



AMP CAPITAL

AIMS AMP CAPITAL INDUSTRIAL REIT

**AIMS AMP CAPITAL INDUSTRIAL REIT
UNAUDITED FINANCIAL STATEMENT
ANNOUNCEMENT
FIRST QUARTER ENDED 30 JUNE 2018
("1Q FY2019")**

Introduction

AIMS AMP Capital Industrial REIT ("AA REIT" or the "Trust") is a real estate investment trust which was listed on the Main Board of the SGX-ST on 19 April 2007. AA REIT is externally managed by AIMS AMP Capital Industrial REIT Management Limited (the "Manager"). The principal investment objective of the Manager is to invest in a diversified portfolio of income-producing real estate assets located in Singapore and throughout the Asia-Pacific region that is used for industrial purposes, including, but not limited to warehousing and distribution activities, business park activities and manufacturing activities. The Manager's key objectives are to deliver stable distributions to Unitholders and to provide long-term capital growth.

The Group¹ has a portfolio of 26 industrial properties, 25 of which are located throughout Singapore and one business park property in Macquarie Park, New South Wales ("NSW"), Australia².

Summary of AIMS AMP Capital Industrial REIT Group results

	Note	1Q FY2019	4Q FY2018	+ / (-)	1Q FY2018	+ / (-)
		S\$'000	S\$'000	%	S\$'000	%
Gross revenue	(a)	28,925	28,032	3.2	30,503	(5.2)
Net property income	(a)	19,431	17,669	10.0	20,119	(3.4)
Share of results of joint venture (net of tax)	(a)	3,339	6,363	(47.5)	3,661	(8.8)
Distributions to Unitholders	(b)	17,139	17,975	(4.7)	15,999	7.1
Distribution per Unit ("DPU") (cents)		2.50	2.63	(4.9)	2.50	-

Notes:

- (a) Please refer to section 8 on "Review of the performance" for explanation of the variances.
- (b) The Manager resolved to distribute S\$17.1 million for 1Q FY2019, comprising (i) taxable income of S\$15.7 million from Singapore operations; and (ii) tax-exempt income distribution of S\$0.69 million and capital distribution of S\$0.75 million from distributions remitted from the Group's investment in Optus Centre, Macquarie Park, NSW, Australia.

AA REIT's distribution policy is to distribute at least 90.0% of the Trust's Singapore taxable income for the full financial year. For 1Q FY2019, the Manager has resolved to distribute 99.7% of the Singapore taxable income available for distribution to the Unitholders. Please refer to details in section 1(a)(ii) for the distribution statement.

¹ The Group comprises AIMS AMP Capital Industrial REIT, its wholly-owned subsidiaries and its interest in a joint venture.

² AA REIT has a 49.0% interest in Optus Centre located in Macquarie Park, NSW, Australia.

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Distribution and Books Closure Date

Distribution	For 1 April 2018 to 30 June 2018		
Distribution Type	(a) Taxable Income (b) Tax-Exempt Income (c) Capital Distribution ³		
Distribution Rate	(a) Taxable Income Distribution:	2.29 cents per Unit	
	(b) Tax-Exempt Income Distribution:	0.10 cents per Unit	
	(c) Capital Distribution ³ :	<u>0.11 cents per Unit</u>	
		<u>2.50 cents per Unit</u>	
Books Closure Date	7 August 2018		
Payment Date	20 September 2018		

1 (a)(i) Consolidated Statements of Total Return

	Note	Group 1Q FY2019 S\$'000	Group 1Q FY2018 S\$'000	+ /(-) %
Gross revenue	(a)	28,925	30,503	(5.2)
Property operating expenses	(a)	(9,494)	(10,384)	(8.6)
Net property income	(a)	19,431	20,119	(3.4)
Foreign exchange gain/(loss)		5	(12)	>(100.0)
Interest and other income		43	19	>100.0
Borrowing costs		(4,821)	(4,761)	1.3
Manager's management fees		(1,838)	(1,822)	0.9
Other trust expenses	(a)	(451)	(341)	32.3
Non-property expenses		(7,110)	(6,924)	2.7
Net income before joint venture's results		12,369	13,202	(6.3)
Share of results of joint venture (net of tax)	(a),(b)	3,339	3,661	(8.8)
Net income		15,708	16,863	(6.8)
Net change in fair value of derivative financial instruments	(c)	392	(1,089)	>(100.0)
Total return before income tax		16,100	15,774	2.1
Income tax expense	(d)	(334)	(233)	43.3
Total return after income tax		15,766	15,541	1.4

Notes:

- (a) Please refer to section 8 on "Review of the performance" for explanation of the variances.
- (b) The share of results of joint venture (net of tax) comprised contribution from the Group's 49.0% interest in Optus Centre, which is located in Macquarie Park, NSW, Australia. The lower contribution in 1Q FY2019 was mainly due to the strengthening of the Singapore Dollar against the Australian Dollar.

