SABANA
SHARI'AH COMPLIANT REIT

Proposed Merger of Sabana REIT and ESR-REIT

25 November 2020

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Sabana Unitholders To Be Mindful of Unsubstantiated Claims

QUARZ AND BLACK CRANE ("Q&BC") RECOMMENDATIONS HAVE YET TO BE SUBSTANTIATED

- With the EGM and Scheme Meeting scheduled for 4 December, the Merger process has entered a critical stage
- Per our 20 November Press Release, the Board has called on Q&BC to **provide crucial details or supporting information to substantiate their claims** so that the Sabana Manager and Sabana Unitholders can carry out a detailed analysis and make informed decisions

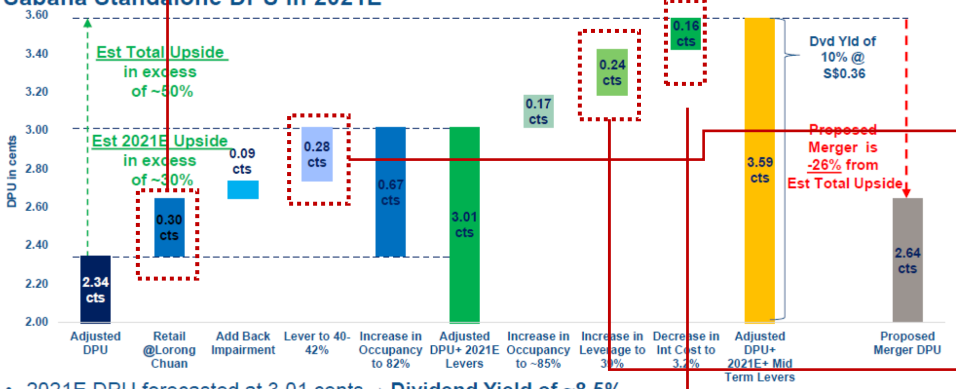
Various suggestions made by Q&BC previously that Sabana REIT has the potential to increase leverage and occupancy in order to substantially grow its DPU have **already been COVERED and CLARIFIED** in detail in Paragraph 12 of Appendix A in the Scheme Document.

The Board urges Q&BC to provide realistic and substantiated bases and assumptions, as they owe it to ALL Sabana Unitholders to act responsibly and justify their statements.

Potential DPU Upside Unrealistic and Unsubstantiated

(Extracted from Quarz and Black Crane's Presentation released on 21 November 2020, Pg 7)

Proposed Merger is DPU De-cretive (Value Destructive) when Compared to Potential Sabana Standalone DPU in 2021E



- 2021E DPU forecasted at 3.01 cents→ **Dividend Yield of ~8.5%**
- 2022-2023E DPU forecasted at 3.59 cents → **Dividend Yield of >10%**
- The potential significant DPU growth is the key reason why Sabana book value is ~S$0.51-0.56 → >20% higher than ESR REIT at S$0.41 **(ESR-REIT portfolio has much shorter land lease terms)**
- ESR Cayman purchased **significant stake @ S$0.48 in June 2019**
- ESR REIT now proposes a merger offer with implied value ~S$0.36 (~25% lower than earlier purchase price)

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1 S$3.7million NPI translates to an average gross rent of S$13.50 psf pm on 100% occupancy assuming NPI margin of 65%. Asking rents in Commercial Guru for similar type retail mall in the vicinity range from S$5.00 to S$10.00 psf pm. **What are the bases and comparable buildings used? It is important to note that even after the Merger, Sabana Unitholders will still be able to benefit from the additional NPI from the retail component after its completion, as part of the Enlarged REIT.**

2 With 93.8% of its assets being mortgaged to existing lenders and assuming maximum 50% LTV, the debt headroom is approximately S$25.9 million. Borrowing costs are different for secured and unsecured loans. **What are Q&BC's borrowing costs and terms in arriving at a forecast of +0.28 cents?**

3 How is Sabana REIT able to further increase its leverage to 39% (green bar) when it is supposed to be at 40-42% (see Point #2 blue bar)? **Q&BC should explain their rationale for this "double-counting".**

4 Sabana REIT's interest cost is already at 3.2% as at 3Q2020. The proposed Merger will refinance all Sabana's secured debt with a new 5-year unsecured loan at a lower 2.5% interest cost. **What is the basis of Q&BC's 3.2% interest costs and is the pricing based on a secured or unsecured loan?**

Potential Sabana Standalone DPU done on a forecast basis and full disclaimers. Are Q&BC willing to stand behind their forecasts?

