



FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018 ("1Q2018")

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 first quarter ended 31 March 2018 ("1Q2018").

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 31 March 2018, the Group has a diversified portfolio of 47 properties located across Singapore with a diversified tenant base of over 194 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\$1.65 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 Group's results include the consolidation of its wholly-owned subsidiaries, ESR-MTN Pte. Ltd. ("ESR-MTN"), Cambridge SPV1 LLP and ESR-SPV2 and 80% owned SPV, 7000 AMK Pte. Ltd ("7000 AMK PL"). 7000 AMK PL was subsequently converted from a private company structure to a limited liability partnership with effect from 1 February 2018 ("7000 AMK LLP"). The commentaries below are based on Group results unless otherwise stated.

In March 2018, ESR-REIT raised S\$141.9 million gross proceeds from a preferential offering to its existing unitholders. Approximately 262.8 million new units were issued at S\$0.54 per new unit on 28 March 2018 to rebalance the capital structure by repaying debt initially drawn down to partially fund the acquisitions in December 2017 ("Preferential Offering"). The gross proceeds from the preferential offering, together with the divestment proceeds of a non-core investment property at 9 Bukit Batok sold in March 2018, were deployed to pare down total debts by S\$170.0 million during 1Q2018.

*Includes a 20% non-controlling interest in 7000 AMK valued at S\$60.6 million as at 31 March 2018.

Summary of the Group's Results

	1Q2018 S\$'000	1Q2017 S\$'000	Fav/ (Unfav) %
Gross revenue	33,608	27,737	21.2
Net property income	23,785	19,692	20.8
Amount available for distribution	13,426	13,105	2.4
Distribution per unit ("DPU")			
DPU (cents)	0.847	1.004	(15.6)
Adjusted DPU (cents) ⁽¹⁾	1.008	1.004	0.4

Note:

- ⁽¹⁾ Adjusted DPU is based on the weighted average number of units in issue during 1Q2018 (assumes the units issued under the Preferential Offering were only entitled to distributable income from 28 March to 31 March 2018).

Distribution and Book Closure Date Details

Distribution period	1 January 2018 to 31 March 2018
Distribution rate	0.847 cents per unit comprising:
	(a) taxable income - 0.814 cents per unit
	(b) tax-exempt income - 0.033 cents per unit
Books closure date	30 April 2018
Payment date	31 May 2018

The Manager has determined that the distribution reinvestment plan ("DRP") **will not apply** to the distribution for the period from 1 January 2018 to 31 March 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		
		1Q2018 S\$'000	1Q2017 S\$'000	Fav/ (Unfav) %
Gross revenue		33,608	27,737	21.2
Property manager's fees		(1,596)	(1,431)	(11.5)
Property tax		(2,434)	(1,861)	(30.8)
Land rental		(2,041)	(2,226)	8.3
Other property expenses		(3,752)	(2,527)	(48.5)
Property expenses		(9,823)	(8,045)	(22.1)
Net property income	(a)	23,785	19,692	20.8
Management fees	(b)	(2,032)	(1,669)	(21.7)
Trust expenses	(c)	(639)	(382)	(67.3)
Interest income	(d)	23	11	109.1
Borrowing costs	(e)	(6,066)	(5,011)	(21.1)
Non-property expenses		(8,714)	(7,051)	(23.6)
Net income		15,071	12,641	19.2
Gain on disposal of investment property	(f)	128	-	n.m.
Total return for the period before income tax and distribution		15,199	12,641	20.2
Less: Income tax expense	(g)	(83)	-	n.m.
Total return for the period after income tax before distribution		15,116	12,641	19.6
Attributable to:				
Unitholders and perpetual securities holders		14,217	12,641	12.5
Non-controlling interest		899	-	n.m.
		15,116	12,641	19.6

n.m. – not meaningful

Distribution Statement

Note	Group		Fav/ (Unfav) %
	1Q2018 S\$'000	1Q2017 S\$'000	
Total return for the period after income tax before distribution attributable to Unitholders and perpetual securities holders	14,217	12,641	12.5
Net effect of non-tax deductible/(taxable) items	910	464	96.1
Amount reserved for distribution to perpetual securities holders	15,127	13,105	15.4
	(1,701)	-	n.m.
Net income available for distribution for the period	13,426	13,105	2.4
DPU for the period (cents)	0.847	1.004	(15.6)
Adjusted DPU (cents)	1.008	1.004	0.4

n.m. – Not meaningful

Notes:

- (a) ESR-REIT recorded gross revenue and net property income of S\$33.6 million and S\$23.8 million respectively in 1Q2018 and these were higher than the corresponding quarter last year by 21.2% and 20.8% respectively.