³ This relates to the tax deferred component arising from the distributions remitted from the Group's investment in Optus Centre, Macquarie Park, NSW, Australia.

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- (c) This relates to changes in fair value due to the revaluation of the Trust's Singapore dollar interest rate swap contracts in accordance with Financial Reporting Standard ("FRS") 39. Please refer to note (e) of section 1(b)(i) for further details of the swap contracts. The net change in fair value of derivative financial instruments is a non-tax chargeable/deductible item and has no impact on the taxable income and distributable income to the Unitholders.
- (d) Income tax expense relates to withholding tax paid/payable by the Trust on the distribution from Australia, income tax payable by the Trust's wholly-owned subsidiary, AACI REIT MTN Pte Ltd ("AACI REIT MTN") as well as provision for deferred tax liabilities for the Trust's investment in Australia.

1(a)(ii) Distribution Statement

	Note	Group 1Q FY2019 S\$'000	Group 1Q FY2018 S\$'000	+ /(-) %
Total return before income tax		16,100	15,774	2.1
Net effect of tax adjustments	(a)	1,457	2,599	(43.9)
Other adjustments	(b)	(1,807)	(2,106)	(14.2)
Amount available for distribution from Singapore taxable income		15,750	16,267	(3.2)
Distribution from Singapore taxable income	(c)	15,699	15,359	2.2
Distribution from tax-exempt income	(d)	686	320	>100.0
Capital distribution	(e)	754	320	>100.0
Distributions to Unitholders		17,139	15,999	7.1

Notes:

- (a) Net effect of tax adjustments

	Group 1Q FY2019 S\$'000	Group 1Q FY2018 S\$'000	+ /(-) %
Amortisation and write-off of borrowing transaction costs	179	201	(10.9)
Foreign exchange (gain)/loss	(6)	7	>(100.0)
Manager's management fees in Units	919	911	0.9
Net change in fair value of derivative financial instruments	(392)	1,089	>(100.0)
Net tax adjustment on foreign sourced income	561	604	(7.1)
Temporary differences and other tax adjustments	196	(213)	>(100.0)
Net effect of tax adjustments	1,457	2,599	(43.9)

- (b) Other adjustments comprised primarily the net accounting results of the Trust's subsidiaries.
- (c) The Trust's distribution policy is to distribute at least 90.0% of the Trust's Singapore taxable income for the full financial year. For 1Q FY2019, the Manager has resolved to distribute 99.7% of the Singapore taxable income available for distribution to the Unitholders.
- (d) This relates to tax-exempt income arising from the distributions remitted from the Group's investment in Optus Centre, Macquarie Park, NSW, Australia.
- (e) This relates to the tax deferred component arising from the distributions remitted from the Group's investment in Optus Centre, Macquarie Park, NSW, Australia.

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1(b)(i) Statements of Financial Position as at 30 June 2018 vs. 31 March 2018

		Group	Group	+ / (-)	Trust	Trust	+ / (-)
	Note	30 Jun 2018	31 Mar 2018	%	30 Jun 2018	31 Mar 2018	%
		S\$'000	S\$'000		S\$'000	S\$'000	
Non-current assets							
Investment properties		1,210,684	1,210,100	<0.1	1,210,684	1,210,100	<0.1
Investment property under development	(a)	18,755	18,600	0.8	18,755	18,600	0.8
Subsidiaries	(b)	-	-	-	85,200	85,200	-
Joint venture	(c)	220,894	220,763	0.1	-	-	-
Trade and other receivables	(d)	4,457	3,569	24.9	4,457	3,569	24.9
Derivative financial instruments	(e)	840	512	64.1	840	512	64.1
		1,455,630	1,453,544	0.1	1,319,936	1,317,981	0.1
Current assets							
Trade and other receivables		6,599	6,525	1.1	6,091	6,037	0.9
Cash and cash equivalents	(f)	12,412	17,550	(29.3)	11,234	16,281	(31.0)
		19,011	24,075	(21.0)	17,325	22,318	(22.4)
Total assets		1,474,641	1,477,619	(0.2)	1,337,261	1,340,299	(0.2)
Non-current liabilities							
Trade and other payables	(g)	10,251	9,735	5.3	10,251	9,735	5.3
Interest-bearing borrowings	(h)	255,371	305,043	(16.3)	255,371	305,043	(16.3)
Derivative financial instruments	(e)	48	95	(49.5)	48	95	(49.5)
Deferred tax liabilities	(i)	6,545	6,411	2.1	-	-	-
		272,215	321,284	(15.3)	265,670	314,873	(15.6)
Current liabilities							
Trade and other payables	(j)	24,052	28,094	(14.4)	22,961	26,885	(14.6)
Interest-bearing borrowings	(h)	238,423	188,164	26.7	126,868	76,882	65.0
Derivative financial instruments	(e)	715	1,118	(36.0)	-	-	-
		263,190	217,376	21.1	149,829	103,767	44.4
Total liabilities		535,405	538,660	(0.6)	415,499	418,640	(0.8)
Net assets		939,236	938,959	<0.1	921,762	921,659	<0.1
Represented by:							
Unitholders' funds		939,236	938,959	<0.1	921,762	921,659	<0.1
		939,236	938,959	<0.1	921,762	921,659	<0.1

