



SABANA SHARI'AH COMPLIANT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted on 29 October 2010 under the laws of the Republic of Singapore)

SABANA REIT ACHIEVES 41.2% Y-O-Y INCREASE IN DISTRIBUTABLE INCOME TO S\$15.6 MILLION; PROGRESSING ON NEXT PHASE OF GROWTH WITH STRATEGIC UPDATE

- Improved performance: Delivering on Refreshed Strategy
 - Income available for distribution to Unitholders improved by 41.2% year-on-year (“y-o-y”)
 - Improvement in overall portfolio occupancy to 83.4%¹ (as at 31 Dec 2020: 76.5%)
 - Higher revenue contribution following AEI and rejuvenation works
- Strategic Update: Progressing on next phase of growth
 1. Removal of Shari’ah compliance requirement, which has been invaluable in the past, to accommodate the changing profile of tenants and enhance flexibility for the next phase of growth
 2. Proactive capital management with entry into new Facility Agreement for unsecured loans of up to S\$225.0 million; next refinancing in 2024
 3. Resuming Distribution Reinvestment Plan (“DRP”) to allow Unitholders to participate in longer-term growth
 4. Strengthening stewardship with appointment of Independent Director (“ID”)

“We are seeing the fruits of our labour from the disciplined execution of our Refreshed Strategy over the past three years. Despite the turbulence wrought from COVID-19, we have stabilised the performance of the REIT, notably with improvements on occupancy as compared to the pre-COVID-19 period. Our proactive leasing management, together with the completion of our asset rejuvenations for select properties, contributed to the improved occupancy. We were able to attract more tenants from expansionary, resilient sectors. We also saw the opening of our new NTP+ lifestyle mall in 1H, which has and will continue to attract new, diverse tenants including in F&B. This resulted from the successful asset enhancement initiative (“AEI”) at our crown jewel New Tech Park (“NTP”).

“While we are firmly on the right track, much work is still required. We are progressing on the next phase of growth and will be removing the Shari’ah compliance requirement of Sabana REIT after careful consideration. Shari’ah compliance has differentiated us in the past, and we are grateful for the ecosystem of support it has given us access to. However, we have taken into account feedback from Unitholders, undertaken our own feasibility studies, considered the REIT’s strategic objectives and assessed the broader macroeconomic landscape in consideration of the changing profile of our tenants. Ultimately, our guiding principle is how best to deliver sustained value for Unitholders and hence our decision to remove the Shari’ah compliance feature.

“Additionally, to enable Unitholders to participate in longer term growth, we are also resuming our Distribution Reinvestment Plan. As part of the Manager’s commitment to enhance the Board, a new Independent Director was earlier appointed.

“While the economic outlook for Singapore and our sector are encouraging, we remain in uncharted waters with COVID-19. That is why we proactively seek to maintain a robust capital structure. This strategic update and the collective commitment and focus of our people give us confidence that we can generate growth for our Unitholders.”

Donald Han, Chief Executive Officer, Sabana REIT

¹ Excluding 1 Tuas Avenue 4 (“1TA4”) which is held for divestment, occupancy would have been 86.4%.

Singapore, 22 July 2021 – Sabana Real Estate Investment Management Pte. Ltd., the Manager of Sabana Shari’ah Compliant Industrial Real Estate Investment Trust (“**Sabana REIT**”), today reported the REIT’s financial results for 1H 2021.

Improved Performance: Delivering on Refreshed Strategy

Unitholders will receive a DPU of 1.48 cents for 1H 2021, representing an increase of 214.9% y-o-y. In 1H 2020, the Manager had temporarily retained 55.0% of its distributable income to conserve capital. Had this been included in 1H 2020’s DPU, 1H 2021’s DPU would have increased 40.9% y-o-y over 1H 2020’s DPU of 1.05 cents.

Gross revenue increased 14.1% y-o-y to S\$39.1 million, mainly due to higher contribution from NTP, 23 Serangoon North Avenue 5 (“**23SNA5**”) and 10 Changi South Street 2 (“**10CSS2**”) on higher occupancy. NPI rose 23.2% to S\$25.7 million on the higher revenue.

