



FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2020

The Directors of ESR Funds Management (S) Limited (“ESR-FM”), as manager of ESR-REIT (the “Manager”), are pleased to announce the unaudited financial results of ESR-REIT and its subsidiaries (the “Group”) for the half year ended 30 June 2020 (“1H2020”).

ESR-REIT is a Singapore-based real estate investment trust constituted by the Trust Deed entered into on 31 March 2006 between ESR-FM as the Manager of ESR-REIT and RBC Investor Services Trust Singapore Limited as the Trustee of ESR-REIT, as amended and restated. ESR-REIT was listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 25 July 2006.

ESR-REIT’s distribution policy is to distribute at least 90% of its annual distributable income comprising income from letting of its properties after deduction of allowable expenses. The actual level of distribution will be determined at the Manager’s discretion.

On 7 August 2019, PTC Logistics Hub LLP (a joint venture between ESR-REIT and Poh Tiong Choon Logistics Limited) completed the acquisition of 48 Pandan Road at a purchase consideration of S\$225.0 million under a sale-and-leaseback arrangement with Poh Tiong Choon Logistics Limited.

As at 30 June 2020, the Group holds interest in a diversified portfolio of 57 properties (including 48 Pandan Road) located across Singapore with a diversified tenant base of 343 tenants across the following sub sectors: business park, high-specs industrial, logistics/warehouse and general industrial.

The Group’s financial results include the consolidated results of its subsidiaries and its share of results of the joint venture, PTC Logistics Hub LLP, using the equity method. The commentaries below are based on the Group’s financial results unless otherwise stated.

Summary of the Group's Results

	1H2020 S\$'000	1H2019 S\$'000	Fav/(Unfav) %
Gross revenue	113,754	128,584	(11.5)
Net property income	80,228	96,411	(16.8)
Amount available for distribution	47,829	64,039	(25.3)
- Taxable income	47,829	58,169	(17.8)
- Other gains	-	5,870	(100.0)
Distributable amount available per unit (cents)	1.359	2.011	(32.4)
- Taxable income	1.359	1.828	(25.7)
- Other gains	-	0.183	(100.0)

Breakdown of distributable amount available per unit by quarter

	2020 cents	2019 cents	Fav/(Unfav) %
For the first quarter ended 31 March	0.697	1.007	(30.8)
For the second quarter ended 30 June	0.662	1.004	(34.1)
For the half year ended 30 June	1.359	2.011	(32.4)

Breakdown of distribution per unit ("DPU") after retention by quarter

	2020 cents	2019 cents	Fav/(Unfav) %
For the first quarter ended 31 March	0.500 ⁽¹⁾	1.007	(50.3)
For the second quarter ended 30 June	0.662	1.004	(34.1)
For the half year ended 30 June	1.162	2.011	(42.2)

Note:

- (1) Excludes 0.197 cents equivalent to about S\$7.0 million of 1Q2020 distributable income, which has been retained for prudent cash flow management in view of COVID-19 uncertainties.

Distribution Details for 2Q2020

Distribution period	1 April 2020 to 30 June 2020
Distribution rate	0.662 cents taxable income per unit
Books closure date	24 July 2020
Payment date	17 September 2020

The Manager has determined that the distribution reinvestment plan ("DRP") **will apply** to the distribution for the period from 1 April 2020 to 30 June 2020. The issue price of the DRP units will be based on the market price less a discount of 2% to be announced by the Manager on 27 July 2020.

1(a) **Statement of Total Return, together with comparative statement for the corresponding period of the immediately preceding financial year**