Notes:

- (a) As at 30 June 2018, investment property under development relates to the redevelopment of 3 Tuas Avenue 2. In 1Q FY2019, the Manager announced plans to redevelop the property into a modern and versatile ramp-up industrial facility suitable for both production and storage, subject to authorities' approvals. Upon completion, the gross floor area of the property is expected to increase by 52% to approximately 24,890 square metres, improving the plot ratio from the current 0.92 to the maximum of 1.40 and will cost around S\$48.2 million including land and associated costs. The redevelopment is targeted to be completed in the second half of 2019.

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- (b) This relates to the Trust's interest in its wholly-owned subsidiaries, AACI REIT MTN Pte. Ltd., AIMS AMP Capital Industrial REIT (Australia) Trust and AACI REIT Opera Pte. Ltd.
- (c) This relates to the Group's 49.0% interest in Macquarie Park Trust, the Australian unit trust which holds Optus Centre, located in Macquarie Park, NSW, Australia.
- (d) Non-current trade and other receivables relate to the unamortised portion of the marketing services commission for leases with tenors of more than one year. The increase in the balances was mainly attributed to marketing services commission on new and renewal leases executed.
- (e) The derivative financial instruments as at 30 June 2018 were in relation to interest rate swap contracts with a total notional amount of S\$306.4 million. As at 30 June 2018, approximately 88.1% of the Group's borrowings were on fixed rates taking into account (i) the interest rate swap contracts entered into and (ii) the medium term notes ("Medium Term Notes"). Under the interest rate swap contracts, the Group pays fixed interest rates of between 1.57% to 3.825% per annum and receives interest at the three-month Singapore swap offer rate or at the three-month Australian bank bill swap bid rates, as the case may be. The changes in fair value were mainly due to the revaluation of the interest rate swap contracts in accordance with FRS 39.
- (f) Cash and cash equivalents as at 30 June 2018 of S\$12.4 million were S\$5.1 million lower compared to balances as at 31 March 2018. This was mainly attributable to the payments for capital expenditure on investment properties and payments to fund the working capital requirements of the Trust.
- (g) Non-current trade and other payables mainly comprised rental deposits received from tenants with tenors of more than one year.
- (h) The current interest-bearing borrowings relate to the Trust's four-year term loan facility of S\$100.3 million, a subsidiary's five-year term loan facility of A\$110.655 million and the five-year Medium Term Notes of S\$50.0 million which are due to mature in November 2018, February 2019 and May 2019 respectively. On 29 June 2018, the Trust and its subsidiary executed a supplemental loan facility agreement with a syndicate of financial institutions to refinance the term loan facilities with a new four-year term loan facility of S\$125.0 million and a new five-year term loan facility of A\$110.0 million. The new facilities were drawn down on 25 July 2018 to refinance the secured facilities due in November 2018 and February 2019 respectively.
- (i) This relates to the provision of deferred tax liabilities for the Trust's investment in Australia.
- (j) Current trade and other payables as at 30 June 2018 included retention sum of S\$2.0 million relating to the development of 8 Tuas Avenue 20 and greenfield development at 51 Marsiling Road as well as development cost payable relating to 8 Tuas Avenue 20 of S\$0.9 million (31 March 2018: included retention sum of S\$2.9 million relating to the development of 30 Tuas West Road, 8 Tuas Avenue 20 and greenfield development at 51 Marsiling Road as well as development cost payable relating to 8 Tuas Avenue 20 of S\$0.9 million). The decrease was also attributed to the timing of the payments of trade payables. As at 30 June 2018, the Group and the Trust had undrawn committed facilities of S\$132.3 million to fulfil their liabilities as and when they fall due.