The revenue growth was ascribed to the contributions from two acquisitions at 8 Tuas South Lane and 7000 Ang Mo Kio Avenue 5 (“7000 AMK”) in December 2017, partially offset by revenue reduction from the lease conversion of property at 21B Senoko Loop to multi-tenancy, expiries and non-renewal of leases at property 31 Kian Teck, 1/2 Changi Road, 12 Ang Mo Kio and 30 Toh Guan and the absence of revenue from divestments completed since 1Q2017.

Property expenses increased by S\$1.8 million to S\$9.8 million in 1Q2018, which was 22.1% higher than the corresponding quarter last year. Property expenses increased mainly due to property tax and other property expenses from acquisitions, specifically 7000 AMK as mentioned above.

- (b) Management fee increased due to higher assets under management from new acquisitions. The Manager has elected to receive its management fee wholly in cash for 1Q2018.
- (c) Trust expenses comprised statutory expenses, professional fees, compliance costs, listing fees and other non-property related expenses. Trust expenses for 1Q2018 were higher mainly due to legal and consultancy fees incurred for the quarter.
- (d) Higher interest income resulted from higher cash balance during the quarter.
- (e) Borrowing costs were higher in 1Q2018 due to higher loan interest expense from incremental borrowings to partially fund the new acquisitions in December 2017. The preferential offering proceeds and existing cash to reduce borrowings were deployed in late March 2018.
- Please refer to 1(b)(ii) for more details on borrowings.
- (f) Gain arose from the disposal of the property at 9 Bukit Batok in March 2018.
- (g) Income tax expense related to tax on profits of 7000 AMK Pte. Ltd. for January 2018, prior to its conversion to a limited liability partnership from 1 February 2018.
- (h) Non-tax deductible/(taxable) items (distribution adjustments)

	Group	
	1Q2018	1Q2017
	S\$'000	S\$'000
<u>Non-tax deductible/(taxable) items and other adjustments:</u>		
Trustee's fees	104	91
Transaction costs relating to debt facilities	472	398
Professional fees	287	36
Straight line rent and lease incentives	(479)	(206)
Miscellaneous expenses	135	145
Income from subsidiary	519	-
	1,038	464
<u>Income not subject to tax:</u>		
Gain on disposal of investment property	(128)	-
Net effect of non-tax deductible/(taxable) items	910	464

- (i) Net amount available for distribution for the period comprised:

	Group		Fav/ (Unfav) %
	1Q2018 S\$'000	1Q2017 S\$'000	
Taxable income	12,907	13,105	(1.5)
Tax-exempt income ⁽¹⁾	519	-	n.m.
Net amount available for distribution for the period	13,426	13,105	2.4

Note:

- ⁽¹⁾ Tax exempt income relates to share of profits from 7000 AMK Pte. Ltd. prior to its conversion to limited liability partnership with effect from 1 February 2018.

- (j) The total distributable amount of S\$13.4 million, based on 1,583.7 million units (inclusive of Preferential Offering units of approximately 262.8 million units) which were entitled to the distribution for the quarter, translates to a DPU of 0.847 cents for 1Q2018 which is 15.6% lower than 1Q2017 DPU.

Adjusted DPU is based on the weighted average number of units in issue during 1Q2018 (assumes the units issued under the Preferential Offering were only entitled to distributable income from 28 March to 31 March 2018).