	Note	1H2020 S\$'000	Group 1H2019 S\$'000	Fav/(Unfav) %
Gross revenue	(a)	113,754	128,584	(11.5)
Property manager's fees		(5,218)	(5,233)	0.3
Property tax		(9,541)	(8,929)	(6.9)
Other property expenses		(18,767)	(18,011)	(4.2)
Property expenses	(a)	(33,526)	(32,173)	(4.2)
Net property income	(a)	80,228	96,411	(16.8)
Manager's fees		(7,330)	(7,265)	(0.9)
Trust expenses	(b)	(1,535)	(1,450)	(5.9)
Interest income		10	8	25.0
Borrowing costs	(c)	(23,441)	(25,986)	9.8
Finance costs on lease liabilities for leasehold land	(d)	(5,722)	(5,388)	(6.2)
Non-property expenses		(38,018)	(40,081)	5.1
Net income		42,210	56,330	(25.1)
Gain on disposal of investment property		-	51	(100.0)
Change in fair value of financial derivatives	(e)	(22,739)	(2,930)	(676.1)
Change in fair value of investment properties	(f)	(46,684)	-	n.m.
Change in fair value of right-of-use of leasehold land	(d)	829	1,048	(20.9)
Share of results of joint venture	(g)	835	-	n.m.
Total (loss)/return for the period before income tax		(25,549)	54,499	(146.9)
Income tax expense		(7)	(18)	61.1
Total (loss)/return for the period after income tax		(25,556)	54,481	(146.9)
Attributable to:				
Unitholders and perpetual securities holders		(26,642)	52,565	(150.7)
Non-controlling interest		1,086	1,916	(43.3)
		(25,556)	54,481	(146.9)
<u>Distribution Statement</u>				
Total (loss)/return for the period attributable to Unitholders and perpetual securities holders		(26,642)	52,565	(150.7)
Net effect of non-tax deductible/(chargeable) items and other adjustments	(h)	77,912	9,026	763.2
		51,270	61,591	(16.8)
Amount reserved for distribution to perpetual securities holders		(3,441)	(3,422)	(1)
Net income available for distribution for the period		47,829	58,169	(17.8)
Distribution from other gains	(i)	-	5,870	(100.0)
Total amount available for distribution for the period		47,829	64,039	(25.3)

n.m. – not meaningful

Notes:

- (a) The Group recorded gross revenue and net property income of S\$113.8 million and S\$80.2 million respectively in 1H2020 and these were lower than 1H2019 by 11.5% and 16.8% respectively.

The lower gross revenue and net property income was mainly attributed to (a) lease conversion from single to multi-tenancy for certain properties; (b) non-renewals and downsizing by certain tenants; and (c) rental rebates set aside for and/or given to tenants as part of ESR-REIT's measures to support tenants adversely affected by the COVID-19 outbreak.

- (b) Trust expenses comprised statutory expenses, professional fees, compliance costs, listing fees and other non-property related expenses. The higher trust expenses for 1H2020 were mainly due to certain non-claimable input Goods and Services Tax ("GST") as the De Minimis rule under the GST Act was not satisfied.
- (c) Borrowing costs comprised interest expenses on loans and interest rate swaps, and amortisation of debt related transaction costs. These costs were lower in 1H2020 due to lower average level of debt and lower interest rates during the period.

Please refer to Section 1(b)(ii) for more details on borrowings.

- (d) Prior to the adoption of FRS 116 *Leases* on 1 January 2019, lease payments made for land rent were presented as land rent expenses in arriving at net property income on the Statement of Total Return and formed part of the Group's operating cash flows on the Statement of Cash Flows. Following the adoption of FRS 116, such payments are reflected as finance cost on lease liabilities for leasehold land and fair value change of the right-of-use of leasehold land on the Statement of Total Return and as payments for lease liabilities under financing cash flows on the Statement of Cash Flows.

The amount of finance cost on lease liabilities for leasehold land net of the change in fair value of right-of-use of leasehold land for 1H2020 increased to S\$4.9 million (1H2019: S\$4.3 million) mainly due to upward revision in land rent following an annual review of land rent payable.

- (e) The change in fair value of financial derivatives represented the change in fair value of interest rate swaps entered into to hedge against interest rate fluctuations on the floating rate borrowings of the Group. This fair value change is recognised on the Statement of Total Return. It is not tax deductible and has no impact on distributable income.
- (f) Independent valuations for investment properties were undertaken by Savills Valuation and Professional Services (S) Pte Ltd, Knight Frank Pte Ltd and CBRE Pte Ltd in June 2020. These firms are independent valuers with the appropriate professional qualifications and relevant experience in the location and category of the properties being valued.

The change in fair value of investment properties of approximately S\$46.7 million comprised the following:

- fair value loss of S\$46.2 million based on the independent valuations of the investment properties as at 30 June 2020; and
- adjustments for straight-line rent and marketing commission of S\$0.5 million.

Such fair value change is recognised on the Statement of Total Return. It is non-tax deductible and has no impact on distributable income.

- (g) Share of results of joint venture relates to the Group's 49% share of the net income of PTC Logistics Hub LLP.

(h) Non-tax deductible/(chargeable) items and other adjustments comprises:

	1H2020 S\$'000	Group 1H2019 S\$'000	Fav/(Unfav) %
Manager's fees paid/payable in units	3,030	3,435	(11.8)
Property Manager's fees paid/payable in units	1,367	819	66.9
Trustee's fees	271	463	(41.5)
Amortisation of transaction costs relating to debt facilities	2,970	2,908	2.1
Change in fair value of investment properties	46,684	-	n.m.
Change in fair value of financial derivatives	22,739	2,930	676.1
Legal and professional fees	19	155	(87.7)
Adjustment for straight line rent and lease incentives	(186)	(1,788)	89.6
Share of results of joint venture	(835)	-	n.m.
Distributable income from joint venture	2,349	-	n.m.
Gain on disposal of investment property	-	(51)	100.0
Miscellaneous expenses	322	364	(11.5)
Non-controlling interest share of non-tax deductible items	(818)	-	n.m.
Rollover adjustment from prior years	-	(209)	(100.0)
Net effect of non-tax deductible/(chargeable) items and other adjustments	77,912	9,026	763.2

(i) Other gains represented partial payout of the gains from disposal of investment properties in prior years and ex-gratia payments received from Singapore Land Authority in connection with the compulsory acquisitions of land in prior years.