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1(b)(ii) Aggregate amount of borrowings

	Group 30 Jun 2018 S\$'000	Group 31 Mar 2018 S\$'000	Trust 30 Jun 2018 S\$'000	Trust 31 Mar 2018 S\$'000
Interest-bearing borrowings				
Amount repayable within one year				
Secured				
Term loans	188,656	188,427	77,000	77,000
Unsecured				
Medium Term Notes	50,000	-	50,000	-
	<u>238,656</u>	<u>188,427</u>	<u>127,000</u>	<u>77,000</u>
Less: Unamortised borrowing transaction costs	(233)	(263)	(132)	(118)
	<u>238,423</u>	<u>188,164</u>	<u>126,868</u>	<u>76,882</u>
Amount repayable after one year				
Secured				
Term loans	165,588	165,453	165,588	165,453
Revolving credit facility	11,000	11,000	11,000	11,000
	<u>176,588</u>	<u>176,453</u>	<u>176,588</u>	<u>176,453</u>
Unsecured				
Medium Term Notes	80,000	130,000	80,000	130,000
	<u>256,588</u>	<u>306,453</u>	<u>256,588</u>	<u>306,453</u>
Less: Unamortised borrowing transaction costs	(1,217)	(1,410)	(1,217)	(1,410)
	<u>255,371</u>	<u>305,043</u>	<u>255,371</u>	<u>305,043</u>
Total	<u><u>493,794</u></u>	<u><u>493,207</u></u>	<u><u>382,239</u></u>	<u><u>381,925</u></u>

On 25 July 2018, the Trust and its subsidiary drew down on a new four-year term loan facility of S\$125.0 million and a new five-year term loan facility of A\$110.0 million to refinance the secured term loans due within one year.

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Details of borrowings and collateral

(a) Secured borrowings

(i) Secured debt facilities and revolving credit facility of the Trust

The facilities comprised:

- a four-year term loan facility of S\$100.3 million maturing in November 2018, to fund real estate development and/or acquisitions;
- a four-year term loan facility of S\$100.0 million maturing in August 2020;
- a three-year term loan facility of A\$65.0 million maturing in November 2020, to partially fund the 49.0% interest in Optus Centre, Macquarie Park, NSW, Australia; and
- a four-year revolving credit facility of S\$120.0 million maturing in November 2021.

The details of the collateral for the secured debt facilities and revolving credit facility of the Trust are as follows:

- first legal mortgage over 15 investment properties of the Trust; and
- assignment of rights, title and interest in, *inter alia*, leases, property management agreements, insurances and tenancy agreements, sale agreements and performance guarantees (including sale proceeds and rental proceeds) of the mortgaged investment properties.

(ii) Secured Australian dollar denominated term loan facility of a subsidiary

The syndicated debt facility comprised a A\$110.655 million five-year term loan facility maturing in February 2019, to partially fund the acquisition of the 49.0% interest in Optus Centre.

The details of the collateral are as follows:

- first ranking general security agreement over the current and future assets and undertakings of AMP Capital AA REIT Investments (Australia) Pty Limited in its capacity as trustee of AA REIT Macquarie Park Investment Trust (an indirect wholly-owned subsidiary of the Trust) (the "Borrower"), including the Borrower's units in Macquarie Park Trust; and
- first ranking specific security agreement from AMP Capital Investors Limited in its capacity as trustee for AIMS AMP Capital Industrial REIT (Australia) Trust over the units of the Borrower and all present and future rights and property interests in respect of the units in the Borrower.

(b) Unsecured borrowings

On 25 July 2012, the Trust, through its subsidiary AACI REIT MTN, established a S\$500 million MTN Programme.

As at 30 June 2018, S\$130.0 million Medium Term Notes had been issued comprising:

- (i) S\$50.0 million five-year Medium Term Notes with a fixed rate of 3.80% per annum, payable semi-annually in arrears and will mature on 21 May 2019;
- (ii) S\$30.0 million seven-year Medium Term Notes with a fixed rate of 4.35% per annum, payable semi-annually in arrears and will mature on 5 December 2019; and
- (iii) S\$50.0 million five-year Medium Term Notes with a fixed rate of 3.60% per annum, payable semi-annually in arrears and will mature on 22 March 2022.

