



FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE QUARTER AND FULL YEAR ENDED 31 DECEMBER 2017

The Directors of ESR Funds Management (S) Limited (“ESR-FM”) (formerly known as Cambridge Industrial Trust Management Limited), as manager (“Manager”) of ESR-REIT (formerly known as Cambridge Industrial Trust) are pleased to announce the unaudited results of ESR-REIT and its subsidiaries (the “Group”) for the fourth quarter and full year ended 31 December 2017.

ESR-REIT is a Singapore-based real estate investment trust constituted by the Trust Deed entered into on 31 March 2006 between ESR-FM as the Manager of ESR-REIT and RBC Investor Services Singapore Limited as the Trustee of ESR-REIT, as amended and restated. ESR-REIT was listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 25 July 2006.

In January 2017, the controlling shareholder of the Manager changed to e-Shang Infinity Cayman Limited, a subsidiary of e-Shang Redwood Limited, and in June 2017, the names of Cambridge Industrial Trust and its manager were renamed as ESR-REIT and ESR-FM respectively.

On 3 November 2017, ESR-REIT issued S\$150 million of subordinated perpetual securities at a coupon of 4.6%. On 13 December 2017, ESR-REIT acquired 8 Tuas South Lane for purchase consideration of S\$106.1 million. On 14 December 2017, ESR-REIT together with its wholly subsidiary, ESR-SPV2 Pte. Ltd. (“ESR-SPV2”), acquired an 80% equity interest in a special purpose vehicle (“SPV”), 7000 AMK Pte. Ltd. (“7000 AMK”) which holds the industrial property at 7000 Ang Mo Kio Avenue 5 at a valuation of S\$303.0 million* as at 31 December 2017.

ESR-REIT’s distribution policy is to distribute at least 90% of its annual distributable income, comprising income from letting of its properties after deduction of allowable expenses. The actual level of distribution will be determined at the Manager’s discretion.

As at 31 December 2017, the Group has a diversified portfolio of 48 properties located across Singapore with a diversified tenant base of over 207 tenants across the following sub sectors: logistics/warehouse, hi-specs industrial, light industrial, general industrial and business park. The portfolio has a carrying value of approximately S\$1.68 billion* and a total gross floor area of approximately 9.9 million square feet.

The Group’s results include the consolidation of its wholly-owned subsidiaries, ESR-MTN Pte. Ltd. (“ESR-MTN”), Cambridge LLP and ESR-SPV2 and 80% owned SPV, 7000 AMK. The commentaries below are based on Group results unless otherwise stated.

*Includes a 20% non-controlling interest in 7000 AMK valued at S\$60.6 million as at 31 December 2017.

4Q2017 Financial Statements

The 4Q2017 financial statements include the following items:

1. Acquisition of 80% equity interest in 7000 AMK on 14 December 2017 in which 100% of the assets and liabilities have been consolidated with a non-controlling interest of 20% as at 31 December 2017. 100% revenues and expenses of 7000 AMK for the period from 14 December to 31 December 2017 have also been recorded in the Group's results with appropriate adjustments for non-controlling interests and non-tax deductible items.
2. Shareholder's loan of S\$50.5 million was extended to 7000 AMK at an interest rate of 3.73% per annum to pay off its existing bank loan at acquisition completion date. The interest income and shareholder's loan were eliminated in group consolidation.
3. Acquisition of the property at 8 Tuas South Lane for S\$110.7 million (inclusive of acquisition related costs) on 13 December 2017 and divestment of two properties at 87 Defu Lane and 23 Woodland Terrace for total proceeds of S\$35.2 million.
4. Inaugural issuance for perpetual securities of S\$150.0 million to part fund new acquisitions at a coupon rate of 4.6% which are recorded as equity in the Statement of Financial Position. An amount has been reserved in the Distribution Statement for distribution to perpetual securities holders.
5. Increase in the revolving credit facilities (Facility B) of the 4.75-year unsecured loan facility maturing in June 2021 from S\$75 million to S\$175 million to part fund the new acquisitions. Facility B amount was fully drawn down as at 31 December 2017.
6. Revaluation of the investment properties in December 2017 in which an unrealised fair value loss of S\$41.8 million was recorded in the Statement of Total Return which is added back as it does not form part of distributable income.
7. 5.3 million ESR-REIT units were issued to unitholders who participated in the distribution reinvestment plan as part payment of the distribution for 3Q2017.

Summary of the Group's Results

	4Q2017 S\$'000	4Q2016 S\$'000	Fav/ (Unfav) %	FY2017 S\$'000	FY2016 S\$'000	Fav/ (Unfav) %
Gross revenue	27,177	27,783	(2.2)	109,700	112,087	(2.1)
Net property income	19,928	19,699	1.2	78,445	82,273	(4.7)
Amount available for distribution	12,195	13,003	(6.2)	50,390	54,476	(7.5)
Distribution per unit ("DPU") (cents)	0.929	0.996	(6.7)	3.853	4.173	(7.7)

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Distribution and Book Closure Date Details

Distribution period	1 October 2017 to 31 December 2017
Distribution rate	0.929 cents per unit
Books closure date	25 January 2018
Payment date	28 February 2018

The Manager has determined that the distribution reinvestment plan (“DRP”) **will apply** to the distribution for the period from 1 October 2017 to 31 December 2017. The pricing of the DRP units issued will be based on the market price less a discount of 2%, to be announced by the Manager on 26 January 2018.

