ESR REIT

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE QUARTER ENDED 31 MARCH 2019

The Directors of ESR Funds Management (S) Limited ("ESR-FM"), as manager ("Manager") of ESR-REIT, are pleased to announce the unaudited financial results of ESR-REIT and its subsidiaries (the "Group") for the first quarter ended 31 March 2019 ("1Q2019").

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 15 October 2018, ESR-REIT completed its merger with Viva Industrial Trust ("VIT") (comprising Viva Industrial Real Estate Investment Trust and Viva Industrial Business Trust) by way of a trust scheme of arrangement ("Merger"). Under the Merger, ESR-REIT acquired all of VIT's issued stapled securities for S$9.60 in cash and 160 new ESR-REIT units in exchange for every 100 VIT stapled securities held by the stapled securityholders of VIT.

Following the completion of the Merger, VIT was delisted from SGX-ST. Viva Industrial Real Estate Investment Trust ceased to be an authorised collective investment scheme and became a sub-trust of ESR-REIT and was renamed as Viva Trust. Viva Industrial Business Trust, which was dormant, had been wound up in December 2018.

As at 31 March 2019, the Group has a diversified portfolio of 57 properties located across Singapore with a diversified tenant base of 336 tenants across the following sub sectors: business park, hi-specs industrial, logistics/warehouse and general industrial. The portfolio has a carrying value of approximately S$3.03 billion* and a total gross floor area of approximately 14.1 million square feet.

The Group's results include the consolidated results of its wholly-owned subsidiaries, Viva Trust, ESR-MTN Pte. Ltd. ("ESR-MTN"), Cambridge SPV1 LLP ("CSPV1") and ESR-SPV2 LLP and an 80%-owned subsidiary, 7000 AMK LLP. 1Q2019 consolidated results include Viva Trust's first full quarter results since the Merger was completed in October 2018. The commentaries below are based on the Group's results unless otherwise stated.

*Includes a 20% non-controlling interest in 7000 AMK valued at S$61.1 million as at 31 March 2019, and excludes the effects arising from the adoption of Financial Reporting Standard (FRS) 116 *Leases* which became effective on 1 January 2019.

Summary of the Group's Results

	1Q2019 S$'000	1Q2018 S$'000	Fav/ (Unfav) %
Gross revenue	64,824	33,608	92.9
Net property income	48,621	23,785	104.4
Amount available for distribution	31,962	13,426	138.1
- Taxable income	29,872	12,907	131.4
- Tax exempt income	-	519	(100.0)
- Other gains	2,090	-	n.m.
Distribution per unit ("DPU") (cents)	1.007	0.847	18.9

n.m. – not meaningful

Distribution and Book Closure Date Details

Distribution period	**1 January 2019 to 31 March 2019**
Distribution rate	**1.007 cents per unit comprising:** **(i) taxable income 0.942 cents per unit** **(ii) other gains 0.065 cents per unit**
Books closure date	**6 May 2019**
Payment date	**10 June 2019**

The Manager has determined that distribution reinvestment plan ("DRP") **will apply** to the distribution for the period from 1 January 2019 to 31 March 2019. The price of the DRP units to be issued will be based on the market price less a discount of 2% to be announced by the Manager on 7 May 2019.

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		
		1Q2019 S$'000	1Q2018 S$'000	Fav/ (Unfav) %
Gross revenue		**64,824**	**33,608**	**92.9**
Property manager's fees	(b)	(2,652)	(1,596)	(66.2)
Property tax		(4,437)	(2,434)	(82.3)
Land rental	(d)	-	(2,041)	100.0
Other property expenses		(9,114)	(3,752)	(142.9)
Property expenses		**(16,203)**	**(9,823)**	**(64.9)**
Net property income	(a)	**48,621**	**23,785**	**104.4**
Manager's fees	(b)	(3,529)	(2,032)	(73.7)
Trust expenses		(672)	(639)	(5.2)
Interest income		6	23	(73.9)
Borrowing costs	(c)	(12,828)	(6,066)	(111.5)
Finance costs on lease liabilities for leasehold land (FRS 116)	(d)	(2,685)	-	n.m.
Non-property expenses		**(19,708)**	**(8,714)**	**(126.2)**
Net income		**28,913**	**15,071**	**91.8**
Gain on disposal of investment property		-	128	(100.0)
Change in fair value of financial derivatives	(e)	2,231	-	n.m.
Change in fair value of right-of-use of leasehold land (FRS 116)	(d)	523	-	n.m.
Total return for the period before income tax and distribution		**31,667**	**15,199**	**108.3**
Less: Income tax expense		(14)	(83)	83.1
Total return for the period after income tax before distribution		**31,653**	**15,116**	**109.4**
Attributable to:				
Unitholders and perpetual securities holders		30,702	14,217	116.0
Non-controlling interest		951	899	5.8
		31,653	**15,116**	**109.4**

