



(Constituted in the Republic of Singapore pursuant to a trust deed dated 31 March 2006 (as amended))

**EXTRAORDINARY GENERAL MEETING TO BE HELD ON 4 DECEMBER 2020
DETAILED RESPONSES TO KEY QUESTIONS FROM UNITHOLDERS**

ESR Funds Management (S) Limited, as manager of ESR-REIT (the “**ESR-REIT Manager**”), would like to thank the ESR-REIT Unitholders for submitting their questions in advance of the Extraordinary General Meeting in respect of the Merger of ESR-REIT and Sabana Shari’ah Compliant Industrial Real Estate Investment Trust (the “**Sabana REIT**”) to be held by way of electronic means on 4 December 2020 (Friday) at 10.00 a.m. (the “**EGM**”).

Further to the ESR-REIT Manager’s announcement on 20 November 2020, the ESR-REIT Manager has received further questions from unitholders (including unanswered questions posted during the SIAS-ESR-REIT virtual dialogue session that was conducted on 23 November 2020) and set out its responses to the key questions in the Appendix to this announcement. Unitholders should read the responses together with the earlier detailed responses which were uploaded on the SGXNET on 20 November 2020.

As there was substantial overlap between many of the questions received from unitholders, we have, for unitholders’ easy reference and reading, summarised some of the questions and also grouped related and similar questions and our responses together and organised them under different topic headings.

BY ORDER OF THE BOARD

ESR Funds Management (S) Limited

As Manager of ESR-REIT

(Company Registration No. 200512804G, Capital Markets Services Licence No. 100132)

Adrian Chui

Chief Executive Officer and Executive Director

27 November 2020

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Appendix

Question 1:

What is the ratio of ESR-REIT Units being offered per Sabana Unit? When and how was this decided? Will the Scheme Consideration or exchange ratio change?

The Scheme Consideration payable to the Sabana Unitholders, which will be satisfied in full by way of issuance of new ESR-REIT Units, is based on an exchange ratio of 0.940x.

The Scheme Consideration, including the exchange ratio of 0.940x, was determined based on commercial negotiations between the ESR-REIT Manager and the Sabana Manager. Factors taken into account in arriving at the Scheme Consideration by determining the exchange ratio include (without limitation): (i) the transaction rationale in respect of the Merger for each REIT; (ii) the prevailing and historical relative market prices of the ESR-REIT Units and the Sabana Units over the last two (2) years prior to the date of the Joint Announcement; (iii) the NAVs of each of ESR-REIT and Sabana REIT; (iv) the market value of the respective property portfolios; (v) relevant precedent trust scheme transactions in Singapore; (vi) the prevailing and historical price to NAV per unit of each REIT over the last two (2) years prior to the date of the Joint Announcement; (vii) the prevailing and historical distribution yield of each REIT; (viii) the market capitalisation and trading liquidity of each REIT over the last two (2) years prior to the date of the Joint Announcement; (ix) the capital structure, debt costs and tenor of each REIT; and (x) the resulting *pro forma* financial impact of the Merger on ESR-REIT and Sabana REIT.

As announced by the ESR-REIT Manager on 6 August 2020, the ESR-REIT Manager does not intend to increase the Scheme Consideration and accordingly, the exchange ratio of 0.940x is final, except that the ESR-REIT Manager reserves the right to do so in a competitive situation. Therefore, in accordance with Rule 20.2 of the Code, the ESR-REIT Manager will not be allowed to subsequently increase the Scheme Consideration, in any way, save that the ESR-REIT Manager reserves its right to do so in a competitive situation.

Question 2:

What is your strategy for managing Sabana REIT's portfolio if the Merger is successful? What are the plans to refresh or bring the Sabana REIT's properties back into profitability?

We believe there are potential lease-up opportunities for the Sabana REIT portfolio, leveraging on ESR-REIT's and the ESR Group's network for expansion, as well as marketing, leasing, and asset management platforms.

There are also asset enhancement and/or redevelopment opportunities within Sabana REIT's portfolio that can be undertaken to create unitholders' value. There is about 1.2 million square feet of unutilised GFA that can be developed by the Enlarged REIT at a lower cost of capital with lower leasing risks.

With a larger asset base, better bargaining power with service providers, as well as lower borrowing costs, the Enlarged REIT will be able to balance the risk-return profile of the AEs to be undertaken with reduced portfolio financial impact. The Enlarged REIT will also benefit from being able to leverage on the ESR-REIT Manager's management team's expertise and experience in carrying out large scale AEs.

Question 3:

Will the Merger improve the profitability of ESR-REIT and result in improved unit price, profits and dividend?

