



AIMS AMP CAPITAL INDUSTRIAL REIT

**AIMS AMP CAPITAL INDUSTRIAL REIT
UNAUDITED FINANCIAL STATEMENT
ANNOUNCEMENT
FIRST QUARTER ENDED 30 JUNE 2016
("1Q FY2017")**

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. 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 FY2017 | 4Q FY2016 | +/(-) | 1Q FY2016 | +/(-) |
|--|------|-----------|-----------|--------|-----------|--------|
| | | S\$'000 | S\$'000 | % | S\$'000 | % |
| Gross revenue | (a) | 29,234 | 30,287 | (3.5) | 30,296 | (3.5) |
| Net property income | (a) | 20,405 | 20,372 | 0.2 | 20,205 | 1.0 |
| Share of results of joint venture (net of tax) | (a) | 3,605 | 10,720 | (66.4) | 3,655 | (1.4) |
| Distribution to Unitholders | (b) | 17,525 | 18,743 | (6.5) | 17,441 | 0.5 |
| Distribution per Unit("DPU") (cents) | | 2.75 | 2.95 | (6.8) | 2.75 | - |

Notes:

- (a) Please refer to section 8 on "Review of the performance" for explanation of the variances.
- (b) The Manager resolved to distribute S\$17.5 million for 1Q FY2017, comprising (i) taxable income of S\$16.3 million from Singapore operations; and (ii) tax-exempt income distribution of S\$0.6 million and capital distribution of S\$0.6 million from distributions remitted from the Group's investment in Optus Centre, Macquarie Park, NSW, Australia. The distribution to Unitholders for 1Q FY2017 was S\$1.2 million lower than 4Q FY2016 as the 4Q FY2016 distribution included retained distributions from the previous three quarters of FY2016.

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 FY2017, the Manager has resolved to distribute 99.9% 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 2016 to 30 June 2016 |
| Distribution Type | (a) Taxable Income (b) Tax-Exempt Income (c) Capital Distribution ³ |
| Distribution Rate | (a) Taxable Income Distribution: 2.565 cents per Unit (b) Tax-Exempt Income Distribution: 0.096 cents per Unit (b) Capital Distribution ³ : <u>0.089 cents per Unit</u> <u>2.750 cents per Unit</u> |
| Books Closure Date | 05 August 2016 |
| Payment Date | 22 September 2016 |

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

| | Note | Group 1Q FY2017 S\$'000 | Group 1Q FY2016 S\$'000 | +/(⁻) % |
|--|---------|-------------------------------|-------------------------------|-------------------------|
| Gross revenue | (a) | 29,234 | 30,296 | (3.5) |
| Property operating expenses | (a) | (8,829) | (10,091) | (12.5) |
| Net property income | (a) | 20,405 | 20,205 | 1.0 |
| Foreign exchange loss | | (25) | (14) | 78.6 |
| Interest and other income | (b) | 2,344 | 33 | >100.0 |
| Borrowing costs | | (4,944) | (5,062) | (2.3) |
| Manager's management fees | (a) | (1,819) | (1,820) | (0.1) |
| Other trust expenses | (a) | (363) | (564) | (35.6) |
| Non-property expenses | | (7,126) | (7,446) | (4.3) |
| Net income before joint venture's results | | 15,598 | 12,778 | 22.1 |
| Share of results of joint venture (net of tax) | (a),(c) | 3,605 | 3,655 | (1.4) |
| Net income | | 19,203 | 16,433 | 16.9 |
| Net change in fair value of derivative financial instruments | (d) | (465) | (257) | 80.9 |
| Total return before income tax | | 18,738 | 16,176 | 15.8 |
| Income tax credit/(expense) | (e) | 24 | (561) | >(100.0) |
| Total return after income tax | | 18,762 | 15,615 | 20.2 |

Notes:

- (a) Please refer to section 8 on "Review of the performance" for explanation of the variances.
- (b) Interest and other income in this quarter included the proceeds of S\$2.3 million from the full and final settlement received from the insurance company for the property at 8 & 10 Tuas Avenue 20 due to a fire incident in 2015.
- (c) 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.

