

## Financial Statements and Related Announcement::Third Quarter Results

## Issuer &amp; Securities

<b>Issuer/ Manager</b>	SPH REIT MANAGEMENT PTE. LTD.
<b>Securities</b>	SPH REIT - SG2G02994595 - SK6U
<b>Stapled Security</b>	No

## Announcement Details

<b>Announcement Title</b>	Financial Statements and Related Announcement
<b>Date &amp; Time of Broadcast</b>	12-Jul-2017 18:41:41
<b>Status</b>	New
<b>Announcement Sub Title</b>	Third Quarter Results
<b>Announcement Reference</b>	SG170712OTHRJ9UX
<b>Submitted By (Co./ Ind. Name)</b>	Lim Wai Pun
<b>Designation</b>	Company Secretary
<b>Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)</b>	The Announcement, Press Release and Results Presentation are attached.

## Additional Details

<b>For Financial Period Ended</b>	31/05/2017
<b>Attachments</b>	<p><a href="#">SPH REIT - SGX Announcement Q3FY17.pdf</a></p> <p><a href="#">SPH REIT - Press Release Q3FY17.pdf</a></p> <p><a href="#">SPH REIT - Results Presentation Slides Q3FY17.pdf</a></p> <p>Total size =5959K</p>



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## SPH REIT FINANCIAL STATEMENT ANNOUNCEMENT \* FOR THE PERIOD ENDED 31 MAY 2017

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*Constituted in the Republic of Singapore pursuant to a Trust Deed dated 9 July 2013.*

### **Introduction**

The investment strategy of SPH REIT is to invest, directly or indirectly, in a portfolio of income-producing real estate which is used primarily for retail purposes in Asia Pacific, as well as real estate-related assets.

The portfolio of SPH REIT comprises the following two high quality and well located commercial properties in Singapore:

- Paragon, a premier upscale retail mall and medical suite/office property, well known for its upscale mall housing many luxury brands, located in the heart of Orchard Road; and
- The Clementi Mall, a mid-market suburban mall located in the centre of Clementi town, an established residential estate in the west of Singapore.

### **Review by auditors**

The financial information as set out in this announcement for the third quarter and year-to-date ended 31 May 2017 has been extracted from the interim financial information for the third quarter and year-to-date ended 31 May 2017, which has been reviewed by our auditors, KPMG LLP\*, in accordance with the Singapore Standard on Review Engagement 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

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\* *Please refer to the attached review report.*

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## For The Period Ended 31 May 2017

### 1(a) An income statement together with a comparative statement for the corresponding period of the immediately preceding financial year

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

	3Q 2017	3Q 2016	Change	YTD 3Q 2017	YTD 3Q 2016	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Gross revenue	53,318	52,232	2.1	159,906	157,417	1.6
Property operating expenses	(11,148)	(12,209)	(8.7)	(33,577)	(36,681)	(8.5)
<b>Net property income</b>	<b>42,170</b>	<b>40,023</b>	<b>5.4</b>	<b>126,329</b>	<b>120,736</b>	<b>4.6</b>
Income support <sup>1</sup>	548	595	(7.8)	1,289	1,817	(29.1)
Amortisation of intangible asset	(548)	(595)	(7.8)	(1,289)	(1,817)	(29.1)
Manager's management fees <sup>2</sup>	(4,197)	(4,077)	2.9	(12,511)	(12,222)	2.4
Trust expenses	(452)	(473)	(4.4)	(1,353)	(1,411)	(4.1)
Finance income <sup>3</sup>	191	222	(14.0)	548	698	(21.5)
Finance costs	(6,109)	(6,064)	0.7	(17,887)	(18,092)	(1.1)
<b>Total return before taxes and distribution</b>	<b>31,603</b>	<b>29,631</b>	<b>6.7</b>	<b>95,126</b>	<b>89,709</b>	<b>6.0</b>
Less: income tax	-	-	NM	-	-	NM
<b>Total return after taxes and before distribution</b>	<b>31,603</b>	<b>29,631</b>	<b>6.7</b>	<b>95,126</b>	<b>89,709</b>	<b>6.0</b>

Notes:

- Income support relates to the top-up payment from the vendors of The Clementi Mall pursuant to the Deed of Income Support.
- For 3Q 2017, the REIT Manager has elected for partial payment in cash, a base management fee comprising of S\$1.2 million in cash with the balance in SPH REIT units.
- Finance income represent the interest income from bank deposit.

