



SABANA SHARI'AH COMPLIANT INDUSTRIAL REIT

2Q 2016: Second Quarter Ended 30 June 2016 Financial Results Presentation

22 July 2016

Important Notice



Disclaimer

This presentation shall be read in conjunction with the financial information of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust ("Sabana REIT" or the "Trust") for the second quarter from 1 April 2016 to 30 June 2016 ("2Q 2016").

This presentation may contain forward-looking statements that involve 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 property rental income, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward looking statements, which are based on current view of management on future events.

Any discrepancies in the tables included in this presentation between the listed amounts and total thereof are due to rounding.

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Key Highlights for 2Q 2016



- Sabana REIT generated Distribution per Unit (“DPU”) of 1.23 Singapore cents and an annualised distribution yield of 9.1%⁽¹⁾ for 2Q 2016.
- On a year-on-year basis, gross revenue and net property income (“NPI”) dipped by 10.9% and 24.3% respectively. Lower gross revenue is due to the negative rental revisions for certain master leases renewal and non-renewal of 218 Pandan Loop in 4Q 2015, expiry of rental support at 9 Tai Seng Drive in 2Q 2015 and non-contribution of the two properties which were divested in 1Q 2016.
- Weighted average lease term to expiry for master leases stood at 2.8 years⁽²⁾ and weighted average lease term to expiry for sub-tenancies stood at 29.9 months⁽³⁾ as at 30 June 2016.
- As at 30 June 2016, overall portfolio occupancy level stood at 88.8%.

(1) Based on the last traded price of S\$0.545 per Unit as at 22 July 2016.

(2) Weighted by gross revenue (master leases of 11 properties).

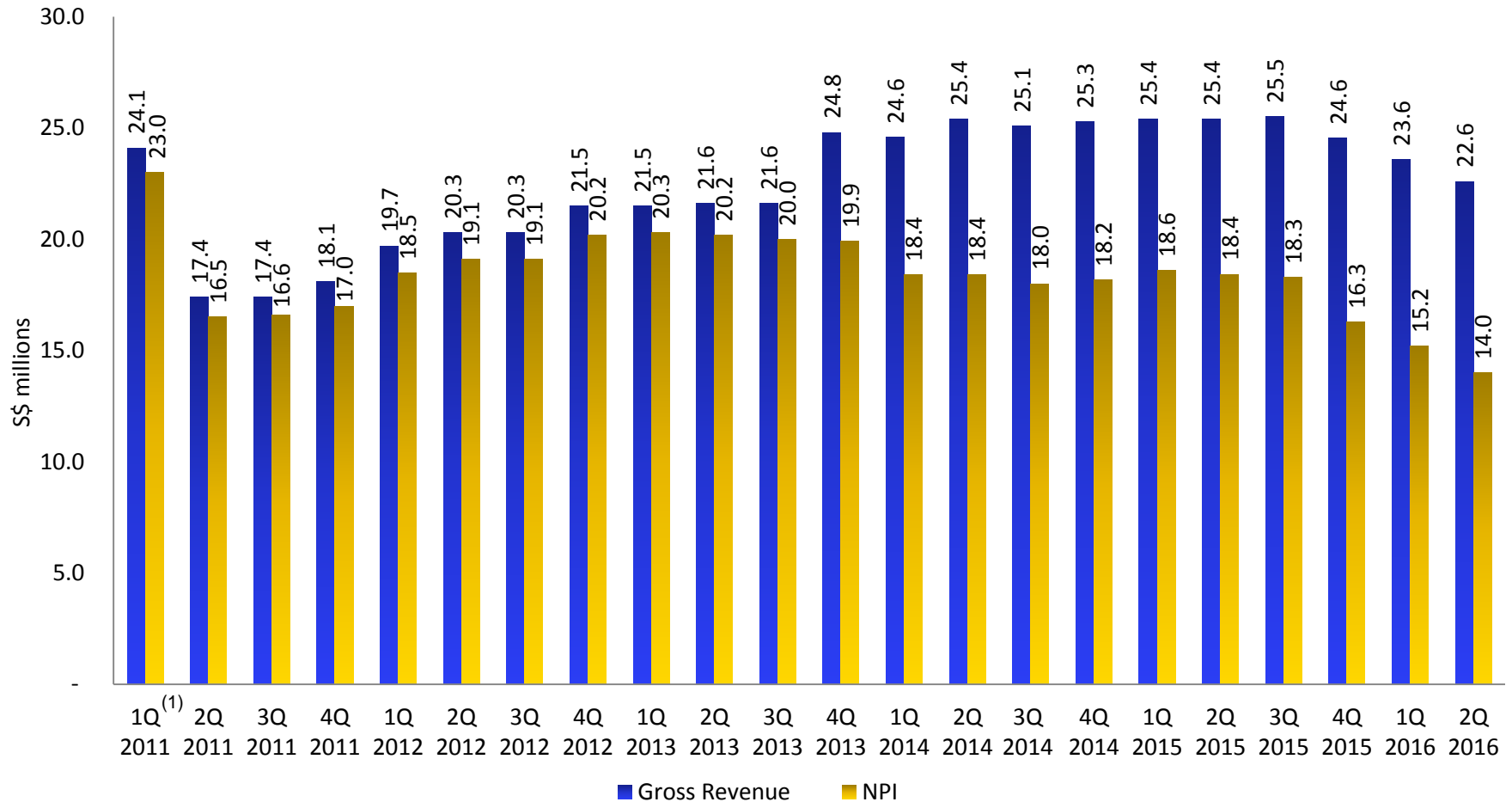
(3) Weighted by sub-tenancy gross rent.

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Gross Revenue and NPI Since Listing