Next few slides highlight inaccuracies / questionable assumptions which raises doubt on the overall DPU upside of [30%] Quarz and Black Crane quoted.

Questionable Assumptions in relation to Construction Costs, Loss of DPU During Construction and Lack of Funding Details

(Extracted from Quarz and Black Crane's Presentation released on 21 November 2020, Pg 8)

Redevelopment Opportunity @ 33&35 Penjuru Lane

- Land Area of 277k sqft (plot ratio 2.5x) with GFA of 286k sqft
- Unutilised plot ratio of 406k (↑140% in GFA) with ~29-yr land lease
- Mapletree Log Trust's 31 Penjuru Lane:
  - Land Area of 142k sqft (potential plot ratio 2.5x) with NLA of 166k sqft
  - Unutilised plot ratio of 206k (↑143% in GFA)
  - ~12-yr land lease→ urgency to invest and extend land lease
  - Combined land area of ~419k sqft can accommodate sizeable >1m sqft redeveloped ramp-up multi-tenant logistic hub
- AIMS APAC REIT's 27 Penjuru Lane:
  - 5-storey >1m sqft ramp-up multi-storey logistic warehouse with 9-storey office completed in 2007
  - Existing ramp-up can support redeveloped multi-storey logistic hub at 33&35 Penjuru lane with efficiency gains

Potential redevelopment plan (~S$100m) with adjacent properties to maximise site potential and generate ~S$9m of gross rental income (S$1.2psf/mth with 10% vacancy rate) → Potential increase in DPU by ~0.46 cents (+~20%)

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There are several questionable assumptions made for this "redevelopment opportunity"

1. At S$100 million development cost, this implies construction costs of S$144psf for a ramp up building. **Where did Q&BC obtain and rely on such construction estimates? Has the incremental cost due to COVID-19 measures imposed on construction industry been factored in?**

2. This "redevelopment opportunity" would require tearing down of the asset and losing income and **NO DPU across the development period of approximately 18-24 months**. Questions for Q&BC to be answered include:

   a) How will this S$100 million development cost be funded?

   b) Will an equity fund raising be required given Sabana's additional debt headroom of c.S$25.9 million ?

   c) What are the funding assumptions (both debt & equity) Q&BC are assuming in arriving at the 0.46 cents potential DPU increase (+c.20%)?

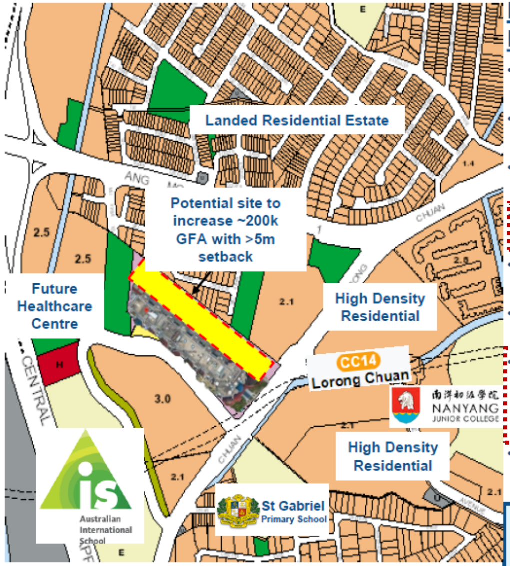
   d) Have they taken into consideration the loss of income during construction in arriving at their DPU forecasts?

3. Why would a **competitor** agree to share their ramp when sharing of the ramp would subject the properties to **easement issues** and is not sustainable in the long term?

Construction costs are questionable. Has the loss of DPU for 18-24 months during construction and the funding been considered in the [30%] overall DPU upside quoted (given there is only c.S$25.9 million debt headroom for a S$100m development cost)?