NM Not Meaningful

## For The Period Ended 31 May 2017

### 1(a)(ii) Distribution Statement

	3Q 2017 S\$'000	3Q 2016 S\$'000	Change %	YTD 3Q 2017 S\$'000	YTD 3Q 2016 S\$'000	Change %
<b>Total return after taxes and before distribution</b>	<b>31,603</b>	<b>29,631</b>	<b>6.7</b>	<b>95,126</b>	<b>89,709</b>	<b>6.0</b>
Add: Non-tax deductible items <sup>1</sup>	4,108	5,364	(23.4)	14,271	17,019	(16.1)
<b>Income available for distribution</b>	<b>35,711</b>	<b>34,995</b>	<b>2.0</b>	<b>109,397</b>	<b>106,728</b>	<b>2.5</b>
<b>Distribution to Unitholders<sup>2</sup></b>	<b>35,006</b>	<b>34,575</b>	<b>1.2</b>	<b>104,932</b>	<b>103,802</b>	<b>1.1</b>

Notes:

1. Non-tax deductible items refer to the Manager's management fees paid/payable in units, trustee's fees, amortisation of income support and amortisation of debt issuance costs.
2. For 3Q 2017 and YTD 3Q 2017, the distribution to unitholders were 98.0% and 95.9% respectively of taxable income available for distribution.

## For The Period Ended 31 May 2017

### 1(b)(i) A balance sheet together with a comparative statement as at the end of the immediately preceding financial year

Statements of Financial Position	As at 31 May 17 S\$'000	As at 31 Aug 16 S\$'000
<b>Non-current assets</b>		
Plant and equipment	838	950
Investment properties	3,236,164	3,230,000
Intangible asset <sup>1</sup>	5,746	7,035
	3,242,748	3,237,985
<b>Current assets</b>		
Trade and other receivables <sup>2</sup>	4,680	5,888
Cash and cash equivalents	66,219	67,382
	70,899	73,270
<b>Total assets</b>	<b>3,313,647</b>	<b>3,311,255</b>
<b>Non-current liabilities</b>		
Borrowing	712,328	845,887
Derivative financial instruments <sup>3</sup>	7,455	9,890
Trade and other payables	32,145	32,763
	751,928	888,540
<b>Current liabilities</b>		
Borrowing	134,711	-
Derivative financial instruments <sup>3</sup>	686	-
Trade and other payables	35,438	34,183
	170,835	34,183
<b>Total liabilities</b>	<b>922,763</b>	<b>922,723</b>
<b>Net assets attributable to Unitholders</b>	<b>2,390,884</b>	<b>2,388,532</b>

Notes:

- Intangible asset relates to income support provided by the vendors of The Clementi Mall.
- Trade and other receivables comprised mainly rental receivable and trade amount due from related parties.
- Derivative financial instruments represent the fair value as at balance sheet date of the interest rate swap contracts to swap floating rates for fixed interest rates.

**(b)(ii) Borrowing**

**Secured borrowing**

	<b>As at 31 May 17 S\$'000</b>	<b>As at 31 Aug 16 S\$'000</b>
Amount repayable within one year	134,711	-
Amount repayable after one year	712,328	845,887
Total	847,039	845,887

**Details of collateral**

On 24 July 2013, SPH REIT established a term loan facility of up to the amount of S\$975 million, of which the amount drawn down was S\$850 million. As at the balance sheet date, the amount of S\$847.0 million represented the loan stated at amortised cost.

The term loan is secured by way of a first legal mortgage on Paragon, first legal charge over the tenancy account and sales proceeds account for Paragon, and an assignment of certain insurances taken in relation to Paragon.