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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- (d) This relates to changes in fair value due to the revaluation of the Trust's interest rate swap contracts in accordance with Financial Reporting Standard ("FRS") 39. Please refer to note (h) 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.

- (e) Income tax expense relates to withholding tax paid / payable by the Trust on the distribution and interest income 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. The income tax credit was mainly due to a movement in the provision for deferred tax liabilities.

1(a)(ii) Distribution Statement

| | Note | Group 1Q FY2017 S\$'000 | Group 1Q FY2016 S\$'000 | +/(-) % |
|---|-------------|--|--|--------------------|
| Total return before income tax | | 18,738 | 16,176 | 15.8 |
| Net effect of tax adjustments | (a) | (280) | 2,084 | >(100.0) |
| Other adjustments | (b) | (2,098) | (2,081) | 0.8 |
| Amount available for distribution from Singapore taxable income | | 16,360 | 16,179 | 1.1 |
| Distribution from Singapore taxable income | (c) | 16,346 | 16,109 | 1.5 |
| Distribution from tax-exempt income | (d) | 612 | 476 | 28.6 |
| Capital distribution | (e) | 567 | 856 | (33.8) |
| Distribution to Unitholders | | 17,525 | 17,441 | 0.5 |

Notes:

- (a) Net effect of tax adjustments

| | Group 1Q FY2017 S\$'000 | Group 1Q FY2016 S\$'000 | +/(-) % |
|--|--|--|--------------------|
| Amortisation and write-off of borrowing transaction costs | 222 | 223 | (0.4) |
| Foreign exchange loss | 22 | 6 | >100.0 |
| Manager's management fees in Units | 907 | 639 | 41.9 |
| Net change in fair value of derivative financial instruments | 465 | 257 | 80.9 |
| Net tax adjustment on foreign sourced income | 585 | 596 | (1.8) |
| Proceeds from insurance claims | (2,330) | - | NM |
| Temporary differences and other tax adjustments | (151) | 363 | >(100.0) |
| Net effect of tax adjustments | (280) | 2,084 | >(100.0) |

NM: not meaningful.

- (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 FY2017, the Manager has resolved to distribute 99.9% 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.

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(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.

1(b)(i) Statements of Financial Position as at 30 June 2016 vs. 31 March 2016

| | | Group | Group | | Trust | Trust | |
|---|-------------|--------------------|--------------------|----------------|--------------------|--------------------|----------------|
| | Note | 30 Jun 2016 | 31 Mar 2016 | +/(-) % | 30 Jun 2016 | 31 Mar 2016 | +/(-) % |
| | | S\$'000 | S\$'000 | | S\$'000 | S\$'000 | |
| Non-current assets | | | | | | | |
| Investment properties | | 1,172,531 | 1,172,400 | <0.1 | 1,172,531 | 1,172,400 | <0.1 |
| Investment properties under development | (a) | 49,613 | 44,900 | 10.5 | 49,613 | 44,900 | 10.5 |
| Subsidiaries | (b) | - | - | - | 85,200 | 85,200 | - |
| Joint venture | (c) | 218,648 | 225,213 | (2.9) | - | - | - |
| Trade and other receivables | (d) | 2,977 | 2,719 | 9.5 | 2,977 | 2,719 | 9.5 |
| | | 1,443,769 | 1,445,232 | (0.1) | 1,310,321 | 1,305,219 | 0.4 |
| Current assets | | | | | | | |
| Trade and other receivables | (d) | 7,541 | 6,731 | 12.0 | 6,745 | 5,599 | 20.5 |
| Cash and cash equivalents | (e) | 10,209 | 7,490 | 36.3 | 9,819 | 7,385 | 33.0 |
| | | 17,750 | 14,221 | 24.8 | 16,564 | 12,984 | 27.6 |
| Total assets | | 1,461,519 | 1,459,453 | 0.1 | 1,326,885 | 1,318,203 | 0.7 |
| Non-current liabilities | | | | | | | |
| Trade and other payables | (f) | 8,392 | 9,921 | (15.4) | 8,392 | 9,921 | (15.4) |
| Interest-bearing borrowings | (g) | 381,513 | 371,578 | 2.7 | 270,919 | 257,720 | 5.1 |
| Derivative financial instruments | (h) | 4,536 | 3,528 | 28.6 | 840 | 396 | >100.0 |
| Deferred tax liabilities | (i) | 5,064 | 5,237 | (3.3) | - | - | - |
| | | 399,505 | 390,264 | 2.4 | 280,151 | 268,037 | 4.5 |
| Current liabilities | | | | | | | |
| Trade and other payables | (j) | 22,088 | 28,430 | (22.3) | 21,145 | 27,397 | (22.8) |
| Interest-bearing borrowings | (g) | 99,973 | 99,906 | 0.1 | 99,973 | 99,906 | 0.1 |
| Derivative financial instruments | (h) | 153 | 132 | 15.9 | 153 | 132 | 15.9 |
| | | 122,214 | 128,468 | (4.9) | 121,271 | 127,435 | (4.8) |
| Total liabilities | | 521,719 | 518,732 | 0.6 | 401,422 | 395,472 | 1.5 |
| Net assets | | 939,800 | 940,721 | (0.1) | 925,463 | 922,731 | 0.3 |
| Represented by: | | | | | | | |
| Unitholders' funds | | 939,800 | 940,721 | (0.1) | 925,463 | 922,731 | 0.3 |
| | | 939,800 | 940,721 | (0.1) | 925,463 | 922,731 | 0.3 |