n.m. – not meaningful

Distribution Statement

	Note	Group 1Q2019 S$'000	Group 1Q2018 S$'000	Group Fav/ (Unfav) %
Total return for the period after income tax before distribution attributable to Unitholders and perpetual securities holders		**30,702**	**14,217**	**116.0**
Net effect of non-tax deductible/(non-taxable) items	(f)	871	910	(4.3)
		31,573	15,127	108.7
Amount reserved for distribution to perpetual securities holders		(1,701)	(1,701)	-
Net income available for distribution for the period		**29,872**	**13,426**	**122.5**
Distribution from other gains	(g)	2,090	-	n.m.
Total amount available for distribution for the period	(h)	**31,962**	**13,426**	**138.1**
DPU for the period (cents)	(i)	**1.007**	**0.847**	**18.9**

n.m. – not meaningful

Notes:

(a) The Group recorded gross revenue and net property income (“NPI”) of S$64.8 million and S$48.6 million respectively in 1Q2019 and these were higher than the corresponding quarter last year by 92.9% and 104.4% respectively.

The growth in revenue and NPI was mainly attributed to the contributions from (a) the acquisition of 15 Greenwich and Viva Trust’s nine properties pursuant to the Merger in October 2018; (b) the leasing up of 30 Marsiling and 3 Pioneer Sector 3; and (c) rental escalations from the existing property portfolio. The growth was partially offset by the lease conversion from single to multi-tenancy for 16 Tai Seng (2Q2018) and 5/7 Gul Street in 1Q2019.

Property expenses increased by S$6.4 million to S$16.2 million in 1Q2019, which was 64.9% higher than the corresponding quarter last year. The property expenses increased largely due to property manager’s fees, marketing commission expense, property tax and other property expenses from the new property acquisition, the Merger and master lease conversions and bad debts written off of S$0.03 million.

(b) The management fees for the Manager and the Property Manager for 1Q2019 will be payable partially in units, comprising S$1.3 million and S$0.8 million for the Manager and the Property Manager, respectively. Higher management fees for the Manager and the Property Manager in 1Q2019 were due to higher deposited property and higher rental revenue respectively, which are attributable to the Merger and new property acquisition completed in 4Q2018.

(c) Borrowing costs comprised interest expenses on loans and interest rate swaps, and amortisation of debt related transaction costs. These costs were higher in 1Q2019 due to more debts being drawn down in 4Q2018 to fund the acquisition of 15 Greenwich and the costs related to the Merger which included the funding of the cash consideration, the payment of transaction costs and the refinancing of Viva Trust's borrowings.

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

(d) The Group is required to pay land rental, whether annually or on an upfront land premium basis to JTC and Ascendas Land for properties in its portfolio. The Group adopted FRS 116 *Leases* ("FRS 116") on a modified retrospective basis on 1 January 2019 and did not adjust its comparatives for the effects arising from the adoption of the new standard.

With the adoption of FRS 116, the Group is required to recognise the land leases on the Statement of Financial Position to reflect the right to use the leasehold land and the associated obligation for the lease payments i.e. lease liabilities. The right-of-use of leasehold land and the corresponding lease liabilities are derived by discounting the future lease payments using the Group's incremental borrowing rate for borrowings of similar amount and tenor, and with similar security.

The lease liabilities increase with the accretion of imputed interest expense computed using the effective interest rate method and decrease as lease payments are made. Fair value change on the right to use the leasehold land is recorded to ensure that the carrying values of the right-of-use of leasehold land and lease liabilities are equal at all times.