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

Note	Group		Trust	
	31-03-18 S\$'000	31-12-17 S\$'000	31-03-18 S\$'000	31-12-17 S\$'000
Assets				
Non-current assets				
Investment properties	(a) 1,653,086	1,652,200	1,350,086	1,349,200
Investments in subsidiaries	(b) -	-	215,542	215,463
Loan to a subsidiary	(c) -	-	50,500	50,500
	1,653,086	1,652,200	1,616,128	1,615,163
Current assets				
Investment property held for divestment	(a) -	23,600	-	23,600
Trade and other receivables	(d) 12,652	8,374	11,092	6,999
Cash and cash equivalents	9,854	11,651	4,561	8,156
	22,506	43,625	15,653	38,755
Total assets	1,675,592	1,695,825	1,631,781	1,653,918
Liabilities				
Current liabilities				
Trade and other payables	(e) 29,977	28,647	21,639	21,987
Interest-bearing borrowings	(f) 154,926	154,895	154,926	154,895
Amount due to Non-controlling interest	(g) 60,600	60,600	-	-
	245,503	244,142	176,565	176,882
Non-current liabilities				
Trade and other payables	(e) 8,082	6,783	6,829	5,715
Amount due to a subsidiary	(h) -	-	40,247	40,247
Interest-bearing borrowings	(f) 345,093	514,896	345,093	514,896
	353,175	521,679	392,169	560,858
Total liabilities	598,678	765,821	568,734	737,740
Net assets	1,076,914	930,004	1,063,047	916,178
Represented by:				
Unitholders' funds	924,098	778,889	910,231	765,063
Perpetual securities holders' funds	(i) 152,816	151,115	152,816	151,115
	1,076,914	930,004	1,063,047	916,178

Notes:

- (a) The total carrying value of investment properties was S\$1,653.5 million as at 31 March 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 and ESR-SPV2 and 80% equity interest in 7000 AMK, which are eliminated at the consolidated level.
- (c) At the Trust level, the shareholder's loan of \$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\$3.9 million mainly due to the payment of utilities deposits and inclusion of utilities receivables of 7000 AMK LLP.
- (e) Trade and other payables increased by S\$2.6 million mainly due to interest payable for loans and notes and payable for property management fees, partially offset by rental deposit refunds.
- (f) Interest-bearing borrowings decreased due to loan repayments from the proceeds of preferential offering and existing cash in March 2018, net of unamortised loan transaction costs.
- (g) The amount due to non-controlling interest represents 20% interest in 7000 AMK Pte. Ltd. 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) 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.

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.

- (j) 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 1Q2018. The Manager believes that the Group's existing financial resources (comprising S\$213.0 million available from existing loan facilities as at 31 March 2018 and significant capacity under the Debt Issuance Programme), is sufficient.

1(b)(ii) Aggregate amount of borrowings

Note	Group and Trust	
	31-03-18 S\$'000	31-12-17 S\$'000
Unsecured borrowings		
Amount payable within one year	155,000	155,000
Less: Unamortised loan transaction costs	(74)	(105)
	154,926	154,895
Amount payable after one year	347,000	517,000
Less: Unamortised loan transaction costs	(1,907)	(2,104)
	345,093	514,896
Total unsecured borrowings	500,019	669,791
Total borrowings	500,019	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 drawn down; and
- Facility B: S\$50 million revolving credit facility at an interest rate of margin plus swap offer rate.

A total of S\$107.0 million was drawn down on the TLF1 as at 31 March 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 drawn 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 31 March 2018.

(b) Unencumbered investment properties

As at 31 March 2018, the Group has 47 unencumbered investment properties with a combined carrying value of approximately S\$1.65 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 31 March 2018.

1 (c) Statements of Cash Flows

Note	Group	
	1Q2018 S\$'000	1Q2017 S\$'000
Cash flows from operating activities		
Total return for the period before income tax and distribution	15,199	12,641
Adjustments for:		
Interest income	(23)	(11)
Borrowing costs	6,066	5,011
Gain on disposal of investment property	(128)	-
Operating income before working capital changes	21,114	17,641
Changes in working capital		
Trade and other receivables	(5,079)	(52)
Trade and other payables	876	(2,514)
Income tax paid	(744)	-
Net cash generated from operating activities	16,167	15,075
Cash flows from investing activities		
Net cash outflow on purchase of investment properties	(1,163)	-
Capital expenditure on investment properties	(1,032)	(4,966)
Proceeds from disposal of investment properties	23,900	-
Payment for divestment costs	(167)	-
Interest received	23	11
Net cash from/(used in) investing activities	21,561	(4,955)
Cash flows from financing activities		
Proceeds from issuance of new units	141,939	-
Issue costs for perpetual securities paid	(271)	-
Payment for preferential offering issue costs	(105)	-
Proceeds from borrowings	-	9,000
Borrowing costs paid	(2,734)	(1,338)
Repayment of borrowings	(170,000)	(4,000)
Distributions paid to Unitholders	(8,172)	(12,992)
Distribution to non-controlling interest	(182)	-
Net cash used in financing activities	(39,525)	(9,330)
Net (decrease)/increase in cash and cash equivalents	(1,797)	790
Cash and cash equivalents at beginning of the period	11,651	3,699
Cash and cash equivalents at end of the period	9,854	4,489

Notes:

(a) Net cash outflow on investment properties (including acquisition related costs)

These were payments for legal and professional fees related to the acquisitions of property and the special purpose vehicle, 7000 AMK Pte. Ltd., in December 2017.