Notes:

(a) Investment properties under development relates to the redevelopment of 30 & 32 Tuas West Road and 8 & 10 Tuas Avenue 20. The redevelopment of 30 & 32 Tuas West Road would transform the property into a five-storey ramp-up warehouse facility with an expected gross floor area of approximately 288,177 square feet. This redevelopment is expected to complete in January 2017.

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On 14 April 2016, the Manager also announced plans for the Trust's fourth redevelopment project which would transform two adjoining two-storey detached industrial spaces at 8 & 10 Tuas Avenue 20 into a versatile industrial facility with ramp and cargo lift access. This redevelopment would increase the gross floor area of the property by around 41,614 square feet.

- (b) This relates to the Trust's interest in its wholly-owned subsidiaries, AACI REIT MTN, 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. The decrease in the joint venture balances was mainly due to the strengthening of the Singapore dollar against the Australian dollar. As the cost of the Australian investment is substantially hedged through the use of Australian dollar denominated loans, there is a corresponding reduction in interest-bearing borrowings of S\$5.3 million (see note 1(b)(i)(g) below).
- (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. Current trade and other receivables as at 30 June 2016 was S\$7.5 million which was S\$0.8 million higher compared to balances as at 31 March 2016. The increase was mainly due to the timing of the collection of receivables from tenants.
- (e) Cash and cash equivalents as at 30 June 2016 of S\$10.2 million was S\$2.7 million higher compared to balances as at 31 March 2016. This was mainly due to the full and final settlement received from the insurance company for the property located at 8 & 10 Tuas Avenue 20 due to a fire incident in 2015.
- (f) Non-current trade and other payables comprised rental deposits received from tenants with tenors of more than one year and retention sum of S\$1.0 million (31 March 2016: S\$1.7 million) relating to the redevelopment of 30 & 32 Tuas West Road.
- (g) The increase in interest-bearing borrowings of the Group by S\$10.0 million as at 30 June 2016 was mainly due to the net drawdown of S\$15.0 million of the Trust's facilities to fund the redevelopment of 30 & 32 Tuas West Road as well as for working capital purposes, offset by a decrease in the Australian dollar denominated borrowings of S\$5.3 million due to the strengthening of the Singapore dollar against the Australian dollar. Please refer to the details of interest-bearing borrowings in section 1(b)(ii).
- (h) The derivative financial instruments as at 30 June 2016 were in relation to interest rate swap contracts with a total notional amount of S\$251.4 million. As at 30 June 2016, approximately 89.3% of the Group's borrowings were on fixed rates taking into account (i) the interest rate swaps entered into and (ii) the medium term notes. Under the interest rate swap contracts, the Group pays fixed interest rates of between 1.500% to 3.825% per annum and receives interest at the three-month Singapore dollar swap offer rate or at the three-month Australian bank bill swap bid rates, as the case may be. The increase in derivative financial instruments (non-current liability) was mainly attributable to the net change in fair value of Group's interest rate swaps which registered an unfavourable change during the period.
- (i) This relates to the provision of deferred tax liabilities for the Trust's investment in Australia.