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1(a) Statements of Total Return together with comparative statements for the corresponding period of the immediate preceding financial year

Statements of Total Return

	Note	Group			Trust		
		4Q2017 S\$'000	4Q2016 S\$'000	Fav/ (Unfav) %	4Q2017 S\$'000	4Q2016 S\$'000	Fav/ (Unfav) %
Gross revenue		27,177	27,783	(2.2)	26,036	27,111	(4.0)
Property manager's fees		(1,157)	(1,300)	11.0	(1,159)	(1,283)	9.7
Property tax		(1,866)	(1,892)	1.4	(1,783)	(1,892)	5.8
Land rental		(2,136)	(2,251)	5.1	(2,136)	(2,251)	5.1
Other property expenses		(2,090)	(2,641)	20.9	(2,031)	(2,636)	23.0
Property expenses		(7,249)	(8,084)	10.3	(7,109)	(8,062)	11.8
Net property income	(a)	19,928	19,699	1.2	18,927	19,049	(0.6)
Management fees	(b)	(1,912)	(1,749)	(9.3)	(1,912)	(1,749)	(9.3)
Trust expenses	(c)	(766)	(456)	(68.0)	(750)	(448)	(67.4)
Interest income	(d)	79	18	338.9	79	17	364.7
Borrowing costs	(e)	(5,267)	(5,141)	(2.5)	(5,267)	(5,141)	(2.5)
Non-property expenses		(7,866)	(7,328)	(7.3)	(7,850)	(7,321)	(7.2)
Net income before distributable income from subsidiaries		12,062	12,371	(2.5)	11,077	11,728	(5.6)
Interest income from subsidiary	(f)	-	-	-	93	-	n.m.
Distributable income from subsidiaries		-	-	-	717	434	65.2
Net income after distributable income from subsidiaries		12,062	12,371	(2.5)	11,887	12,162	(2.3)
Gain on disposal of investment properties	(g)	287	533	(46.2)	287	533	(46.2)
Change in fair value of investment properties	(h)	(47,393)	(45,056)	(5.2)	(46,587)	(46,331)	(0.6)
Total loss for the period before income tax and distribution		(35,044)	(32,152)	(9.0)	(34,413)	(33,636)	(2.3)
Less: Income tax expense*		-	-	-	-	-	-
Total loss for the period after income tax before distribution		(35,044)	(32,152)	(9.0)	(34,413)	(33,636)	(2.3)
Attributable to:							
Unitholders and perpetual securities holders		(35,826)	(32,152)	(11.4)	(34,413)	(33,636)	(2.3)
Non-controlling interest		782	-	n.m.	-	-	-
		(35,044)	(32,152)	(9.0)	(34,413)	(33,636)	(2.3)

n.m. – not meaningful

*Amounts less than S\$1,000

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Distribution Statements

	Group			Trust			
	Note	4Q2017 S\$'000	4Q2016 S\$'000	Fav/ (Unfav) %	4Q2017 S\$'000	4Q2016 S\$'000	Fav/ (Unfav) %
Total loss for the period after income tax before distribution		(35,826)	(32,152)	(11.4)	(34,413)	(33,636)	(2.3)
Net effect of non-tax deductible/(taxable) items	(i)	49,136	45,155	8.8	47,723	46,639	2.3
		13,310	13,003	2.4	13,310	13,003	2.4
Amount reserved for distribution to perpetual securities holders		(1,115)	-	n.m.	(1,115)	-	n.m.
Net income available for distribution for the period		12,195	13,003	(6.2)	12,195	13,003	(6.2)
Distribution per unit for the period (cents)	(j)	0.929	0.996	(6.7)	0.929	0.996	(6.7)

n.m. – Not meaningful

Notes:

(a) ESR-REIT recorded gross revenue of S\$27.2 million in 4Q2017, which is 2.2% lower than the corresponding quarter last year mainly due to a lease expiry at 3 Pioneer Sector 3 as well as the impact from two properties recently divested, partially offset by contributions from the two newly acquired properties in December 2017.

ESR-REIT recorded net property income of S\$19.9 million in 4Q2017, which is 1.2% higher than the corresponding quarter last year mainly due to lower other property expenses such as repair and maintenance expenses.

(b) Management fee increased due to higher assets under management from new acquisitions in 4Q2017. The Manager has elected to receive its management fee wholly in cash for 4Q2017.

(c) Trust expenses comprised statutory expenses, professional fees, compliance costs, listing fees and other non-property related expenses. Trust expenses for 4Q2017 were higher mainly due to legal and consultancy fees incurred for the quarter.

(d) Higher interest income resulted from higher cash balance during the quarter.

(e) Borrowing costs were higher in 4Q2017 due to higher loan interest expense from debt drawdown to partially fund the new acquisitions.

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

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(f) Interest income is from a shareholder's loan provided to 7000 AMK.

Please refer to Note (c) of Section 1(b)(i) for more details on shareholder's loan.

(g) Gain arose from the disposal of two investment properties, 87 Defu Lane 10 and 23 Woodlands Terrace, in 4Q2017.

(h) Fair value change on investment properties is made up of the following:

- fair value loss of approximately S\$41.8 million from the annual independent valuation exercise conducted in December 2017 by Edmund Tie & Company (for 41 ESR-REIT properties) and Savills Valuation and Professional Services (S) Pte Ltd (for seven ESR-REIT properties); and
- adjustments for straight line rent of S\$1.6 million and deferred marketing commission of S\$3.9 million.

These amounts are non-tax deductible and have no impact on the net income available for distribution.

(i) Non-tax deductible/(taxable) items (distribution adjustments)

	Group		Trust	
	4Q2017 S\$'000	4Q2016 S\$'000	4Q2017 S\$'000	4Q2016 S\$'000
<u>Non-tax deductible/(taxable) items and other adjustments:</u>				
Trustee's fees	101	96	101	96
Transaction costs relating to debt facilities	758	623	758	623
Change in fair value of investment properties	47,993	45,056	46,587	46,331
Professional fees	325	107	324	105
Straight line rent and lease incentives	(290)	(421)	(290)	(209)
Miscellaneous expenses	139	227	133	226
Income from subsidiary	(718)	-	(718)	-
Returns attributable to Perpetual Securities holders	1,115	-	1,115	-
	49,423	45,688	48,010	47,172
<u>Income not subject to tax:</u>				
Gain on disposal of investment properties	(287)	(533)	(287)	(533)
Net effect of non-tax deductible/(taxable) items	49,136	45,155	47,723	46,639

(j) The total distributable amount of S\$12.2 million, based on 1,313.6 million units which were entitled to the distribution for the quarter, translates to a DPU of 0.929 cents for 4Q2017 which is 6.7% below 4Q2016 DPU.