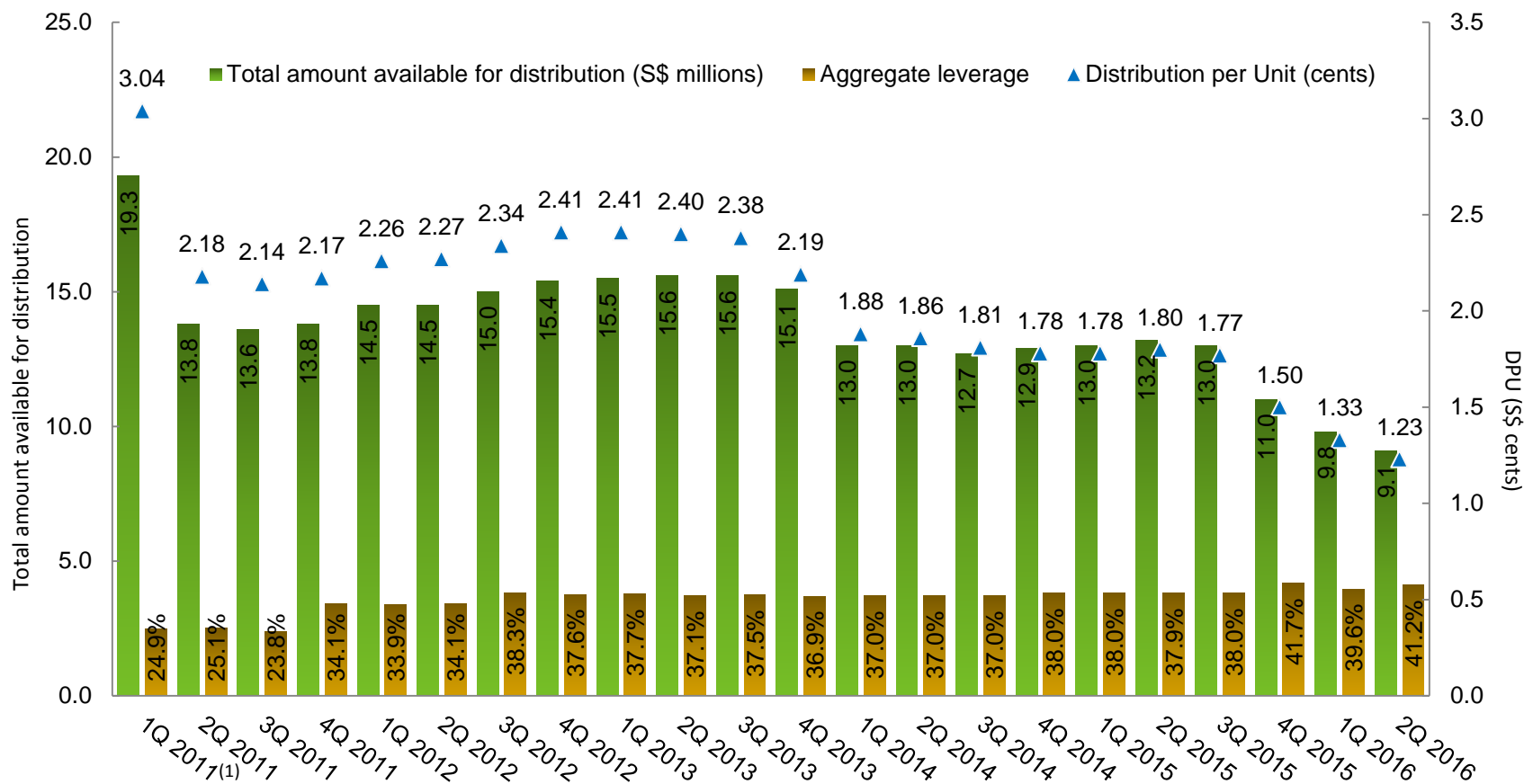
As at 30 June 2016



(1) For the period from date of listing on 26 November 2010 to 31 March 2011.

Quarterly DPU Performance

As at 30 June 2016



(1) For the period from 26 November 2010 to 31 March 2011.

Financial Performance



For the quarter ended 30 June 2016

(in S\$'000)	2Q 2016	2Q 2015	Variance (%)	2Q 2016	1Q 2016	Variance (%)
Gross revenue	22,630	25,405	(10.9)	22,630	23,606	(4.1)
Net property income ("NPI")	13,965	18,437	(24.3)	13,965	15,172	(8.0)
Income available for distribution	9,063	13,156	(31.1)	9,063	9,770	(7.2)
DPU (cents)	1.23⁽¹⁾	1.80	(31.7)	1.23⁽¹⁾	1.33	(7.5)
Annualised DPU (cents)	4.95	7.22	(31.4)	4.95	5.35	(7.5)
Distribution yield ⁽²⁾	9.1%	13.2%	(31.1)	9.1%	9.8%	(7.1)

(1) Based 737,740,488 Units issued and to be issued as at 30 June 2016.

(2) Based on the last traded price of S\$0.545 per unit as at 22 July 2016.

Financial Performance

For the quarter ended 30 June 2016

(in S\$'000)	2Q 2016	2Q 2015	Variance (%)
Gross revenue	22,630	25,405	(10.9)
Property expenses	(8,665)	(6,968)	(24.4)
NPI	13,965	18,437	(24.3)
Net finance costs	(4,963)	(5,337)	7.0
Amortisation of intangible assets	-	(185)	100.0
Manager's fees	(1,318)	(1,600)	17.6
Trustee's fees	(113)	(134)	15.7
Donation of non-Shari'ah compliant income	(16)	(13)	(23.1)
Other trust expenses	(283)	(220)	(28.6)
Net income	7,272	10,948	(33.6)
Net change in fair value of financial derivatives	(259)	(504)	48.6
Net change in fair value of investment properties	(50,843)	-	NM
Total return before taxation	(43,830)	10,444	(519.7)
Distribution adjustments ⁽¹⁾	52,893	2,712	NM
Income available for distribution	9,063	13,156	(31.1)

NM denotes "not meaningful".

(1) Comprise the portion of management fees paid/payable in Units, donation of non-Shari'ah compliant income, amortisation of capitalised transaction costs incurred on borrowings, straight-lining adjustments on rental income for accounting purposes, Trustee's fees, net change in fair value of financial derivatives, net change in fair value of investment properties and other income/expenses which are non-chargeable/deductible for tax purposes.

- **Gross revenue** decreased by 10.9% mainly due to lower gross revenue arising from negative rental revisions for certain master leases renewals and non-renewal of 218 Pandan Loop in 4Q 2015, expiry of rental support at 9 Tai Seng Drive in 2Q 2015 and non-contribution of two properties which were divested in 1Q 2016.

- **Property expenses** increased by 24.4% mainly due to higher property expenses arising from higher service, repairs, maintenance, property tax, land rent, utilities and marketing expenses from 34 Penjuru Lane, 23 Serangoon North Avenue 5 and 15 Jalan Kilang Barat which were converted into multi-tenanted lease arrangements in 4Q 2015; higher property tax and land rent expenses from 30 & 32 Tuas Avenue 8, 26 Loyang Drive and 21 Joo Koon Crescent which were converted into non-triple net master lease arrangements in 4Q 2015; higher impairment loss on trade receivables in 2Q 2016 over 2Q 2015 arising from a master tenant whose arrears were in excess of the security deposit held at the reporting date and partially offset by lower property expenses from the two properties divested in 1Q 2016.