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1(b)(iii) Use of Proceeds from 2017 Private Placement

On 1 December 2017, AA REIT issued 42,145,000 Units at an issue price of S\$1.305 per Unit by way of private placement (“2017 Placement”), raising gross proceeds of approximately S\$55.0 million.

Status report on the specific use of proceeds is as follows:

	2017 Placement S\$ million
Gross Proceeds	55.0
Use of proceeds	
Repayment of outstanding borrowings	47.9
Asset enhancement initiatives and balance payments on recent development projects	4.9
Issue expenses in relation to the 2017 Placement	1.0
	<u>53.8</u>

As at 30 June 2018, the balance proceeds of the 2017 Placement was approximately S\$1.2 million which was primarily used to temporarily repay outstanding borrowings pending the deployment of such funds for their intended use. The Trust intends to set aside the balance proceeds for asset enhancement initiatives and balance payments on AA REIT’s recent development projects.

The use of proceeds from the 2017 Placement was in accordance with the stated use of proceeds and there is no material deviation from the percentage allocated as previously disclosed.

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1(c) Consolidated Statement of Cash Flows

	Group 1Q FY2019 S\$'000	Group 1Q FY2018 S\$'000
Cash flows from operating activities		
Total return after income tax	15,766	15,541
Adjustments for:		
Share of results of joint venture (net of tax)	(3,339)	(3,661)
Borrowing costs	4,821	4,761
Foreign exchange (gain)/loss	(5)	12
Manager's management fees in Units	919	911
Net change in fair value of derivative financial instruments	(392)	1,089
Income tax expense	334	233
Operating income before working capital changes	18,104	18,886
Changes in working capital		
Trade and other receivables	(936)	(1,065)
Trade and other payables	(1,228)	854
Cash generated from operations	15,940	18,675
Income tax paid	(200)	(139)
Net cash from operating activities	15,740	18,536
Cash flows from investing activities		
Capital expenditure on investment properties and investment properties under development	(2,433)	(10,488)
Distributions from a joint venture	3,639	3,792
Net cash from/(used in) investing activities	1,206	(6,696)
Cash flows from financing activities		
Borrowing costs paid	(4,854)	(5,062)
Distributions to Unitholders	(17,239)	(17,757)
Proceeds from interest-bearing borrowings	11,000	19,500
Repayments of interest-bearing borrowings	(11,000)	(12,800)
Net cash used in financing activities	(22,093)	(16,119)
Net decrease in cash and cash equivalents	(5,147)	(4,279)
Cash and cash equivalents at beginning of the period	17,550	11,727
Effect of exchange rate fluctuation	9	(13)
Cash and cash equivalents at end of the period	12,412	7,435

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1(d)(i) Statements of Movements in Unitholders' Funds (1Q FY2019 vs.1Q FY2018)

	Group 1Q FY2019 S\$'000	Group 1Q FY2018 S\$'000	Trust 1Q FY2019 S\$'000	Trust 1Q FY2018 S\$'000
Balance at beginning of the period	938,959	888,447	921,659	867,220
Operations				
Total return after income tax	15,766	15,541	16,088	16,436
Foreign currency translation reserve				
Translation differences relating to financial statements of foreign subsidiaries and net investment in foreign operations	90	(411)	-	-
Hedging reserve				
Effective portion of changes in fair value of cash flow hedges	390	250	(16)	-
Unitholders' transactions				
Issuance of Units (including units to be issued):				
- Manager's management fees	919	911	919	911
- Property Manager's fees	1,087	-	1,087	-
Distributions to Unitholders	(17,975)	(17,755)	(17,975)	(17,755)
Change in Unitholders' funds resulting from Unitholders' transactions	(15,969)	(16,844)	(15,969)	(16,844)
Total increase/(decrease) in Unitholders' funds	277	(1,464)	103	(408)
Balance at end of the period	939,236	886,983	921,762	866,812

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1(d)(ii) Details of any change in the Units

	Note	Trust 1Q FY2019 Units '000	Trust 1Q FY2018 Units '000
Units in issue at beginning and end of the period		683,452	638,658
<u>Units to be issued:</u>			
Manager's management fees	(a)	1,328	1,322
Property Manager's fees	(b)	786	-
Total Units in issue and to be issued at end of the period		<u>685,566</u>	<u>639,980</u>

- (a) The new Units to be issued relate to 1,328,323 Units issued to the Manager on 11 July 2018 as partial payment of the base fee element of the Manager's management fees incurred for the period from 1 January 2018 to 30 June 2018.
- (b) The new Units to be issued relate to 785,445 Units issued to AIMS AMP Capital Property Management Pte. Ltd. (the "Property Manager") on 11 July 2018 as payment for marketing services provided by the Property Manager in respect of securing tenants at various AA REIT properties.

