



FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (“3Q2018”)

The Directors of ESR Funds Management (S) Limited (“ESR-FM”), as manager (“Manager”) of ESR-REIT, are pleased to announce the unaudited results of ESR-REIT and its subsidiaries (the “Group”) for the third quarter ended 30 September 2018 (“3Q2018”).

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 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.

As at 30 September 2018, the Group has a diversified portfolio of 47 properties located across Singapore with a diversified tenant base of over 184 tenants across the following sub sectors: logistics/warehouse, hi-specs industrial, light industrial, general industrial and business park. The portfolio has a carrying value of approximately S\$1.66 billion* and a total gross floor area of approximately 9.7 million square feet.

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.

The merger by way of a trust scheme of arrangement between Viva Industrial Trust (“VIT”) and ESR-REIT was completed on 15 October 2018. Under the merger, ESR-REIT acquired all of VIT’s stapled securities in exchange for S\$9.60 in cash and 160 new ESR-REIT units for every 100 VIT’s stapled securities held by the stapled securityholders of VIT. Pursuant to the merger, an advanced distribution payout from the distributable income accrued by ESR-REIT for the period from 1 October 2018 to 15 October 2018 will be made (“Advanced Distribution”), together with 3Q2018 distribution, in November 2018. Please refer to Statement of Total Return 1(a)(i) for further details of the advanced distribution.

The Group’s results include the consolidation of its wholly-owned subsidiaries, ESR-MTN Pte. Ltd. (“ESR-MTN”), Cambridge SPV1 LLP, ESR-SPV2 and 80% owned 7000 AMK LLP. 7000 AMK LLP was converted from a private company structure to a limited liability partnership with effect from 1 February 2018. The commentaries below are based on Group results unless otherwise stated.

*Includes a 20% non-controlling interest in 7000 AMK valued at S\$60.6 million as at 30 September 2018.

Summary of the Group's Results

	3Q2018	3Q2017	Fav/ (Unfav)	YTD	YTD	Fav/ (Unfav)
	S\$'000	S\$'000	%	3Q2018	3Q2017	%
				S\$'000	S\$'000	
Gross revenue	32,362	27,111	19.4	98,514	82,523	19.4
Net property income	22,549	19,606	15.0	69,773	58,519	19.2
Amount available for distribution	15,903	12,623	26.0	45,178	38,194	18.3
- Taxable income	13,403	12,623	6.2	40,379	38,194	5.7
- Tax exempt income	-	-	-	519	-	n.m.
- Other gains	2,500	-	n.m.	4,280	-	n.m.
Distribution per unit ("DPU") for 3Q2018	1.004	0.964	4.1	2.852	2.924	(2.5)
Advanced Distribution for period 1-15 October 2018	0.164	-	n.m.	0.164	-	n.m.
Total distribution entitlement	1.168	0.964	21.2	3.016	2.924	3.1

n.m. – not meaningful

Distribution and Book Closure Date Details

Distribution period	1 July 2018 to 15 October 2018
Distribution rate	1.168 cents per unit comprising (a) taxable income 0.993 cents per unit (b) other gains 0.175 cents per unit
Books closure date	8 October 2018
Payment date	26 November 2018

The Manager has determined that the distribution reinvestment plan ("DRP") **will not apply** to the distribution for the period from 1 July 2018 to 15 October 2018.

1(a) Statement of Total Return together with comparative statements for the corresponding period of the immediate preceding financial year

Statement of Total Return

	Note	Group		
		3Q2018 S\$'000	3Q2017 S\$'000	Fav/ (Unfav) %
Gross revenue		32,362	27,111	19.4
Property manager's fees		(1,369)	(1,249)	(9.6)
Property tax		(2,580)	(1,760)	(46.6)
Land rental		(2,113)	(2,220)	4.8
Other property expenses		(3,751)	(2,276)	(64.8)
Property expenses		(9,813)	(7,505)	(30.8)
Net property income	(a)	22,549	19,606	15.0
Management fees	(b)	(2,070)	(1,716)	(20.6)
Trust expenses	(c)	(272)	(593)	54.1
Interest income		5	11	(54.5)
Borrowing costs	(d)	(5,286)	(5,094)	(3.8)
Non-property expenses		(7,623)	(7,392)	(3.1)
Net income		14,926	12,214	22.2
Loss on disposal of investment property		-	(66)	n.m.
Change in fair value of financial derivatives	(e)	(225)	-	n.m.
Total return for the period before income tax and distribution		14,701	12,148	21.0
Less: Income tax expense		(17)	-	-
Total return for the period after income tax before distribution		14,684	12,148	20.9
Attributable to:				
Unitholders and perpetual securities holders		13,738	12,148	13.1
Non-controlling interest		946	-	n.m.
		14,684	12,148	20.9