Questionable Claims in Allowable Plot Ratio, Ability for Business Park Zoning and Unrealistic Construction Costs

(Extracted from Quarz and Black Crane's Presentation released on 21 November 2020, Pg 10)



Redevelopment Opportunity @ 151 Lorong Chuan (New Tech Park)

- Flagship Asset Comprising ~35%/30% of portfolio valuation/revenue
- Next to Lorong Chuan MRT & proximate to CTE & PIE – 15/25 mins drive to CBD/Changi Airport
- MNC Tenants such as Lenovo, Monsanto, Keyence, Fujitsu, MTV Asia, Kone
- Land size/GFA of ~428k/872k sqft with plot ratio of 2.5x →untapped GFA of ~200k sqft
- Attractive residential catchment area with >200,000 residents in 1.5km radius with low retail penetration
- Cost effective AEI to enhance existing GFA to retain and attract tenants
- Single block with ~200k sqft of high spec business park space can be built on site with minimal disruption to existing tenants-*redevelopment process potentially initiated by current REIT Manager*
- New development can be customised with long term master lease to single tenant or multi-tenanted

Redevelopment costing S$40m can yield additional NPI of S$6.1m (S$3.2psf @ 10% vacancy) → Potential increase in DPU by ~0.42 cents (+18%)

Source: SLA, OneMap, URA, Sabana REIT

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Again, there are several questionable claims in this "redevelopment opportunity"

1. While the maximum allowable plot ratio under the URA Masterplan 2019 is 2.5x, the allowable plot ratio under the head lease is 2.02x – which is the current plot ratio including NTP+.

2. S$40 million translates to a construction cost of $195psf for a high-tech spec which is not realistic. **How did Q&BC arrive at this construction costs and what are the bases and assumptions in arriving at their forecast of +0.42 cents (+18%) DPU increase? Have the development charge/differential premium, site and technical constraints that will result in higher construction costs been factored in? Again, what are the funding assumptions?**

3. The proposed site for development has existing infrastructure serving the existing block such as water tank, aircon equipment and fire engine access. Site constraints and the need to maintain existing infrastructure are considerations which will impact the new building and existing tenants' operations during the construction period. **Has Q&BC considered these in arriving at their DPU increase forecasts? If yes, what is the impact?**

Construction costs are questionable, plot ratio quoted is ABOVE the allowable plot ratio. Additionally, plans to convert this into a Business Park, where this proposed development area is NOT zoned for Business Park?

Inaccuracies in Untapped GFA and Plot Ratio Figures Quoted

(Extracted from Quarz and Black Crane's Presentation released on 21 November 2020, Pg 11)

4 Key Assets with Potential to Increase GFA by >40% when Redeveloped

	33&35 Penjuru Lane	51 Penjuru Road	10 Changi South St 2	26 Loyang Drive
Land Area	~277k sqft	~165k sqft	~170k sqft	~195k sqft
Plot Ratio	2.5x (B2)	2.5x (B2)	2.5x	2.5x
Max GFA	~693k sqft	~414k sqft	~340k sqft	~488k sqft
Current GFA	~286k sqft	~246k sqft	~238k sqft	~149k sqft
Untapped GFA	~406k sqft	~167k sqft	~101k sqft	~339k sqft
% Inc GFA	~40%	~65%	~42%	~120%

Potential to Increase GFA by ~1 million sqft

Redevelopment of key assets can potentially increase Gross Rental Income by >S$10m

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Please note the following inaccurate numbers

1. 51 Penjuru Road has only un-tapped GFA of 146,000 sqft and not 167,000 sqft as the land area is 157,000 sqft, not 165,000 sqft.

2. Q&BC estimated additional 101,000 sqft of untapped GFA from 10 Changi South St 2 is based on maximum allowable plot ratio of 2.5x whereas under Master Plan 2019, the maximum allowable plot ratio is 2.0x. However, the actual approved plot ratio under the head lease is only 1.4 which has already been maximised.

3. Q&BC have only shown the "potential to increase Gross Rental Income by >$10mil" but **fail to address how these developments are to be funded and the resultant DPU impact to the Sabana Unitholders.**

Inaccuracy in untapped GFA and plot ratio figures quoted raises doubt on the overall DPU upside of [30%] quoted?