1(b)(i) Statements of Financial Position, together with comparatives as at the end of the immediately preceding financial year

	Note	Group		Trust	
		30-06-20 S\$'000	31-12-19 S\$'000	30-06-20 S\$'000	31-12-19 S\$'000
Assets					
Non-current assets					
Investment properties	(a)	2,892,100	2,934,400	1,378,000	1,403,800
Right-of-use of leasehold land	(b)	228,233	227,681	168,898	169,691
Subsidiaries	(c)	-	-	1,455,271	1,455,271
Interest in joint venture	(d)	38,290	39,806	43,182	43,183
		3,158,623	3,201,887	3,045,351	3,071,945
Current assets					
Trade and other receivables	(e)	17,026	12,103	26,857	20,218
Cash and cash equivalents	(f)	21,142	15,662	11,127	8,200
	(g)	38,168	27,765	37,984	28,418
		3,196,791	3,229,652	3,083,335	3,100,363
Liabilities					
Current liabilities					
Trade and other payables	(h)	58,627	47,806	32,443	25,355
Lease liabilities for leasehold land	(b)	2,691	2,608	2,691	2,608
Interest-bearing borrowings	(i)	89,748	159,926	89,748	159,926
Derivative financial instruments	(k)	1,364	-	1,364	-
Amount due to non-controlling interest	(j)	60,255	61,074	-	-
	(g)	212,685	271,414	126,246	187,889
Non-current liabilities					
Trade and other payables	(h)	18,992	20,000	10,119	10,484
Lease liabilities for leasehold land	(b)	225,542	225,073	166,207	167,083
Interest-bearing borrowings	(i)	1,096,085	1,031,198	1,096,085	1,031,198
Derivative financial instruments	(k)	43,651	22,276	43,651	22,276
		1,384,270	1,298,547	1,316,062	1,231,041
Total liabilities		1,596,955	1,569,961	1,442,308	1,418,930
Net assets		1,599,836	1,659,691	1,641,027	1,681,433
Represented by:					
Unitholders' funds	(l)	1,448,721	1,508,576	1,489,912	1,530,318
Perpetual securities holders' funds	(m)	151,115	151,115	151,115	151,115
		1,599,836	1,659,691	1,641,027	1,681,433

Notes:

- (a) As at 30 June 2020, the total carrying value of investment properties was S\$2.89 billion based on independent external valuations, which are reported on the basis of material valuation uncertainty due to COVID-19. The decrease in investment properties was due to fair value loss of S\$46.7 million, partially offset by the capital expenditure incurred in 1H2020.
- (b) The Group is required to pay land rent, whether annually or on an upfront land premium basis, for properties in its portfolio. Following the adoption of FRS 116, the Group recognised right-of-use assets and lease liabilities for these land leases previously classified as operating leases. The right-of-use assets were recognised based on the amount equal to the lease liabilities. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.
- (c) At the Trust level, subsidiaries comprise the cost of investments in subsidiaries of S\$844.8 million and interest-bearing loans to subsidiaries of S\$610.5 million.
- (d) Interest in joint venture relates to ESR-REIT's 49% share of the net assets of PTC Logistics Hub LLP, which owns 48 Pandan Road. The Group applies the equity method to account for its interest in PTC Logistics Hub LLP.
- (e) Trade and other receivables increased by S\$4.9 million mainly due to (i) grant income receivable from the Inland Revenue Authority of Singapore ("IRAS") pursuant to the COVID-19 (Temporary Measures) Act 2020 where the landlord of non-residential properties will receive property tax rebates to be passed on to its tenants; and (ii) higher trade receivables as certain tenants have been granted deferred payment plans as part of the Group's measures to support tenants adversely affected by the COVID-19 outbreak.
- (f) Please refer to Section 1(c) for more details on cash and cash equivalents.
- (g) Notwithstanding the net current liabilities position, based on the Group's available financial resources and sources of funding, the Manager is of the opinion that the Group will be able to refinance its borrowings and meet its current obligations as and when they fall due.
- (h) Trade and other payables increased by S\$9.8 million mainly due to (i) property tax rebates to be passed on to tenants pursuant to the COVID-19 (Temporary Measures) Act 2020 where the landlord has an obligation to pass grant income receivable from IRAS to tenants in the form of property tax rebates; and (ii) the provision for rental rebates to be given to tenants as part of ESR-REIT's measures to support tenants adversely affected by the COVID-19 outbreak.
- (i) Please refer to Section 1(b)(ii) for more details on interest-bearing borrowings.
- (j) The amount due to non-controlling interest represents 20% interest in 7000 AMK LLP that is not owned by the Group.
- (k) Derivative financial instruments represent the fair value of interest rate swaps entered into to hedge against interest rate fluctuations on the Group's floating rate borrowings. The aggregate notional amount of interest rate swaps as at 30 June 2020 was S\$1,005.0 million (31 December 2019: S\$855.0 million).
- (l) Please refer to Section 1(d)(i) for the movements in Unitholders' funds during 1H2020 and 1H2019.