n.m. – not meaningful

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Distribution Statement

Note	Group		
	3Q2018 S\$'000	3Q2017 S\$'000	Fav/ (Unfav) %
Total return for the period after income tax before distribution attributable to Unitholders and perpetual securities holders	13,738	12,148	13.1
Net effect of non-tax deductible/(non-taxable) items	(f) 1,404	475	195.6
	15,142	12,623	20.0
Amount reserved for distribution to perpetual securities holders	(1,739)	-	n.m.
Net income available for distribution for the period	13,403	12,623	6.2
Distribution from other gains	(g) 2,500	-	n.m.
Total amount available for distribution for the period	15,903	12,623	26.0
DPU for the period (cents)	1.004	0.964	4.1

n.m. – Not meaningful

Notes:

- (a) ESR-REIT recorded gross revenue and net property income of S\$32.4 million and S\$22.5 million respectively in 3Q2018 and these were higher than the corresponding quarter last year by 19.4% and 15.0% respectively.

The revenue growth was attributed to the contributions from two acquisitions at 8 Tuas South Lane and 7000 Ang Mo Kio Avenue 5 ("7000 AMK") acquired in December 2017, partially offset by revenue reduction from the master lease conversion of property at 16 Tai Seng (2Q2018) and 21B Senoko Loop (1Q2018) to multi-tenancy, lease expiries at several properties and the absence of revenue from four divestments completed since 3Q2017.

Property expenses increased by S\$2.3 million to S\$9.8 million in 3Q2018, which was 30.8% higher than the corresponding quarter last year. Property expenses increased largely due to property tax and other property expenses from the new acquisitions and master lease conversions.

- (b) Management fees increased due to higher assets under management from the new acquisitions. The Manager has elected to receive its management fees partially in cash and units for 3Q2018.
- (c) Trust expenses decreased due to lower legal and professional fees.
- (d) Borrowing costs were higher in 3Q2018 due to higher loan commitment fee after the loan repayment in late March 2018 with the preferential offering proceeds.

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

- (e) The change in fair value of financial derivatives represented the fair value change of forward interest rate swaps (notional value of S\$200 million), entered into to hedge interest rate risk on the floating rate loans. This fair value change is recognised in the Statement of Total Return. It is non-tax deductible and has no impact on distributable income.
- (f) Non-tax deductible/(Non-taxable) items (distribution adjustments)

	Group	
	3Q2018 S\$'000	3Q2017 S\$'000
<u>Non-tax deductible/(Non-taxable) items and other adjustments:</u>		
Management fees payable in units	724	-
Trustee's fees	106	94
Debt related transaction and miscellaneous costs	948	394
Change in fair value of financial derivatives	225	-
Professional fees	(141)	165
Straight line rent and lease incentives	(759)	(404)
Miscellaneous expenses	301	160
	1,404	409
<u>Income not subject to tax:</u>		
Loss on disposal of investment property	-	66
Net effect of non-tax deductible/(non-taxable) items	1,404	475

- (g) Distribution from other gains represents partial payout of total S\$6.3 million ex-gratia payments received from the Singapore Land Authority in connection with the compulsory acquisitions of land in prior years.

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- (h) The total distributable amount of S\$15.9 million, based on 1,583.7 million units which were entitled to the distribution for the quarter, translates to a DPU of 1.004 cents for 3Q2018 which is 4.1% higher than 3Q2017 DPU.

	Group		
	3Q2018 S\$'000	3Q2017 S\$'000	Fav/ (Unfav) %
Taxable income	13,403	12,623	6.2
Other gains ⁽¹⁾	2,500	-	n.m.
Total amount available for distribution for the period	15,903	12,623	26.0

Note:

- ⁽¹⁾ Represents partial payout of ex-gratia payments received from the Singapore Land Authority in connection with the compulsory acquisition of land in prior years.