As at 1 January 2019 (the date of adoption of FRS 116), the Group recognised the right-of-use of leasehold land of S$226.4 million and lease liabilities of the same amount for its leases previously classified as operating land leases on the Statement of Financial Position. Such right-of-use of leasehold land and lease liabilities for leasehold land are excluded from the computation of gearing ratio as at 31 March 2019. The Group's gearing ratio as at 31 March 2019 was 42.0% (31 December 2018: 41.9%).

In 1Q2019, the Group recognised finance cost on lease liabilities for leasehold land of S$2.7 million and change in fair value of right-of-use of leasehold land of S$0.5 million on the Statement of Total Return.

Prior to the adoption of FRS 116, lease payments made for land rental are presented as land rental expenses in arriving at the net property income on the Statement of Total Return and form part of the Group's operating cash flows on the Statement of Cash Flows. However, with the adoption of FRS 116, such payments are now reflected as finance cost 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.

(e) The change in fair value of financial derivatives represented the change in fair value of interest rate swaps (with aggregate notional amount of S$855.0 million), 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 non-taxable and has no impact on distributable income.

(f) Non-tax deductible/(Non-taxable) items and distribution adjustments

	Group	
	1Q2019 S$'000	1Q2018 S$'000
Non-tax deductible/(Non-taxable) items and other adjustments:		
Manager's fees payable in units	1,306	-
Property Manager's fees payable in units	819	-
Trustee's fees	220	104
Debt related transaction and miscellaneous costs	1,403	472
Change in fair value of financial derivatives	(2,231)	-
Professional fees	79	287
Straight line rent and lease incentives	(692)	(479)
Miscellaneous expenses	176	135
Tax-exempt income	-	519
Rollover adjustment from prior years	(209)	-
	871	1,038
Income not subject to tax:		
Gain on disposal of investment property	-	(128)
Net effect of non-tax deductible/(non-taxable) items	**871**	**910**

(g) Distribution from other gains represented the following:

- S$0.3 million of the S$6.3 million of ex-gratia payments received from the Singapore Land Authority in connection with the compulsory acquisitions of land in prior years; and
- S$1.8 million of the gains from disposal of investment properties in the prior years.

(h) The total amount available for distribution for the period comprised:

	Group		
	1Q2019 S$'000	1Q2018 S$'000	Fav/ (Unfav) %
Taxable income	29,872	12,907	131.4
Tax-exempt income [(1)]	-	519	(100.0)
Other gains [(2)]	2,090	-	n.m.
Total amount available for distribution for the period	**31,962**	**13,426**	**138.1**

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

[(2)] Other gains represented partial payout of (a) ex-gratia payments received from the Singapore Land Authority in connection with the compulsory acquisitions of land in prior years; and (b) gain from the disposal of investment properties in the prior years.

(i) The total distributable amount of S$32.0 million, based on units which are entitled to the distribution for the quarter, translated to a DPU of 1.007 cents for 1Q2019 which was 18.9% higher than 1Q2018 DPU of 0.847 cents.

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

		Group		Trust	
	Note	31-03-19 S$'000	31-12-18 S$'000	31-03-19 S$'000	31-12-18 S$'000
Assets					
Non-current assets					
Investment properties	(a)	3,019,638	3,016,200	1,455,236	1,452,500
Investments in subsidiaries	(b)	-	-	1,173,978	1,173,978
Right-of-use of leasehold land (FRS 116)	(c)	226,588	-	170,524	-
Loans to subsidiaries	(d)	-	-	612,264	612,264
		3,246,226	3,016,200	3,412,002	3,238,742
Current assets					
Investment property held for divestment	(a)	5,700	5,700	5,700	5,700
Trade and other receivables	(e)	12,356	11,144	33,774	30,535
Cash and cash equivalents	(f)	12,037	17,664	1,216	6,560
		30,093	34,508	40,690	42,795
Total assets		**3,276,319**	**3,050,708**	**3,452,692**	**3,281,537**
Liabilities					
Current liabilities					
Trade and other payables	(g)	50,725	58,230	40,930	45,856
Lease liabilities for leasehold land (FRS 116)	(c)	2,474	-	2,474	-
Interest-bearing borrowings	(h)	173,216	281,921	173,216	281,921
Amount due to non-controlling interest	(i)	61,074	61,074	-	-
		287,489	401,225	216,620	327,777
Non-current liabilities					
Trade and other payables	(g)	17,163	16,129	8,125	7,860
Lease liabilities for leasehold land (FRS 116)	(c)	224,114	-	168,050	-
Amount due to a subsidiary	(j)	-	-	40,247	40,247
Interest-bearing borrowings	(h)	1,096,386	986,282	1,096,386	986,282
Derivative financial instruments	(k)	14,511	16,289	14,511	16,289
		1,352,174	1,018,700	1,327,319	1,050,678
Total liabilities		**1,639,663**	**1,419,925**	**1,543,939**	**1,378,455**
Net assets		**1,636,656**	**1,630,783**	**1,908,753**	**1,903,082**
Represented by:					
Unitholders' funds		1,483,840	1,479,668	1,755,937	1,751,967
Perpetual securities holders' funds	(l)	152,816	151,115	152,816	151,115
		1,636,656	**1,630,783**	**1,908,753**	**1,903,082**