(b) Proceeds from issuance of new units

In 1Q2018, ESR-REIT raised S\$141.9 million gross proceeds from a preferential offering to its existing unitholders on the basis of 199 new units for every 1000 existing units. Approximately 262.8 million new units were issued on 28 March 2018. The use of the gross proceeds, together with the divestment proceeds of a non-core investment property at 9 Bukit Batok in March 2018, were deployed to pare down debts amounting to a total of S\$170.0 million during the quarter.

(c) Non cash transactions

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 part payment of the 4Q2017 distribution.

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

	Group		Trust	
	1Q2018 S\$'000	1Q2017 S\$'000	1Q2018 S\$'000	1Q2017 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	14,217	12,641	14,176	12,451
Less: Amount reserved for distribution to perpetual securities holders	(1,701)	-	(1,701)	-
Net increase in net assets resulting from operations	12,516	12,641	12,475	12,451
<u>Unitholders' transactions</u>				
Issuance of units pursuant to:				
- Distribution Reinvestment Plan	4,031	-	4,031	-
- Preferential Offering	141,939	-	141,939	-
Payment of equity costs pursuant to:				
- Distribution Reinvestment Plan	(74)	-	(74)	-
- Preferential Offering	(1,000)	-	(1,000)	-
Distributions to Unitholders	(12,203)	(12,992)	(12,203)	(12,992)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	132,693	(12,992)	132,693	(12,992)
Balance at end of period	924,098	826,678	910,231	811,411
<u>Perpetual Securities Holders' Funds</u>				
Balance at beginning of period	151,115	-	151,115	-
Amount reserved for distribution to perpetual securities holders	1,701	-	1,701	-
Balance at end of period	152,816	-	152,816	-
Total	1,076,914	826,678	1,063,047	811,411

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

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

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 but have been reviewed by our 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 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	
		1Q2018	1Q2017
EPU			
Total return after income tax before distribution for the period (S\$'000)		12,516	12,641
Weighted average number of units ('000)		1,327,876	1,304,434
Basic and diluted EPU (cents)	(a)	0.943	0.969
DPU			
Total amount available for distribution for the period (S\$'000)		13,426	13,105
Applicable number of units for calculation of DPU ('000)		1,583,702	1,304,434
DPU (cents)	(b)	0.847	1.004

Notes:

- (a) The basic EPU was calculated using total return after income tax before distribution for the period, which included gain on disposal of investment property 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. The number of units included units issued on 28 March 2018 pursuant to the Preferential Offering.

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

Note	Group		Trust	
	31-03-18	31-12-17	31-03-18	31-12-17
NAV (cents)	(a) 58.4	59.3	57.5	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 quarter pursuant to the preferential offering in March 2018 and to DRP as part payment of the distribution for 4Q2017.

8 Review of the performance

The review of the performance is found 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 by Ministry of Trade of Industry (“MTI”), Singapore economy grew by 4.3% on year-on-year basis in the 1Q2018, higher than the 3.6% growth in the 4Q2017. On quarter-on-quarter seasonally-adjusted annualized basis, the economy expanded by 1.4%, a moderation from 2.1% growth in the fourth quarter.

Singapore’s Purchasing Managers’ Index (“PMI”) for March 2018 posted a reading of 53.0, a slight increase from 52.7 in the preceding month. This was the 19th consecutive month of expansion (i.e. a reading above 50), attributed mainly to faster growth in factory output, higher new orders and new exports.

Notwithstanding the continuing strength of the PMI and the improved manufacturing outlook, the overall industrial property market remains soft. Global uncertainties, rising operating costs and persistent new supply continued to weigh down on rents and occupancy rates. The Jurong Town Corporation (“JTC”) 4Q 2017 Industrial Property Statistics showed prices and rental of industrial space continued to moderate. As new supply is expected to taper in the next 1-2 years, prices and rental may start to stabilise in tandem with occupancy rates. The overall price and rental indices for the industrial property market fell by 1.1% and 0.1% respectively compared to the previous quarter.