Lack of Understanding on How Lenders View Borrower's Credit

(Extracted from Quarz and Black Crane's Presentation released on 21 November 2020, Pg 12)

REIT Manager's Claims that it cannot increase leverage level is <u>ABSURD</u>

→ <u>It Reflects Lack of Efforts in Optimizing The Financial Structure</u>

	Sabana REIT					ARA Logos Trust	Soilbuild Biz Trust
	2016	2017	2018	2019	Current Claims by Mgmt		
Total Assets S$m	1022.9	966.1	989.4	971.6	927.4	1260.0	1379.4
Total Debt S$m	441.1	367.5	363.0	276.5	283.3	523.4	494.9
Avg Int Cost %	3.9	3.9	4.2	3.9	3.8	3.5	3.1
Avg Debt Maturity (Yrs)	1.9	1.8	1.3	2.3	1.6	3.5	1.9
Leverage (%)	43.2	38.2	36.8	31.0	33.7	40.4	36.9
Unencumbered Assets S$m	331.5	268.7	240.8	133.7	51.7	1100.0	981.7
Unencumbered Assets As % of Total Assets	32.4	27.8	24.3	13.8	5.6	87.3	71.2

Significantly higher % of unencumbered assets (debt headroom) in 2015-18 despite multiple problems and higher leverage vs current levels

Substantial drop in % of unencumbered Assets following change in Management (early 2018) and entry of ESR Cayman (July 2019) → Significant disparity vs peers

Source: Financial reports of Sabana REIT, ARA Logos Trust, Soilbuild Trust, management comments and OCBC Research estimates

- Despite issues with previous management (pre 2017), Sabana operated with much higher leverage but got more unencumbered assets with the same portfolio!
- Since current team took over in 2018 (ESR Cayman in mid 2019), unencumbered assets have sharply decreased despite the substantial decrease in leverage level
- Peers such as Soilbuild & ARA Logos Trust with just ~33-43% larger asset base have even higher leverage level of ~37-41% with potentially ~70% of their assets unencumbered and additional debt headroom

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Q&BC's analysis shows a lack of understanding of how lenders view borrower's credit when pricing loans

1. As mentioned in the Manager's announcement titled "Clarifications relating to the Proposed Merger" dated 28 August 2020, lenders assess the credit risk of a REIT, among others, by the <u>size, quality, portfolio diversity, stability of cashflows, percentage of secured versus unsecured assets, debt expiry profile, debt tenor and track record of Sponsor's backing</u> in determining the LTV (loans to valuation) and pricing terms for debt.

2. A <u>committed and signed facility agreement</u> with banks for a new 5-year unsecured loan at a <u>lower 2.5% interest cost</u> has been obtained by ESR-REIT to refinance Sabana REIT's existing loans in full for the proposed Merger.

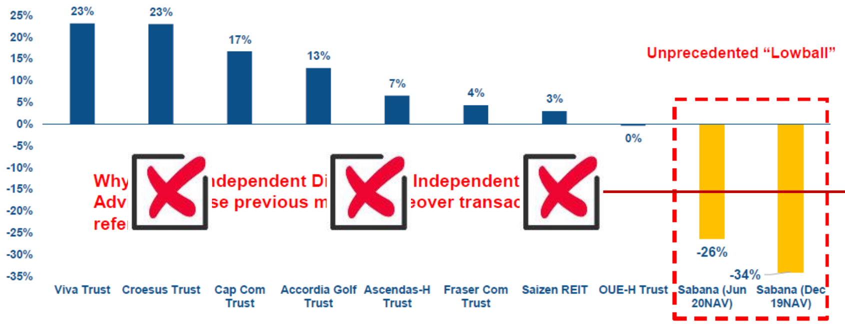
3. Unitholders should note the asset size of Soilbuild REIT and ARA Logos Trust are **<u>larger than Sabana REIT and are both backed by developer-sponsors with visible pipeline assets</u>** and hence able to achieve a higher percentage of unencumbered assets.

Moreover, despite what Q&BC has mentioned, the <u>FACT IS</u> - the committed loan obtained by ESR-REIT in conjunction with the proposed Merger has <u>clearly demonstrated</u> the ability to refinance the <u>entire Sabana REIT's loans</u> but on an <u>unsecured</u> basis and at a significantly <u>lower debt margin</u>

Assertion of The Unprecedented Discount to NAV Does Not Paint The Full and Accurate Picture of The Proposed Merger

(Extracted from Quarz and Black Crane's Presentation released on 21 November 2020, Pg 6)

Proposed Merger Offer for Sabana is at Unprecedented and Substantial Discount to NAV versus All Previous REIT Transactions in Last 18 Years