- (i) Total Distribution (including Advanced Distribution)

	1/7/2018 to 30/9/2018 S\$'000	1/10/2018 to 15/10/2018 S\$'000 (1)	Total distribution S\$'000
Net income available for distribution for the period	13,403	2,190	15,593
Distribution from other gains	2,500	269	2,769
Total amount available for distribution for the period	15,903	2,459	18,362
Applicable number of units ('000)	1,583,702	1,583,702	1,583,702
Distribution per unit for the period (cents)	1.004	0.164	1.168

Notes:

- ⁽¹⁾ Advanced distribution computed based on the distributable income accrued by ESR-REIT for the period from 1 October 2018 to 15 October 2018 and payable together with 3Q2018 distribution in November 2018. Following the advanced distribution, 4Q2018 distribution will comprise distributable income for the period from 16 October 2018 to 31 December 2018.

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Statement of Total Return (YTD 3Q2018 vs YTD 3Q2017)

Note	Group		
	YTD		Fav/ (Unfav) %
	3Q2018 S\$'000	3Q2017 S\$'000	
Gross revenue	98,514	82,523	19.4
Property manager's fees	(4,339)	(4,276)	(1.5)
Property tax	(7,483)	(5,077)	(47.4)
Land rental	(6,197)	(6,620)	6.4
Other property expenses	(10,722)	(8,031)	(33.5)
Property expenses	(28,741)	(24,004)	(19.7)
Net property income	69,773	58,519	19.2
(a)			
Management fees	(6,141)	(5,077)	(21.0)
Trust expenses	(1,392)	(1,410)	1.3
Interest income	32	34	(5.9)
Borrowing costs	(16,557)	(15,172)	(9.1)
Non-property expenses	(24,058)	(21,625)	(11.3)
Net income	45,715	36,894	23.9
Gain/(Loss) on disposal of investment property	128	(66)	n.m.
Change in fair value of financial derivatives	(1,426)	-	n.m.
Change in fair value of investment properties	-	(386)	n.m.
Total return for the period before income tax and distribution	44,417	36,442	21.9
Less: Income tax expense	(97)	-	n.m.
Total return for the period after income tax before distribution	44,320	36,442	21.6
Attributable to:			
Unitholders and perpetual securities holders	41,589	36,442	14.1
Non-controlling interest	2,731	-	n.m.
	44,320	36,442	21.6

n.m. – not meaningful

Distribution Statement

	Note	Group		
		YTD		Fav/ (Unfav) %
		3Q2018 S\$'000	3Q2017 S\$'000	
Total return for the period after income tax before distribution		41,589	36,442	14.1
Net effect of non-tax deductible/(non-taxable) items	(g)	4,470	1,752	155.1
		46,059	38,194	20.6
Amount reserved for distribution to perpetual securities holders		(5,161)	-	n.m.
Net income available for distribution for the period		40,898	38,194	7.1
Distribution from other gains	(h)	4,280	-	n.m.
Total amount available for distribution for the period	(i)	45,178	38,194	18.3
Distribution per unit for the period (cents)		2.852	2.924	(2.5)

n.m. – Not meaningful

Notes:

- (a) ESR-REIT recorded gross revenue and net property income of S\$98.5 million and S\$69.8 million respectively in YTD3Q2018 and these were higher than the corresponding period last year by 19.4% and 19.2% respectively.

The revenue growth was attributed to the contributions from the two acquisitions at 8 Tuas South Lane and 7000 AMK completed in December 2017, partially offset by lower revenue due to the lease conversion of property at 16 Tai Seng (2Q2018), 21B Senoko Loop (1Q2018) and 3 Pioneer Sector 3 (3Q2017) to multi-tenancy, lease expiries at several properties and the absence of revenue from four divestments completed since 3Q2017.

Property expenses increased by S\$4.7 million to S\$28.7 million in YTD3Q2018, which was 19.7% higher than the corresponding period last year. Property expenses increased mainly due to property tax and other property expenses from acquisitions and lease conversions of properties at 21B Senoko Loop and 16 Tai Seng Street to multi-tenancy.

- (b) Management fees increased due to higher assets under management from new acquisitions.
- (c) Borrowing costs were higher for YTD3Q2018 due to higher loan interest expense in 1Q2018, arising from incremental borrowings to partially fund the new acquisitions in December 2017. These borrowings were subsequently repaid by using the proceeds of preferential offering and existing cash in late March 2018.