Balance Sheet



As at 30 June 2016

S\$'000

Investment properties	1,040,500
Other assets	19,245
Total assets	1,059,745
Borrowings, at amortised cost	432,202
Other liabilities	29,614
Total liabilities	461,816
Net assets attributable to Unitholders	597,929
Units in issue ⁽¹⁾	737,740,488
NAV per unit (S\$)	0.81
Adjusted NAV per unit ⁽²⁾ (S\$)	0.80

(1) Comprises 735,794,129 units in issue as at 30 June 2016 and 1,946,359 units to be issued to the Manager by 31 July 2016, as partial consideration of Manager's fees incurred for the period from 1 April 2016 to 30 June 2016.

(2) Excludes distributable income of approximately S\$9.1 million available for distribution for the quarter ended 30 June 2016.

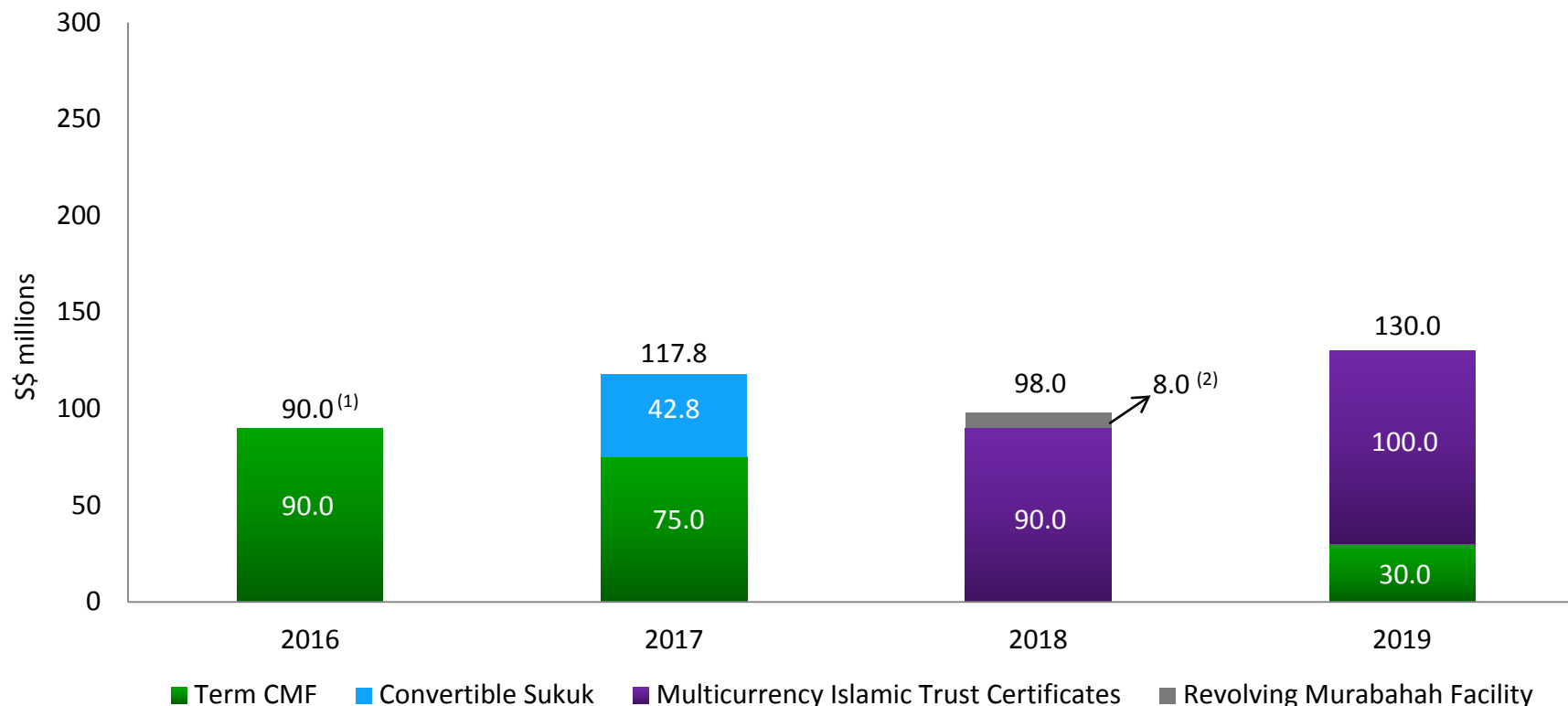
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Borrowings Maturity Profile

As at 30 June 2016



Maturities of total outstanding borrowings of S\$435.8 million evenly staggered over the next 4 years.

(1) Excludes S\$48.0 million of undrawn Revolving CMF.

(2) Excludes S\$42.0 million of undrawn Revolving Murabahah Facility.

Capital Structure At A Glance



As at 30 June 2016	
Borrowings	S\$435.8 million
Aggregate leverage ⁽¹⁾	41.2%
Proportion of total borrowings fixed ⁽²⁾	70.6%
Average all-in financing cost⁽³⁾	4.1%
Outstanding Term CMF	S\$195.0 million
Outstanding Revolving Commodity Murabahah Facility	S\$8.0 million
Convertible Sukuk due 2017	S\$42.8 million
Trust Certificates	S\$190.0 million
Weighted average tenor of borrowings	1.6 years
Profit cover ⁽⁴⁾	3.2 times
Unencumbered assets	S\$303.6 million

(1) Ratio of total borrowings and deferred payment over deposited property as defined in the Property Funds Appendix of the Code on Collective Investment Schemes.