## For The Period Ended 31 May 2017

### 1(c) A cash flow statement together with a comparative statement for the corresponding period of the immediately preceding financial year

#### Statement of Cash Flows

	3Q 2017 S\$'000	3Q 2016 S\$'000	YTD 3Q 2017 S\$'000	YTD 3Q 2016 S\$'000
<b>Cash flows from operating activities</b>				
Total return for the period	31,603	29,631	95,126	89,709
Adjustments for:				
Manager's fee paid/payable in units	2,997	4,077	11,311	12,222
Depreciation of plant and equipment	53	55	158	154
Finance income	(191)	(222)	(548)	(698)
Finance costs	6,109	6,064	17,887	18,092
Amortisation of intangible asset	548	595	1,289	1,817
Operating cash flow before working capital changes	41,119	40,200	125,223	121,296
Changes in operating assets and liabilities				
Trade and other receivables	279	84	1,131	154
Trade and other payables	638	371	(252)	562
<b>Net cash from operating activities</b>	<b>42,036</b>	<b>40,655</b>	<b>126,102</b>	<b>122,012</b>
<b>Cash flows from investing activities</b>				
Additions to investment properties	(1,413)	(2,261)	(5,191)	(5,705)
Purchase of plant and equipment	(2)	(12)	(13)	(94)
Interest received	218	197	613	652
<b>Net cash used in investing activities</b>	<b>(1,197)</b>	<b>(2,076)</b>	<b>(4,591)</b>	<b>(5,147)</b>
<b>Cash flows from financing activities</b>				
Distribution to unitholders	(35,743)	(35,531)	(105,834)	(104,385)
Interest paid	(5,541)	(5,943)	(16,840)	(17,158)
<b>Net cash used in financing activities</b>	<b>(41,284)</b>	<b>(41,474)</b>	<b>(122,674)</b>	<b>(121,543)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(445)</b>	<b>(2,895)</b>	<b>(1,163)</b>	<b>(4,678)</b>
Cash and cash equivalents at beginning of the period	66,664	75,572	67,382	77,355
<b>Cash and cash equivalents at end of the period</b>	<b>66,219</b>	<b>72,677</b>	<b>66,219</b>	<b>72,677</b>



## For The Period Ended 31 May 2017

### 1(d)(i) Statement of Changes in Unitholders' Funds

	3Q 2017	3Q 2016	YTD 3Q 2017	YTD 3Q 2016
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Balance as at beginning of period</b>	<b>2,393,822</b>	<b>2,391,713</b>	<b>2,388,532</b>	<b>2,397,810</b>
<b><u>Operations</u></b>				
Total return for the period / net increase in assets resulting from operations	31,603	29,631	95,126	89,709
<b><u>Hedging reserve</u></b>				
Effective portion of changes in fair value of cash flow hedges <sup>1</sup>	(1,795)	(2,616)	1,749	(8,082)
<b><u>Unitholders' transactions</u></b>				
Distribution to unitholders	(35,743)	(35,531)	(105,834)	(104,385)
Manager's fee paid/payable in units	2,997	4,077	11,311	12,222
	(32,746)	(31,454)	(94,523)	(92,163)
<b>Balance as at end of period</b>	<b>2,390,884</b>	<b>2,387,274</b>	<b>2,390,884</b>	<b>2,387,274</b>

Note:

1. This relates to interest rate swap arrangements.

### 1(d)(ii) Details of Changes in Issued and Issuable Units

	3Q 2017	3Q 2016	YTD 3Q 2017	YTD 3Q 2016
	No. of units	No. of units	No. of units	No. of units
<b>Issued units as at beginning of period</b>	<b>2,553,099,102</b>	<b>2,537,912,896</b>	<b>2,546,703,310</b>	<b>2,529,309,302</b>
Manager's fee paid in units <sup>1,2</sup>	2,108,255	4,397,231	8,504,047	13,000,825
<b>Issuable units:</b>				
Manager's fee payable in units <sup>1,2,3</sup>	7,425,689	4,393,183	7,425,689	4,393,183
<b>Total issued and issuable units as at end of period</b>	<b>2,562,633,046</b>	<b>2,546,703,310</b>	<b>2,562,633,046</b>	<b>2,546,703,310</b>

## For The Period Ended 31 May 2017

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### 1(d)(ii) Details of Changes in Issued and Issuable Units (Cont'd)

Notes:

1. The units were issued/issuable to the REIT Manager in partial satisfaction of management fees for YTD 3Q 2017 and full satisfaction of management fees for YTD 3Q 2016. For 2H 2017, the REIT Manager has elected for partial payment in cash, a base management fee comprising of S\$1.2 million in cash for each quarter with the balance in SPH REIT units. The performance fee will continue to be received in SPH REIT units.
2. The number of units is calculated based on volume weighted average traded price for the last 10 business days for the respective quarters, as provided in the Trust Deed.
3. In accordance with the amendments to the Trust Deed and new requirement by the Monetary Authority of Singapore, the performance fee for FY2017 and thereafter will be issued on an annual basis, after Board's approval of the audited annual accounts.
  - For 3Q 2017 and YTD 3Q 2017, the issuable units relates to performance management fees for YTD 3Q 2017 and partial satisfaction of base management fees for 3Q 2017.
  - For 3Q 2016 and YTD 3Q 2016, the issuable units relates to full satisfaction of base and performance management fees for 3Q 2016.

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

As at 31 May 2017, SPH REIT had 2,555,207,357 units (31 August 2016: 2,546,703,310 units).

### 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 financial information for the third quarter and year-to-date ended 31 May 2017 as set out in this announcement has been extracted from the interim financial information for the third quarter and year-to-date ended 31 May 2017, which has been reviewed by our auditors, KPMG LLP, in accordance with the Singapore Standard on Review Engagement 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

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

Please refer to the attached auditor's review report.

### 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 have been consistently applied during the current reporting period.

## For The Period Ended 31 May 2017

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

The financial information has been prepared in accordance with the same accounting policies and methods of computation adopted in the audited financial statements of the previous financial year, except for new or amended accounting policies adopted in the Statement of Recommended Accounting Practice (“RAP”) 7 “Reporting Framework for Unit Trusts” which became effective from this financial year.

The adoption of the new/revised accounting policies has not resulted in any substantial changes to SPH REIT’s accounting policies nor any significant impact on these financial statement.

6. **Earnings per unit (“EPU”) and Distribution per unit (“DPU”)**

	<b>3Q 2017</b>	<b>3Q 2016</b>	<b>YTD 3Q 2017</b>	<b>YTD 3Q 2016</b>
<b><u>Earnings per unit</u></b>				
Weighted average number of units <sup>1</sup>	2,559,633,342	2,542,357,366	2,555,311,371	2,537,962,534
Total return for the period after tax (S\$’000)	31,603	29,631	95,126	89,709
EPU (basic and diluted) (cents)	1.23	1.17	3.72	3.53
<b><u>Distribution per unit</u></b>				
Total number of units in issue at end of period	2,555,207,357	2,542,310,127	2,555,207,357	2,542,310,127
Distribution to Unitholders <sup>2</sup> (S\$’000)	35,006	34,575	104,932	103,802
DPU <sup>3</sup> (cents)	1.37	1.36	4.11	4.09

Notes:

1. The weighted average number of units was based on the number of units in issue and issuable units to the Manager.
2. As shown in 1(a)(ii) Distribution Statement.
3. The DPU was computed based on the number of units entitled to distribution.

## For The Period Ended 31 May 2017

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### 7. Net Asset Value (“NAV”) per unit and Net Tangible Asset (“NTA”) per unit

	As at 31 May 17	As at 31 Aug 16
NAV per unit <sup>1</sup> (S\$)	0.94	0.94
NTA per unit <sup>1</sup> (S\$)	0.93	0.94

Note:

1. The NAV per unit and NTA per unit were computed based on the number of units in issue as at balance sheet date.

### 8. Review of Performance

#### Review of Results for the Third Quarter ended 31 May 2017 (“3Q 2017”) compared with the Third Quarter ended 31 May 2016 (“3Q 2016”)

Gross revenue for 3Q 2017 grew by S\$1.0 million (2.1%) to S\$53.3 million, on the back of higher rental income achieved by both Paragon and The Clementi Mall.

Property operating expenses of S\$11.1 million was S\$1.1 million (8.7%) lower than 3Q 2016, mainly due to proactive management of utility contract, lower property tax and marketing expenses.

Consequently, net property income (“NPI”) of S\$42.2 million for 3Q 2017 was S\$2.1 million (5.4%) above 3Q 2016.

Total return for 3Q 2017 increased by S\$2.0 million (6.7%) to S\$31.6 million against the same quarter last year, mainly attributable to higher NPI.

Income available for distribution of S\$35.7 million for 3Q 2017 was higher by S\$0.7million (2.0%) compared to 3Q 2016.