- Sabana Manager's justification that the transaction is a 'unit-for-unit merger' and not a sale of assets (hence the discount) is absurd→ All previous 'unit-for-unit' mergers are transacted at ≥ book value
- ESR REIT merged with Viva Trust in 2018 at 23% above book value→ >56% of Viva's portfolio (Jackson Square & 750-750E Chai Chee Rd has land lease terms of <13 years)
- >93% of Sabana portfolio has land lease terms of >20 years

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1 **Not all precedent transactions provided are comparable transactions**

Croesus Trust, Accordia Golf Trust, Saizen REIT were privatisations/ asset sale and **NOT REIT Mergers**

2 Q&BC's assertion fails to take into account that the trading price **discount to NAV in respect of the Merger is reflective of the implied P/NAV** of the respective REITs at the time of announcement of the referenced mergers

- Precedent transaction targets were trading at close to or higher than NAV
- Sabana was trading at a c.30% discount to NAV
- As mentioned, amongst others, the offer metrics take reference to historical trading prices

Merger[(1)]	Target	P/NAV based on scheme consideration[(2)]	Last traded P/NAV[(3)]	Difference between P/NAV based on scheme consideration vs. last traded P/NAV
ESR-REIT-VIT	VIT	1.26x	1.17x	0.09x
CMT-CCT	CCT	1.14x	1.15x	(0.00x)
ART-AHT	AHT	1.07x	0.96x	0.11x
FLT-FCOT	FCOT	1.03x	1.03x	0.01x
OUECT-OUEHT	OUEHT	1.00x	0.98x	0.02x
ESR-REIT-Sabana REIT	Sabana REIT	0.74x	0.70x	0.03x

The unit prices of the target REITs in the precedent transactions were trading at close to or higher than NAV.

However, Sabana was trading at around 30% discount to NAV at the time of the transaction; in fact the proposed Scheme Consideration reflects a c.5% premium above its last traded price.

Notes: (1) ART refers to Ascott Residence Trust, AHT refers to Ascendas Hospitality Trust, CMT refers to Capitaland Mall Trust, CCT refers to Capitaland Commercial Trust, VIT refers to Viva Industrial Trust, FLT refers to Frasers Logistics & Industrial Trust, FCOT refers to Frasers Commercial Trust, OUECT refers to OUE Commercial REIT, OUEHT refers to OUE Hospitality Trust. (2) Based on the issue price used in the respective REIT merger announcements and reported target NAV prior to announcement. (3) Based on the last "unaffected" price (i.e. prior to the relevant announcement date) and reported target NAV prior to announcement. (4) Based on unadjusted CCT NAV per unit as at 31 December 2019, being the last reported NAV per unit prior to the CMT-CCT merger announcement.

Assertion of The Unprecedented Discount to NAV Does Not Paint The Full and Accurate Picture of The Proposed Merger (cont'd)

(Extracted from Quarz and Black Crane's Presentation released on 21 November 2020, Pg 13)

REIT Manager Has Apparently NOT Critically Assessed Key Transaction Ratios

Proposed Merger Has Inferior P/NAV Difference When Compared Against Other Transactions

Target	Implied Price Scheme Consideration (S$)	Last reported NAV per unit prior to the announcement (S$)	Last Traded Price Prior to Announcement (S$)	1 Week Price Prior to Announcement (S$)	2 Week Price Prior to Announcement (S$)	3 Week Price Prior to Announcement (S$)	4 Week Price Prior to Announcement (S$)
AHT	1.087	1.016	0.975	0.970	0.965	0.935	0.900
CCT	2.124	1.860	2.130	2.110	2.030	1.990	1.970
VIT	0.960	0.760	0.890	0.885	0.895	0.900	0.900
FCOT	1.680	1.629	1.670	1.630	1.630	1.610	1.640
OUE-HT	0.747	0.750	0.735	0.730	0.725	0.730	0.725
SabanaRE	0.377	0.512	0.360	0.360	0.360	0.355	0.370

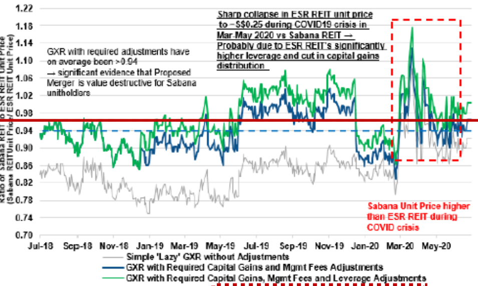
Difference between P/NAV based on scheme consideration