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

- (d) Gain arose from the disposal of the property at 9 Bukit Batok in March 2018.
- (e) The change in fair value of financial derivatives represented the fair value change of interest rate swaps (notional value of S\$200 million), entered into to hedge interest rate risk on future floating rate loans. This fair value change is recognised in the Statement of Total Return. It is non-tax deductible and has no impact on the distributable income.
- (f) Income tax expense mainly related to tax on profits of 7000 AMK Pte. Ltd. for January 2018, prior to its conversion into a limited liability partnership with effect from 1 February 2018.
- (g) Non-tax deductible/(Non-taxable) items (distribution adjustments)

	Group	
	YTD	
	3Q2018	3Q2017
	S\$'000	S\$'000
<u>Non-tax deductible/(Non-taxable) items and other adjustments:</u>		
Management fees payable in units	724	-
Trustee's fees	316	278
Debt related transaction and miscellaneous costs	2,384	1,178
Change in fair value of investment properties	-	386
Change in fair value of financial derivatives	1,426	-
Professional fees	171	208
Straight line rent and lease incentives	(1,551)	(837)
Miscellaneous expenses	609	473
Income from subsidiary	519	-
	4,598	1,686
<u>Income not subject to tax:</u>		
(Gain)/Loss on disposal of investment property	(128)	66
Net effect of non-tax deductible/(non-taxable) items	4,470	1,752

- (h) Distribution from other gains represents partial payout of total S\$6.3 million ex-gratia payments received from the Singapore Land Authority in connection with the compulsory acquisitions of land in prior years.
- (i) The total amount available for distribution for the period comprised:

	Group		
	YTD		Fav/ (Unfav) %
	3Q2018 S\$'000	3Q2017 S\$'000	
Taxable income	40,379	38,194	5.7
Tax exempt income ⁽¹⁾	519	-	n.m.
Other gains ⁽²⁾	4,280	-	n.m.
Total amount available for distribution for the period	45,178	38,194	18.3

Note:

- ⁽¹⁾ Tax exempt income relates to share of profits from 7000 AMK Pte. Ltd. prior to its conversion into a limited liability partnership with effect from 1 February 2018.
- ⁽²⁾ Represents partial payout of ex-gratia payments from the Singapore Land Authority in connection with the compulsory acquisition of land in prior years.

The total distributable amount of S\$45.2 million, based on 1,583.7 million units which were entitled to the distribution for the period, translates to a DPU of 2.852 cents for YTD3Q2018 which is 2.5% lower than YTD3Q2017 DPU.

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

Note	Group		Trust	
	30-09-18 S\$'000	31-12-17 S\$'000	30-09-18 S\$'000	31-12-17 S\$'000
Assets				
Non-current assets				
Investment properties	(a) 1,655,448	1,652,200	1,352,434	1,349,200
Investments in subsidiaries	(b) -	-	215,570	215,463
Loan to a subsidiary	(c) -	-	50,500	50,500
	1,655,448	1,652,200	1,618,504	1,615,163
Current assets				
Investment property held for divestment	(a) -	23,600	-	23,600
Trade and other receivables	(d) 15,924	8,374	19,358	6,999
Cash and cash equivalents	9,941	11,651	1,040	8,156
	25,865	43,625	20,398	38,755
Total assets	1,681,313	1,695,825	1,638,902	1,653,918
Liabilities				
Current liabilities				
Trade and other payables	(e) 30,974	28,647	23,074	21,987
Interest-bearing borrowings	(k) 154,957	154,895	154,957	154,895
Amount due to non-controlling interest	(g) 60,600	60,600	-	-
	246,531	244,142	178,031	176,882
Non-current liabilities				
Trade and other payables	(e) 8,401	6,783	7,986	5,715
Amount due to a subsidiary	(h) -	-	40,247	40,247
Interest-bearing borrowings	(f) 353,535	514,896	353,535	514,896
Derivative financial instruments	(i) 1,426	-	1,426	-
	363,362	521,679	403,194	560,858
Total liabilities	609,893	765,821	581,225	737,740
Net assets	1,071,420	930,004	1,057,677	916,178
Represented by:				
Unitholders' funds	918,566	778,889	904,823	765,063
Perpetual securities holders' funds	(j) 152,854	151,115	152,854	151,115
	1,071,420	930,004	1,057,677	916,178

Notes:

- (a) The total carrying value of investment properties was S\$1,655.4 million as at 30 September 2018. The net decrease was attributed mainly to the divestment of non-core property at 9 Bukit Batok in March 2018.
- (b) At the Trust level, the cost of investment in wholly-owned subsidiaries comprises Cambridge SPV1 LLP, ESR-MTN, ESR-SPV2 and 80% equity interest in 7000 AMK LLP, which are eliminated at the consolidated level.
- (c) At the Trust level, the shareholder's loan of S\$50.5 million was provided to 7000 AMK to repay its existing bank loan at completion of the acquisition. The shareholder's loan is extended at ESR-REIT's all-in interest rate. Interest expense is payable in arrears in cash on a quarterly basis.
- (d) Trade and other receivables increased by S\$7.6 million mainly due to the inclusion of utilities receivables of 7000 AMK LLP, utilities deposits to service providers and deferred project costs.
- (e) Trade and other payables increased by S\$3.9 million mainly due to the interest accrual of borrowings and provision for project costs.
- (f) Interest-bearing borrowings decreased due to loan repayments using the proceeds of preferential offering and existing cash in March 2018, net of unamortised loan transaction costs.

Included in the non-current portion of the interest-bearing borrowings is an outstanding loan of S\$115.0 million due in June 2019. As at 30 September 2018, the Group has committed bank facilities pending for drawdown to refinance the outstanding loan. This gives the Group the right to defer the loan liability beyond the next 12 months.
- (g) The amount due to non-controlling interest represents 20% interest in 7000 AMK LLP that is not owned by the Trust.
- (h) The amount relates to the transfer of property at 3 Tuas South Avenue to the Trust from Cambridge LLP in 3Q2017.
- (i) Derivative financial instruments (notional value of S\$200 million) represent the fair value of interest rate swaps entered into to hedge the interest risk on the floating rate loans.
- (j) 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. Payment to ordinary unitholders can only be made if the payment to Perp holders has already been made.

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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.

- (k) MTN Series 003 of S\$155.0 million has been recorded as a current liability as it matures in November 2018.

This has led to a net current liabilities position in 3Q2018. The Manager believes that the Group's existing financial resources (comprising S\$305.0 million available from existing undrawn loan facilities as at 30 September 2018 in addition to significant borrowing capacity under the Debt Issuance Programme), are sufficient to enable the Group to meet its obligations as and when they fall due.

1(b)(ii) Aggregate amount of borrowings

	Group and Trust	
	30-09-18 S\$'000	31-12-17 S\$'000
Unsecured borrowings		
Amount payable within one year	155,000	155,000
Less: Unamortised loan transaction costs	(43)	(105)
	154,957	154,895
Amount payable after one year	355,000	517,000
Less: Unamortised loan transaction costs	(1,465)	(2,104)
	353,535	514,896
Total unsecured borrowings	508,492	669,791
Total borrowings	508,492	669,791

Details of borrowings and collateral:

(a) Unsecured borrowings

The unsecured borrowings of the Group comprise:

- (i) the following notes issued under its S\$750 million Multicurrency Debt Issuance Programme:
- S\$30 million six-year Singapore Dollar MTN in series 002 (the “Series 002 Notes”) issued in April 2014 and maturing in April 2020. The Series 002 Notes have a fixed interest rate of 4.10% per annum payable semi-annually in arrears;
 - S\$155 million four-year Singapore Dollar MTN in series 003 comprising Tranche 1 S\$100 million Notes issued in November 2014 and Tranche 2 S\$55 million Notes issued in January 2015 respectively. These notes tranches, which were issued and consolidated to form a single series (the “Series 003 Notes”), have a fixed interest rate of 3.50% per annum payable semi-annually in arrears and mature in November 2018;
 - S\$130 million five-year Singapore Dollar MTN in series 004 (the “Series 004 Notes”) issued in May 2015 and maturing in May 2020. The Series 004 Notes have a fixed interest rate of 3.95% per annum payable semi-annually in arrears; and
 - 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) 4-year unsecured loan facility maturing in June 2019 from CIMB (“TLF1”) consisting of:
- Facility A: S\$100 million term loan facility at a fixed interest rate of 3.60% per annum for 3.5 years from the date of loan draw down; and
 - Facility B: S\$50 million revolving credit facility at an interest rate of margin plus swap offer rate.

A total of S\$115.0 million was drawn down on the TLF1 as at 30 September 2018.