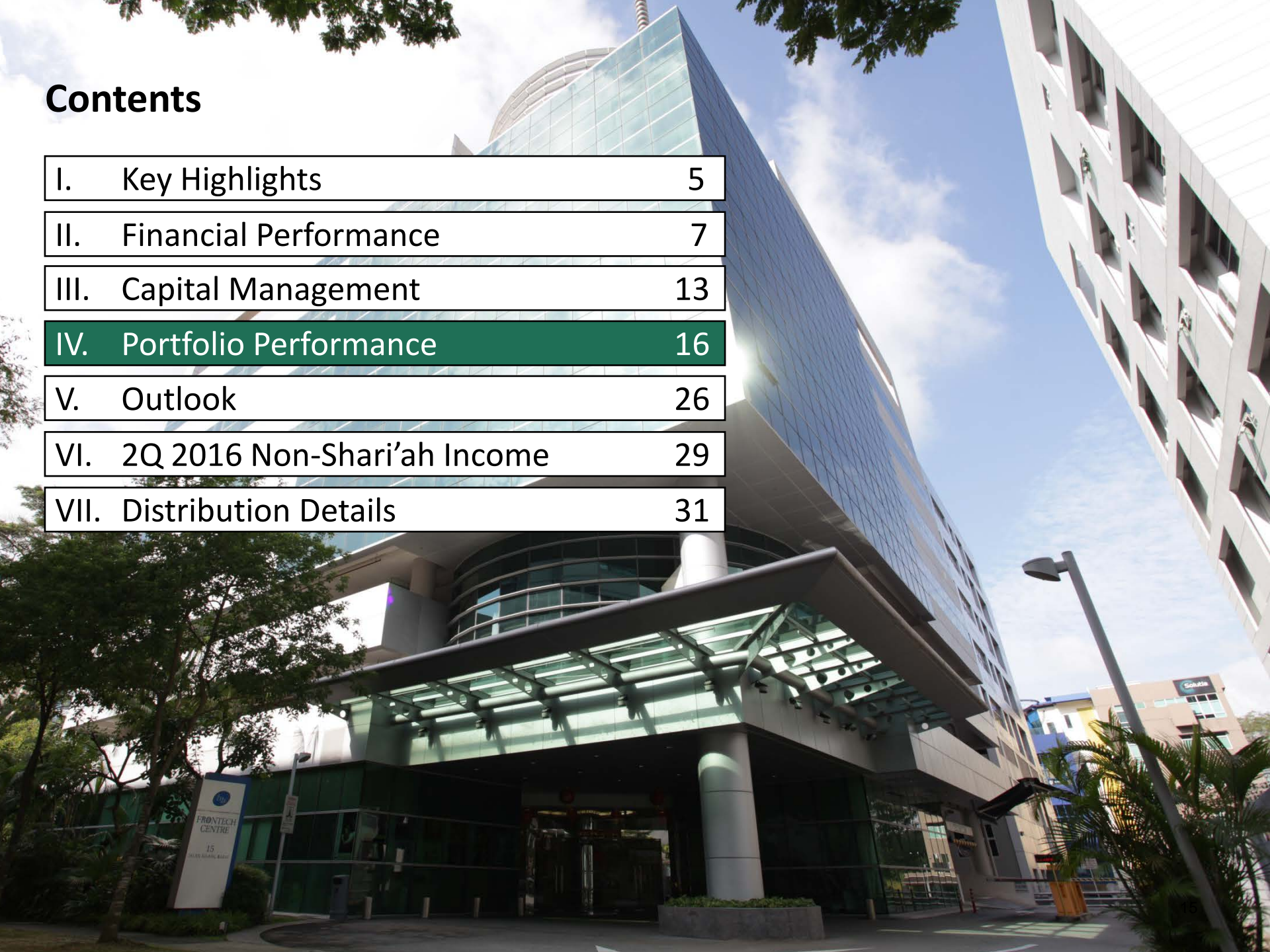
(2) The profit rate swap used to hedge the S\$90.0 million Term CMF B has matured in May 2016. It is the intention of Sabana REIT to hedge the profit rate risk on Term CMF B when it is refinanced ahead of its maturity date in November 2016.

(3) Inclusive of amortisation transaction costs.

(4) Ratio of Net Property Income over profit expense (excluding amortisation of transaction costs and other fees) for the period from 1 April 2016 to 30 June 2016.

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Property Locations

Our properties are diversified into four industrial segments across Singapore, close to expressways and public transportation.



Occupancy Rates

As at 30 June 2016

Total portfolio GFA	4,403,674 sq ft
Portfolio occupancy	
11 properties, master leases ⁽¹⁾	100.0%
9 properties, multi-tenanted ⁽²⁾	81.9%
21 properties, total portfolio ⁽³⁾	88.8%
Weighted average lease term to expiry ⁽⁴⁾	2.8 years
Weighted average unexpired lease term for the underlying land ⁽⁵⁾	35.1 years

(1) 7 triple net & 4 single net master leases.

(2) 151 Lorong Chuan, 8 Commonwealth Lane, 9 Tai Seng Drive, 15 Jalan Kilang Barat, 23 Serangoon North Avenue 5, 508 Chai Chee Lane, 34 Penjuru Lane, 2 Toh Tuck Link and 123 Genting Lane.

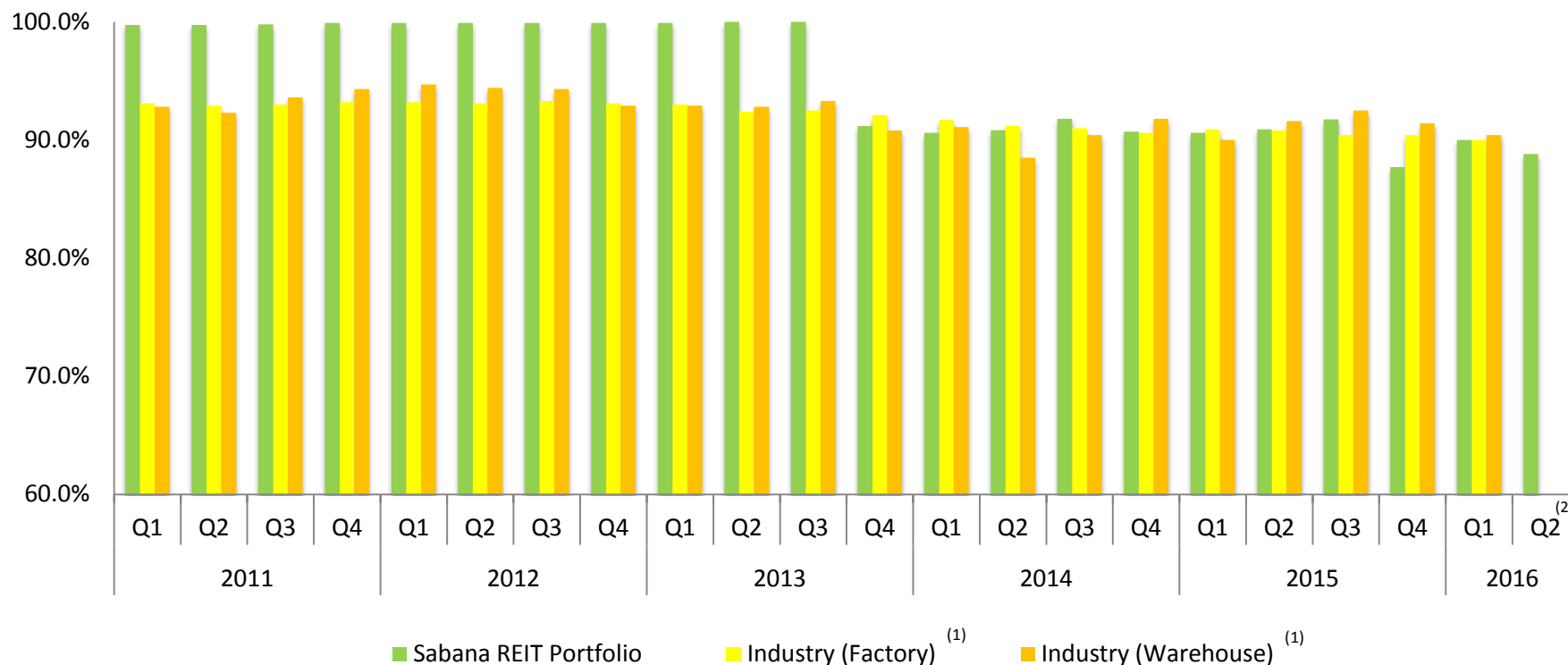
(3) By Net Lettable Area ("NLA"). One property, 218 Pandan Loop (NLA 43,103 sq ft), is temporarily vacant. The Manager is evaluating a few options including asset enhancement initiative (AEI) such as Build-to-Suit-and-Lease, and divestment.