Notes:

(a) The total carrying value of investment properties was S$3.03 billion as at 31 March 2019. Investment properties increased by S$3.4 million mainly due to the capital expenditure and asset enhancements initiatives for the portfolio.

As at 31 March 2019, an investment property was classified as an investment property held for divestment as the divestment is planned within the next 12 months from the reporting date.

(b) At the Trust level, the investment in subsidiaries relates to the cost of investment in subsidiaries, namely CSPV1, ESR-MTN, ESR-SPV2 LLP, Viva Trust and 7000 AMK LLP, which are eliminated at the Group level.

(c) Please refer to 1(a)(d) for more details on the adoption of FRS 116 with effect from 1 January 2019.

(d) At the Trust level, ESR-REIT provided loans of S$612.3 million to 7000 AMK LLP and Viva Trust to repay their borrowings at completion of their acquisitions. Loans to subsidiaries are interest-bearing and the interest expense is payable in arrears on a quarterly basis.

(e) Trade and other receivables increased by S$1.2 million mainly due to the prepayment of insurance for the property portfolio and an increase in other receivables.

(f) Cash balances decreased mainly due to the payments for capital expenditure and property expenses.

(g) Trade and other payables decreased by S$6.5 million mainly due to the payment for Merger related professional fees.

(h) Interest-bearing borrowings increased by S$1.4 million mainly due to additional debt drawn down for working capital purposes.

(i) The amount due to non-controlling interest represents 20% interest in 7000 AMK LLP that is not owned by the Group.

(j) The amount relates to the transfer of property at 3 Tuas South Avenue to the Trust from CSPV1 in 3Q2017.

(k) Derivative financial instruments (with aggregate notional amount of S$855.0 million) represented the fair value of interest rate swaps entered into to hedge against interest rate fluctuations on the floating rate borrowings.

(l) 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.

(m) As at 31 March 2019, the Group’s current liabilities exceeded its current assets by S$257.4 million (31 December 2018: S$366.7 million) mainly due to the classification of bank loans of S$173.6 million as current liabilities as they are due in October 2019.

On 15 April 2019, ESR-REIT drew down new loan facilities of S$155.0 million to partially repay the aforesaid bank loans of S$173.6 million due in October 2019. The remaining S$18.6 million of bank loans due in October 2019 will be refinanced by utilising the new loan facilities from CIMB as disclosed in Note (a)(ii) of 1(b)(ii). As such, the Manager is of the view that the Group will be able to meet its obligations as and when they fall due.

1(b)(ii) Aggregate amount of borrowings

	Group	
	31-03-19 S$'000	**31-12-18 S$'000**
Unsecured borrowings		
Amount payable within one year	173,569	282,569
Less: Unamortised loan transaction costs	(353)	(648)
	173,216	281,921
Amount payable after one year	1,106,000	995,000
Less: Unamortised loan transaction costs	(9,614)	(8,718)
	1,096,386	986,282
Total unsecured borrowings	1,269,602	1,268,203
Total borrowings	**1,269,602**	**1,268,203**

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$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 margin plus swap offer rate.

A total of S$111.0 million was drawn down on the TLF1 as at 31 March 2019. ESR-REIT has, in March 2019, entered into a mandate letter with CIMB to renew TLF1 for a new loan tenor and as such, the S$111.0 million loans under TLF1 have been classified as non-current liabilities as at 31 March 2019.