- (m) ESR-REIT has issued S\$150 million of subordinated perpetual securities (“Perps”) under Series 006 of its S\$750 million Multicurrency Debt Issuance Programme (“Series 006 PS”). The Perps confer a right to receive distribution at a rate of 4.60% per annum, with the first distribution rate reset falling on 3 November 2022 and subsequent resets occurring every 5 years thereafter. The distribution will be payable semi-annually in arrears on a discretionary basis and will be non-cumulative in accordance with the terms and conditions of the Perps. Distribution to Unitholders can only be made if distribution to Perps holders has been made.

The Series 006 PS may be redeemed at the option of ESR-REIT in whole, but not in part, on 3 November 2022 or on any distribution payment date thereafter and otherwise upon the occurrence of certain redemption events specified in the conditions of the issuance. The Series 006 PS is classified as equity instruments and recorded as equity in the financial statements.

1(b)(ii) Aggregate amount of borrowings

	Group and Trust	
	30-06-20 S\$'000	31-12-19 S\$'000
Unsecured borrowings		
Amount payable within one year	90,000	160,000
Less: Unamortised debt transaction costs	(252)	(74)
	89,748	159,926
Amount payable after one year	1,105,000	1,040,000
Less: Unamortised debt transaction costs	(8,915)	(8,802)
	1,096,085	1,031,198
Total borrowings	1,185,833	1,191,124

Details of borrowings and collateral:

(a) Unsecured borrowings

The unsecured borrowings of the Group comprise:

- (i) the following note issued under its S\$750 million Multicurrency Debt Issuance Programme:
- S\$50 million seven-year Singapore Dollar MTN in series 005 (the “Series 005 Notes”) issued in May 2016 and maturing in May 2023. The Series 005 Notes have a fixed interest rate of 3.95% per annum payable semi-annually in arrears.
- (ii) Unsecured S\$150 million loan facility from CIMB (“TLF1”) consisting of:
- Facility A: S\$100 million term loan facility maturing in May 2024 at an interest margin plus swap offer rate; and
 - Facility B: S\$50 million revolving credit facility maturing in May 2022 at an interest margin plus swap offer rate.

A total of S\$100 million was drawn down on the TLF1 as at 30 June 2020.

- (iii) 4.75-year unsecured S\$150 million revolving credit facility maturing in June 2021 from HSBC (“TLF2”) at an interest margin plus swap offer rate. A total of S\$90 million was drawn down on the TLF2 as at 30 June 2020.
- (iv) Unsecured S\$500 million loan facility from a syndicate of four banks comprising UOB, HSBC, MBB and RHB (“TLF3”) consisting of:
- Facility A: S\$160 million term loan facility maturing in October 2021 at an interest margin plus swap offer rate;
 - Facility B: S\$180 million term loan facility maturing in October 2022 at an interest margin plus swap offer rate; and
 - Facility C: S\$160 million term loan facility maturing in October 2023 at an interest margin plus swap offer rate.

TLF3 was fully drawn down as at 30 June 2020.

- (v) 5-year unsecured S\$100 million term loan facility maturing in October 2023 from BNP (“TLF4”) at an interest margin plus swap offer rate. TLF4 was fully drawn down as at 30 June 2020.
- (vi) Unsecured S\$155 million club loan facility from three banks comprising ANZ Singapore Branch, CTBC Bank Singapore Branch, and SCB Singapore Branch (“TLF5”) consisting of:
- Facility A: S\$75 million term loan facility maturing in March 2022 at an interest margin plus swap offer rate; and
 - Facility B: S\$80 million term loan facility maturing in March 2023 at an interest margin plus swap offer rate.