(iii) 4.75-year unsecured loan facility maturing in June 2021 from HSBC (“TLF2”) consisting of:

- Facility A: S\$25 million term loan facility at an interest rate of margin plus swap offer rate, for 4.75 years from the date of loan draw down; and
- Facility B: S\$175 million revolving credit facility at an interest rate of margin plus swap offer rate. Facility B was increased from S\$75 million to S\$175 million in December 2017.

A total of S\$30.0 million was drawn down on the TLF2 as at 30 September 2018.

(b) Unencumbered investment properties

As at 30 September 2018, the Group has 47 unencumbered investment properties with a combined carrying value of approximately S\$1.66 billion*, representing 100% of the investment properties by value.

*Includes a 20% non-controlling interest in 7000 AMK valued at S\$60.6 million as at 30 September 2018.

1 (c) Statements of Cash Flows

Note	Group			
	3Q2018 S\$'000	3Q2017 S\$'000	YTD 3Q2018 S\$'000	YTD 3Q2017 S\$'000
Cash flows from operating activities				
Total return for the period before income tax and distribution	14,701	12,148	44,417	36,442
Adjustments for:				
Interest income	(5)	(11)	(32)	(34)
Borrowing costs	5,286	5,094	16,557	15,172
Management fees payable in units	724	-	724	-
Loss/(Gain) on disposal of investment property	-	66	(128)	66
Change in fair value of investment properties	-	-	-	386
Change in fair value of financial derivatives	225	-	1,426	-
Operating income before working capital changes	20,931	17,297	62,964	52,032
Changes in working capital				
Trade and other receivables	703	(1,566)	(7,046)	(284)
Trade and other payables	907	57	3,190	(633)
Income tax paid	(3,209)	-	(3,953)	-
Net cash generated from operating activities	19,332	15,788	55,155	51,115
Cash flows from investing activities				
Net cash outflow on purchase of investment properties	(100)	-	(1,385)	-
Capital expenditure on investment properties	(721)	(2,436)	(3,301)	(9,107)
Proceeds from disposal of investment properties	-	22,138	23,900	22,138
Payment for divestment costs	-	(154)	(194)	(154)
Interest received	5	11	32	34
Net cash (used in)/generated from investing activities	(816)	19,559	19,052	12,911
Cash flows from financing activities				
Proceeds from issuance of new units	-	-	141,939	-
Issue costs for perpetual securities paid	-	-	(272)	-
Equity issue costs paid	-	(72)	(1,151)	(72)
Proceeds from borrowings	-	-	17,000	17,000
Borrowing costs paid	(1,554)	(1,468)	(12,492)	(11,056)
Repayment of borrowings	(3,000)	(24,500)	(179,000)	(34,500)
Distributions paid to Unitholders	(15,852)	(10,257)	(37,439)	(36,346)
Distributions paid to perpetual securities holders	-	-	(3,422)	-
Distribution to non-controlling interest	(898)	-	(1,080)	-
Net cash used in financing activities	(21,304)	(36,297)	(75,917)	(64,974)
Net decrease in cash and cash equivalents	(2,788)	(950)	(1,710)	(948)
Cash and cash equivalents at beginning of the period	12,729	3,701	11,651	3,699
Cash and cash equivalents at end of the period	9,941	2,751	9,941	2,751

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Note:

(a) Non cash transactions

During YTD3Q2018, the Group issued 7.2 million ESR-REIT units amounting to approximately S\$4.0 million (net of withholding tax) in 1Q2018 to unitholders who participated in the DRP, as partial payment of the 4Q2017 distribution.

1(d)(i) Statements of Movements in Unitholders' funds (3Q2018 vs 3Q2017)

	Group		Trust	
	3Q2018 S\$'000	3Q2017 S\$'000	3Q2018 S\$'000	3Q2017 S\$'000
<u>Unitholders' Funds</u>				
Balance at beginning of period	922,419	825,234	908,594	810,158
<u>Operations</u>				
Total return for the period attributable to Unitholders and perpetual securities holders	13,738	12,148	13,820	11,985
Less: Amount reserved for distribution to perpetual securities holders	(1,739)	-	(1,739)	-
Net increase in net assets resulting from operations	11,999	12,148	12,081	11,985
<u>Unitholders' transactions</u>				
Issuance of units pursuant to:				
- Distribution Reinvestment Plan	-	2,213	-	2,213
Payment of equity costs pursuant to:				
- Distribution Reinvestment Plan	-	(72)	-	(72)
Distributions to Unitholders	(15,852)	(12,470)	(15,852)	(12,470)
Net decrease in net assets resulting from Unitholders' transactions	(15,852)	(10,329)	(15,852)	(10,329)
Balance at end of period	918,566	827,053	904,823	811,814
<u>Perpetual Securities Holders' Funds</u>				
Balance at beginning of period	151,115	-	151,115	-
Amount reserved for distribution to perpetual securities holders	1,739	-	1,739	-
Balance at end of period	152,854	-	152,854	-
Total	1,071,420	827,053	1,057,677	811,814