#### Review of Results for the Year-to-date ended 31 May 2017 (“YTD 3Q 2017”) compared with the Year-to-date ended 31 May 2016 (“YTD 3Q 2016”)

Gross revenue for YTD 3Q 2017 was up S\$2.5 million (1.6%) to S\$159.9 million, in-line with the moderate portfolio average rental reversion of 3.7% for new and renewed leases in YTD 3Q 2017.

Property operating expenses was S\$33.6 million, S\$3.1 million (8.5%) lower against YTD 3Q 2016 mainly from savings in utilities, lower maintenance and property tax. An additional one-off provision for prior years’ property tax of S\$0.9 million was included in YTD Q3 2016.

Consequently, NPI of S\$126.3 million for YTD 3Q 2017, was S\$5.6 million (4.6%) above the same period last year. NPI margin of 79.0% was achieved, better than YTD 3Q 2016 of 76.7%.

### 8. **Review of Performance (Cont'd)**

Total return increased by S\$5.4 million (6.0%) to S\$95.1 million for YTD 3Q 2017. This was mainly attributable to higher NPI. The average cost of debt was 2.81% p.a. for YTD 3Q 2017.

Income available for distribution of S\$109.4 million for YTD 3Q 2017 was S\$2.7 million (2.5%) higher compared to YTD 3Q 2016.

### 9. **Variance from Prospect Statement**

No forecast was made previously.

### 10. **A commentary at the date of announcement of 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**

According to the Ministry of Trade and Industry (MTI), the Singapore economy grew by 2.7% on a year-on-year in the first quarter of 2017, easing from the 2.9% growth in the previous quarter. While global economy has improved slightly since early 2017, uncertainties and downside risks remain. Trade-related sectors are likely to provide support to the Singapore economy, though cautious consumer sentiment amidst sluggish labour market conditions are likely to weigh on food services and retail trade segments. Barring the materialisation of downside risks, MTI has maintained the economic growth forecast for 2017 at 1.0% to 3.0%, with growth likely to come in higher than 2.0%.

While Singapore Tourism Board (STB) has reported growth in the tourism receipts in 2016, the retail environment remains muted. Based on figures released by the Singapore Department of Statistics (DOS), the retail sales index (excluding motor vehicles) declined by 4.4% in Q3 2016, 1.6% in Q4 2016 and 0.4% in Q1 2017. Several segments registered decline in sales, in particular department stores (4.6%), supermarkets (2.2%), food retailers (1.9%) and wearing apparel & footwear (1.6%) in Q1 2017.

SPH REIT has a portfolio of two high quality and well-positioned retail properties in prime locations. Paragon had remained resilient and turned in a steady performance through previous economic cycles. The Clementi Mall continued to receive strong endorsement from tenants with retention rate of 89% by NLA for its second renewal cycle in 2017. The Manager will continue to proactively manage the properties to deliver sustainable returns while seeking new opportunities to create value for unitholders.

**11. Distribution**

**(a) Current Financial Period**

Any distribution recommended for the current financial period reported on?      Yes.

Name of distribution:	Distribution for the period from 1 March 2017 to 31 May 2017
Distribution Type:	Taxable Income
Distribution rate per unit (cents):	1.37 cents per unit
Par value of units:	Not applicable.
Tax rate:	<p>Taxable Income Distribution:</p> <p>Qualifying investors and individuals (other than those who hold their units through a partnership) will generally receive pre-tax distribution. These distributions are exempt from tax in the hands of individuals unless such distributions are derived through a Singapore partnership or from the carrying on of a trade, business or profession. Such individual unitholders, i.e. to whom the exemption will not apply, must declare the distribution received as income in their tax returns.</p> <p>Qualifying foreign non-individual investors will receive their distributions after deduction of tax at the rate of 10%. This is based on the existing income tax concession for listed REITs on distributions made to non-resident non-individual investors during the period from 18 February 2005 to 31 March 2020.</p> <p>All other investors will receive their distributions after deduction of tax at the rate of 17%.</p>

11. **Distribution**

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any distribution declared for the corresponding period of the immediately preceding financial year?