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- (j) Current trade and other payables as at 30 June 2016 included retention sums of S\$2.7 million relating to the redevelopment of 20 Gul Way and 30 & 32 Tuas West Road (31 March 2016: included retention sum of S\$1.7 million relating to the redevelopment of 20 Gul Way and development costs payable of S\$6.5 million relating to the redevelopment of 30 & 32 Tuas West Road). These costs will be funded by the committed loan facilities of the Trust. As at 30 June 2016, the Group and the Trust have undrawn committed facilities of S\$118.3 million to fulfil their liabilities as and when they fall due.

On 25 July 2016, the Trust executed a supplemental loan facility agreement with its syndicate of five financial institutions to upsize its existing secured facility for a four year term loan facility of S\$100 million to refinance its unsecured borrowings due in August 2016.

1(b)(ii) Aggregate amount of borrowings

| | Group 30 Jun 2016 S\$'000 | Group 31 Mar 2016 S\$'000 | Trust 30 Jun 2016 S\$'000 | Trust 31 Mar 2016 S\$'000 |
|---|--|--|--|--|
| Interest-bearing borrowings | | | | |
| Amount repayable within one year | | | | |
| Unsecured | | | | |
| Medium Term Notes | 100,000 | 100,000 | 100,000 | 100,000 |
| Less: Unamortised borrowing transaction costs | (27) | (94) | (27) | (94) |
| | <u>99,973</u> | <u>99,906</u> | <u>99,973</u> | <u>99,906</u> |
| Amount repayable after one year | | | | |
| Secured | | | | |
| Term loans | 269,139 | 274,417 | 158,100 | 160,056 |
| Revolving credit facility | 34,000 | 19,000 | 34,000 | 19,000 |
| Unsecured | | | | |
| Medium Term Notes | 80,000 | 80,000 | 80,000 | 80,000 |
| | <u>383,139</u> | <u>373,417</u> | <u>272,100</u> | <u>259,056</u> |
| Less: Unamortised borrowing transaction costs | (1,626) | (1,839) | (1,181) | (1,336) |
| | <u>381,513</u> | <u>371,578</u> | <u>270,919</u> | <u>257,720</u> |
| Total | <u><u>481,486</u></u> | <u><u>471,484</u></u> | <u><u>370,892</u></u> | <u><u>357,626</u></u> |

Details of borrowings and collateral

(a) Secured borrowings

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

The facility comprised:

- a three year term loan facility of A\$65.1 million to partially fund the 49.0% interest in Optus Centre, Macquarie Park, NSW, Australia;
- a four year term loan facility of S\$125.0 million to fund real estate development and/or acquisitions; and
- a three year revolving credit facility of S\$120.0 million.

The details of the collateral for the facility are as follows:

- first legal mortgage over 12 investment properties of the Trust; and
- assignment of rights, title and interest in leases, insurances and rental proceeds of the related mortgaged investment properties.

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

The syndicated debt facility comprised a A\$110,655,000 five year term loan facility 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 Multi-currency Medium Term Note Programme ("MTN Programme").

As at 30 June 2016, S\$180.0 million medium term notes ("Medium Term Notes") had been issued comprising:

- (i) S\$100.0 million four year Medium Term Notes with a fixed rate of 4.90% per annum, payable semi-annually in arrears and will mature on 8 August 2016;
- (ii) 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; and
- (iii) 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.

As at 30 June 2016, the Group and the Trust have undrawn committed facilities of S\$118.3 million to fulfil their liabilities as and when they fall due.

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1(b)(iii) Use of Proceeds from 2013 Placement and 2014 Rights Issue

On 2 May 2013, AA REIT issued 68,750,000 Units at an issue price of S\$1.60 per Unit by way of private placement, raising gross proceeds of S\$110.0 million ("2013 Placement"). On 20 March 2014, AA REIT issued 92,512,712 Units at an issue price of S\$1.08 per Unit in an underwritten and renounceable rights issue on the basis of seven rights Units for every 40 existing Units, raising gross proceeds of S\$99.9 million ("2014 Rights Issue").