We are unable to speculate or comment on the market prices of the Enlarged REIT's units. However, a larger market capitalisation and free float post-Merger increases the probability of inclusion in key indices which offers the benefits of a wider and more diversified investor base, higher trading liquidity, increased analyst coverage and a potential positive re-rating of its unit price. This would in turn lead to access to larger pools of capital at lower cost which would be beneficial to the unitholders of the Enlarged REIT.

The Merger is also expected to be DPU accretive to the ESR-REIT Unitholders on a historical *pro forma* basis. Assuming that the Merger had been completed on 1 January 2019, ESR-REIT's DPU for the financial year ended 31 December 2019 would have increased from 3.529 cents to 3.637 cents, translating to a DPU accretion of 3.1%, while the annualised DPU for 1H2020 would have increased from 2.718 cents to 2.812 cents, translating to a DPU accretion of 3.5%.

Question 4:

What does the ESR-REIT Manager plan to do if the Merger is not successful? Will ESR-REIT bear any costs if the Merger is not successful and would these costs have a material impact on distributable income?

Should the Scheme be unsuccessful, the Singapore Code on Take-overs and Mergers prohibits ESR-REIT and/or its concert parties from making another takeover offer for Sabana REIT for 12 months from the date on which the Scheme is withdrawn or lapses, except with the SIC's consent. The ESR-REIT Manager will continue on its strategies to grow organically via asset enhancement initiatives including redevelopment of assets, and inorganically via portfolio or single asset acquisitions both locally and overseas with the support of its strong developer-sponsor, the ESR Group.

ESR-REIT would have to bear some costs and expenses (including but not limited to the fees and disbursements of counsel, auditors and advisers) incurred in connection with the Scheme but these costs are not expected to have a material impact on distributable income.

The Implementation Agreement also contemplates that in certain circumstances where the Scheme is not successful (the "**Break Fee Events**"), ESR-REIT will be entitled to receive from Sabana REIT compensation for costs and expenses reasonably incurred by ESR-REIT in connection with the Scheme (the "**Break Fee**").

Similarly, it was also agreed in the Implementation Agreement that in certain events (the "**Reverse Break Fee Events**"), Sabana REIT will be entitled to recover from ESR-REIT costs and expenses reasonably incurred by Sabana REIT in connection with the Scheme (the "**Reverse Break Fee**"). The Break Fee (payable to ESR-REIT) and the Reverse Break Fee (payable to Sabana REIT) are each capped at a maximum amount of 1.0% of the aggregate Scheme Consideration (which for the purposes of calculating the Break Fee or Reverse Break Fee (as applicable), shall be calculated based on the volume weighted average price of the ESR-REIT Units for the one (1) month period ending on and including the last trading day prior to the date of the relevant Break Fee Event or Reverse Break Fee Event (as applicable) multiplied by the number of ESR-REIT Units that would have otherwise been issued pursuant to the Scheme (assuming the Scheme became effective)).

Question 5:

What kind of rental collection programs are being offered to the current tenants who are facing problems with payment?

As of 30 September 2020, we have received Notifications for Relief from 23 tenants (out of a total of 346 tenants) who accounted for total monthly rent of about S\$0.8 million or 4.6% of our portfolio rent. As of 30 September 2020, S\$3.8 million of rental rebates have been given to eligible tenants and another S\$3.2 million has been recognised but yet to be given out as the majority of it are pending IRAS's confirmation of the cash grants and eligibility for SME tenants. We expect to receive the confirmations from IRAS in December 2020.

Separately, we have also offered and granted certain tenants the option to settle their arrears via a repayment scheme with repayment periods ranging from 6 to 18 months, depending on the amount and balance of the lease term.

Nonetheless, rental collection levels have remained consistently close to 95% of gross rental income, consistent with 1H2020, as well as pre-COVID-19 levels.

Question 6:

The ESR Group recently increased its interest in AIMS APAC REIT. Will AIMS APAC REIT, or any other REITs, be potential acquisition targets for ESR-REIT?

We are not in a position to comment on the ESR Group's investment decisions. On our part, we constantly look for ways to grow and improve returns to unitholders, and will continue to do so. We will also continue to benefit from being able to leverage on ESR Group's operating platform to improve growth prospects.

Question 7:

What is the realistic pipeline from the ESR Group that is ready for possible ESR-REIT's acquisitions? Are there any properties offered to ESR-REIT currently?

The ESR-REIT Manager is currently focused on the Merger and is not in discussion with ESR Group on any potential acquisitions at this time. However, we are always evaluating potential opportunities both overseas and locally to grow ESR-REIT and improve returns for unitholders. When considering potential expansion overseas, we will focus on markets in which the ESR Group has an operating platform, footprint and network, such as China, South Korea, Japan, India, and Australia. Post-Merger, the Enlarged REIT will continue to benefit from having a "first look" on more than US\$26 billion of ESR Group's growing portfolio of assets.