TLF5 was fully drawn down as at 30 June 2020.

- (vii) Unsecured S\$200 million club loan facility from two banks comprising MUFG Bank, Ltd. and Sumitomo Mitsui Banking Corporation, Singapore Branch (“TLF6”) consisting of:
- Facility A: S\$150 million term loan facility maturing in February 2024 at an interest margin plus swap offer rate; and
 - Facility B: S\$50 million revolving credit facility maturing in February 2024 at an interest margin plus swap offer rate.

TLF6 was fully drawn down as at 30 June 2020.

(b) Unencumbered investment properties

As at 30 June 2020, the Group has 56 unencumbered investment properties with an aggregate carrying value of approximately S\$2.89 billion¹, representing 100% of the investment properties by value. The above does not include 48 Pandan Road, which has been mortgaged to a bank as security for a term loan facility granted to PTC Logistics Hub LLP.

(c) Aggregate leverage ratio

		Group	
	Note	30-06-20	31-12-19
Aggregate leverage ratio	(1)	41.8%	41.5%

Notes:

- (1) Includes ESR-REIT's 49% share of the borrowings, lease liabilities and total assets of PTC Logistics Hub LLP, but excludes the effects arising from the adoption of FRS 116 which became effective on 1 January 2019 where such effects relate to operating leases that were entered into in the ordinary course of ESR-REIT's business and were in effect before 1 January 2019.

¹ Includes the valuation of 7000 Ang Mo Kio Avenue 5 on a 100% basis of which ESR-REIT holds 80% interest, but excludes (i) the valuation of 48 Pandan Road which is held through a joint venture in which ESR-REIT holds 49% interest; and (ii) the effects arising from the adoption of FRS 116 which became effective on 1 January 2019.

1(c) Statement of Cash Flows

	Group	
	1H2020 S\$'000	1H2019 S\$'000
Cash flows from operating activities		
Total (loss)/return for the period before income tax and distribution	(25,549)	54,499
<u>Adjustments for:</u>		
Interest income	(10)	(8)
Borrowing costs	23,441	25,986
Finance costs on lease liabilities for leasehold land	5,722	5,388
Manager's fees paid/payable in units	3,030	3,435
Property Manager's fees paid/payable in units	1,367	819
Share of results of joint venture	(835)	-
Gain on disposal of investment property	-	(51)
Change in fair value of financial derivatives	22,739	2,930
Change in fair value of investment properties	46,684	-
Change in fair value of right-of-use of leasehold land	(829)	(1,048)
Operating income before working capital changes	75,760	91,950
Changes in working capital		
Trade and other receivables	(4,918)	(2,331)
Trade and other payables	10,883	(1,699)
Cash generated from operating activities	81,725	87,920
Income tax paid	-	(397)
Net cash generated from operating activities	81,725	87,523
Cash flows from investing activities		
Capital expenditure on investment properties	(4,345)	(12,018)
Proceeds from disposal of investment properties	-	5,797
Dividend received from joint venture	2,349	-
Interest received	10	8
Net cash used in investing activities	(1,986)	(6,213)
Cash flows from financing activities		
Proceeds from issuance of new units	-	100,000
Equity issue costs paid	(296)	-
Borrowing costs paid	(24,709)	(26,737)
Proceeds from borrowings	295,000	318,000
Repayment of borrowings	(300,000)	(402,000)
Payment for lease liabilities for leasehold land	(4,893)	(4,340)
Distributions paid to Unitholders	(33,982)	(54,044)
Distributions paid to perpetual securities holders	(3,441)	(3,422)
Distribution to non-controlling interest	(1,938)	(1,759)
Net cash used in financing activities	(74,259)	(74,302)
Net increase in cash and cash equivalents	5,480	7,008
Cash and cash equivalents at beginning of the period	15,662	17,664
Cash and cash equivalents at end of the period	21,142	24,672