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

| | 2013 Placement S\$ million | 2014 Rights Issue S\$ million |
|--|---|--|
| Gross Proceeds | 110.0 | 99.9 |
| Use of proceeds | | |
| Development costs at 103 Defu Lane 10 and 20 Gul Way | 96.8 | - |
| Development costs at 30 & 32 Tuas West Road | - | 23.9 |
| Development costs at 8 & 10 Tuas Avenue 20 | - | 0.2 |
| Repay outstanding borrowings | 0.3 | 17.2 |
| Issue expenses in relation to the 2013 Placement and 2014 Rights Issue | 2.7 | 2.5 |
| Asset enhancement initiatives | 8.5 | 5.5 |
| | <u>108.3</u> | <u>49.3</u> |

As at 30 June 2016, the balance proceeds of the 2013 Placement was approximately S\$1.7 million.

As at 30 June 2016, the balance proceeds of the 2014 Rights Issue was approximately S\$50.6 million, of which S\$35.3 million of the proceeds from the 2014 Rights Issue had been temporarily used to repay outstanding borrowings pending the deployment of such funds for their intended use. The Trust intends to set aside approximately S\$41.7 million and S\$18.3 million from the existing loan facility to fund the proposed redevelopment at 30 & 32 Tuas West Road as well as 8 & 10 Tuas Avenue 20 progressively over the course of the construction.

The use of proceeds from the 2013 Placement and 2014 Rights Issue 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 FY2017 S\$'000 | Group 1Q FY2016 S\$'000 |
|---|--|--|
| Cash flows from operating activities | | |
| Total return after income tax | 18,762 | 15,615 |
| Adjustments for: | | |
| Share of results of joint venture (net of tax) | (3,605) | (3,655) |
| Borrowing costs | 4,944 | 5,062 |
| Foreign exchange loss | 25 | 14 |
| Manager's management fees in Units | 907 | 639 |
| Net change in fair value of derivative financial instruments | 465 | 257 |
| Income tax (credit)/expense | (24) | 561 |
| Operating income before working capital changes | 21,474 | 18,493 |
| Changes in working capital | | |
| Trade and other receivables | (1,045) | (1,413) |
| Trade and other payables | (1,180) | (503) |
| Income tax paid | (149) | (179) |
| Net cash from operating activities | 19,100 | 16,398 |
| Cash flows from investing activities | | |
| Capital expenditure on investment properties and investment properties under development | (11,810) | (3,497) |
| Distributions from a joint venture | 3,606 | 3,602 |
| Net cash (used in)/from investing activities | (8,204) | 105 |
| Cash flows from financing activities | | |
| Borrowing costs paid | (4,411) | (4,421) |
| Distributions to Unitholders | (18,741) | (15,314) |
| Proceeds from interest-bearing borrowings | 21,958 | - |
| Repayments of interest-bearing borrowings | (6,958) | - |
| Issue expenses paid | - | (30) |
| Net cash used in financing activities | (8,152) | (19,765) |
| Net increase/(decrease) in cash and cash equivalents | 2,744 | (3,262) |
| Cash and cash equivalents at beginning of the period | 7,490 | 10,111 |
| Effect of exchange rate fluctuation | (25) | (22) |
| Cash and cash equivalents at end of the period | 10,209 | 6,827 |

1(c)(a) Significant non-cash transactions

On 25 May 2016, the Trust issued an aggregate 1,089,469 new Units amounting to S\$1.5 million as payment for the performance component of the Manager's management fees incurred for the year ended 31 March 2016.

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1(d)(i) Statement of Movements in Unitholders' Funds (1Q FY2017 vs. 1Q FY2016)