(4) Weighted by gross revenue (master leases of 11 properties).

(5) Weighted by GFA.

Occupancy Levels Since Listing

Comparisons to Singapore industrial average occupancy levels



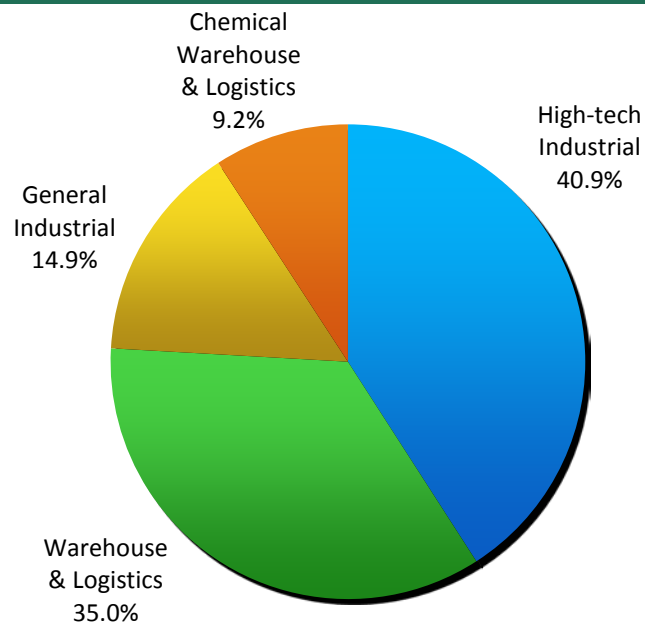
(1) Source: Property Market Information by Urban Redevelopment Authority and Quarterly Market Report by Jurong Town Corporation.

(2) 2Q 2016 data are not available as at 30 June 2016 from Jurong Town Corporation.

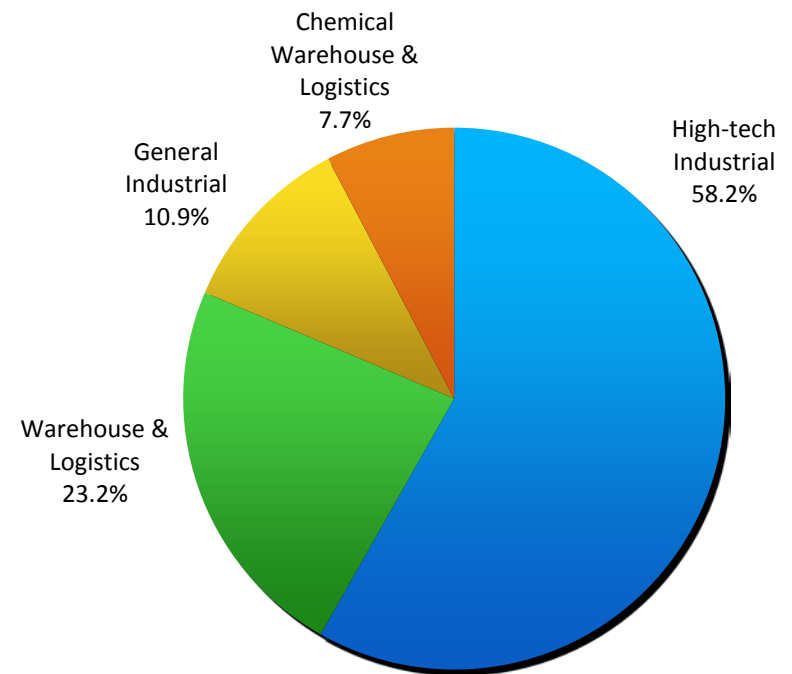
Sabana REIT's portfolio is diversified in the following asset types:

- High-tech Industrial
- Chemical Warehouse & Logistics
- Warehouse & Logistics
- General Industrial