(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 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 margin plus swap offer rate.

A total of S$185.0 million was drawn down on the TLF2 as at 31 March 2019.

(iv) Unsecured S$700 million loan facility from a syndicate of four banks, UOB, HSBC, MBB and RHB ("TLF3") consisting of:

- Facility A: S$160.0 million term loan facility maturing in October 2021 at an interest margin plus swap offer rate;

- Facility B: S$180.0 million term loan facility maturing in October 2022 at an interest margin plus swap offer rate;

- Facility C: S$160.0 million term loan facility maturing in October 2023 at an interest margin plus swap offer rate; and

- Facility D: S$200.0 million revolving credit facility maturing in October 2019 at an interest margin plus swap offer rate.

A total of S$673.6 million was drawn down on the TLF3 as at 31 March 2019.

(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 31 March 2019.

(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$75.0 million term loan facility maturing in March 2022 at an interest margin plus swap offer rate; and

- Facility B: S$80.0 million term loan facility maturing in March 2023 at an interest margin plus swap offer rate.

TLF5 was not drawn down as at 31 March 2019. It was fully drawn down on 15 April 2019 to partially repay the bank loans of S$173.6 million due in October 2019.

(b) Unencumbered investment properties

As at 31 March 2019, the Group has 57 unencumbered investment properties with a combined carrying value of approximately S$3.03 billion*, representing 100% of the investment properties by value.

*Includes a 20% non-controlling interest in 7000 AMK valued at S$61.1 million as at 31 March 2019.

1(c) Statement of Cash Flows

	Group	
	1Q2019 S$'000	1Q2018 S$'000
Cash flows from operating activities		
Total return for the period before income tax and distribution	31,667	15,199
Adjustments for:		
Interest income	(6)	(23)
Borrowing costs	12,828	6,066
Finance costs on lease liabilities for leasehold land (FRS 116)	2,685	-
Manager's fees payable in units	1,306	-
Property Manager's fees payable in units	819	-
Gain on disposal of investment property	-	(128)
Change in fair value of financial derivatives	(2,231)	-
Change in fair value of right-of-use of leasehold land (FRS 116)	(523)	-
Operating income before working capital changes	**46,545**	**21,114**
Changes in working capital		
Trade and other receivables	(1,062)	(5,079)
Trade and other payables	(4,580)	876
Income tax paid	-	(744)
Net cash generated from operating activities	**40,903**	**16,167**
Cash flows from investing activities		
Net cash outflow on acquisition of investment properties	-	(1,163)
Capital expenditure on investment properties	(8,354)	(1,032)
Proceeds from disposal of investment properties	-	23,900
Payment for divestment costs	-	(167)
Interest received	6	23
Net cash (used in)/generated from investing activities	**(8,348)**	**21,561**
Cash flows from financing activities		
Proceeds from issuance of new units	-	141,939
Issue costs for perpetual securities paid	-	(271)
Equity issue costs paid	-	(105)
Proceeds from borrowings	23,000	-
Borrowing costs paid	(10,551)	(2,734)
Repayment of borrowings	(21,000)	(170,000)
Payment for lease liabilities for leasehold land (FRS 116)	(2,162)	-
Distributions paid to Unitholders	(26,661)	(8,172)
Distribution to non-controlling interest	(808)	(182)
Net cash used in financing activities	**(38,182)**	**(39,525)**
Net decrease in cash and cash equivalents	**(5,627)**	**(1,797)**
Cash and cash equivalents at beginning of the period	**17,664**	**11,651**
Cash and cash equivalents at end of the period	**12,037**	**9,854**