| | Group 1Q FY2017 S\$'000 | Group 1Q FY2016 S\$'000 | Trust 1Q FY2017 S\$'000 | Trust 1Q FY2016 S\$'000 |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Balance at beginning of the period | 940,721 | 962,095 | 922,731 | 963,073 |
| Operations | | | | |
| Total return after income tax | 18,762 | 15,615 | 20,568 | 16,632 |
| Foreign currency translation reserve | | | | |
| Translation differences relating to financial statements of foreign subsidiaries and net investment in foreign operations | (1,187) | (270) | - | - |
| Hedging reserve | | | | |
| Effective portion of changes in fair value of cash flow hedges | (660) | 1,590 | - | - |
| Unitholders' transactions | | | | |
| Issuance of Units (including units to be issued): | | | | |
| - Manager's management fees | 907 | 639 | 907 | 639 |
| - Property Manager's fees | - | 1,232 | - | 1,232 |
| Distribution reinvestment plan | - | 3,006 | - | 3,006 |
| Distributions to Unitholders | (18,743) | (18,365) | (18,743) | (18,365) |
| Issue expenses | - | (30) | - | (30) |
| Change in Unitholders' funds resulting from Unitholders' transactions | (17,836) | (13,518) | (17,836) | (13,518) |
| Total (decrease)/increase in Unitholders' funds | (921) | 3,417 | 2,732 | 3,114 |
| Balance at end of the period | 939,800 | 965,512 | 925,463 | 966,187 |

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

| | Note | Trust 1Q FY2017 Units '000 | Trust 1Q FY2016 Units '000 |
|---|------|-------------------------------------|-------------------------------------|
| Units in issue at beginning of the period | | 635,366 | 628,935 |
| <u>Issue of new Units relating to:</u> | | | |
| - Manager's performance fees | (a) | 1,090 | 1,992 |
| - Property Manager's fees | | - | 824 |
| - Distribution Reinvestment Plan | | - | 2,029 |
| Units in issue at end of the period | | 636,456 | 633,780 |
| <u>Units to be issued:</u> | | | |
| Manager's base fees | (b) | 834 | 428 |
| Total Units in issue and to be issued at end of the period | | 637,290 | 634,208 |

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- (a) On 25 May 2016, the Trust issued 1,089,469 new Units at an issue price of S\$1.3396 per Unit as payment for the performance component of the Manager's management fees for the year ended 31 March 2016.
- (b) The new Units to be issued relate to 834,372 Units to be issued to the Manager as partial payment of the base fee element of the Manager's management fees incurred for the period from 1 January 2016 to 30 June 2016. The issue price for management 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.

The accounting policies and methods of computation applied in the financial statements of the current period are consistent with those applied in the audited financial statements for the year ended 31 March 2016.

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.

Not applicable.

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

The EPU is computed using total return after income tax over the weighted average number of Units for the period. The diluted EPU is the same as the basic EPU as there were no dilutive instruments in issue as at the end of the period.

| | Group 1Q FY2017 | Group 1Q FY2016 |
|--|----------------------------|----------------------------|
| Weighted average number of Units ('000) | 635,818 | 630,232 |
| Earnings per Unit (cents) - basic and diluted | 2.95 | 2.48 |

The increase in the EPU for the current period was mainly due to the proceeds of S\$2.3 million from the full and final settlement received from the insurance company for the property at 8 & 10 Tuas Avenue 20 due to a fire incident in 2015.

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

| | Group 1Q FY2017 | Group 1Q FY2016 |
|---|----------------------------|----------------------------|
| Number of Units in issue at end of period ('000) | 636,456 | 633,780 |
| Number of Units to be issued before the Books Closure Date ('000) | 834 | 428 |
| Applicable number of Units for calculation of DPU ('000) | <u>637,290</u> | <u>634,208</u> |
| Distribution per Unit (cents) | <u>2.75</u> | <u>2.75</u> |

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

| | Group 30 Jun 2016 S\$ | Group 31 Mar 2016 S\$ | Trust 30 Jun 2016 S\$ | Trust 31 Mar 2016 S\$ |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Net asset value / net tangible asset per Unit ⁴ | <u>1.4747</u> | <u>1.4777</u> | <u>1.4522</u> | <u>1.4494</u> |