Statements of Movements in Unitholders' funds (YTD 3Q2018 vs YTD 3Q2017)

	Group		Trust	
	YTD			
	3Q2018 S\$'000	3Q2017 S\$'000	3Q2018 S\$'000	3Q2017 S\$'000
<u>Unitholders' Funds</u>				
Balance at beginning of period	778,889	827,029	765,063	811,952
<u>Operations</u>				
Total return for the period attributable to Unitholders and perpetual securities holders	41,589	36,442	41,672	36,280
Less: Amount reserved for distribution to perpetual securities holders	(5,161)	-	(5,161)	-
Net increase in net assets resulting from operations	36,428	36,442	36,511	36,280
<u>Unitholders' transactions</u>				
Issuance of units pursuant to:				
- Distribution Reinvestment Plan	4,031	2,213	4,031	2,213
- Preferential Offering	141,939	-	141,939	-
Equity costs pursuant to:				
- Distribution Reinvestment Plan	(74)	(72)	(74)	(72)
- Preferential Offering	(1,177)	-	(1,177)	-
Distributions to Unitholders	(41,470)	(38,559)	(41,470)	(38,559)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	103,249	(36,418)	103,249	(36,418)
Balance at end of period	918,566	827,053	904,823	811,814
<u>Perpetual Securities Holders' Funds</u>				
Balance at beginning of period	151,115	-	151,115	-
Amount reserved for distribution to perpetual securities holders	5,161	-	5,161	-
Distribution to perpetual securities holders	(3,422)	-	(3,422)	-
Balance at end of period	152,854	-	152,854	-
Total	1,071,420	827,053	1,057,677	811,814

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

	Trust			
	3Q2018 Units	3Q2017 Units	YTD 3Q2018 Units	YTD 3Q2017 Units
Issued units at the beginning of period	1,583,701,947	1,304,434,416	1,313,623,314	1,304,434,416
Issue of new units pursuant to:				
- Distribution Reinvestment Plan	-	3,873,670	7,229,019	3,873,670
- Preferential offering ⁽¹⁾	-	-	262,849,614	-
Total issued units at the end of the period	1,583,701,947	1,308,308,086	1,583,701,947	1,308,308,086

Note:

⁽¹⁾ Preferential Offering units issued on 28 March 2018 at an issue price of S\$0.54 per new 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 preceding financial periods are disclosed in 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 or reviewed by our auditors.

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

Not applicable.

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 2017, except that in the financial period, the Group has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 January 2018. The adoption of these standards did not have any 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 distribution per unit ("DPU") for the period

	Note	Group			
		3Q2018	3Q2017	YTD 3Q2018	YTD 3Q2017
EPU					
Total return after income tax before distribution for the period (S\$'000)		11,999	12,148	36,428	36,442
Weighted average number of units ('000)		1,583,702	1,305,740	1,499,364	1,304,874
Basic and diluted EPU (cents)	(a)	0.758	0.930	2.430	2.793
DPU					
Total amount available for distribution for the period (S\$'000)		15,903	12,623	45,178	38,194
Applicable number of units for calculation of DPU ('000)		1,583,702	1,308,308	1,583,702	1,304,874
DPU (cents)	(b)	1.004	0.964	2.852	2.924

Notes:

- (a) The basic EPU was calculated using total return after income tax before distribution for the period, which included gain/loss on disposal of investment property, fair value change of financial derivatives 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) DPU was calculated using the total amount available for distribution and the number of units entitled to distribution during the period.

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

	Group		Trust	
	30-09-18	31-12-17	30-09-18	31-12-17
NAV (cents)	(a) 58.0	59.3	57.1	58.2

Note:

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

The decrease was attributed to the impact of units issued during the period pursuant to the preferential offering in March 2018 and the DRP as partial payment of the distribution for 4Q2017.