The issue price for management fees and marketing services fees paid/payable in Units was determined based on the volume weighted average traded price for a Unit for all trades done on the SGX-ST in the ordinary course of trading for the last 10 business days of the relevant period in which the fees accrue.

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 auditors.

3 Where the figures have been audited or reviewed, the auditor's 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.

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation applied in the financial statements for the current reporting period compared with the audited financial statements for the financial year ended 31 March 2018.

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.

The Group adopted a number of new standards, amendments to standards and interpretations that are effective for annual periods beginning on or after 1 April 2018. The adoption of new standards, amendments to standards and interpretations did not result in any significant impact on the financial statements of the Group.

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6 Earnings per Unit (“EPU”) and distribution per Unit (“DPU”) for the period

	Group 1Q FY2019	Group 1Q FY2018
<u>Basic EPU</u>		
Weighted average number of Units ('000)	683,452	638,658
Earnings per Unit (cents)	<u>2.31</u>	<u>2.43</u>
<u>Diluted EPU</u>		
Weighted average number of Units ('000)	684,354	639,561
Earnings per Unit (cents)	<u>2.30</u>	<u>2.43</u>

The basic EPU is computed using total return after tax over the weighted average number of Units issued for the period. The diluted EPU is computed using total return after tax over the weighted average number of Units issued for the period and adjusted for the effects of Units to be issued to the Manager as partial payment of the Manager’s management fees incurred for the period from 1 January 2018 to 30 June 2018 and to the Property Manager as payment for marketing services provided by the Property Manager in respect of securing tenants at various AA REIT properties.

The decrease in the EPU for the current period was mainly due to the increase in Units arising from the private placement of 42,145,000 Units in December 2017.

In computing the DPU, the number of Units entitled to the distribution for each respective period was used.

	Group 1Q FY2019	Group 1Q FY2018
Number of Units in issue at end of period ('000)	683,452	638,658
Number of Units to be issued before the Books Closure Date ('000)	2,114	1,322
Applicable number of Units for calculation of DPU ('000)	<u>685,566</u>	<u>639,980</u>
Distribution per Unit (cents)	<u>2.50</u>	<u>2.50</u>

7 Net asset value / Net tangible asset per Unit based on issued Units at the end of the period

	Group 30 Jun 2018 S\$	Group 31 Mar 2018 S\$	Trust 30 Jun 2018 S\$	Trust 31 Mar 2018 S\$
Net asset value / net tangible asset per Unit ⁴	1.37	1.37	1.34	1.35

⁴ Based on Units in issue and to be issued at the end of the period.

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8 Review of the performance

	Group 1Q FY2019 S\$'000	Group 4Q FY2018 S\$'000	Group 1Q FY2018 S\$'000
Gross revenue	28,925	28,032	30,503
Property operating expenses	(9,494)	(10,363)	(10,384)
Net property income	19,431	17,669	20,119
Foreign exchange gain/(loss)	5	(110)	(12)
Interest and other income	43	18	19
Borrowing costs	(4,821)	(4,854)	(4,761)
Manager's management fees	(1,838)	(1,822)	(1,822)
Other trust expenses	(451)	(496)	(341)
Non-property expenses	(7,110)	(7,172)	(6,924)
Net income before joint venture's results	12,369	10,405	13,202
Share of results of joint venture (net of tax)	3,339	6,363	3,661
Net income	15,708	16,768	16,863
Distributions to Unitholders	17,139	17,975	15,999

Review of the performance for 1Q FY2019 vs. 4Q FY2018

The gross revenue achieved for 1Q FY2019 of S\$28.9 million was S\$0.9 million higher than that of 4Q FY2018. This was mainly due to maiden rental contributions from the recently completed property at 51 Marsiling Road from 27 April 2018 and the increase in revenue contribution from 8 Tuas Avenue 20 and 27 Penjuru Lane after the completion of their respective fit-out periods. The increase in revenue was partially offset by loss of revenue from 10 Soon Lee Road following the divestment of the property on 29 March 2018.

Property operating expenses for 1Q FY2019 of S\$9.5 million were S\$0.9 million lower than the property expenses for 4Q FY2018 mainly due to lower costs incurred for the property at 10 Soon Lee Road following its divestment on 29 March 2018, lower costs incurred for 3 Tuas Avenue 2 following the commencement of the redevelopment in 1Q FY2019 and the write-back on bad debts recovered from a tenant.