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Statements of Total Return (FY2017 vs FY2016)

	Note	Group			Trust		
		FY2017 S\$'000	FY2016 S\$'000	Fav/ (Unfav) %	FY2017 S\$'000	FY2016 S\$'000	Fav/ (Unfav) %
Gross revenue		109,700	112,087	(2.1)	106,615	109,427	(2.6)
Property manager's fees		(5,433)	(5,163)	(5.2)	(5,379)	(5,093)	(5.6)
Property tax		(6,944)	(6,984)	0.6	(6,859)	(6,984)	1.8
Land rental		(8,756)	(8,618)	(1.6)	(8,756)	(8,618)	(1.6)
Other property expenses		(10,122)	(9,049)	(11.9)	(10,058)	(9,021)	(11.5)
Property expenses		(31,255)	(29,814)	(4.8)	(31,052)	(29,716)	(4.5)
Net property income	(a)	78,445	82,273	(4.7)	75,563	79,711	(5.2)
Management fees		(6,989)	(7,060)	1.0	(6,989)	(7,060)	1.0
Trust expenses	(b)	(2,176)	(1,870)	(16.4)	(2,140)	(1,833)	(16.7)
Interest income	(c)	113	47	140.4	113	47	140.4
Borrowing costs	(d)	(20,439)	(21,147)	3.3	(20,439)	(21,142)	3.3
Non-property expenses		(29,491)	(30,030)	1.8	(29,455)	(29,988)	1.8
Net income before distributable income from subsidiaries		48,954	52,243	(6.3)	46,108	49,723	(7.3)
Interest income from subsidiary		-	-	-	93	-	n.m.
Distributable income from subsidiaries		-	-	-	2,071	1,731	19.6
Net income after distributable income from subsidiaries		48,954	52,243	(6.3)	48,272	51,454	(6.2)
Gain on disposal of investment properties	(e)	221	1,231	(82.0)	221	1,231	(82.0)
Change in fair value of financial derivatives		-	(493)	(100.0)	-	(493)	(100.0)
Change in fair value of investment properties	(f)	(47,779)	(45,894)	(4.1)	(46,628)	(46,774)	0.3
Total return for the year before income tax and distribution		1,396	7,087	(80.3)	1,865	5,418	(65.6)
Less: Income tax expense*		-	-	-	-	-	-
Total return for the year after income tax before distribution		1,396	7,087	(80.3)	1,865	5,418	(65.6)
Attributable to:							
Unitholders and perpetual securities holders		614	7,087	(91.3)	1,865	5,418	(65.6)
Non-controlling interest		782	-	n.m.	-	-	-
		1,396	7,087	(80.3)	1,865	5,418	(65.6)

n.m. – not meaningful

*Amounts less than S\$1,000

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Distribution Statements

Note	Group			Trust		
	FY2017 S\$'000	FY2016 S\$'000	Fav/ (Unfav) %	FY2017 S\$'000	FY2016 S\$'000	Fav/ (Unfav) %
Total return for the year after income tax before distribution	614	7,087	(91.3)	1,865	5,418	(65.6)
Net effect of non-tax deductible/ (taxable) items	(g) 50,891	47,389	7.4	49,640	49,058	1.2
	51,505	54,476	(5.5)	51,505	54,476	(5.5)
Amount reserved for distribution to perpetual securities holders	(1,115)	-	n.m	(1,115)	-	n.m
Net income available for distribution for the year	50,390	54,476	(7.5)	50,390	54,476	(7.5)
Distribution per unit for the year (cents)	(h) 3.853	4.173	(7.7)	3.853	4.173	(7.7)

n.m. – Not meaningful

Notes:

- (a) ESR-REIT recorded gross revenue of S\$109.7 million and net property income of S\$78.4 million for FY2017, which is 2.1% and 4.7% lower respectively on FY2016.

The lower net property income in FY2017 was mainly attributable to the following negative effect of lease conversions from properties during the year and the full year effect from those properties converted in the prior year:

- loss of revenue during the transition phase of the properties moving from single-tenanted to multi-tenanted; and
 - increase in property operating expenses (leasing commission fees, land rental, maintenance costs and other property expenses).
- (b) Trust expenses comprised statutory expenses, professional fees, compliance costs, listing fees and other non-property related expenses. Trust expenses for FY2017 were higher mainly due to higher legal and consultancy fees incurred.
- (c) Higher interest income for FY2017 due to higher average cash balance in the bank.
- (d) Borrowing costs, which comprised loan interest expense and amortised loan transaction costs of establishing debt facilities, were lower for FY2017 mainly due to the writing off of transaction costs for bank loans repaid in FY2016.

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

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- (e) Gain arose from the disposal of three investment properties, 55 Ubi Avenue 3, 87 Defu Lane 10 and 23 Woodlands Terrace, in FY2017.
- (f) Fair value change on investment properties is made up of the following:
- fair value loss of approximately S\$41.8 million from the annual independent valuation exercise conducted in December 2017 by Edmund Tie & Company (for 41 ESR-REIT properties) and Savills Valuation and Professional Services (S) Pte Ltd (for seven ESR-REIT properties); and
 - adjustments for straight line rent of S\$2.0 million and deferred marketing commission of S\$3.9 million.

These amounts are non-tax deductible and have no impact on the net income available for distribution.