The Manager remains well-positioned to service its loans, with a healthy profit coverage of 4.8 times and an aggregate leverage of 34.9% as at 30 June 2021.

Overall occupancy levels as at 30 June 2021 was 83.4%, up from 77.3% as at 30 June 2020 and 76.5% as at 31 December 2020, on improved occupancy across NTP+ and other rejuvenated properties like 23SNA5 and 10CSS2. Excluding 1 Tuas Avenue 4 (“**1TA4**”) which is held for divestment, occupancy would have been 86.4%.

The Manager’s focus on attracting tenants in expansionary sectors has led to the onboarding of companies from the electronics, healthcare, data centre, and logistics sectors in 1H 2021. The opening of the new NTP+ lifestyle mall at NTP has also attracted a new, diverse tenant mix including from the F&B and retail sectors.

Amid heightened alert restrictions implemented from May 2021, rental reversion was a positive 11.8% for 1H 2021 as the Manager continues to proactively engage with existing tenants.

Summary of Results

(S\$’000)	1H 2021	1H 2020	Variance (%)
Gross revenue²	39,092	34,263	+14.1
Net property income (“NPI”)	25,698	20,862	+23.2
Income available for distribution to Unitholders	15,642	11,077	+41.2
Amount available for distribution per unit (cents)	1.48	1.05	+40.9
Distribution per Unit (“DPU”) (cents)	1.48	0.47³	+214.9

² Please refer to item 2 of the “Other Information”

³ In view of the COVID-19 situation, the Manager had retained 55.0% of its 1H 2020 distributable income to conserve the Group’s capital. Had the above been included, 1H 2020 DPU would have been 1.05 cents

Strategic Update: Progressing on next phase of growth

- 1. Removal of Shari'ah compliance requirement, which has been invaluable in the past, to accommodate changing profile of tenants and enhance flexibility for the next phase of growth**
 - Removal of requirement based on feedback from Unitholders, feasibility studies and strategic analysis of growth opportunities
 - This does not require further approval from Unitholders as it is within the purview of the Trust Deed⁴
 - The Manager recognises that Shari'ah compliance has served the REIT well and has been a differentiating factor within the Singapore and international REIT space
 - The immediate and future benefits are as follows:
 - **Enhanced balance sheet resilience**
 - Access to more diversified funding sources, which provides further resilience for balance sheet and financial flexibility
 - Better position the REIT to drive value-accretive acquisitions and organic growth
 - **Diversification of investor base**
 - Decrease in percentage of unitholdings by Shari'ah investors from approx. 12.3% as at 31 Dec 2011 to approx. 2.0% as at 31 Mar 2021, based on information available to Manager
 - More flexibility in its investments beyond Shari'ah compliant industrial properties can enable the REIT to appeal to a wider pool of investors
 - **Greater flexibility in capturing growth opportunities and delivering on Refreshed Strategy**
 - Facilitate execution of our Refreshed Strategy through exposure to a larger pool of diversified and potentially higher-rental paying tenants for Sabana REIT's properties
 - NTP+ has and is expected to continue attracting a new, diverse tenant mix including from F&B and retail sectors
 - **Potential cost savings in the long-run**
 - Shari'ah-related compliance costs will no longer be incurred
 - The effective date of change is intended on or around 21 October 2021. Having said this, we are exploring options to remain a viable investment for Shari'ah investors and to potentially remain on relevant indices
 - Unitholders with any queries on the removal of Shari'ah compliance may email us at Enquiry_Shariah@sabana.com.sg
- 2. Proactive capital management with entry into Facility Agreement for up to S\$225.0 million in unsecured loans**
 - Facility Agreement with UOB for up to S\$225.0 million in unsecured term and revolving facilities to refinance majority of existing indebtedness and for general corporate and working capital requirements
 - Expected to lengthen the weighted average debt expiry with majority of the borrowings turning unencumbered
 - Next refinancing in 2024
- 3. Resuming Distribution Reinvestment Plan to enable Unitholders to participate in long-term growth**
 - Opportunity for Unitholders to increase unitholdings and participate in Sabana REIT's growth at a discount to the weighted average traded price per Unit ("VWAP")
 - This will strengthen Sabana REIT's working capital reserves, conserve cash from operations, and provide financial flexibility (with more cash retained)
- 4. Strengthening stewardship with appointment of ID, from current two IDs**
 - Effective 2 June 2021, Mr Chan Wai Kheong appointed as Independent Non-Executive Director and