During the quarter, ESR-REIT successfully renewed one master lease at 28 Woodlands Loop bringing down the FY2018 lease expiry concentration for single-tenanted properties from 7.2% to 6.0% of portfolio rental income. Included in this total is the lease expiry of the Nobel Design Holdings Pte Ltd master lease in 16 Tai Seng Street which currently contributes 4.7% of portfolio rental income. This is expected to negatively impact earnings in H2 FY2018 as the tenant is likely to downsize its space requirement and the rental will likely be below current contracted rental. FY2018 earnings will also be affected by the pre-termination of the Tellus Marine lease in 21B Senoko Loop which previously made up about 2.4% of portfolio rental income. We are now in negotiations with a prospective tenant to take up the master lease of this property.

Although an increase in enquiries have been noted recently, the Manager expects the leasing market to remain competitive due to continuing new supply which is not expected to abate until late 2018. Accordingly, ESR-REIT’s portfolio performance will continue to be impacted by the prevailing downward pressure on rents resulting in further negative rental reversions. Nevertheless, the Manager will continue to focus on improving asset quality and maintaining occupancy in the current challenging leasing market.

Proposed merger with Viva Industrial Trust

The Manager of ESR-REIT has announced a proposed merger of all the issued and paid-up stapled securities of Viva Industrial Trust (“VIT”) held by the stapled securityholders of VIT and the units in ESR-REIT held by the unitholders (“Proposed Merger”).

The Proposal contemplates that:

- the proposed merger will be effected through the acquisition by ESR-REIT of all the Stapled Securities held by the stapled securityholders by way of a trust scheme of arrangement (the “Scheme”) in accordance with the Singapore Code on Take-overs and Mergers; and
- the consideration under the Scheme for the stapled securities will be satisfied by the allotment and issue by ESR-REIT of new ESR-REIT units to the stapled securityholders.

There is no certainty or assurance that any definitive agreements will be entered into or that any transaction will materialise from the current discussions.

11 Distributions

(a) Current financial period

Any distributions declared for the current financial period: Yes

Name of distribution: **Forty-ninth** distribution for the period from 1 January 2018 to 31 March 2018

Distribution Type: Taxable income/Tax-exempt income

Distribution Rate: 0.847 cents per unit comprising:
(a) taxable income 0.814 cents per unit
(b) tax-exempt income 0.033 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).

Tax-exempt income distribution
The tax-exempt income component of the distribution is exempt from tax in the hands of all Unitholders. No tax will be deducted at source from such distributions.

Books closure date: 30 April 2018

Date payable: 31 May 2018

The Manager has determined that the DRP **will not apply** to the distribution for the period from 1 January 2018 to 31 March 2018.

(b) Corresponding period of the immediately preceding year

Any distributions declared for the previous corresponding financial period:

Yes

Name of distribution: **Forty-fifth** distribution for the period from 1 January 2017 to 31 March 2017

Distribution Type: Taxable income

Distribution Rate: 1.004 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
20 April 2018



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RBC Investor Services Trust Singapore Limited
(in its capacity as Trustee of ESR-REIT)
8 Marina View
#26-01 Asia Square Tower 1
Singapore 018960

Attention : Ms Hoi Sau Kheng

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

Attention: Mr Shane Hagan

Dear Sirs

ESR-REIT and its subsidiaries
Review of interim financial information for the three-month period ended 31 March 2018

Introduction

We have reviewed the accompanying interim financial information of ESR-REIT (the "Trust") and its subsidiaries (collectively, the "Group") for the three-month period ended 31 March 2018 (the "Interim Financial Information"). The Interim Financial Information comprises the following:

- Statements of financial position of the Group and the Trust as at 31 March 2018;
- Portfolio statement of the Group as at 31 March 2018;
- Statement of total return of the Group for the three-month period ended 31 March 2018;
- Distribution statement of the Group for the three-month period ended 31 March 2018;
- Statements of movements in unitholders' funds of the Group and the Trust for the three-month period ended 31 March 2018;
- Statement of cash flows of the Group for the three-month period ended 31 March 2018; and
- Certain explanatory notes to the above Interim Financial Information.

ESR Funds Management (S) Limited, the Manager of the Trust, is responsible for the preparation and presentation of this 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. Our responsibility is to express an opinion on this Interim Financial Information based on our review.



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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 Institute of Singapore Chartered Accountants.

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.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

19 April 2018