- (g) Non-tax deductible/(taxable) items (distribution adjustments)

	Group		Trust	
	FY2017 S\$'000	FY2016 S\$'000	FY2017 S\$'000	FY2016 S\$'000
<u>Non-tax deductible/(taxable) items and other adjustments:</u>				
Trustee's fees	379	384	379	384
Transaction costs relating to debt facilities	1,936	2,488	1,936	2,483
Change in fair value of investment properties	48,379	45,894	46,628	46,774
Change in fair value of financial derivatives	-	493	-	493
Professional fees	533	343	533	327
Straight line rent and lease incentives	(1,127)	(1,729)	(617)	(909)
Miscellaneous expenses	615	747	605	737
Income from subsidiary	(718)	-	(718)	-
Returns attributable to Perpetual Securities holders	1,115	-	1,115	-
	51,112	48,620	49,861	50,289
<u>Income not subject to tax:</u>				
Gain on disposal of investment properties	(221)	(1,231)	(221)	(1,231)
Net effect of non-tax deductible items	50,891	47,389	49,640	49,058

- (h) The total distributable amount of S\$50.4 million, based on 1,313.6 million units which were entitled to the distribution for FY2017, translates to a DPU of 3.853 cents for FY2017 which is 7.7% below the DPU for FY2016.

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

Note	Group		Trust	
	31-12-17 S\$'000	31-12-16 S\$'000	31-12-17 S\$'000	31-12-16 S\$'000
Assets				
Non-current assets				
Investment properties	(a) 1,652,200	1,332,000	1,349,200	1,292,000
Investments in subsidiaries	(b) -	-	215,463	25,206
Loan to a subsidiary	(c) -	-	50,500	-
	1,652,200	1,332,000	1,615,163	1,317,206
Current assets				
Investment property held for divestment	(a) 23,600	22,000	23,600	22,000
Trade and other receivables	(d) 8,374	9,278	6,999	9,867
Cash and cash equivalents	(e) 11,651	3,699	8,156	2,517
	43,625	34,977	38,755	34,384
Total assets	1,695,825	1,366,977	1,653,918	1,351,590
Liabilities				
Current liabilities				
Trade and other payables	(f) 28,647	21,464	21,987	21,384
Interest-bearing borrowings	(g) 154,895	-	154,895	-
Amount due to Non-controlling interest	(i) 60,600	-	-	-
	(k) 244,142	21,464	176,882	21,384
Non-current liabilities				
Trade and other payables	(f) 6,783	8,894	5,715	8,664
Amount due to a subsidiary	(h) -	-	40,247	-
Interest-bearing borrowings	(g) 514,896	509,590	514,896	509,590
	521,679	518,484	560,858	518,254
Total liabilities	765,821	539,948	737,740	539,638
Net assets	930,004	827,029	916,178	811,952
Represented by:				
Unitholders' funds	778,889	827,029	765,063	811,952
Perpetual securities holders' funds	(j) 151,115	-	151,115	-
	930,004	827,029	916,178	811,952

Notes:

- (a) The total carrying values of investment properties and investment properties held for divestment were S\$1,675.8 million as at 31 December 2017. The net increase was mainly attributable to property acquisitions in 4Q2017, capital expenditure and asset enhancement initiatives offset by property divestments during the year and the fair value loss of S\$41.8 million arising from independent valuation of properties in December 2017.

As at 31 December 2017, an investment property was classified as investment properties held for divestment. This classification is required by FRS 105 – *Non-current Assets held for Sale and Discontinued Operations* as the divestment is planned within the next 12 months from the reporting date.

- (b) At the Trust level, the cost of investment in wholly-owned subsidiaries comprises Cambridge LLP, ESR-MTN and ESR-SPV2 and 80% equity interest in 7000 AMK, which are eliminated at the consolidated level.
- (c) At the Trust level, the shareholder's loan of \$50.5 million was provided to 7000 AMK to repay its existing bank loan at completion of the acquisition. The shareholder's loan is extended at ESR-REIT's all-in interest rate. Interest expense is payable in arrears in cash on a quarterly basis.
- (d) Trade and other receivables movement was mainly due to the reclassification of deferred marketing commission and rent free to investment property on property revaluation in December 2017, offset by an increase in the receivables from 7000 AMK.
- (e) Cash balance increased due to the timing of expenditure and consolidation of the cash balance of 7000 AMK.
- (f) Trade and other payables increased by S\$5.1 million mainly due to recording the payables in 7000 AMK upon acquisition and the provision for acquisition costs for the new acquisitions in December 2017.
- (g) Interest-bearing borrowings increased to partially fund the new acquisitions.
- (h) The amount relates to the transfer of property at 3 Tuas South Avenue to the Trust level from Cambridge LLP in 3Q2017.
- (i) The amount payable to NCI of S\$60.6 million in the Statement of Financial Position relates to the put option that has been irrevocably granted to the Vendor of 7000 AMK (NCI) in relation to the remaining 20% interest in 7000 AMK that is not owned by the Trust.

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- (j) On 3 November 2017, ESR-REIT issued S\$150 million of subordinated perpetual securities (“Perps”) under Series 006 of its S\$750 million Multicurrency Debt Issuance Programme (“Series 006 PS”). The Perps confer a right to receive distribution at a rate of 4.60% per annum, with the first distribution rate reset falling on 3 November 2022 and subsequent resets occurring every 5 years thereafter. The distribution will be payable semi-annually in arrears on a discretionary basis and will be non-cumulative in accordance with the terms and conditions of the Perps. Payment to ordinary unitholders can only be made if the payment to Perp holders has already been made.

The Series 006 PS may be redeemed at the option of ESR-REIT in whole, but not in part, on 3 November 2022 or on any distribution payment date thereafter and otherwise upon the occurrence of certain redemption events specified in the conditions of the issuance. The Series 006 PS is classified as equity instruments and recorded as equity in the financial statements.