8 Review of the performance

| | Group 1Q FY2017 S\$'000 | Group 4Q FY2016 S\$'000 | Group 1Q FY2016 S\$'000 |
|--|--|--|--|
| Gross revenue | 29,234 | 30,287 | 30,296 |
| Property operating expenses | (8,829) | (9,915) | (10,091) |
| Net property income | <u>20,405</u> | <u>20,372</u> | <u>20,205</u> |
| Foreign exchange loss | (25) | (7) | (14) |
| Interest and other income | 2,344 | 150 | 33 |
| Borrowing costs | (4,944) | (5,018) | (5,062) |
| Manager's management fees | | | |
| - Base fees | (1,819) | (1,825) | (1,820) |
| - Performance fees | - | (1,459) | - |
| Other trust expenses | (363) | (496) | (564) |
| Non-property expenses | (7,126) | (8,798) | (7,446) |
| Net income before joint venture's results | <u>15,598</u> | <u>11,717</u> | <u>12,778</u> |
| Share of results of joint venture (net of tax) | 3,605 | 10,720 | 3,655 |
| Net income | <u>19,203</u> | <u>22,437</u> | <u>16,433</u> |
| Distribution to Unitholders | <u>17,525</u> | <u>18,743</u> | <u>17,441</u> |

Review of the performance for 1Q FY2017 vs. 4Q FY2016

Gross revenue for 1Q FY2017 of S\$30.3 million (excluding property tax refund of S\$1.1 million)⁵ was comparable to the gross revenue for 4Q FY2016 of S\$30.3 million.

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

⁵ For 1Q FY2017, the gross revenue of S\$29.2 million included a property tax refund of S\$1.1 million for 23 Tai Seng Drive for the period from 1 January 2012 to 31 March 2016. The property tax refund was due to the change in annual value of property assessed by Inland Revenue Authority of Singapore ("IRAS") which was refunded to two tenants of the property. Excluding this additional property tax refund, the gross revenue and property operating expenses would have been S\$30.3 million and S\$9.9 million respectively.

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Net property income for 1Q FY2017 stood at S\$20.4 million, which was broadly in line with the net property income for 4Q FY2016 of S\$20.4 million.

Manager's management fees were lower in 1Q FY2017 vis-à-vis 4Q FY2016 as the previous quarter included a performance component of the management fee of S\$1.5 million for the year ended 31 March 2016.

Other trust expenses for 1Q FY2017 of S\$0.4 million were lower compared to the previous quarter of \$0.5 million mainly due to lower expenditure incurred on other trust expenses.

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 share of results of joint venture (net of tax) for 4Q FY2016 included the share of revaluation surplus of S\$7.1 million recognised from the valuation of Optus Centre.

The distribution to Unitholders for 1Q FY2017 stood at S\$17.5 million, a decrease of S\$1.2 million compared to 4Q FY2016. The 4Q FY2016 distribution included retained distributions from the previous three quarters of FY2016.

Review of the performance for 1Q FY2017 vs. 1Q FY2016

The gross revenue achieved for 1Q FY2017 of S\$30.3 million⁵ was comparable to the gross revenue of 1Q FY2016.

Net property income for 1Q FY2017 stood at S\$20.4 million, which was broadly in line with the net property income for 4Q FY2016 of S\$20.2 million.

Other trust expenses for 1Q FY2017 of S\$0.4 million were S\$0.2 million lower compared to the corresponding quarter in the preceding year mainly due to lower expenditure incurred on other trust expense such as printing cost and cost associated with administering distribution reinvestment plan.

The distribution to Unitholders for 1Q FY2017 stood at S\$17.5 million, an increase of S\$0.1 million compared to 1Q FY2016.

9 Variance between Forecast / Prospect Statement

The current results are broadly in line with the guidance provided in the previous quarter.

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, the Ministry of Trade and Industry ("MTI") announced on 14 July 2016⁶ that the Singapore economy grew by 2.2% on a year-on-year basis in the second quarter of 2016, marginally higher than the 2.1% growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded by 0.8%, faster than the 0.2% growth in the preceding quarter.

On a year-on-year basis, the manufacturing sector expanded by 0.8% in the second quarter, a reversal from the 0.5% decline in the previous quarter. Growth was supported by an increase in the output of the biomedical manufacturing and electronics

⁶ Source: www.mti.gov.sg.

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clusters. The construction sector expanded by 2.7% on a year-on-year basis in the second quarter, easing from the 4.5% growth recorded in the previous quarter. The moderation in growth was largely due to a slowdown in the private sector construction activities. Growth in the services producing industries came in at 1.7% on a year-on-year basis in the second quarter, the same pace of growth as in the previous quarter. The growth was mainly driven by the wholesale & retail trade and transportation & storage sectors.