1(d)(i) Statements of Movements in Unitholders' funds

	Group		Trust	
	1H2020 S\$'000	1H2019 S\$'000	1H2020 S\$'000	1H2019 S\$'000
Unitholders' Funds				
Balance at beginning of period	1,508,576	1,479,668	1,530,318	1,751,967
<u>Operations</u>				
Total (loss)/return for the period attributable to Unitholders and perpetual securities holders	(26,642)	52,565	(7,193)	52,276
Amount reserved for distribution to perpetual securities holders	(3,441)	(3,422)	(3,441)	(3,422)
Net (decrease)/increase in net assets resulting from operations	(30,083)	49,143	(10,634)	48,854
<u>Unitholders' transactions</u>				
Issuance of new units pursuant to:				
- Management fees paid/payable in units	4,506	3,138	4,506	3,138
- Distribution Reinvestment Plan	13,365	4,578	13,365	4,578
- Private Placement	-	100,000	-	100,000
Equity costs pursuant to:				
- Distribution Reinvestment Plan	(204)	(81)	(204)	(81)
- Private Placement	(11)	(2,062)	(11)	(2,062)
- Preferential Offering	(81)	-	(81)	-
Distributions paid to Unitholders	(47,347)	(88,711)	(47,347)	(88,711)
Net (decrease)/increase in net assets resulting from Unitholders' transactions	(29,772)	16,862	(29,772)	16,862
Balance at end of period	1,448,721	1,545,673	1,489,912	1,817,683
Perpetual Securities Holders' Funds				
Balance at beginning of period	151,115	151,115	151,115	151,115
Amount reserved for distribution to perpetual securities holders	3,441	3,422	3,441	3,422
Distribution to perpetual securities holders	(3,441)	(3,422)	(3,441)	(3,422)
Balance at end of period	151,115	151,115	151,115	151,115
Total	1,599,836	1,696,788	1,641,027	1,968,798

1(d)(ii) Details of any changes in the number of issued units

	Note	Trust	
		1H2020 Units	1H2019 Units
Issued units at beginning of the period		3,487,315,971	3,170,172,725
Issuance of new units pursuant to:			
- Management fees paid in units		12,016,430	6,069,885
- Distribution Reinvestment Plan		31,613,071	8,936,833
- Private Placement	(1)	-	194,174,000
Issued units at end of the period		3,530,945,472	3,379,353,443

Note:

(1) The new units were issued on 26 June 2019 at an issue price of S\$0.515 per unit.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period, and as at the end of the immediately preceding year.

The total number of issued units, excluding treasury units, as at the end of the current and the comparative financial period are disclosed in Section 1(d)(ii). There were no treasury units acquired since the date of listing of ESR-REIT on 25 July 2006.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited but have been reviewed by auditors in accordance with Singapore Standard on Review Engagements ("SSRE") 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Please see attached review report.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period, which are consistent with those described in the audited financial statements for the financial year ended 31 December 2019, except that in the current financial period, the Group has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 January 2020. The adoption of these standards did not have any material effect on the financial performance or position of the Group.

- 5 **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Please refer to item 4 above.

- 6 **Earnings per unit (“EPU”) and distributable amount available per unit for the period**

	Note	Group	
		1H2020	1H2019
EPU			
Total (loss)/return after income tax before distribution for the period	(S\$'000)	(30,083)	49,143
Weighted average number of units	('000)	3,502,505	3,179,080
Basic and diluted EPU	(cents) (a)	(0.859)	1.546
Distributable amount available per unit			
Total amount available for distribution for the period	(S\$'000)	47,829	64,039
Applicable number of units	('000)	3,519,645	3,184,436
Distributable amount available per unit	(cents) (b)	1.359	2.011

Notes:

- (a) The basic EPU was calculated using total return after income tax before distribution for the period and the weighted average number of units in issue during the period. The basic and diluted EPU were the same as there were no dilutive instruments in issue during the period.
- (b) Distributable amount available per unit was calculated using the total amount available for distribution and the number of units entitled to such distributable amount for the period.

- 7 **Net asset value (“NAV”) / Net tangible asset (“NTA”) per unit based on units issued at the end of the period**

	Note	Group		Trust	
		30-06-20	31-12-19	30-06-20	31-12-19
NAV / NTA per unit (cents)	(a)	41.0	43.3	42.2	43.9

Note:

- (a) NAV / NTA per unit was calculated based on the number of units issued as at the end of the respective periods.

- 8 **Review of the performance**

The review of the performance is set out in Section 1(a) – Statements of Total Return and Distribution Statements and Section 1(b)(i) – Statements of Financial Position.

- 9 **Review of the performance against Forecast/Prospect Statement**

The Group has not disclosed any forecast to the market.

10 Commentary on the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Based on advance estimates released by the Ministry of Trade and Industry, the Singapore economy contracted by 12.6% on a year-on-year basis in 2Q2020. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy shrank by 41.2% in 2Q2020. The COVID-19 pandemic has severely impacted global economic activities with border closures, lockdowns, disruptions to global supply chains and businesses, sending unprecedented shock to the world economies. Manufacturing, wholesale trade and transportation & storage sectors are affected by the sharper-than-expected slowdown in many of Singapore's key markets and prolonged supply chain disruptions. With the implementation of the circuit breaker measures, it has further dampened domestic demand. In addition, construction and marine & offshore engineering have been severely affected by manpower shortages due to the outbreak of infections among foreign workers living in the foreign worker dormitories. The GDP growth forecast for Singapore for 2020 has been downgraded to "-7.0% to -4.0%" from "-4.0% to -1.0%".