- (k) MTN Series 003 of S\$155.0 million has been recorded as a current liability as it matures in slightly less than 12 months. This has led to a net current liabilities position in 4Q2017. The Manager believes that the Group’s existing financial resources (S\$43.0 million available from existing loan facilities as at 31 December 2017 and significant capacity under the MTN Programme), and proceeds from the equity fund raising planned in 1Q2018 in which the Sponsor, in order to demonstrate its commitment and support for ESR-REIT, will undertake to subscribe for its full entitlement and any unsubscribed units up to a total amount not exceeding S\$125.0 million, is sufficient.

1(b)(ii) Aggregate amount of borrowings

Note	Group and Trust	
	31-12-17 S\$'000	31-12-16 S\$'000
Unsecured borrowings		
Amount payable within one year	155,000	-
Less: Unamortised loan transaction costs	(105)	-
	154,895	-
Amount payable after one year	517,000	512,500
Less: Unamortised loan transaction costs	(2,104)	(2,910)
	514,896	509,590
Total unsecured borrowings	669,791	509,590
Total borrowings	669,791	509,590

Details of borrowings and collateral:

(a) Unsecured borrowings

The unsecured borrowings of the Group comprise:

(i) the following notes issued under its S\$750 million Multicurrency Debt Issuance Programme:

- S\$30 million six-year Singapore Dollar MTN in series 002 (the "Series 002 Notes") issued in April 2014 and maturing in April 2020. The Series 002 Notes have a fixed interest rate of 4.10% per annum payable semi-annually in arrears;
- S\$155 million four-year Singapore Dollar MTN in series 003 comprising Tranche 1 S\$100 million Notes issued in November 2014 and Tranche 2 S\$55 million Notes issued in January 2015 respectively. These notes tranches, which were issued and consolidated to form a single series (the "Series 003 Notes"), have a fixed interest rate of 3.50% per annum payable semi-annually in arrears and mature in November 2018;
- S\$130 million five-year Singapore Dollar MTN in series 004 (the "Series 004 Notes") issued in May 2015 and maturing in May 2020. The Series 004 Notes have a fixed interest rate of 3.95% per annum payable semi-annually in arrears; and
- S\$50 million seven-year Singapore Dollar MTN in series 005 (the "Series 005 Notes") issued in May 2016 and maturing in May 2023. The Series 005 Notes have a fixed interest rate of 3.95% per annum payable semi-annually in arrears.

(ii) 4-year unsecured loan facility maturing in June 2019 ("TLF1") consisting of:

- Facility A: S\$100 million term loan facility at a fixed interest rate of 3.60% per annum for 3.5 years from the date of loan drawn down; and
- Facility B: S\$50 million revolving credit facility at an interest rate of margin plus swap offer rate.

A total of S\$107.0 million was drawn down on the TLF1 as at 31 December 2017.

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(iii) 4.75-year unsecured loan facility maturing in June 2021 (“TLF2”) consisting of:

- Facility A: S\$25 million term loan facility at an interest rate of margin plus swap offer rate, for 4.75 years from the date of loan drawn down; and
- Facility B: S\$175 million revolving credit facility at an interest rate of margin plus swap offer rate. Facility B was increased from S\$75 million to S\$175 million in December 2017.

TLF2 was fully drawn down as at 31 December 2017.

(b) Unencumbered investment properties

As at 31 December 2017, the Group has 48 unencumbered investment properties with a combined carrying value of approximately S\$1.68 billion*, representing 100% of the investment properties by value.

*Includes a 20% non-controlling interest in 7000 AMK valued at S\$60.6 million as at 31 December 2017.

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1 (c) Statements of Cash Flows

Note	Group			
	4Q2017 S\$'000	4Q2016 S\$'000	FY2017 S\$'000	FY2016 S\$'000
Cash flows from operating activities				
Total (loss)/return for the period/year after income tax before distribution	(35,044)	(32,152)	1,396	7,087
Adjustments for:				
Interest income	(79)	(18)	(113)	(47)
Borrowing costs	5,267	5,141	20,439	21,147
Gain on disposal of investment properties	(287)	(533)	(221)	(1,231)
Change in fair value of investment properties	47,393	45,056	47,779	45,894
Change in fair value of financial derivatives	-	-	-	493
Operating income before working capital changes	17,250	17,494	69,280	73,343
Changes in working capital				
Trade and other receivables	341	219	57	(1,320)
Trade and other payables	301	786	(331)	(2,220)
Income tax paid	-	-	-	(54)
Net cash generated from operating activities	17,892	18,499	69,006	69,749
Cash flows from investing activities				
Net cash outflow on purchase of investment properties	(110,462)	-	(110,462)	-
Capital expenditure on investment properties	(661)	(1,237)	(9,768)	(5,595)
Proceeds from disposal of investment properties	35,180	10,500	57,318	27,000
Payment for divestment costs	(279)	(67)	(433)	(169)
Acquisition of subsidiary	(237,712)	-	(237,712)	-
Payment for acquisition costs of subsidiary	(2,826)	-	(2,826)	-
Interest received	79	18	113	47
Net cash (used in)/from investing activities	(316,681)	9,214	(303,770)	21,283
Cash flows from financing activities				
Proceeds from issuance of perpetual securities	150,000	-	150,000	-
Issue costs for perpetual securities paid	(1,227)	-	(1,227)	-
Equity issue costs paid	(72)	-	(144)	(145)
Proceeds from borrowings	189,000	-	206,000	111,000
Borrowing costs paid	(8,359)	(8,359)	(19,415)	(20,908)
Repayment of borrowings	(12,000)	(13,500)	(46,500)	(127,000)
Distributions paid to Unitholders	(9,653)	(12,875)	(45,998)	(52,936)
Net cash from/(used in) financing activities	307,689	(34,734)	242,716	(89,989)
Net increase/(decrease) in cash and cash equivalents	8,900	(7,021)	7,952	1,043
Cash and cash equivalents at beginning of the period/year	2,751	10,720	3,699	2,656
Cash and cash equivalents at end of the period/year	11,651	3,699	11,651	3,699