Based on JTC 1Q 2016 statistics released on 28 April 2016⁷, overall occupancy rates of Singapore's industrial property market decreased to 90.1% from 90.6% in the preceding quarter. A 0.9% increase in supply outstripped a 0.4% increase in demand. In 1Q 2016, the price and rental indices for the overall industrial property market fell by 2.5% and 2.7% compared to the previous quarter. In the next 3 quarters of 2016, about 2.4 million sqm of industrial space which includes 490,000 sqm of multiple-user factory space, is estimated to come on-stream. In 2017, an additional 1.8 million sqm of industrial space, which includes 440,000 sqm of multiple-user factory space, is expected to be completed.

The Group's portfolio occupancy remained healthy at 92.7% as at 30 June 2016 and continued to be above the industry average.

Outlook for financial year ending 31 March 2017

In a referendum held on 23 June 2016, Britain's vote to leave the European Union has thrown global stock and currency markets into disarray. The British pound crashed to its lowest level in more than 30 years on the back of growing anxiety that a British pull-out from the bloc would mean severe repercussions for the United Kingdom's economy. Safe haven currencies such as the Japanese yen appreciated strongly, while the Singapore dollar weakened against the US dollar alongside other Asian currencies. For now, the MTI does not expect Britain's departure from the European Union to result in a "significant reduction" in Singapore's growth over the short term or the next few years. Mr Tharman (Singapore's Deputy Prime Minister) cautioned, however, that there could be a "more major impact" on the Republic's economy if the events in Europe coincide with other factors such as a sharp slowdown in China and the United States.⁸ Slower jobs growth and overseas hazards prompted the Federal Reserve in its June statement to keep rates unchanged and trim back its longer-term interest rate forecasts, in a sign of greater caution. The median of Fed forecasts suggests policymakers are still expecting two interest rate increases this year, but rate forecasts for 2017 and 2018 have been pared back, as has the Fed's estimate of the longer-run policy rate.⁹

The current capital structure of the Group is well positioned with a weighted average debt maturity of 2.7 years (on a pro forma basis) after taking into account the S\$100 million refinancing executed in July 2016. Furthermore, 89.3% of the Group's borrowings were on fixed rates taking into account the interest rate swaps and fixed rate notes. In addition, AA REIT's Australian investment, Optus Centre is substantially hedged using Australian dollar denominated loans with a weighted debt maturity of 2.1 years where 100% of the interest rates on the funding is fixed.

AA REIT continues to remain focused on managing risks through prudent capital management and diversification across its portfolio of 26 properties. Given the weak economic climate and industrial oversupply situation in Singapore, rents continue to

⁷ Source: www.jtc.gov.sg.

⁸ Source: Channel News Asia on 11 July 2016.

⁹ Source: Financial Times at <https://ig.ft.com/sites/when-rates-rise/>

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be under pressure. AA REIT will continue its proactive approach in managing its assets and leases to help navigate the short-term volatility and these challenging market conditions.

11 Distributions

(a) Current financial period

Any distributions declared for the current financial period: Yes

Name of distribution: Fortieth distribution, for the period from 1 April 2016 to 30 June 2016

Distribution Type: Taxable Income
Tax-Exempt Income
Capital Distribution

| | | |
|--------------------|----------------------|-----------------------------|
| Distribution Rate: | Taxable Income | 2.565 cents per Unit |
| | Tax-Exempt Income | 0.096 cents per Unit |
| | Capital Distribution | <u>0.089 cents per Unit</u> |
| | Total | <u>2.750 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: Thirty-sixth distribution, for the period from 1 April 2015 to 30 June 2015

Distribution Type: Taxable Income
Tax-Exempt Income
Capital Distribution

| | | |
|--------------------|----------------------|-----------------------------|
| Distribution Rate: | Taxable Income | 2.540 cents per Unit |
| | Tax-Exempt Income | 0.075 cents per Unit |
| | Capital Distribution | <u>0.135 cents per Unit</u> |
| | Total | <u>2.750 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: 05 August 2016

(d) Date payable: 22 September 2016

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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 2016