8 Review of the performance

The review of the performance is set out in Section 1(a) – Statements of Total Return and Distribution Statement and Section 1(b)(i) – Statement 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 on 12 October 2018 by Ministry of Trade and Industry (“MTI”), the Singapore economy grew at a slower pace of 2.6% on year-on-year basis in the 3Q2018, moderating from the 4.1% growth in the 2Q2018. On quarter-on-quarter seasonally-adjusted annualized basis, the economy expanded by 4.7%, faster than the 1.2% growth in the previous quarter.

With the Singapore’s Purchasing Managers’ Index (“PMI”) for August 2018 posting an increase of 0.3 points to 52.6, the PMI has now expanded for a record 24 straight months. The expansion was mainly attributed to higher new orders and new exports, and higher factory output. Manufacturing employment remains positive as the employment index has recorded 12 months of consecutive expansion. However, both imports and input prices posted slower expansion rates whereas the order backlog index has reverted to a marginal expansion.

Notwithstanding the continuing strength of the PMI and the improved manufacturing outlook, the overall industrial property market remains soft. According to JTC’s market report for 2Q2018, the occupancy rate of overall industrial property market dropped marginally by 0.3% compared to the previous quarter. Prices and rental of industrial space remained relatively stable. Price index remained unchanged while rental index fell marginally by 0.1% compared to the previous quarter. As new supply is expected to taper in the near future, prices and rental may start to stabilise in tandem with occupancy rates.

During the quarter, ESR-REIT successfully secured two new master leases, one at 21B Senoko Loop and the other at 31 Tuas Avenue 11, which is the last remaining master lease expiring in FY2018. The lease expiry concentration based on rental income for the remainder of FY2018 has reduced from 7.3% to 3.6%.

Although an increase in enquiries have been noted recently, the Manager expects the leasing market to remain competitive notwithstanding that demand and supply dynamics appear to be improving as historically high supply levels look to taper off by late 2018. Following the confirmation by IRAS that the disposal gain from the sale of 63 Hillview Avenue would not be subject to income tax, distribution income in future will be underpinned by the ability to payout capital gains. This will help to offset the negative impact on ESR-REIT’s income due to its ongoing and/or future asset enhancement initiatives, asset rejuvenation programs, from conversions from STB to MTB, and from divestments of non-core assets. The Manager will continue to focus on asset and tenant quality and maintaining occupancy given the confirmed challenging leasing market.

On 15 October 2018, ESR-REIT and Viva Industrial Trust completed the merger to create the fourth largest industrial S-REIT listed in the Singapore Exchange Securities Trading Limited (the “Enlarged Trust”). The Enlarged Trust has a combined asset size of approximately S\$3.0 billion with a more diversified portfolio of industrial properties across five sub-asset classes – Business Parks, High-Specs Industrial assets, Logistics and Warehouse, General Industrial and Light Industrial. The post-merger portfolio comprises 56 properties with a total gross floor area of 13.6 million square feet.

The Enlarged Trust is expected to benefit from the economies of scale of a larger portfolio and enjoy greater flexibility to undertake asset enhancement and redevelopment initiatives. The larger fully-unencumbered portfolio also provides greater access to pools of capital and more competitive margins.

11 Distributions

(a) Current financial period

Any distributions declared for the current financial period:

Yes

Name of distribution: **51st** distribution for the period from 1 July 2018 to 15 October 2018

Distribution Type: Taxable income/Other gains

Distribution Rate: 1.168 cents per unit comprising:
(a) Taxable income 0.993 cents per unit
(b) Other gains 0.175 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.

Books closure date: 8 October 2018

Date payable: 26 November 2018

The Manager has determined that the DRP **will not apply** to the distribution for the period from 1 July 2018 to 15 October 2018.

(b) Corresponding period of the immediately preceding year

Any distributions declared for the previous corresponding financial period:

Yes

Name of distribution: **47th** distribution for the period from 1 July 2017 to 30 September 2017

Distribution Type: Taxable income/Other gains

Distribution Rate: 0.964 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).

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 shareholders 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 mandate from the Unitholders.

14 CONFIRMATION BY THE BOARD 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.

This release 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 (including employee wages, benefits and training costs), governmental and public policy changes and the continued availability of financing in amounts and on terms necessary to support future ESR-REIT 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. 100132-5

Adrian Chui
Chief Executive Officer
26 October 2018