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Notes:

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

	Group		Group	
	4Q2017 S\$'000	4Q2016 S\$'000	FY2017 S\$'000	FY2016 S\$'000
Investment properties acquired	106,094	-	106,094	-
Acquisition related costs	4,368	-	4,368	-
Net cash outflow	110,462	-	110,462	-

- (b) Acquisition of subsidiary

The Group acquired 80% equity interest in 7000 AMK on 14 December 2017. The fair value of the assets acquired and liabilities assumed as at acquisition date were as follows:

	S\$'000
Investment property	300,000
Trade and other receivables	5,093
Cash and cash equivalents	2,860
Trade and other payables	(7,953)
Total purchase price	300,000
<u>Less:</u>	
Cash and cash equivalents of subsidiary	(2,288)
Non-controlling interest	(60,000)
Cashflow on acquisition net of cash acquired	237,712

- (c) Proceeds from issuance of perpetual securities

These are proceeds from the issue of Series 006 PS by the Group. Please refer to Note (i) of 1(b)(i) for more details.

- (d) Proceeds from borrowings

The Group increased its borrowings in FY2017 to partially fund the new acquisitions.

- (e) Non cash transactions

The Group issued 5.3 million ESR-REIT units amounting to approximately S\$3.0 million (net of withholding tax) in 4Q2017 to unitholders who participated in the DRP, as part payment of the 3Q2017 distribution.

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1(d)(i) Statements of Movements in Unitholders' funds (4Q2017 vs 4Q2016)

	Group		Trust	
	4Q2017 S\$'000	4Q2016 S\$'000	4Q2017 S\$'000	4Q2016 S\$'000
<u>Unitholders' Funds</u>				
Balance at beginning of period	827,053	872,056	811,814	858,463
<u>Operations</u>				
Total loss for the period attributable to Unitholders and perpetual securities holders	(35,826)	(32,152)	(34,413)	(33,636)
Less: Amount reserved for distribution to perpetual securities holders	(1,115)	-	(1,115)	-
Net decrease in net assets resulting from operations	(36,941)	(32,152)	(35,528)	(33,636)
<u>Unitholders' transactions</u>				
Issuance of units pursuant to:				
- Distribution Reinvestment Plan	2,959	-	2,959	-
Equity costs pursuant to:				
- Distribution Reinvestment Plan	(72)	-	(72)	-
- Perpetual Securities	(1,498)	-	(1,498)	-
Distributions to Unitholders	(12,612)	(12,875)	(12,612)	(12,875)
Net decrease in net assets resulting from Unitholders' transactions	(11,223)	(12,875)	(11,223)	(12,875)
Balance at end of period	778,889	827,029	765,063	811,952
<u>Perpetual Securities Holders' Funds</u>				
Balance at beginning of period	-	-	-	-
Issue of perpetual securities	150,000	-	150,000	-
Amount reserved for distribution to perpetual securities holders	1,115	-	1,115	-
Balance at end of period	151,115	-	151,115	-
Total	930,004	827,029	916,178	811,952

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Statements of Movements in Unitholders' funds (FY2017 vs FY2016)

	Group		Trust	
	FY2017 S\$'000	FY2016 S\$'000	FY2017 S\$'000	FY2016 S\$'000
<u>Unitholders' Funds</u>				
Balance at beginning of year	827,029	872,911	811,952	859,503
<u>Operations</u>				
Total return for the year attributable to Unitholders and perpetual securities holders	614	7,087	1,865	5,418
Less: Amount reserved for distribution to perpetual securities holders	(1,115)	-	(1,115)	-
Net (decrease)/increase in net assets resulting from operations	(501)	7,087	750	5,418
<u>Unitholders' transactions</u>				
Issuance of units pursuant to:				
- Distribution Reinvestment Plan	5,173	3,288	5,173	3,288
Equity costs pursuant to:				
- Distribution Reinvestment Plan	(143)	(33)	(143)	(33)
- Perpetual Securities	(1,498)	-	(1,498)	-
Distributions to Unitholders	(51,171)	(56,224)	(51,171)	(56,224)
Net decrease in net assets resulting from Unitholders' transactions	(47,639)	(52,969)	(47,639)	(52,969)
Balance at end of the year	778,889	827,029	765,063	811,952
<u>Perpetual Securities Holders' Funds</u>				
Balance at beginning of year				
Issue of perpetual securities	150,000	-	150,000	-
Amount reserved for distribution to perpetual securities holders	1,115	-	1,115	-
Balance at end of year	151,115	-	151,115	-
Total	930,004	827,029	916,178	811,952

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

	Trust			
	4Q2017 Units	4Q2016 Units	FY2017 Units	FY2016 Units
Issued units at the beginning of period/year	1,308,308,086	1,304,434,416	1,304,434,416	1,297,775,187
Issue of new units pursuant to: - Distribution Reinvestment Plan	5,315,228	-	9,188,898	6,659,229
Total issued units at the end of the period/year	1,313,623,314	1,304,434,416	1,313,623,314	1,304,434,416

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period, and as at the end of the immediately preceding year.

The total number of issued units, excluding treasury units, as at the end of the current and the preceding financial periods are disclosed in 1(d)(ii). There were no treasury units acquired since the date of listing of ESR-REIT on 25 July 2006.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by our auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

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4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period, which are consistent with those described in the audited financial statements for the financial year ended 31 December 2016.

NCI is presented for the first time in the results after the acquisition of 80% equity interest in 7000 AMK.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Please refer to item 4 above.