	Last Day	1 Week	2 Week	3 Week	4 Week
AHT	0.11	0.12	0.12	0.15	0.18
CCT	0.00	0.01	0.05	0.07	0.08
VIT	0.09	0.10	0.09	0.08	0.08
FCOT	0.01	0.03	0.03	0.04	0.02
OUEHT	0.02	0.02	0.03	0.02	0.03
Average	**0.04**	**0.05**	**0.06**	**0.07**	**0.08**
Median	**0.02**	**0.03**	**0.05**	**0.07**	**0.08**
Sabana REIT	0.03	0.03	0.03	0.04	0.01

→ indicate superior/higher difference in P/NAV to Sabana Proposed Transaction

AHT-Ascendas Hospitality Trust, CCT- Capitaland Commercial Trust, VIT-Viva Industrial Trust, FCOT- Fraser Commercial Trust, OUEHT- OUE Hospitality Trust
Based on the issue price used in the respective REIT merger announcements and reported target NAV prior to announcement
Based on the 'unaffected' price on last day, 1 week, 2 week, 3 week, 4 week prior to announcement
Source: Financial reports of the above mentioned REITs, Bloomberg

Correct Adjusted GXR Metric Used to Evaluate the Transaction Shows the GXR metric of 0.94 Significantly Undervalues Sabana REIT



	Simple 'Lazy' GXR without Adjustments	GXR with Required Cap Gains and Mgmt Fees Adj	GXR with Required Cap Gains, Mgmt Fees & Leverage Adj
1 month	0.91	0.95	0.99
2 month	0.90	0.94	0.98
3 month	0.90	0.94	0.98
6 month	0.90	0.94	0.98
12 month	0.88	0.96	1.00
24 month	0.85	0.94	0.97

→ Indicate GXR Ratio >0.94 (Proposed Merger is inferior)
Source- Bloomberg, and Quarz's assumption and adjustments to increase like-for-like comparision

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The IFA, Deloitte & Touche Corporate Finance Pte Ltd, has looked at a range of parameters in evaluating and assessing the proposed Merger to present a more objective and independent opinion.

1. **Why did Q&BC choose to ignore Trading Prices?** As mentioned in the previous slide, the implied scheme consideration premium to the last traded price prior to announcements of proposed Merger is in line with other precedent REIT Mergers.

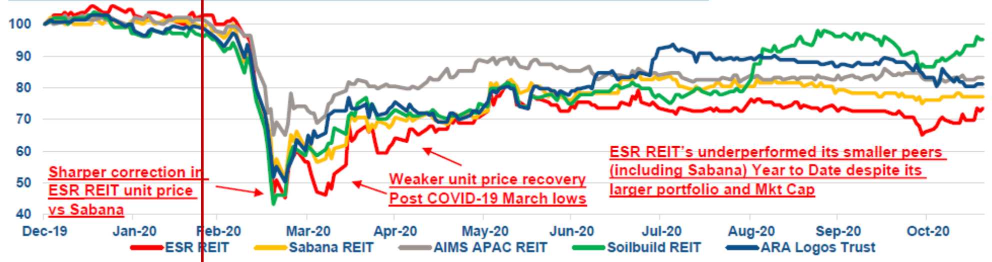
2. The IFA has responded that "*While we understand the methodology applied by Quarz and Black Crane in their analysis, Deloitte will not be adjusting/modifying historical unit prices for our analysis.* ***We noted that the methodology applied to adjust unit prices to reflect an adjusted gross exchange ratio is not an accepted market practice****.*"

Despite Higher Leverage and Shorter Land Lease, ESR-REIT Has Demonstrated Lower Debt Cost and Traded At Or Above NAV

(Extracted from Quarz and Black Crane's Presentation released on 21 November 2020, Pg 15)

Sabana REIT Manager Has Apparently NOT Critically Assessed ESR REIT's Portfolio

All Unit Price Normalise to 100 on 31st Dec 2019 (Normalised Performance YTD)



Despite Sabana and ESR REITs feeble defence of 'size benefits':

- **ESR REIT is the worst performing SGX-listed industrial REIT (even worse than Sabana) Year-to-Date despite its larger portfolio and Market Cap**
- ESR REIT corrected more vs Sabana during the COVID-19 situation in March 2020
- ESR REIT performance has clearly lagged its smaller peers Year-to-Date probably due to its **1) higher leverage, 2) shorter land lease, and 3) increasing vacancy rate of UE Bizhub East (~15% of portfolio) from ~90% (2017) to ~64% (2019)**
- Sabana & ESR REIT with ESR Cayman as the sponsor (majority shareholder of REIT Manager) are the worst performing SGX-listed industrial REITs → reflects the poor track record of the sponsor

