Disposal (the "**Proposed Transfer**"). RHBSEC's engagement will be novated to RHB Singapore, and RHB Singapore will replace RHBSEC as a joint financial adviser to ESR-REIT Manager (the "**Replacement**") if the Proposed Transfer occurs during the offer period of the Merger. An announcement will be made when the Replacement becomes effective.

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Responsibility Statements

ESR-REIT Manager. The directors of the ESR-REIT manager (including those who may have delegated detailed supervision of this press release) have taken all reasonable care to ensure that the facts stated and opinions expressed in this press release (other than those relating to Sabana REIT and/or the Sabana REIT manager) are fair and accurate and that there are no other material facts not contained in this press release, the omission of which would make any statement in this press release misleading. The directors of the ESR-REIT manager jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources or obtained from a named source (including Sabana REIT, the Sabana REIT manager and/or the respective independent valuers engaged by the ESR-REIT manager and/or the Sabana REIT manager), the sole responsibility of the directors of the ESR-REIT manager has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this press release. The directors of the ESR-REIT manager do not accept any responsibility for any information relating to Sabana REIT and/or the Sabana REIT manager or any opinion expressed by Sabana REIT, the Sabana REIT manager and/or the abovementioned independent valuers.

Sabana REIT Manager. The directors of the Sabana REIT manager (including those who may have delegated detailed supervision of this press release) have taken all reasonable care to ensure that the facts stated and opinions expressed in this press release (other than those relating to ESR-REIT and/or the ESR-REIT manager) are fair and accurate and that there are no other material facts not contained in this press release, the omission of which would make any statement in this press release misleading. The directors of the Sabana REIT manager jointly and severally accept responsibility accordingly.

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About ESR-REIT

ESR-REIT has been listed on the Singapore Exchange Securities Trading Limited since 25 July 2006.

ESR-REIT invests in quality income-producing industrial properties and as at 30 June 2020 holds interest in a diversified portfolio of 57 properties located across Singapore, with a total gross floor area of approximately 15.1 million square feet and an aggregate property value of S\$3.1 billion⁷. The properties are in the following business sectors: Business Park, High-Specs Industrial, Logistics/Warehouse and General Industrial, and are located close to major transportation hubs and key industrial zones island-wide.

The Manager's objective is to provide Unitholders with a stable income stream through the successful implementation of the following strategies:

- Acquisition of value-enhancing properties;
- Proactive asset management;
- Divestment of non-core properties; and
- Prudent capital and risk management.

ESR Funds Management (S) Limited, the Manager of ESR-REIT, is owned by namely, ESR Cayman Limited ("**ESR**") (67.3%), Shanghai Summit Pte. Ltd. (25.0%), and Mitsui & Co., Ltd (7.7%). For further information on ESR-REIT, please visit www.esr-reit.com.sg.

About the Sponsor, ESR

ESR is the largest Asia-Pacific focused logistics real estate platform by gross floor area (GFA) and by value of the assets owned directly and by the funds and investment vehicles it manages. Co-founded by its senior management team and Warburg Pincus, ESR and the funds and investment vehicles it manages are backed by some of the world's preeminent investors including APG, SK Holdings, JD.com, CPP Investments, OMERS, PGGM, Ping An and Allianz Real Estate. The ESR platform spans across the People's Republic of China, Japan, South Korea, Singapore, Australia and India. As of 31 December 2019, the fair value of the properties directly held by ESR and the assets under management with respect to the funds and investment vehicles managed by ESR recorded approximately US\$22.1 billion, and GFA of properties completed and under development as well as GFA to be built on land held for future development comprised over 17.2 million sqm in total. ESR has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 1 November 2019.

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

⁷ Includes 100% of the valuation of 7000 Ang Mo Kio Avenue 5 and 48 Pandan Road, in which ESR-REIT holds 80% interest in 7000 Ang Mo Kio Avenue 5 and 49% interest in 48 Pandan Road, but excludes the effects arising from the adoption of Financial Reporting Standard (FRS) 116 Leases which became effective on 1 January 2019.

Important Notice

The value of units in ESR-REIT ("**Units**") and the income derived from them may fall as well as rise. Units are not investments or deposits in, or liabilities or obligations, of ESR Funds Management (S) Limited ("**Manager**"), RBC Investor Services Trust Singapore Limited (in its capacity as trustee of ESR-REIT) ("**Trustee**"), or any of their respective related corporations and affiliates (individually and collectively "**Affiliates**"). An investment in Units is subject to equity investment risk, including the possible delays in repayment and loss of income or the principal amount invested. Neither ESR-REIT, the Manager, the Trustee nor any of the Affiliates guarantees the repayment of any principal amount invested, the performance of ESR-REIT, any particular rate of return from investing in ESR-REIT, or any taxation consequences of an investment in ESR-REIT. Any indication of ESR-REIT performance returns is historical and cannot be relied on as an indicator of future performance.

Investors have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that investors may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units. This press release may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of occupancy or property rental income, changes in operating expenses, governmental and public policy changes and the continued availability of financing in amounts and on terms necessary to support ESR-REIT's future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.

This press release is for information purposes only and does not have regard to your specific investment objectives, financial situation or your particular needs. Any information contained in this material is not to be construed as investment or financial advice and does not constitute an offer or an invitation to invest in ESR-REIT or any investment or product of or to subscribe to any services offered by the Manager, the Trustee or any of the Affiliates.

About Sabana REIT

Sabana REIT was listed on the SGX-ST on 26 November 2010. It was established principally to invest in income-producing real estate used for industrial purposes, as well as real estate-related assets, in line with Shari'ah investment principles. As at 30 June 2020, Sabana REIT held a diversified portfolio of 18 properties in Singapore, in the high-tech industrial, warehouse and logistics, chemical warehouse and logistics, as well as general industrial sectors and had total assets of approximately S\$0.9 billion.

Sabana REIT is listed in several indices within the SGX S-REIT Index, Morgan Stanley Capital International, Inc (MSCI) Index and FTSE index. Sabana REIT is one of the constituents of the FTSE ST Singapore Shariah Index.

Sabana REIT is managed by Sabana Real Estate Investment Management Pte. Ltd., (in its capacity as the Manager of Sabana REIT) in accordance with the terms of the trust deed dated 29 October 2010 (as amended). Sabana REIT is a real estate investment trust constituted on 29 October 2010 under the laws of Singapore.

For further information on Sabana REIT, please visit www.sabana-reit.com.

Important Notice

The value of units in Sabana REIT ("Units") and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager, HSBC Institutional Trust Services (Singapore) Limited, as trustee of Sabana REIT, or any of their respective affiliates.

An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that unitholders of Sabana REIT may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.