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

Note	Group			
	4Q2017	4Q2016	FY2017	FY2016
EPU				
Total (loss)/return after income tax before distribution for the period/year (S\$'000)	(36,941)	(32,152)	(501)	7,087
Weighted average number of units ('000)	1,310,504	1,304,434	1,306,293	1,303,361
Basic and diluted EPU (cents)	(a) (2.819)	(2.465)	(0.038)	0.544
DPU				
Total amount available for distribution for the period/year (S\$'000)	12,195	13,003	50,390	54,476
Applicable number of units for calculation of DPU ('000)	1,313,623	1,304,434	1,313,623	1,305,440
DPU (cents)	(b) 0.929	0.996	3.853	4.173

Notes:

- (a) The basic EPU was calculated using total return after income tax before distribution for the period, which included fair value loss of investment properties and gain on disposal of investment properties and the weighted average number of units in issue during the period. The basic and diluted EPU were the same as there were no dilutive instruments in issue during the period.

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- (b) DPU was calculated using the total amount available for distribution and the number of units entitled to distribution during the period.

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

	Note	Group		Trust	
		31-12-17	31-12-16	31-12-17	31-12-16
NAV (cents)	(a)	59.3	63.4	58.2	62.2

Note:

- (a) NAV per unit was calculated based on the number of units issued as at the end of the respective periods. The decrease was due to the diminution in value of investment properties as at 31 December 2017 and the dilution from units issued during the year as part payment of the distribution pursuant to the DRP.

8 Review of the performance

The review of the performance is found in Section 1(a) – Statements of Total Return and Distribution Statement and Section 1(b)(i) – Statement of Financial Position.

9 Review of the performance against Forecast/Prospect Statement

The Group has not disclosed any forecast to the market.

10. Commentary on the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Based on advance estimates by the Ministry of Trade and Industry (“MTI”), the Singapore economy grew by 3.1% on a year-on-year basis in 4Q2017, easing from 5.4% growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualized basis, the economy expanded at a slower pace of 2.8% compared to the 9.4% growth in the 3Q2017.

Singapore’s Purchasing Managers’ Index (“PMI”) for December 2017 posted a reading of 52.8, a slight decrease from 52.9 in the preceding month. This was the 16th consecutive month of expansion (i.e. a reading above 50), however output and inventory rose at a slower pace while the rate of expansion in new orders, new exports and employment accelerated.

The overall industrial property market remains soft despite the improved manufacturing outlook. Global uncertainties, rising operating costs and increased supply coming on-stream continued to weigh down on rents and occupancy rates. The Jurong Town Corporation (“JTC”) 3Q 2017 Industrial Property Statistics showed prices and rental of

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industrial space continued to moderate in tandem with occupancy rates. The overall price and rental indices for the industrial property market fell by 0.9% and 1.1% respectively compared to the previous quarter. With more supply coming on-stream in the coming quarters, downward pressures on the prices and rentals is likely to continue.

During the quarter, ESR-REIT successfully renewed one master lease early at 5 & 7 Gul Street 1 that was only due to expire in FY2018 bringing down the FY2018 lease expiry concentration for single-tenanted properties from 10.0% to 7.2% of portfolio rental income. Included in this total is the lease expiry of the Nobel Design Holdings Pte Ltd master lease in 16 Tai Seng Street which currently contributes 4.6% of portfolio rental income. This is expected to negatively impact earnings in H2 FY2018 as the tenant is likely to downsize its space requirement and the rental will likely be below current contracted rental. FY2018 earnings will also be affected by the pre-termination of the Tellus Marine lease in 21B Senoko Loop which previously made up about 2.4% of portfolio rental income. As an update to earlier announcements, the replacement tenant will likely not sign a lease for the property as the tenant did not satisfy JTC requirements. The property is now being actively marketed.

In December the acquisitions of 8 Tuas South Lane and 80% of 7000 Ang Mo Kio Avenue 5 ("7000AMK") were completed which helps to improve our portfolio WALE from 3.4 to 4.3 years. In the next 3 years, less than 21% of ESR-REIT's income represents expiring leases for single tenanted properties. This compares favourably to 5 years ago in 2012, when the same figure was 44%. This allows the Manager to focus its efforts on the expiring leases in its multi-tenanted properties in 2018 where about 15.2% of the income represents multi-tenanted lease expiries.

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 continue to be impacted by the prevailing downward pressure on rents resulting in further negative rental reversions. Nevertheless, the Manager will continue to focus on improving asset quality and maintaining occupancy in the current challenging leasing market.

Proposed Equity Fund Raising

At the time of the completion of the acquisitions of 8 Tuas South Lane and 7000 AMK, it was announced that ESR-REIT will undertake an equity fund raising ("EFR") to rebalance its capital structure. It is proposed to issue up to 263.0 million new units subsequent to year end potentially via a private placement to institutional investors and/or a non-renounceable preferential offering to existing unitholders on a pro-rata basis.

To demonstrate its commitment and support for ESR-REIT, its sponsor, ESR Cayman Limited will undertake to subscribe for its full entitlement and any unsubscribed units under the preferential offering up to a total amount not exceeding S\$125.0 million.

Further details will be disclosed in the Unitholder's Circular which will be despatched at a later date.

11 Distributions

(a) Current financial period

Any distributions declared for the current financial period: Yes

Name of distribution: **Forty-eighth** distribution for the period from 1 October 2017 to 31 December 2017

Distribution Type: Taxable income

Distribution Rate: 0.929 cents per unit

Par value of units: Not meaningful

Tax Rate: Taxable income distribution
The distribution is made out of ESR-REIT's taxable income. Unitholders receiving distributions will be subject to Singapore income tax on the distributions received except for individuals where the distribution is exempt from tax (unless they hold their units through partnership or as trading assets).

Books closure date: 25 January 2018

Date payable: 28 February 2018

The Manager has determined that the DRP **will apply** to the distribution for the period from 1 October 2017 to 31 December 2017.