Asset Breakdown by NLA for 2Q 2016⁽¹⁾



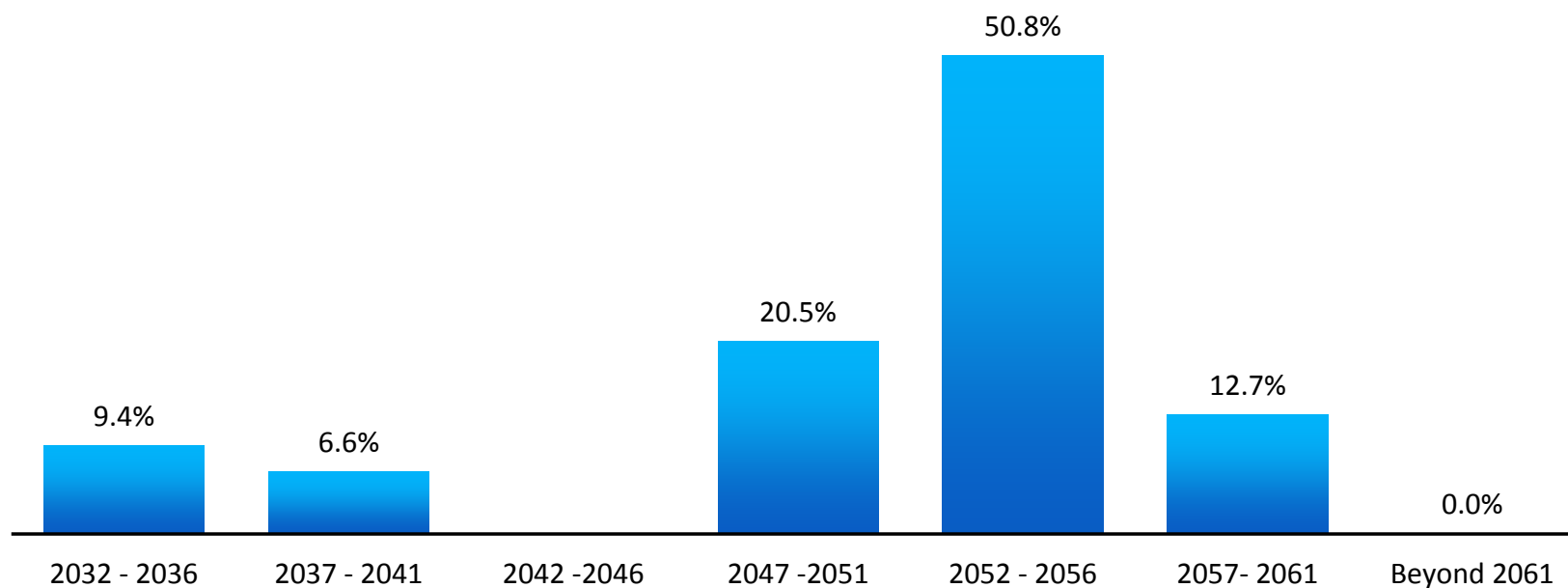
Gross Revenue by Asset Type for 2Q 2016



(1) As at 30 June 2016.

Long Weighted Average Leasehold For Underlying Land

Percentage of unexpired land lease term by GFA⁽¹⁾



Well distributed, long underlying land leases, with an average of 35.1 years by GFA.

(1) As at 30 June 2016, weighted by GFA.

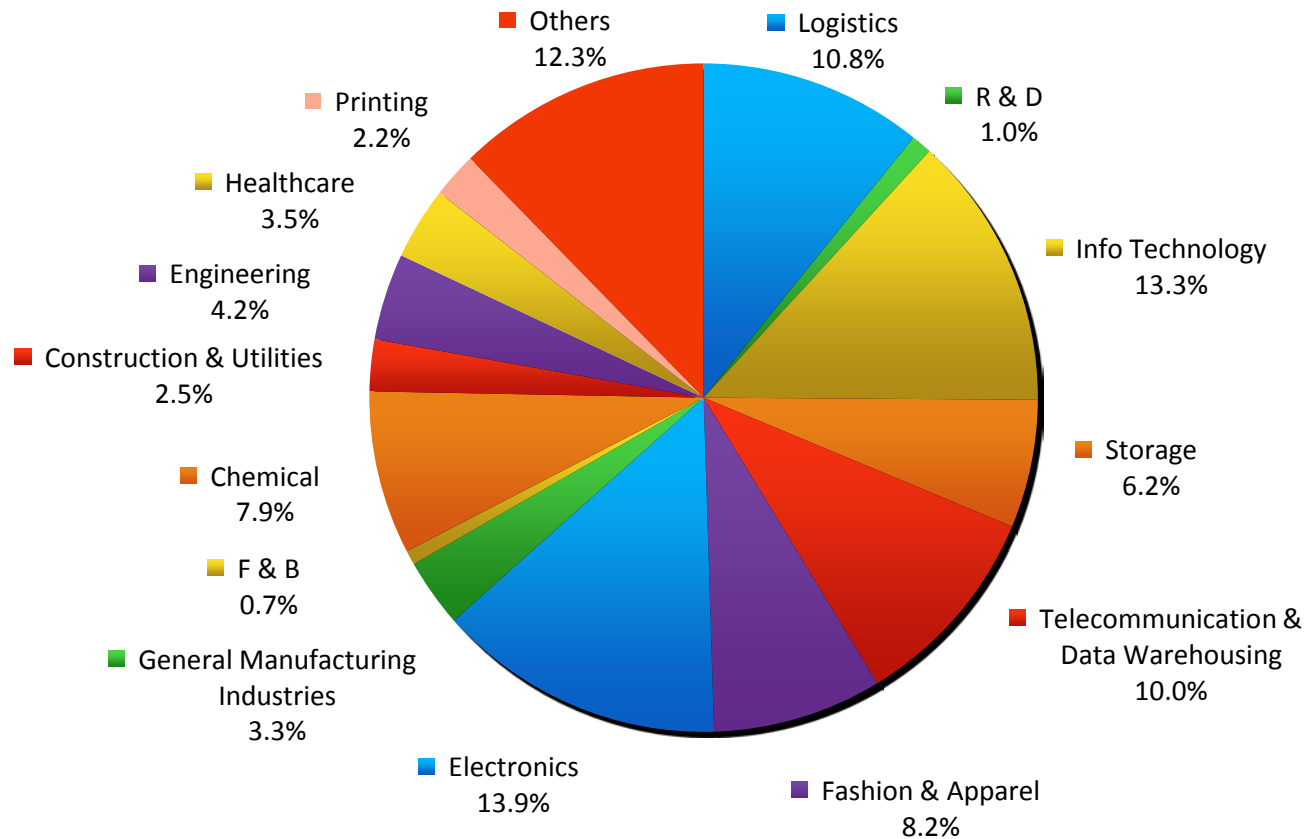
Quality Assets Attract Quality Tenants



	As at 30 Jun 2016	As at 31 Mar 2016
Total NLA (sq ft)	3,605,498	3,605,498
Total number of direct and sub-tenants	121	123
Weighted average lease term to expiry (mths) ⁽¹⁾	29.9	31.6

(1) Weighted by sub-tenancy gross rent.