⁴ Under Clause 10.2.4 of the Trust Deed, the Manager may from time to time change Sabana REIT's investment policies subject to compliance with the Listing Manual of Singapore Exchange Securities Trading Limited (the "SGX-ST", and the Listing Manual of the SGX-ST, the "Listing Manual"), so long as it has given not less than 30 days' prior notice of the change to the Trustee and unitholders of Sabana REIT ("Unitholders") by way of an announcement to the SGX-ST.

- Member of the Audit Committee and Nominating and Remuneration Committee
- The Board believes he possesses the right skillset and experience, from his extensive capital markets and investment experience of over 35 years

Outlook for the Year

According to the Ministry of Trade and Industry Singapore (“**MTI**”), the Singapore economy grew by 14.3% y-o-y in 2Q 2021, largely due to the low base in the previous year when GDP fell by 13.3% due to the Circuit Breaker measures implemented from 7 April to 1 June 2020. However, the economy contracted 2.0% quarter-on-quarter, a reversal of the 3.1% expansion in 1Q 2021⁵.

The persistent expansion in the Singapore Purchasing Manager's Index (“**PMI**”) indicates that the industrial sector will be in a state of continued growth throughout 2021, said Knight Frank. Although the considerable supply of new industrial space in the pipeline would likely keep industrial rent growth in check, output expansions in electronics, precision engineering and chemical clusters will continue to drive demand for industrial space with Knight Frank suggesting an improvement in both rents and rental activity in 2Q 2021.⁶

The recovery of the manufacturing sector is expected to be mixed across locations and buildings, due to COVID-19-related reasons.⁷ Older industrial buildings will also likely see a decline in demand, due to a preference for modern specifications coming from the rise in e-commerce, food logistics, and medical manufacturing.⁸

While Singapore’s economy is expected to recover, the Manager remains cautious as the macroeconomic landscape remains challenging with various unknowns in living with COVID-19, especially with new variants emerging globally.

The removal of the Shari’ah compliance requirement and entry into the Facility Agreement are therefore timely in balancing the navigation of near-term risks with longer-term growth opportunities, with the REIT now able to draw on a wider potential pool of tenant partners and lenders. The Manager remains committed to the key pillars of its Refreshed Strategy including proactive lease and asset management, as well as AEs and rejuvenation of select assets, underpinned by prudent risk and capital management as well as ongoing cost rationalisation. The Manager will also continue to entrench its alignment with Unitholders’ interests to deliver long-term sustainable value.

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⁵ “Singapore’s GDP Grew by 14.3 Per Cent in the Second Quarter of 2021”. Ministry of Trade and Industry Singapore. 14 July 2021.

⁶ “Singapore Research Industrial Q2 2021”. Knight Frank. Retrieved on 6 July 2021.

⁷ “Singapore Industrial Briefing Q1 2021”. Savills. 12 May 2021.

⁸ “Singapore 1Q 2021”. Edmund Tie. April 2021.

We have set up a dedicated email to answer any queries Unitholders may have on the removal of Shari'ah compliance. Please contact us at Enquiry_Shariah@sabana.com.sg

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 31 December 2020, Sabana REIT has 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. The total assets of the Group amount to more than \$0.9 billion as at 30 June 2021.

Sabana REIT is a constituent of the SGX S-REIT Index, MSCI Singapore Micro Cap Index, and 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 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.