Singapore Purchasing Managers' Index ("PMI") for June 2020 posted the fifth month of contraction for the overall manufacturing sector although it increased by 1.2 points from May 2020 to record a slower contraction at 48. The same goes for the Electronics Sector PMI which also contracted for the fifth month, albeit it rose 1.4 points from the previous month to 47.6. Weak global demand limit growth in the manufacturing sector despite easing of circuit breaker measures in June.

According to JTC's market report for 1Q2020, the occupancy rate of the overall industrial property market remained unchanged from the previous quarter at 89.2%. Prices index of industrial space fell slightly by 0.4% from the previous quarter and 0.7% as compared to a year ago. The rental index fell 0.1% from the previous quarter but remained unchanged from a year ago. The drop in the prices and rental indices were not keenly felt in 1Q2020 as it captured pre-COVID-19 transactions and only reflected market conditions prior to the start of the circuit breaker measures in April 2020. Approximately 4.9 million sqm of new industrial space is expected to come on-stream between 2Q2020 to 2023, of which about 2.1 million sqm is originally estimated to be completed over the rest of 2020. However, delays in project completions due to disruption to construction activities caused by COVID-19 are likely to push the supply beyond 2020. Multiple-user factory supply accounts for 40% or around 840,000 sqm, of which about 50% is meant for replacement space for lessees affected by JTC's Industrial Redevelopment Programme. 23% or around 483,000 sqm is warehouse and business park space while the balance 37% of industrial space supply comes from single-user factory space developed by industrialists for their own use.

During 2Q2020, the Manager secured new leases and renewed existing leases totalling approximately 1.0 million sqft across the various sub-sectors, bringing the total to approximately 2.0 million sqft of space secured in 1H2020. Amid economic and business uncertainties, many firms are shelving their expansion or relocation plans, preferring to renew their existing leases. Overall, the industrial market has softened with industrial rents and prices expected to soften further in the coming quarters. However, the logistics and warehousing segment is seeing an increase in leasing activities for short to medium term leases, spurred by increased demand for storage of essential goods, national stock piling and e-commerce.

The Manager expects the industrial leasing market to remain challenging in 2H2020 due to the protracted COVID-19 impact on the Singapore economy and business sentiments especially in view of the uncertainties post by potential recurring waves of COVID-19 as countries reopen their economy. In addition to the rental relief measures mandated by the Singapore Government, the Manager will continue to work closely with tenants whose businesses have been adversely affected by COVID-19 to provide them with support in a targeted and managed manner. The Manager will also continue to implement cost-saving measures on operating expenses and defer all non-essential capital expenditures, where possible, to conserve cash.

11 Distributions

(a) Current financial period

Any distributions declared for the current financial period:

Yes

Name of distribution:

59th distribution for the period from 1 April 2020 to 30 June 2020

Distribution Type:

Taxable income

Distribution Rate:

0.662 cents per unit

Par value of units:

Not meaningful

Tax Rate:

Taxable income distribution

The distribution is made out of ESR-REIT's taxable income. Unitholders receiving distributions will be subject to Singapore income tax on the distributions received except for individuals where the distribution is exempt from tax (unless they hold their units through partnership or as trading assets).

Books closure date:

24 July 2020

Date payable:

17 September 2020

The Manager has determined that the DRP **will apply** to the distribution for the period from 1 April 2020 to 30 June 2020.

(b) Corresponding period of the immediately preceding year

Any distributions declared for the previous corresponding financial period:

Yes

Name of distribution:

55th distribution for the period from 26 June 2019 to 30 June 2019

(Note: An advanced distribution for the period from 1 April 2019 to 25 June 2019 of 0.945 cents per unit was paid on 26 July 2019)

Distribution Type:

Taxable income/Other gains

Distribution Rate:

0.059 cents per unit comprising:
 (a) Taxable income 0.053 cents per unit
 (b) Other gains 0.006 cents per unit

Par value of units:

Not meaningful

Tax Rate:

Taxable income distribution

The distribution is made out of ESR-REIT's taxable income. Unitholders receiving distributions will be subject to Singapore income tax on the distributions received except for individuals where the distribution is exempt from tax (unless they hold their units through partnership or as trading assets).

Other gains distribution

The distribution from other gains is not a taxable distribution to the Unitholders.

12 If no distribution has been declared/recommended, a statement to that effect

Not applicable.

13 If the Group has obtained a general mandate from unitholders for IPTs, the aggregate value of each transaction as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained any IPT general mandate from the Unitholders.