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

	Group		Trust	
	1Q2019 S$'000	1Q2018 S$'000	1Q2019 S$'000	1Q2018 S$'000
Unitholders' Funds				
Balance at beginning of period	**1,479,668**	**778,889**	**1,751,967**	**765,063**
Operations				
Total return for the period attributable to Unitholders and perpetual securities holders	30,702	14,217	30,500	14,176
Amount reserved for distribution to perpetual securities holders	(1,701)	(1,701)	(1,701)	(1,701)
Net increase in net assets resulting from operations	**29,001**	**12,516**	**28,799**	**12,475**
Unitholders' transactions				
Issuance of units pursuant to:				
- Distribution Reinvestment Plan	-	4,031	-	4,031
- Preferential Offering	-	141,939	-	141,939
Units to be issued:				
- Management fees payable in units in respect of 4Q2018	1,832	-	1,832	-
Payment of equity costs pursuant to:				
- Distribution Reinvestment Plan	-	(74)	-	(74)
- Preferential Offering	-	(1,000)	-	(1,000)
Distributions to Unitholders	(26,661)	(12,203)	(26,661)	(12,203)
Net (decrease)/increase in net assets resulting from Unitholders' transactions	**(24,829)**	**132,693**	**(24,829)**	**132,693**
Balance at end of period	**1,483,840**	**924,098**	**1,755,937**	**910,231**
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	1,701	1,701	1,701	1,701
Balance at end of period	**152,816**	**152,816**	**152,816**	**152,816**
Total	**1,636,656**	**1,076,914**	**1,908,753**	**1,063,047**

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

	Trust	
	1Q2019 Units	1Q2018 Units
Issued units at beginning of the period	**3,170,172,725**	**1,313,623,314**
Issue of new units pursuant to:		
- Distribution Reinvestment Plan	-	7,229,019
- Preferential offering	-	262,849,614
Issued units at end of the period	**3,170,172,725**	**1,583,701,947**
Units to be issued:		
- Management fees payable in units in respect of 4Q2018	3,629,396	-
Total issued and issuable units at end of the period	**3,173,802,121**	**1,583,701,947**

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 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 the 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 2018, 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 2019.

Other than the adoption of FRS 116 *Leases* with effect from 1 January 2019, the adoption of these standards did not have any material effect on the financial statements of the Group.

Please refer to 1(a)(d) for more details on the effects of the adoption of FRS 116 with effect from 1 January 2019.

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

		Group	
	Note	1Q2019	1Q2018
EPU			
Total return after income tax before distribution for the period (S$'000)		29,001	12,516
Weighted average number of units ('000)		3,170,173	1,327,876
Basic and diluted EPU (cents)	(a)	0.915	0.943
DPU			
Total amount available for distribution for the period (S$'000)		31,962	13,426
Applicable number of units for calculation of DPU ('000)		3,173,802	1,583,702
DPU (cents)	(b)	1.007	0.847

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.

DPU was calculated using the total amount available for distribution and the number of units entitled to the distribution for the period.

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

		Group		Trust	
	Note	31-03-19	31-12-18	31-03-19	31-12-18
NAV per unit (cents)	(a)	46.8	46.7	55.4	55.3

Note:

(a) NAV 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 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.

(a) Market Outlook

Based on press release on 15 February 2019 by the Ministry of Trade and Industry ("MTI"), Singapore's GDP grew by 3.2% in 2018. For 2019, MTI has maintained the GDP growth forecast at "1.5 to 3.5 per cent" with growth expected to come in slightly below the mid-point of the forecast range.

Singapore's Purchasing Managers' Index ("PMI") for February 2019 showed a further decline of 0.3 points to 50.4, recording a slower expansion. Notwithstanding 6 months of decline, the PMI still has a record thirty straight months of consecutive expansion. The lower reading was mainly due to slower growth recorded for new orders and new exports, factory output, inventory and employment level. The indexes of finished goods and imports also expanded at a lower rate. The input prices index reverted to a contraction after having expanded for 18 consecutive months. The order backlog index continued to contract for the fifth consecutive month.

The economic outlook for 2019 is expected to ease from 2018's level of economic expansion across the major advanced and regional economies. This is due to the impact of the ongoing trade conflicts between US and its key trading partners. In addition, the weakening of global economic outlook could lead to pullback of investment and consumption growth. Notwithstanding the interest rate hikes, trade wars, and geopolitical tensions leading to slowdown in the global and Singapore economies, the market outlook could improve if the trade tension between US and China can be resolved soon.

According to JTC's market report for 4Q2018, the occupancy rate of the overall industrial property market grew marginally by 0.2% as compared to the previous quarter. Prices and rental of industrial space remained relatively stable. Price and Rental index remained the same as compared to the previous quarter. However, rental index fell by 0.3% compared to a year ago.