	Rank by Performance YTD	Mkt Cap S$m
Best	Soilbuild Biz REIT	630
	AIMS APAC REIT	841
	ARA Logos Trust	685
	Sabana REIT	369
Worst	ESR REIT	1382

We Believe that Quality of Management and Portfolio are more Important than Just 'Size Benefits'

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Despite Q&BC's claims of the 3 probable reasons,

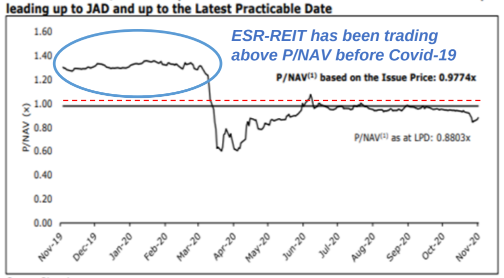
1 Higher leverage: Despite supposedly high 41.8% gearing

- ESR-REIT has lower cost of debt and longer debt tenor
- 100% of assets are unencumbered
- Able to refinance expiring loans (e.g. total S$160m in 1H2020) at lower costs and with new banks

2 Short land leases: Despite the short leases of some assets

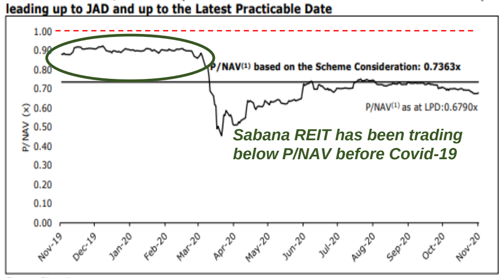
- ESR-REIT has historically been trading at premium to NAV and even with Covid-19, ESR-REIT is trading close to NAV

Chart 4: Latest P/NAV multiples of the ESR-REIT Units for the twelve-month period leading up to JAD and up to the Latest Practicable Date



Source: Bloomberg
Notes:
(1) NAV is based on the unaudited consolidated financial statements as at 30 June 2020.

Chart 2: Latest P/NAV multiples of the Sabana Units for the twelve-month period leading up to JAD and up to the Latest Practicable Date



Source: Bloomberg
Notes:
(1) NAV is based on the unaudited consolidated financial statements as at 30 June 2020

3 Increasing vacancy rate of UE BizHub

- ESR-REIT's overall portfolio occupancy has consistently stayed above JTC Average and >90%
- This precisely shows that size matters for asset diversification and that no single asset can affect the operational performance of a REIT greatly

5 Point Plan is Speculative and Not Supported by Realistic Bases or Assumptions Demonstrates a Lack of Understanding of Singapore Industrial Market

(Extracted from Quarz and Black Crane's Presentation released on 21 November 2020, Pg 24)

An Internal REIT Manager Owned By All Unitholders and For All Unitholders

- **EGM to be proposed to remove current REIT Manager and replace with Internalized Manager**
- **NEW Internal Sabana Manager:**
  - Similar to NetLink Trust (Ranked No. 1 in Governance Index for Trusts)
  - **Immediately increase DPU by ~7.5%** (eliminate management fees paid to ESR Cayman)
  - REIT Manager to be owned by Sabana REIT (only setup cost incurred)
  - **We will NOT buy/acquire the current or any existing REIT Manager**
  - In-house management team employed by Sabana REIT and aligned with unitholders
  - Directors elected by all unitholders will provide oversight of the team (vs current model where independent unitholders have no say/cannot vote on the directors)
  - Immediately execute on 5 Point Plan to **potentially increase DPU by >40% (Dvd Yield of >+9%)**
    1. Cost savings through internalization of REIT Manager (+ ~7.5% DPU)
    2. Complete and rent out retail component at 151 Lorong Chuan in 1Q2021 (+ ~13% DPU)
    3. Lower finance cost to ~3.2% through refinance of 2021 loans (+ ~7% DPU)
    4. Buy yield accretive assets and increase leverage to 36% on NAV of S$0.55[1] (+ ~5% DPU)
  - Expedite on redevelopment of 151 Lorong Chuan and 33&35 Penjuru Lane
  - **Explore sale of the REIT or its assets for cash at close to NAV (+ ~40% potential upside)**

1: Forecast NAV post completion of retail component and stabilisation of leases increasing value of properties in 2021 post COVID-19

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1 **5 Point Plan (a) is speculative (b) is not backed by realistic bases or assumptions; and (c) suggests inexperience in Singapore industrial space given questionable assumptions in relation to construction costs and funding analysis for AEI and Redevelopment plans**

- Lack of proper basis / assumptions gives rise to unrealistic expectations about high future DPU upside.