Net property income for 1Q FY2019 stood at S\$19.4 million, or S\$1.8 million higher than 4Q FY2018.

The share of results of joint venture (net of tax) comprised the contribution from the Group's 49.0% interest in Optus Centre which is located in Macquarie Park, NSW, Australia. The share of results of joint venture (net of tax) in 4Q FY2018 included the share of revaluation surplus from the valuation of Optus Centre. The valuation of the property stood at A\$450.0 million based on the independent valuation carried out by Jones Lang LaSalle Advisory Services Pty Ltd as at 31 March 2018.

Distributions to Unitholders for 1Q FY2019 stood at S\$17.1 million, which was S\$0.8 million lower compared to the distributions to Unitholders for 4Q FY2018. This was mainly due to the 4Q FY2018 distribution which included retained distributions from the previous three quarters of FY2018.

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Review of the performance for 1Q FY2019 vs. 1Q FY2018

Gross revenue for 1Q FY2019 of S\$28.9 million was S\$1.6 million lower than the gross revenue for 1Q FY2018. This was mainly due to lower rental and recoveries from 20 Gul Way as five phases of the property reverted to multi-tenancy leases, lower occupancies at 27 Penjuru Lane and 1 Bukit Batok and loss of revenue from 10 Soon Lee Road following the divestment of the property on 29 March 2018. The drop was partially offset by maiden rental contributions from 51 Marsiling Road from 27 April 2018 and the rental contribution from 8 Tuas Avenue 20 as it became income producing in 3Q FY2018.

Property operating expenses for 1Q FY2019 of S\$9.5 million were S\$0.9 million lower than the property expenses for 1Q FY2018 mainly due to lower costs incurred for property at 10 Soon Lee Road following the divestment of the property on 29 March 2018, lower costs incurred for 3 Tuas Avenue 2 following the commencement of the redevelopment in 1Q FY2019 and the write-back on bad debts recovered from a tenant.

Net property income for 1Q FY2019 stood at S\$19.4 million, or S\$0.7 million lower compared to 1Q FY2018.

Other trust expenses for 1Q FY2019 of S\$0.5 million were S\$0.1 million higher compared to 1Q FY 2018 mainly due to timing on expenditure incurred on expenses such as professional fees and valuation fees.

The share of results of joint venture (net of tax) comprised contribution from the Group's 49.0% interest in Optus Centre, which is located in Macquarie Park, NSW, Australia. The lower contribution in 1Q FY2019 was mainly due to the strengthening of the Singapore Dollar against the Australian Dollar.

The distribution to Unitholders for 1Q FY2019 stood at S\$17.1 million, an increase of S\$1.1 million compared to 1Q FY2018 mainly due to partial retention of distribution in the corresponding quarter last year to fund the working capital and/or capital expenditure requirement of the Trust.

9 Variance between Forecast / Prospect Statement

The Trust has not disclosed to the market any forecast in relation to the current financial period.

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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 from the Ministry of Trade and Industry (“MTI”) announced on 13 July 2018, the Singapore economy grew by 3.8% on a year-on-year (“y-o-y”) basis in the second quarter of 2018 (“2Q 2018”), lower than the 4.3% growth in the first quarter of 2018 (“1Q 2018”). The Singapore manufacturing sector grew by 8.6% on a y-o-y basis in 2Q 2018, slower than the 9.7% growth in the previous quarter. All clusters within the sector expanded during 2Q 2018, with the electronics and biomedical manufacturing clusters contributing the most to the sector’s growth. MTI announced on 24 May 2018 that it expects the economic growth for 2018 to come in at “2.5% to 3.5%”, after taking into account the strong performance of the Singapore economy in 1Q 2018 and the slightly improved external demand outlook for Singapore, barring the full materialisation of downside risks.

Based on JTC Corporation’s market report for 1Q 2018 released on 26 April 2018, the occupancy rate of Singapore’s overall industrial property market rose marginally by 0.1 percentage point to 89.0% from the preceding quarter. In 1Q 2018, the price and rental indices for the overall industrial property market both fell marginally by 0.1% compared to the previous quarter. Compared to a year ago, the price and rental indices fell by 3.6% and 2.0%, respectively. As new supply is expected to taper in the coming years, prices and rentals should stabilise in tandem with occupancy rates.