14 CONFIRMATION PURSUANT TO RULE 705(5) OF THE LISTING MANUAL

The Board of Directors of the Manager has confirmed that, to the best of their knowledge, nothing has come to their attention which may render these interim financial results to be false or misleading in any material respect.

15 CONFIRMATION PURSUANT TO RULE 720(1) OF THE LISTING MANUAL

The Manager confirms that it has procured undertakings from all Directors and Executive Officers (in the format set out in Appendix 7.7) pursuant to Rule 720(1) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

16 Use of Proceeds raised from Offerings pursuant to Chapter 8 of the Listing Manual

Gross proceeds of S\$150.0 million raised pursuant to the private placement of 194,174,000 new units completed on 26 June 2019 and the pro rata and non-renounceable preferential offering of 98,117,183 new units completed on 14 October 2019 (together, the “Equity Fund Raising”) has been used in the following manner:

Intended Use of Proceeds	Amount Allocated (\$ million)	Aggregate Amount Utilised to Date (\$ million)	Balance Proceeds Pending Utilisation (\$ million)
To fully finance the total acquisition costs for 48 Pandan Road	44.4	44.4	-
To fully finance the proposed asset enhancements at 7000 Ang Mo Kio Avenue 5 and UE BizHub East	45.7	0.9	44.8
To repay existing indebtedness	56.8	56.8	-
To pay for the transaction related expenses including the underwriting and selling commission and expenses related to the Equity Fund Raising	3.1	3.1	-
Total	150.0	105.2	44.8

The use of proceeds from the Equity Fund Raising set out above is in accordance with the stated use and in accordance with the percentage of the gross proceeds of the Equity Fund Raising allocated to such use as set out in the announcement dated 17 June 2019 titled “Launch of Equity Fund Raising to Raise Gross Proceeds of Up To Approximately S\$150.0 Million”.

17 Strike-off of Subsidiaries

The Manager wishes to update that the following dormant wholly-owned subsidiaries of ESR-REIT have been struck off from the Register of Companies pursuant to Section 344A of the Companies Act; and the Register of Limited Liability Partnerships pursuant to Section 38A of the Limited Liability Partnerships Act (as the case may be):

- (i) Viva iTrust MTN Pte Ltd (Registration No. 201415093E)
- (ii) Cambridge SPV1 LLP (Registration No. T12LL1198D)

The strike-off of the abovementioned subsidiaries did not have any material impact on the earnings per unit or net tangible assets per unit of ESR-REIT.

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 Manager's current view of future events.

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

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

16 July 2020

For further enquiries, please contact:

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ASU-RHC/61013338/LWH

15 July 2020

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ESR Funds Management (S) Limited
(in its capacity as Manager of ESR-REIT)
(the "Manager")
138 Market Street
#26-03/04 CapitaGreen
Singapore 048946

Dear Sirs

**ESR-REIT and its subsidiaries
Review of interim financial information for the six-month period ended 30 June 2020**

Introduction

We have reviewed the accompanying interim financial information of ESR-REIT (the "Trust") and its subsidiaries (collectively, the "Group") for the six-month period ended 30 June 2020 (the "Interim Financial Information"). The Interim Financial Information comprises the following:

- Statements of financial position of the Group and the Trust as at 30 June 2020;
- Statement of total return of the Group for the six-month period ended 30 June 2020;
- Distribution statement of the Group for the six-month period ended 30 June 2020;
- Statements of movements in unitholders' funds of the Group and the Trust for the six-month period ended 30 June 2020;
- Statement of cash flows of the Group for the six-month period ended 30 June 2020; and
- Certain explanatory notes to the above Interim Financial Information.

The Manager is responsible for the preparation and presentation of the Interim Financial Information in accordance with the recommendations of *Statement of Recommended Accounting Practice ("RAP") 7 Reporting Framework for Unit Trusts* relevant to interim financial information issued by the Institute of Singapore Chartered Accountants ("ISCA"). Our responsibility is to express a conclusion on the Interim Financial Information based on our review.



Scope of review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Financial Information is not prepared, in all material respects, in accordance with the recommendations of the RAP 7 relevant to interim financial information issued by the ISCA.

Restriction of use

Our report is provided in accordance with the terms of our engagement. Our work was undertaken so that we might report to you on the Interim Financial Information for the purpose of assisting the Trust in meeting the requirements of paragraph 3 of Appendix 7.2 of the Singapore Exchange Limited Listing Manual and for no other purpose. Our report is included in the Trust's announcement of its interim financial information for the information of its unitholders. We do not assume responsibility to anyone other than the Trust for our work, for our report, or for the conclusions we have reached in our report.

A handwritten signature in black ink that reads 'Ernst & Young' with a stylized flourish at the end.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

15 July 2020