2 **Using such unsubstantiated "5 Point Plan" scenario to form the basis for removal of Manager and internalization puts ALL Sabana REIT Unitholders at risk of default and compromises Sabana REIT's debt refinancing negotiations**

- Claims of "serious interest from number of financial institutions…to finance Sabana portfolio" while **failing to provide the identity of banks, terms of debt and if there is committed debt facilities in place.**
- **Identity of any Replacement Manager or management and if regulatory approvals have been obtained are not disclosed.**

3 **Proposed Merger is the only offer on the table**

- A Strategic Review has already been undertaken by the Sabana REIT Manager in 2017 which resulted in no offers. The proposed Merger with ESR-REIT is the only tangible offer on the table.

Internalisation Proposal by Activist Funds is Incomplete and Unrealistic

- As outlined in the Sabana REIT press release dated 20 November 2020, the Board was **<u>unable to determine the workability and benefits of the internalisation proposal</u>** mooted by Quarz and Black Crane given the lack of crucial details, including:
    - Likelihood of approval at EGM given all unitholders can vote,
    - Identity, qualification and relevant experiences of the replacement manager and/or management,
    - Relevant regulator's approval for the replacement manager,
    - Identity of supposed financial backers and terms of financing,
    - Calculation of cost savings does not take into consideration operating costs of REIT manager, and
    - For more questions, refer to the Appendix 1 of the Sabana REIT press release dated 20 November 2020
- Unitholders must take note that Q&BC are proposing **<u>a very different and highly uncertain path for Sabana REIT</u>** as a standalone REIT without a sponsor vs. a merger to create a larger REIT with a strong sponsor.

Sabana Manager Continues to Evaluate Strategic Options In Light of Sabana Unitholders’ Best Interests

- As explained in Paragraphs 8 and 11 of Appendix A to the Scheme Document, **the Sabana Manager remains committed to acting in the best interests of Sabana Unitholders**
- The **Sabana Manager has been implementing the Refreshed Strategy** to strengthen Sabana REIT and continues to evaluate strategic options
- Upon evaluation, **the merger with ESR-REIT is the only offer on the table** and **presents a compelling transaction rationale with value creation** for Sabana Unitholders
- The Board and management believe that the merger into Enlarged REIT offers **the best opportunity for re-rating and for reducing the NAV discount in the long term**
- Based on the IFA’s analysis and after having considered carefully the information available to the IFA as at the LPD, the IFA has opined that **the financial terms of the Merger are fair and reasonable**. (Please refer to the IFA letter contained in the Scheme Document for further details)
- Since this is not an asset sale and is a unit-for-unit merger, **Sabana Unitholders stand to benefit from the growth of the Enlarged REIT and any resultant upside in DPU.**

How to Vote for the Merger and the Scheme

The Sabana Manager would strongly urge the Sabana Unitholders to focus on the merits of the Merger and the Scheme, in this respect, to carefully review the Scheme Document (including the opinion from the Sabana IFA) so as to consider and evaluate the merits of the Merger and the Scheme and vote accordingly at the EGM and the Scheme Meeting.

- Please return both the completed and signed Proxy Form A (EGM) and Proxy Form B (Scheme Meeting) in the following manner:
  - **If by electronic means**: To submit via email to the Unit Registrar at sabana-meetings@boardroomlimited.com; or
  - **If by post**: To lodge the endorsed pre-addressed envelope to Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623. The envelope is prepared for mailing in Singapore only. Please affix sufficient postage if mailing from outside of Singapore.
- Proxy Form A (EGM) and Proxy Form B (Scheme Meeting) must reach the Unit Registrar **NO LATER THAN 1 December 2020 at 2.00pm and 2.30pm respectively**

Contact information

Investor contact

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Investment Banking & Capital Markets

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Thank you