



(Constituted in the Republic of Singapore pursuant to a trust deed dated 31 March 2006 (as amended))

NEWS RELEASE

For immediate release

ESR-REIT's declares distributable income of S\$50.4 million for FY2017

- Gross revenue was S\$109.7 million for FY2017; DPU at 3.853 cents
- Portfolio increased by more than 28% with two yield-accretive acquisitions
- Portfolio occupancy remains healthy at 93.0%
- Focus remains on pro-active asset management, boosting portfolio resilience, and maximising unitholder returns

Summary of Financial Results:

	4Q2017 (S\$ million)	4Q2016 (S\$ million)	YoY (%)	FY2017 (S\$ million)	FY2016 (S\$ million)	YoY (%)
Gross Revenue	27.2	27.8	(2.2)	109.7	112.1	(2.1)
Net Property Income	19.9	19.7	1.2	78.4	82.3	(4.7)
Amount available for distribution to Unitholders	12.2	13.0	(6.2)	50.4	54.5	(7.5)
Distribution Per Unit ("DPU") (cents)	0.929	0.996	(6.7)	3.853	4.173	(7.7)

Singapore, 17 January 2018 – ESR Funds Management (S) Limited, the Manager ("Manager") of ESR-REIT, today announced ESR-REIT's full year results for the year ended 31 December 2017 ("FY2017").

Gross revenue for FY2017 was S\$109.7 million, which was 2.1% lower than FY2016 as only partial benefit was received from the acquisitions of 8 Tuas South Lane ("8 TSL") and 7000 Ang Mo Kio Ave 5 ("7000 AMK") that were completed on 13 and 14 December 2017

respectively. The amount available for distribution to Unitholders was S\$50.4 million, with Distribution Per Unit (“DPU”) of 3.853 cents for the full year, 7.7% below FY2016.

For FY2017, ESR-REIT’s Gross Revenue and Net Property Income (“NPI”) were again impacted by higher property operating expenses from lease conversions of properties during the year and the full year impact of the leases converted in the prior year, and were only partially offset by the positive impact of the new leases and acquisitions completed in mid-December 2017.

For the fourth quarter ended 31 December 2017 (“4Q2017”), the amount available for distribution to Unitholders was S\$12.2 million, which translates to a DPU of 0.929 cents, 6.7% below the prior corresponding period.

Mr Adrian Chui, Chief Executive Officer and Executive Director of ESR Funds Management (S) Limited, said “The last year has been a year of many “firsts” for us. In the last quarter, we completed two acquisitions for a collective purchase consideration of approximately S\$346.1 million, with 7000 AMK being ESR-REIT’s largest transaction to date. This resulted in a more than 28% increase in portfolio size and demonstrated our ability to recycle capital into high-valued assets. These two yield-accretive transactions have not only improved our overall portfolio quality, but also mark our inaugural acquisitions since ESR came onboard as our Sponsor in January 2017.

He added, “We have also diversified our funding sources by successfully issuing S\$150.0 million of subordinated perpetual securities in November 2017. In addition, we recently announced our plans to undertake a proposed equity fund raising (“EFR”) to issue up to 263.0 million new units in ESR-REIT with our sponsor ESR undertaking to subscribe up to S\$125.0 million to rebalance our capital structure. This is all part of our overall strategy to recycle capital, optimise our capital structure and improve the overall portfolio quality, while signaling our Sponsor ESR’s commitment to ESR-REIT, enabling us to deliver stable returns to our Unitholders and begin 2018 from a position of strength.”

A Resilient and Well-diversified Portfolio

As at 31 December 2017, ESR-REIT’s portfolio comprises 48 properties across Singapore, with a total gross floor area of approximately 9.9 million square feet, across the following sub-asset classes: General Industrial, Light Industrial, Logistics/Warehouse, High-Specs Industrial and Business Park.

The Manager remains committed to optimising portfolio returns through active asset management initiatives. For FY2017, more than 1.19 million sq ft of space was renewed, despite the impact from the prevailing downward pressure on rents resulting in negative rental reversions.

Although an increase in enquiry has been noted recently, the Manager expects the leasing market to remain competitive due to high levels of new supply that are not expected to abate until late 2018. Accordingly, ESR-REIT's portfolio performance will be further impacted by the downward pressure on rents. Nevertheless, the Manager will continue to focus on improving asset quality and maintaining occupancy in the current challenging leasing market.

ESR-REIT now has a diversified tenant base of 207 tenants, and has broadened its tenant trade sector categories to include tenants from the Information Communications sector following the acquisition of 7000 AMK.

As of 31 December 2017, ESR-REIT portfolio's Weighted Average Lease Expiry ("WALE") was 4.3 years, a significant increase from the 3.4 years recorded in the previous quarter, mainly due to the recent acquisitions. The top 10 tenants accounted for 38.7% of ESR-REIT's portfolio Rental Income, with no individual trade sector contributing for more than 12.7% of ESR-REIT's portfolio Rental Income.

Disciplined and Accretive Investments

In 4Q2017, the Manager completed two acquisitions - 8 TSL for a purchase consideration of S\$106.1 million and an 80% interest in a Special Purpose Vehicle that owns 7000 AMK for purchase consideration of S\$240.0 million. These yield-accretive acquisitions have grown ESR-REIT's assets under management to S\$1.70 billion and increased the portfolio's WALE to 4.3 years.

In the same period, the Manager also completed the divestment of two properties – 87 Defu Lane 10 and 23 Woodlands Terrace. These divestments continue ESR-REIT's on-going efforts to rejuvenate its portfolio by recycling capital released from divestments of lower yielding non-core assets to scalable and value-adding acquisitions which will benefit unitholders in the long term.