The global economy has remained on a steady expansionary path since the start of the year, with full-year growth expected to improve slightly as compared to 2017. The International Monetary Fund has also upgraded the 2018 growth outlook of some of Singapore’s key final demand markets, including the US and Eurozone. Despite the improved global growth momentum, uncertainties and downside risks remain (including escalating trade tensions between the US and the People’s Republic of China and expected rising of interest rates) which may continue to cloud the outlook for the Singapore manufacturing sector.

Against this backdrop, AA REIT will continue to focus on active asset and lease management and to optimise its portfolio through sector and tenant diversification across its portfolio of 26 properties, supported by a prudent capital management approach.

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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 April 2018 to 30 June 2018

Distribution Type: Taxable Income
Tax-Exempt Income
Capital Distribution

Distribution Rate:	Taxable Income	2.29 cents per Unit
	Tax-Exempt Income	0.10 cents per Unit
	Capital Distribution	<u>0.11 cents per Unit</u>
	Total	<u>2.50 cents per Unit</u>

Par value of units: Not applicable

Tax Rate:

Taxable Income Distributions

Taxable income distributions are made out of AA REIT's taxable income. Unitholders receiving distributions will be assessable to Singapore income tax on the distributions received except for individuals where these distributions are exempt from tax (unless they hold their units through a partnership or as trading assets). Unitholders should consult their own tax advisers concerning the tax consequences of their particular situation with regard to the distribution.

Tax-Exempt Income Distributions

Tax-exempt income distributions are exempt from tax in the hands of all Unitholders.

Capital Distributions

Capital distributions represent a return of capital to Unitholders for Singapore income tax purposes and are therefore not subject to income tax. For Unitholders who are liable to Singapore income tax on profits from sale of AA REIT Units, the amount of capital distribution will be applied to reduce the cost base of their AA REIT Units for Singapore income tax purposes. Unitholders should consult their own tax advisers concerning the tax consequences of their particular situation with regard to the distribution.

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(b) Corresponding period of the immediately preceding period

Any distributions declared for the previous corresponding financial period: Yes

Name of distribution: Forty-fourth distribution, for the period from 1 April 2017 to 30 June 2017

Distribution Type: Taxable Income
Tax-Exempt Income
Capital Distribution

Distribution Rate:	Taxable Income	2.40 cents per Unit
	Tax-Exempt Income	0.05 cents per Unit
	Capital Distribution	<u>0.05 cents per Unit</u>
	Total	<u>2.50 cents per Unit</u>

Par value of units: Not applicable

Tax Rate:

Taxable Income Distributions

Taxable income distributions are made out of AA REIT's taxable income. Unitholders receiving distributions will be assessable to Singapore income tax on the distributions received except for individuals where these distributions are exempt from tax (unless they hold their units through a partnership or as trading assets). Unitholders should consult their own tax advisers concerning the tax consequences of their particular situation with regard to the distribution.

Tax-Exempt Income Distributions

Tax-exempt income distributions are exempt from tax in the hands of all Unitholders.

Capital Distributions

Capital distributions represent a return of capital to Unitholders for Singapore income tax purposes and are therefore not subject to income tax. For Unitholders who are liable to Singapore income tax on profits from sale of AA REIT Units, the amount of capital distribution will be applied to reduce the cost base of their AA REIT Units for Singapore income tax purposes. Unitholders should consult their own tax advisers concerning the tax consequences of their particular situation with regard to the distribution.

(c) Books closure date: 7 August 2018

(d) Date payable: 20 September 2018

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

Not applicable.

13 Interested Person Transactions

The Trust has not required nor obtained a general mandate from Unitholders for Interested Person Transactions.

14 Confirmation by the board pursuant to Rule 705(5) of the Listing Manual

We confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of AIMS AMP Capital Industrial REIT Management Limited (as Manager of AA REIT) which may render these interim financial statements to be false or misleading in any material respect.

On behalf of the Board of Directors of
AIMS AMP Capital Industrial REIT Management Limited
(as Manager of AIMS AMP Capital Industrial REIT)

George Wang
Chairman and Director

Koh Wee Lih
Director

15 Confirmation by the board pursuant to Rule 720(1) of the Listing Manual

The Manager confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 pursuant to Rule 720(1) of Listing Manual.

This release may contain forward-looking statements that involve 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 property rental income, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events.

By Order of the Board

AIMS AMP Capital Industrial REIT Management Limited
(Company Registration No. 200615904N)
(as Manager of AIMS AMP Capital Industrial REIT)

Koh Wee Lih
Chief Executive Officer
26 July 2018