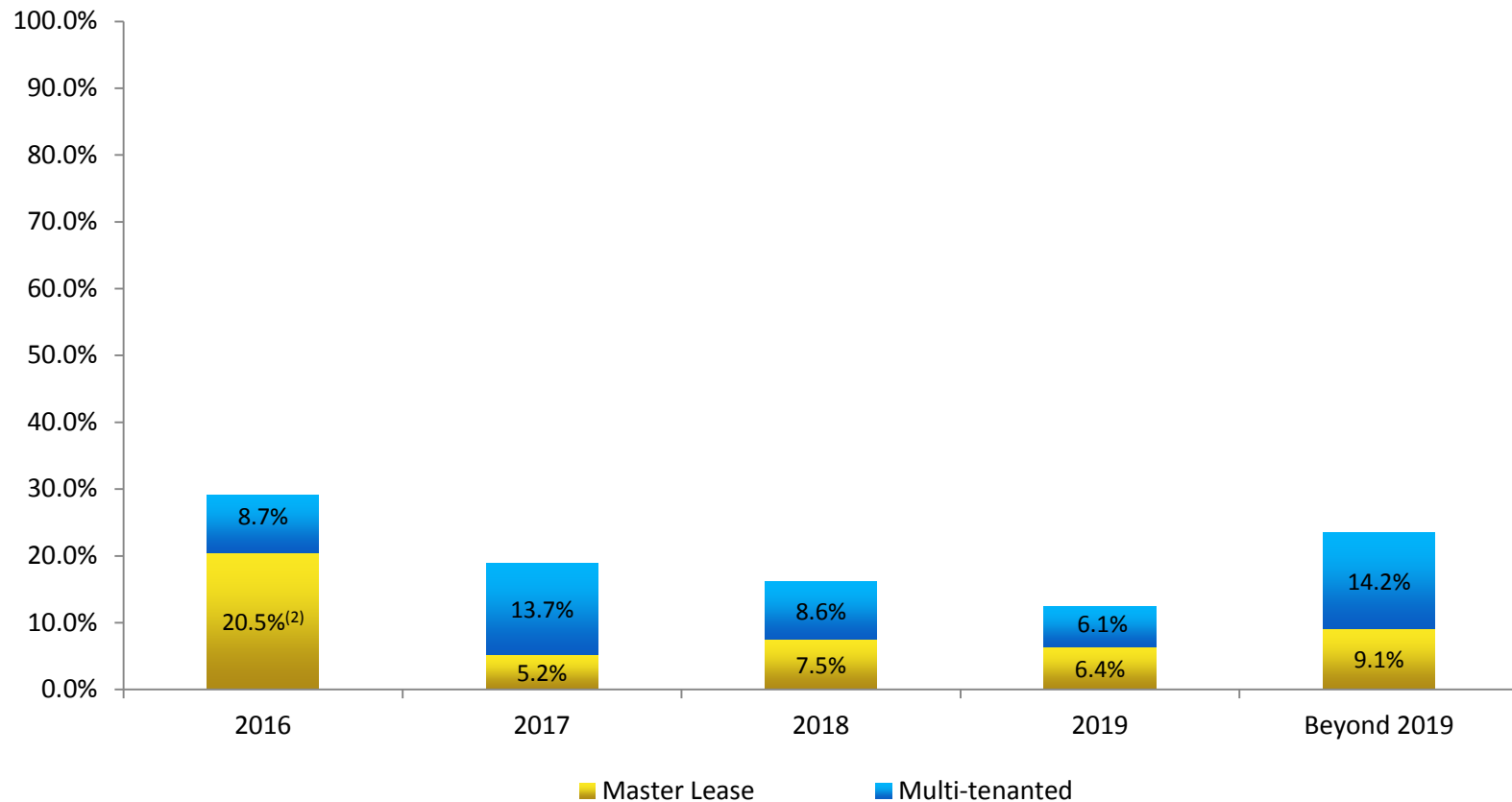
Sub-tenants' industry diversification by NLA⁽¹⁾:



No concentration in any single trade sector

(1) As at 30 June 2016.

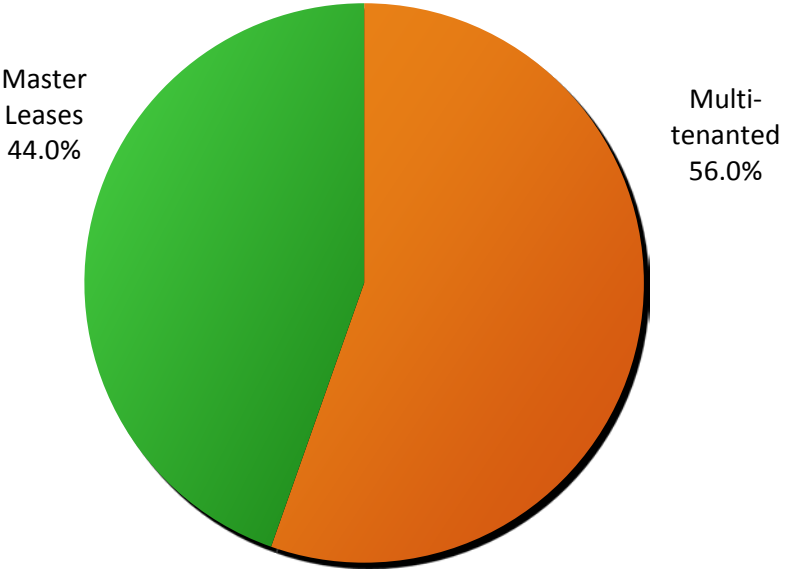
Lease Expiry by NLA for 2Q 2016⁽¹⁾



(1) As at 30 June 2016.

(2) Four properties: 51 Penjuru Road, 33 & 35 Penjuru Lane, 18 Gul Drive and 39 Ubi Road 1.

Lease Type by NLA for 2Q 2016⁽¹⁾



(1) As at 30 June 2016. Excludes 218 Pandan Loop which is temporarily vacant. The Manager is evaluating a few options including asset enhancement initiative (AEI) such as Build-to-Suit-and-Lease, and divestment.

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Singapore Economy

Singapore's economic growth outlook for 2Q 2016

- Based on advanced estimates by the Ministry of Trade and Industry, the Singapore economy grew by 2.2% on a year-on-year basis in 2Q 2016, marginally higher than the 2.1% growth in the last quarter. The economy also expanded by 0.8% on a quarter-on-quarter seasonally-adjusted annualised basis, faster than the 0.2% growth in the preceding quarter⁽¹⁾.
- In a survey conducted by the Monetary Authority of Singapore, Singapore's economic growth is expected to reach 1.8% this year, which is slightly lower than the 1.9% that was earlier forecasted in March 2016. Private sector economists are forecasting growth to remain weak in the second half of the year due to a lacklustre external environment⁽²⁾.
- In view of the uncertainties following the "Brexit" vote in June 2016 which will weigh on the global economy, the Manager expects market conditions to continue to remain challenging.

Singapore Industrial Sector

Softening of the industrial property market expected ahead

- Amid sluggish rental markets and relatively high upcoming supply, performance of industrial REITs is expected to come under further pressure⁽³⁾.