In 2019, another 1.5 million sqm of industrial space is expected to come on-stream, which is about 3% of the current industrial stock. 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 converted one master lease to multi-tenancies bringing down the FY2019 lease expiry concentration for single-tenanted properties from 1.2% to 0.6%. The other master lease will expire in 4Q2019 and is targeted for divestment.

We expect the leasing market to remain very competitive due to uncertainties surrounding the ongoing global trade tensions resulting in risk-averse behaviour amongst industrialists on the demand side in the short to medium term. The Manager will continue to focus on the integration of the two portfolios of assets to extract synergies in operations and achieve cost savings. The Manager also plans to undertake asset enhancement initiatives and asset rejuvenation to reposition certain properties.

(b) Update on 8 Tuas South Lane

Hyflux Membrane Manufacturing (S) Pte Ltd ("Hyflux Membrane") continued to meet its rental obligations in 1Q2019, pursuant to the lease agreements entered into with ESR-REIT (the "Lease Agreements") in relation to the property located at 8 Tuas South Lane. Pursuant to the Lease Agreements, ESR-REIT presently holds security deposits equivalent to three months of rental in the form of bank guarantees amounting to approximately S$2.1 million, which have not been drawn down. Hyflux Membrane accounted for 3.2% of the Group's total revenue for 1Q2019.

Purely for illustrative purposes only, assuming a hypothetical scenario where (i) Hyflux Membrane was unable to fulfill its rental obligations under the Lease Agreements since 1 January 2019; and (ii) the Manager was unable to lease out any of the space at the property in FY2019, the illustrative pro forma financial effect on the distributable income and DPU of ESR-REIT based on its 1Q2019 financial results is summarised as follows:

	1Q2019	Annualised 1Q2019	Pro Forma Annualised 1Q2019 (1)	Change
Distributable Income (S$'000)	31,962	127,848	121,565	*(4.9%)*
DPU (cents)	1.007	4.028	3.830	*(4.9%)*

Note:

(1) Assuming that Hyflux Membrane was unable to fulfil its rental obligations under the Lease Agreements since 1 January 2019 and consequently, ESR-REIT had fully utilised the security deposits obtained under the Lease Agreements which are equivalent to three months of rental, thus resulting in loss of nine months of rental income from Hyflux Membrane in FY2019, notwithstanding that ESR-REIT has already received the rental from Hyflux Membrane for 1Q2019.

The Manager will make further announcements on the SGXNET as necessary when there are material developments on this matter.

(c) Rejuvenating Assets Through Asset Enhancement Initiatives ("AEIs")

The Manager has identified up to seven assets for AEIs over the next 3 years, including about one million square feet of unutilised plot ratio. These include potential for rejuvenation of assets in the "General Industrial" sub-sector to position our portfolio to be "future-ready". Some of these assets include 7000 Ang Mo Kio Avenue 5 and 3 Tuas South Avenue 4 where there is unutilised plot ratio to be unlocked; 16 Tai Seng Avenue and UE BizHub East which have been identified to be rejuvenated; thereby potentially unlocking further value for Unitholders.

11 Distributions

(a) Current financial period

Any distributions declared for the current financial period:	Yes
Name of distribution:	**53rd** distribution for the period from 1 January 2019 to 31 March 2019.
Distribution Type:	Taxable income/Other gains
Distribution Rate:	1.007 cents per unit comprising: (a) Taxable income 0.942 cents per unit (b) Other gains 0.065 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:	6 May 2019
Date payable:	10 June 2019

The Manager has determined that DRP **will apply** to the distribution for the period from 1 January 2019 to 31 March 2019.

The DRP provides the Unitholders with an option to receive fully paid units in ESR-REIT in lieu of the cash amount of distribution which is declared on the units held by them after deduction of the applicable income tax. The Unitholders will receive a copy of the Notice of Election for their distribution election. The price of the DRP units to be issued will be based on the market price less a discount of 2% to be announced by the Manager on 7 May 2019.

(b) Corresponding period of the immediately preceding year

Any distributions declared for the previous corresponding financial period:	Yes
Name of distribution:	**49th** 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:	<u>Taxable income distribution</u> 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). <u>Tax-exempt income distribution</u> 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.

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 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, 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. 100132-5)

Adrian Chui
Chief Executive Officer and Executive Director
24 April 2019