Question 8:

When will the Merger be completed?

The Effective Date of the Scheme is expected to be on or around 31 December 2020. The allotment and issue of Consideration Units to the Sabana Unitholders and commencement of trading of the Consideration Units on the SGX-ST will likely happen about 1 week after the Scheme becomes effective.

Indicative Timeline

Latest date and time for pre-registration and lodgement of Proxy Form	1 December 2020 at 10.00 a.m.
Date and time of the EGM for the ESR-REIT Unitholders	4 December 2020 at 10.00 a.m.
Date and time of the extraordinary general meeting for the Sabana Unitholders	4 December 2020 at 2.00 p.m.
Date and time of the Scheme Meeting	4 December 2020 at 2.30 p.m., or as soon thereafter following the conclusion of the extraordinary general meeting for the Sabana Unitholders, whichever is later
Expected date of Court hearing of the application to sanction the Scheme	21 December 2020
Expected Effective Date of Scheme	31 December 2020
Expected date for allotment and issue of Consideration Units to the Sabana Unitholders	5 January 2021
Expected date for commencement of trading of the Consideration Units on the SGX-ST	6 January 2021
Expected delisting of Sabana REIT	8 January 2021

All dates and times referred to above are Singapore dates and times. Please note that the timetable for the events which are scheduled to take place after the EGM and the Scheme Meeting is indicative only and may be subject to change. Please refer to future SGXNET announcement(s) by the ESR-REIT Manager for the exact dates of these events.

Question 9:

Since the merger between ESR-REIT and Viva Industrial Trust in 2018, the unit price and DPU of ESR-REIT have dropped. ESR-REIT Unitholders have also yet to fully reap the benefits of the merger of ESR-REIT and Viva Industrial Trust. Why are we proposing the Merger now?

The merger between ESR-REIT and Viva Industrial Trust has been transformational as it has enabled ESR-REIT to access capital at lower cost, as well as trade at a higher average trading volume post the merger. Through the merger, ESR-REIT also benefited from the optimisation of approximately 200,000 square feet of unutilised plot ratio at Viva Business Park.

The Merger with Sabana REIT now would be timely, as it will increase the probability of entry into key indices which offers access to larger and wider pools of capital and lower cost of funding, which would be beneficial to the Enlarged REIT unitholders. In addition, having a larger and more resilient portfolio will also allow the Enlarged REIT to be better able to navigate property cycles and crises, especially amid the challenges brought about by the COVID-19 pandemic, and be better positioned to capitalise on attractive growth opportunities when they arise.

Question 10:

What will be ESR-REIT's strategy and plans towards older properties such as Viva Business Park with land tenure that is due in approximately 10 years' time? Is there any indication from JTC on the renewal of the land tenure?

This is a business risk inherent in all Singapore focused industrial S-REITs as industrial land in Singapore is highly regulated by the JTC and has a fixed land tenure of up to 30 years. However, land lease extensions are not uncommon. Typically, in assessing land lease extensions, JTC would consider amongst other factors, if the asset is at its highest and best use, if tenants are in line with Singapore's economy and the REIT's investment commitment and strategy for the property. The ESR-REIT Manager has plans for Viva Business Park and is currently in talks with the relevant authorities. We will make the necessary announcements when there are material developments.

Question 11:

Sabana REIT has a few properties that are not occupied / have low occupancy rates such as 1 Tuas Avenue 4 and 30 & 32 Tuas Avenue 8. What strategies would the ESR-REIT Manager adopt differently from the Sabana Manager as both properties have been vacant for quite some time and given there is ample industrial supply in the west region of Singapore?

We will review some of the assets in the Sabana REIT portfolio which may be non-core to the Enlarged REIT and extract the best value from these assets at opportune time. We will conduct a feasibility study on the enlarged portfolio for opportunities for asset rejuvenation and repositioning and to convert assets from General Industrial to High-Specs so as to meet the needs of industrialists today and in the future, as well as to maximise plot ratios. With a larger asset base and lower borrowing costs post-Merger, we will be able to better plan the timing and execution of these organic growth plans with reduced portfolio impact in contrast to ESR-REIT doing this on a standalone basis.

Question 12:

If the Merger gets through, which year and quarter will the ESR-REIT Unitholders start to receive a higher DPU? How much is the quarterly DPU in cents?

ESR-REIT Unitholders will be entitled to the DPU of the Enlarged REIT with effect from the Effective Date of the Merger. We are unable to provide forward-looking projections for the Enlarged REIT. However, assuming that the Merger had been completed on 1 January 2019, ESR-REIT's DPU for the financial year ended 31 December 2019 would have increased from 3.529 cents to 3.637 cents, translating to a DPU accretion of 3.1%, while the annualised DPU for 1H2020 would have increased from 2.718 cents to 2.812 cents, translating to a DPU accretion of 3.5%

Question 13:

After the Merger, will there be any potential rights issue for AEs, property acquisitions, etc.?