Pro-active Capital Management

To partially fund the acquisitions, the manager issued S\$150.0 million subordinated perpetual securities at a coupon of 4.6% under its S\$750.0 million multi-currency debt issuance

programme, and also announced plans to undertake a proposed EFR to issue up to 263.0 million new units in ESR-REIT. The structure and timing of the EFR have not been determined, and may take the form of a private placement and/or a non-renounceable preferential offering (the "Preferential Offering") to existing unitholders on a *pro rata* basis. To demonstrate its commitment and support for ESR-REIT and the EFR, the Sponsor ESR will undertake to the Manager that it will take on its full entitlement of new units and any unsubscribed units up to a total subscription amount of S\$125.0 million, in the event the EFR includes the Preferential Offering.

As at 31 December 2017, ESR-REIT's Debt to Total Assets is at 39.6%, within the Manager's target range of 30-40%. In the event that the EFR is successful, the Debt to Total Assets is expected to be reduced to approximately 32.4%, which will provide potential debt head room of up to S\$387.4 million for financing flexibility. ESR-REIT has no major refinancing requirements until 4Q2018 and maintains financial flexibility for its working capital needs, with S\$43.0 million in undrawn committed revolving credit facilities. Approximately 69.2%¹ of its interest rate exposure is fixed for the next 1.9 years.

The Manager will continue to focus on pursuing its strategy of pro-active asset management, boosting portfolio resilience, and maximising Unitholder returns.

For media and analyst enquiries, please contact:

ESR Funds Management (S) Limited

Cheryl Lim
Marketing Communications Manager
Tel: +65 6222 3339
cheryl.lim@esr-reit.com.sg

¹ Post proposed Equity Fund Raising exercise, c.85% of interest rate exposure is expected to be fixed.

About ESR-REIT

ESR-REIT has been listed on the Singapore Exchange Securities Trading Limited since 25 July 2006.

ESR-REIT invests in quality income-producing industrial properties and as at 31 December 2017 has a diversified portfolio of 48 properties located across Singapore, with a total gross floor area of approximately 9.9 million sq ft and a property value of S\$1.68 billion². The properties are in the following business sectors: Logistics/Warehouse, Hi-Specs Industrial, Light Industrial, General Industrial and Business Parks, and are located close to major transportation hubs and key industrial zones island-wide.

The Manager's objective is to provide Unitholders with a stable and secure income stream through the successful implementation of the following strategies:

- Acquisition of value-enhancing properties;
- Pro-active asset management;
- Divestment of non-core properties; and
- Prudent capital and risk management.

ESR Funds Management (S) Limited, the Manager of ESR-REIT, is owned by two stakeholders, namely, ESR Cayman Limited ("ESR") (indirectly c.80 percent) and Mitsui & Co., Ltd ("Mitsui") (20 percent):

- Headquartered in Hong Kong, ESR is one of the leading "pure-play" pan-Asia logistics real estate platforms, focusing on developing and managing institutional-quality logistics facilities that cater to third-party logistics ("3PLs") providers, e-commerce companies, bricks-and-mortar retailers, cold-chain logistics providers and industrial companies. Co-founded by Warburg Pincus and backed by some of the world's preeminent investors including APG, CPPIB, Goldman Sachs, Morgan Stanley AIP, PGGM, Ping An, SK Holdings, State Street Global Advisors and Stepstone, ESR's platform represents one of the largest in the Asia-Pacific region managing approximately 10.2 million square metres of projects owned and under development across China, Japan, Singapore, South Korea and India, with capital and funds management offices in Hong Kong and Singapore. Its current assets under management stands at over US\$10 billion.
- Mitsui is one of the largest corporate conglomerates in Japan and listed on the Tokyo Stock Exchange. It is one of the largest publicly traded companies in the world. Mitsui also developed the Japan Logistics Fund Inc., a publicly listed REIT in Japan dedicated to investing in distribution facilities.

For further information on ESR-REIT, please visit www.esr-reit.com.sg

² In line with accounting policy, includes 100% of 7000 Ang Mo Kio Ave 5 property.

Important Notice

The value of units in ESR-REIT (“**Units**”) and the income derived from them may fall as well as rise. Units are not investments or deposits in, or liabilities or obligations, of ESR Funds Management (S) Limited (“**Manager**”), RBC Investor Services Trust Singapore Limited (in its capacity as trustee of ESR-REIT) (“**Trustee**”), or any of their respective related corporations and affiliates (individually and collectively “**Affiliates**”). An investment in Units is subject to equity investment risk, including the possible delays in repayment and loss of income or the principal amount invested. Neither ESR-REIT, the Manager, the Trustee nor any of the Affiliates guarantees the repayment of any principal amount invested, the performance of ESR-REIT, any particular rate of return from investing in ESR-REIT, or any taxation consequences of an investment in ESR-REIT. Any indication of ESR-REIT performance returns is historical and cannot be relied on as an indicator of future performance.

Investors have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that investors may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units. This material may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of occupancy or property rental income, changes in operating expenses (including employee wages, benefits and training costs), governmental and public policy changes and the continued availability of financing in amounts and on terms necessary to support future ESR-REIT business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager’s current view of future events.

This material is for informational purposes only and does not have regard to your specific investment objectives, financial situation or your particular needs. Any information contained in this material is not to be construed as investment or financial advice, and does not constitute an offer or an invitation to invest in ESR-REIT or any investment or product of or to subscribe to any services offered by the Manager, the Trustee or any of the Affiliates.