



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)

CLARIFICATION IN RESPONSE TO MEDIA ARTICLES

Sabana Real Estate Investment Management Pte. Ltd., as manager of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust ("**Sabana REIT**", and the manager of Sabana REIT, the "**Manager**") refers to:

- (i) the articles published on 23 June 2016 by (a) The Straits Times titled "S&P withdraws rating on Sabana REIT after downgrade to junk" (the "**Straits Times Article**"); and (b) The Business Times titled "S&P' downgrade of Sabana REIT withdrawn on trust's request" (the "**Business Times Article**", and together with the Straits Times Article, the "**Articles**"); and
- (ii) the announcement released by the Manager dated 23 June 2016 and titled "Corporate Credit Rating Update" (the "**Announcement**").

The Manager wishes to clarify that S&P Global Ratings ("**S&P**") had on 23 June 2016 lowered Sabana REIT's long-term corporate credit rating from "BBB-" to "BB+" with a stable outlook.

In addition, the Manager wishes to make the following clarifications in response to certain information which was published in the Articles.

- (a) The Manager notes that the title headings of the Articles may be misleading as they suggest that Sabana REIT had requested a withdrawal of the credit rating only after S&P had lowered its credit rating to "BB+" with a stable outlook.

The Manager wishes to clarify that this is not the case. Prior to S&P lowering the credit rating yesterday, the Manager had already decided that it would be in the interest of Sabana REIT not to continue with any further credit rating on Sabana REIT as this will avoid incurring unnecessary costs following the recent amendment to Appendix 6 of the Code on Collective Investment Schemes which now allows real estate investment trusts to adopt a single-tier leverage limit of 45% without the requirement for a credit rating. Accordingly, the Manager had on 14 June 2016 notified S&P that it no longer required S&P to provide any further credit rating on Sabana REIT. The Manager was only informed by S&P of its consent to withdraw its credit rating and the new credit rating of "BB+ with a stable outlook on 23 June 2016.

- (b) The Manager notes that the Articles had also mentioned S&P's own expectations with respect to Sabana REIT's ratio of funds from operations to debt over the course of the next 12 months. The Manager wishes to highlight that Sabana REIT's future ratio of funds from operations to debt cannot be definitively determined at this time. Such ratio would be contingent on various factors, including the Manager's ability to secure lease renewals/replacement leases for Sabana REIT's properties and the interest rate of Sabana REIT's borrowings, which is subject to negotiation with the relevant lending banks.

- (c) The Articles had also mentioned that Sabana REIT “*intends to pursue a built-to-suit transaction of about \$25 million, to be completed by mid-2018*”.

The Manager notes that it does from time to time and in accordance with its stated strategies of “*Growth Through Acquisitions*” and “*Opportunistic Development*”,¹ review and explores various acquisition and development opportunities, including “built-to-suit” development projects for certain tenants.

As mentioned during the recent Annual General Meeting of Sabana REIT, the proposed built-to-suit development project is one of the various development options available to Sabana REIT and is currently still preliminary and there is no certainty that any transaction will result from such plans. Discussions are still ongoing and no decision has been made as to whether the transaction will take place and no definitive agreements have been entered into.

The Manager will make the appropriate announcements in due course in accordance with the Listing Manual in the event that there are any further material developments on the proposed built-to-suit development project.

- (d) Following from paragraph (c) above, the Manager notes that the Articles had also published S&P’s expectations that funding for the built-to-suit development project would have to involve an equity component. The Manager wishes to clarify that the method of funding, be it equity or debt funding or a combination of both, would only be determined at a later date when any definitive agreements have been entered into. The method of funding chosen would be determined by the Manager (and if applicable, with consultation(s) with the relevant professional advisers) based on various factors, including among others, the potential dilutive effect, the prevailing market conditions and Sabana REIT’s aggregate leverage at the relevant time.
- (e) The Manager wishes to inform Unitholders that it intends to take the necessary creditor-friendly measures to preserve its balance sheet strength.

In the meantime, Unitholders are advised to refrain from taking any action in respect of their units in Sabana REIT (“**Units**”) which may be prejudicial to their interests, and to exercise caution when dealing in the Units.

By Order of the Board
Sabana Real Estate Investment Management Pte. Ltd.
(Company registration number 201005493K)
As Manager of Sabana Shari’ah Compliant Industrial Real Estate Investment Trust

Kevin Xayaraj
Chief Executive Officer and Executive Director
24 June 2016

¹ Please refer to Sabana REIT’s Annual Report for the financial year ended 31 December 2015 for further details on the Manager’s strategies.

Sabana REIT

Sabana REIT was listed on Singapore Exchange Securities Trading Limited 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. Sabana REIT currently has a diversified portfolio of 21 quality properties in Singapore, in the high-tech industrial, warehouse and logistics, chemical warehouse and logistics, as well as general industrial sectors. Its total assets amount to approximately S\$1.1 billion.

Sabana REIT is listed in several indices within the SGX S-REIT Index, Morgan Stanley Capital International, Inc (MSCI) Index, the Global Property Research (GPR) index, FTSE index and S&P Dow Jones Indices.

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 <http://www.sabana-reit.com>.

Important Notice

This announcement is for information only and does not constitute an offer, invitation or solicitation of securities in Singapore or any other jurisdiction nor should it or any part of it form the basis of, or be relied upon in connection with, any contract or commitment whatsoever.

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.

This announcement is not an offer or sale of any Units in the United States. No Units have been or will be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold in the United States absent registration except pursuant to an exemption from, or in a transaction not subject to, registration under the Securities Act.

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