The DRP provides the unitholders with an option to receive fully paid units in ESR-REIT in lieu of the cash amount of distribution (including any final or other distribution) which is declared on the units then held by them after the deduction of any applicable income tax. The Unitholders will receive a copy of the Notice of Election for their distribution election. The pricing of the DRP units issued will be based on the market price less a discount of 2%, to be announced by the Manager on 26 January 2018.

(b) Corresponding period of the immediately preceding year

Any distributions declared for the previous corresponding financial period:

Yes

Name of distribution: **Forty-fourth** distribution for the period from 1 October 2016 to 31 December 2016

Distribution Type: Taxable income

Distribution Rate: 0.996 cents per unit

Par value of units: Not meaningful

Tax Rate: Taxable income distribution
The distribution is made out of ESR-REIT's taxable income. Unitholders receiving distributions will be subject to Singapore income tax on the distributions received except for individuals where the distribution is exempt from tax (unless they hold their units through partnership or as trading assets).

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

Not applicable.

13 If the Group has obtained a general mandate from shareholders for IPTs , the aggregate value of each transaction as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained any IPT mandate from the Unitholders.

14 CONFIRMATION PURSUANT TO RULE 720(1) OF THE LISTING MANUAL

The Manager confirms that it has procured undertakings from all Directors and Executive Officers (in the format set out in Appendix 7.7) pursuant to Rule 720(1) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

- 15 Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited financial statements, with comparative information for the immediately preceding year.**

No business segment information has been prepared as all the properties are used predominantly for industrial purposes and are located in Singapore.

- 16 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Not applicable.

- 17 Breakdown of revenue**

	FY2017 S\$'000	FY2016 S\$'000	Fav/ (Unfav) %
(a) Gross revenue reported for first half	55,412	56,660	(2.2)
(b) Total return after tax before distribution for first half year	24,294	26,329	(7.7)
(c) Gross revenue reported for second half	54,288	55,427	(2.1)
(d) Total loss after tax before distribution for second half year*	(22,898)	(19,242)	(19.0)

*Included change in fair value of investment properties for FY2017 S\$47.8 million (FY2016: S\$45.9 million).

18 Breakdown of the total distributions for the financial year ended 31 December 2017

Annual distributions to Unitholders:

	FY2017 S\$'000	FY2016 S\$'000
01-07-2017 to 30-09-2017	12,612	-
01-04-2017 to 30-06-2017	12,470	-
01-01-2017 to 31-03-2017	13,097	-
01-10-2016 to 31-12-2016	12,992	-
01-07-2016 to 30-09-2016	-	12,875
01-04-2016 to 30-06-2016	-	14,062
01-01-2016 to 31-03-2016	-	14,505
01-10-2015 to 31-12-2015	-	14,782
Total distributions to Unitholders ⁽¹⁾	51,171	56,224

Note:

- (1) Distributions were partly paid by ESR-REIT issuing an aggregate of 9.2 million units (FY2016: 6.7 million units) amounting to S\$5.2 million (FY2016: S\$3.3 million), pursuant to its distribution reinvestment plan.

19 Confirmation pursuant to Rule 704(13) of the Listing Manual

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board of Directors of ESR Funds Management (S) Limited (the "Company"), as manager of ESR-REIT, confirms that there are no persons occupying managerial positions in the company or any of its principal subsidiaries who are relatives of a Director or the Chief Executive Officer or substantial Unitholders of ESR-REIT.

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20 Interested Person Transactions ("IPTs")

Name of Entity	2017		2016	
	Aggregate value of all IPTs during the financial year under review Note (a)	Aggregate value of all IPTs under the IPT mandate or shareholders' mandate for IPTs under Rule 920 during the financial year under review	Aggregate value of all IPTs during the financial year under review Note (a)	Aggregate value of all IPTs under the IPT mandate or shareholders' mandate for IPTs under Rule 920 during the financial year under review
	S\$'000	S\$'000	S\$'000	S\$'000
ESR Funds Management (S) Limited (the "Manager")				
Management fees paid and payable				
- in cash	6,989	-	7,060	-
- in units	-	-	-	-
Acquisition fees paid relating to the purchase of investment properties				
- in cash	3,461	-	-	-
- in units	-	-	-	-
Disposal fees relating to the divestment of investment properties				
- in cash	287	-	135	-

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20 Interested Person Transactions ("IPTs") (continued)

Name of Entity	2017		2016	
	Aggregate value of all IPTs during the financial year under review Note (a)	Aggregate value of all IPTs under the IPT mandate or shareholders' mandate for IPTs under Rule 920 during the financial year under review	Aggregate value of all IPTs during the financial year under review Note (a)	Aggregate value of all IPTs under the IPT mandate or shareholders' mandate for IPTs under Rule 920 during the financial year under review
	S\$'000	S\$'000	S\$'000	S\$'000
ESR Property Management (S) Pte Ltd (Subsidiary of immediate holding company of the Manager)				
Property manager's fees paid and payable	3,220	-	3,294	-
Lease marketing services commissions paid and payable	1,137	-	1,708	-
Project management fees paid and payable*	-	-	-	-
RBC Investor Services Trust Singapore Limited (the "Trustee")				
Trustee fees paid and payable	379	-	384	-

*Amounts less than S\$100,000 for FY2017.

There are no additional interested party transactions other than those disclosed above.

Note:

- (a) Except as disclosed, these interested party transactions exclude transactions less than \$100,000.

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This release may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of occupancy or property rental income, changes in operating expenses (including employee wages, benefits and training costs), governmental and public policy changes and the continued availability of financing in amounts and on terms necessary to support future ESR-REIT business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.

Any discrepancies in the tables included in this announcement between the listed amounts and total thereof are due to rounding.

By Order of the Board
ESR Funds Management (S) Limited
(as Manager of ESR-REIT)
Company Registration No. 200512804G, Capital Markets Services Licence No. 100132-5

Adrian Chui
Chief Executive Officer
17 January 2018