Sources:

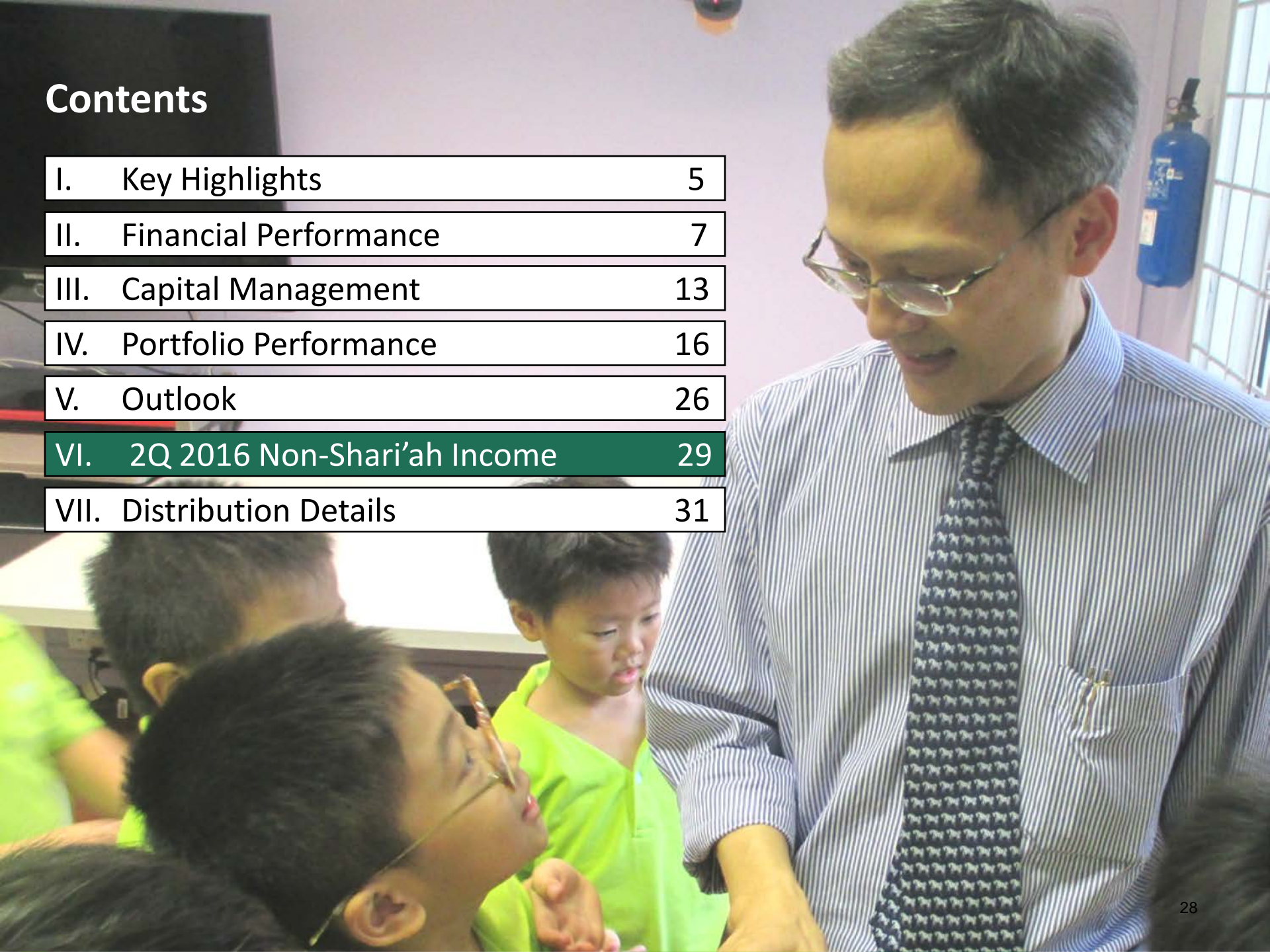
- (1) "Singapore's GDP Grew by 2.2 Per Cent in the Second Quarter of 2016". Ministry of Trade and Industry Singapore. 14 July 2016. Web. 14 July 2016.
- (2) "Analysts expect Singapore's economy to grow 1.8% in 2016: MAS survey". Channel NewsAsia. 15 June 2016. Web. 15 June 2016.
- (3) "Further boost to S-Reits expected over long-drawn post-Brexit process: Religare". The Business Times. 4 July 2016. Web. 4 July 2016.

Management Strategy and Outlook

- The Group reported a deficit in total return after taxation and before distribution for 2Q 2016 and for first half of the year, mainly due to a 4.6% revaluation loss on its investment properties, against a backdrop of sluggish rental markets and oversupply of industrial space. Consequently, aggregate leverage increased from 39.6% as at 31 March 2016 to approximately 41.2%.
- Further to the announcement made on 6 April 2016, the Manager has commenced rental negotiations with the Sponsor for the renewal of the three of the master leases that are due to expire in 4Q 2016. The remaining property (39 Ubi Road 1) will likely be converted into a multi-tenanted property when the current master lease expires in 4Q 2016.
- On the capital management front, the Manager is in the midst of refinancing the S\$138.0 million Commodity Murabaha Facilities maturing in November 2016 and targets to complete the refinancing exercise by 3Q 2016. The Manager will also continue to explore new ways to diversify funding sources, to improve the Trust borrowings maturity profile and to strengthen the Trust's capital structure.
- Even though the Manager anticipates challenging times ahead, it will continue to evaluate potential yield-accretive acquisition opportunities both locally and abroad, as well as development projects and asset enhancement initiatives for income diversification and growth. The Manager will also continue its rigorous marketing and leasing efforts to diligently manage the near-term fluctuations from the Trust's lease expiry/renewal cycle to boost the occupancy level.

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2Q 2016 Non-Shari'ah Income

Sabana REIT gives out its non-Shari'ah income on a quarterly basis, to charitable causes

The charitable cause below is the chosen beneficiary of Sabana REIT's 2Q 2016 non-Shari'ah income:



Organisation: Operation Hope Foundation

Purpose: Operation Hope Foundation ("OPH") is a charity that delivers programme for the poor in developing countries with high-benefit-to-cost ratio.

Sabana REIT will be allocating approximately S\$15,384 to OPH to provide funding for two of their on-going projects. The first project is their Nepal Earthquake Rebuilding Project which involves the building of rice bag houses for the villagers in the Dhading District, Nepal. The second project is a bursaries sponsorship programme for youth training at their skills training centres in Cambodia. This programme aims to help rural youths acquire the necessary skills required to find a job.

The total amount of **S\$15,384** allocated to the organisation above represents less than **0.1%** of Sabana REIT's 2Q 2016 gross revenue.

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Distribution Details



Sabana REIT Code: MIGU

Distribution period	DPU (cents)
1 April 2016 to 30 June 2016	1.23

Distribution Timetable	
Last date that the Units are quoted on a “cum”- distribution basis	27 July 2016
Ex-date	28 July 2016, 9am
Books closure date	1 August 2016, 5pm
Distribution payment date	30 August 2016
Disbursement of non-Shari’ah income to approved charities	30 August 2016 or earlier

Thank you

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