We are unable to comment on the specifics of the funding sources for future AEs and property acquisitions at the current moment until further detailed analysis/evaluation has been performed. However, we will continue to look for ways to grow and improve returns for unitholders while balancing risk.

Question 14:

What are the chances of ESR-REIT being included in key indices after the Merger? Which indices are you referring to?

The Enlarged REIT's larger market capitalisation and free float increases the probability of inclusion in key indices such as the FTSE EPRA Nareit Developed Asia Index, a subset of the FTSE EPRA Nareit Developed Index. As at September 2020, the regular entry threshold is a free float of approximately US\$1.0 billion, equivalent to approximately S\$1.4 billion.

Post-Merger, based on the Reference Price of S\$0.401 per ESR-REIT Unit, the Enlarged REIT's market capitalisation will increase by approximately 28.5% to S\$1.8 billion while its free float is expected to increase by approximately 42.0% from S\$0.9 billion to S\$1.3 billion¹. Hence, the larger market capitalisation and free float increases the probability of inclusion in key indices such as the FTSE EPRA Nareit Developed Asia Index.

Question 15:

Since the managers of ESR-REIT and Sabana REIT are owned by the ESR Group, shouldn't the fee be waived/halved since the ESR-REIT Manager did not have to actively go and seek a right REIT to merge?

The ESR-REIT Manager has committed substantial time, effort and resources in the review, analysis, negotiation and execution of the proposed Merger, especially given that the Merger constitutes a major transaction, in arriving at a transaction that is value accretive to ESR-REIT Unitholders. As such, the ESR-REIT Manager should be duly remunerated in accordance with the ESR-REIT Trust Deed.

In addition, there is an alignment of interests between the ESR-REIT Manager and the ESR-REIT Unitholders to improve the performance of the Enlarged REIT, as the acquisition fee will be satisfied through the issuance of new ESR-REIT Units to the ESR-REIT Manager and such ESR-REIT Units shall not be sold within one (1) year from the date of issuance in accordance with Paragraph 5.7 of the Property Funds Appendix.

Question 16:

The ESR-REIT Manager issued a 'no price increase' statement which has left no room for price negotiation. Do you think, in hindsight, that it was an impulsive move and do you regret it given the two substantial unitholders of Sabana REIT with a swing vote have stated that they find the price unfavourable and that they intend to vote against the Merger?

The terms of the Merger have been extensively negotiated and agreed between the ESR-REIT Manager and the Sabana Manager, with the assistance of professional advisers. The Scheme Consideration, including the exchange ratio, was determined after taking into consideration, amongst other factors, the portfolio risk, capital structure and historical trading prices relative to the NAVs of both REITs.

It is important to note that the Scheme Consideration payable for each Sabana Unit is based on an exchange ratio, and not a fixed offer price, and the implied Scheme Consideration is therefore directly correlated to ESR-REIT's unit price performance and may rise or decline.

In light of the above, we believe that the terms will result in a beneficial and balanced outcome for unitholders of both ESR-REIT and Sabana REIT.

As such, in order to avoid unnecessary unit price volatility due to expectations and/or speculations that there may be a revision in the Scheme Consideration or exchange ratio, it was announced on 6 August 2020 that we did not intend to increase the Scheme Consideration and accordingly, the exchange ratio of 0.940x is final, except that we reserve the right to do so in a competitive situation.

¹ Includes the issue of approximately 989.9 million new ESR-REIT Units as the aggregate Scheme Consideration and the issue of approximately 20.7 million ESR-REIT Units as the Acquisition Fee for the Merger at the Reference Price of S\$0.401 per ESR-REIT Unit. For the avoidance of doubt, the actual number of ESR-REIT Units to be issued as payment for the Acquisition Fee will be determined based on the 10-day volume weighted average price of the ESR-REIT Units up to and including the last trading day immediately preceding the Effective Date.

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 billion². 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 ESR-REIT 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 APAC 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 and Ping An. The ESR platform spans across the People's Republic of China, Japan, South Korea, Singapore, Australia and India. As of 30 June 2020, 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\$26.5 billion, and GFA of properties completed and under development as well as GFA to be built on land held for future development comprised 18.7 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.

² 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 (the “**ESR-REIT 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 ESR-REIT 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 ESR-REIT 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 announcement 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 ESR-REIT Manager’s current view of future events.

This announcement 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 announcement 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 ESR-REIT Manager, the Trustee or any of the Affiliates.

Responsibility Statement

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