Name of distribution:	Distribution for the period from 1 March 2016 to 31 May 2016
Distribution Type:	Taxable Income
Distribution rate per unit (cents):	1.36 cents per unit
Par value of units:	Not applicable.
Tax rate:	<p>Taxable Income Distribution:</p> <p>Qualifying investors and individuals (other than those who hold their units through a partnership) will generally receive pre-tax distribution. These distributions are exempt from tax in the hands of individuals unless such distributions are derived through a Singapore partnership or from the carrying on of a trade, business or profession. Such individual unitholders, i.e. to whom the exemption will not apply, must declare the distribution received as income in their tax returns.</p> <p>Qualifying foreign non-individual investors will receive their distributions after deduction of tax at the rate of 10%. This is based on the existing income tax concession for listed REITs on distributions made to non-resident non-individual investors during the period from 18 February 2005 to 31 March 2020.</p> <p>All other investors will receive their distributions after deduction of tax at the rate of 17%.</p>

**(c) Date payable**

The date the distribution is payable: 23 August 2017.

**(d) Record date**

The Transfer Books and Register of Unitholders of SPH REIT will be closed at 5.00pm on 20 July 2017 for purposes of determining each Unitholder's entitlement to SPH REIT distribution.

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

Not applicable.

## For The Period Ended 31 May 2017

### 13. Segment Results

	3Q 2017	3Q 2016	Change	YTD 3Q 2017	YTD 3Q 2016	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
<b><u>Gross Revenue</u></b>						
Paragon	43,661	42,517	2.7	130,424	128,070	1.8
The Clementi Mall	9,657	9,715	(0.6)	29,482	29,347	0.5
Total	53,318	52,232	2.1	159,906	157,417	1.6
<b><u>Net Property Income</u></b>						
Paragon	34,968	32,867	6.4	104,368	99,303	5.1
The Clementi Mall	7,202	7,156	0.6	21,961	21,433	2.5
Total	42,170	40,023	5.4	126,329	120,736	4.6

### 14. If the group has obtained a general mandate from shareholders for Interested Person Transactions, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

SPH REIT has not obtained a general mandate from unitholders for Interested Person Transactions.

### 15. Confirmation By the Manager Pursuant to Rule 720(1) of the SGX 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 the SGX 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. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of SPH REIT Management Pte. Ltd. (as the manager of SPH REIT) on future events.

## BY ORDER OF THE BOARD

Lim Wai Pun  
Khor Siew Kim

Company Secretaries

Singapore,  
12 July 2017





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Co. Regn No. 201305497E

## **CONFIRMATION BY THE BOARD Pursuant to Rule 705(5) of the Listing Manual**

To the best of our knowledge, nothing has come to the attention of the Board of Directors of the Manager which may render the financial results of the Trust (comprising the balance sheet, statement of total return and distribution statement, statement of changes in Unitholders' funds and cashflow statement, together with their accompanying notes) as at 31 May 2017, to be false or misleading in any material respect.

On behalf of the Directors

A handwritten signature in blue ink, appearing to read 'Leong'.

**LEONG HORN KEE**  
*Chairman*

A handwritten signature in blue ink, appearing to read 'Mallek'.

**ANTHONY MALLEK**  
*Director*

Singapore,  
12 July 2017



**KPMG LLP**  
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**The Board of Directors**  
**SPH REIT Management Pte Ltd**  
**(in its capacity as Manager of SPH REIT)**

**Review of the Interim Financial Information**  
**For the Third Quarter and Year-To-Date Ended 31 May 2017**

We have reviewed the accompanying Statement of Financial Position and Portfolio Statement of SPH REIT (the "Trust") as at 31 May 2017, the Statement of Total Return, Distribution Statement, Statement of Changes in Unitholders' Funds and Statement of Cash Flows of the Trust for the Third Quarter and Year-To-Date ended 31 May 2017 ("Interim Financial Information"), as set out on pages 3 to 13.

The Manager of the Trust is responsible for the preparation and presentation of this Interim Financial Information in accordance with the recommendations of the Statement of Recommended Accounting Practice ("RAP") 7 Reporting Framework for Unit Trusts relevant to interim financial information. Our responsibility is to express a conclusion on this Interim Financial Information based on our review.

**Scope of review**

We conducted our review in accordance with Singapore Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with the recommendations of RAP 7 Reporting Framework for Unit Trusts relevant to interim financial information, issued by the Institute of Singapore Chartered Accountants.



**Restriction on use**

Our report is provided in accordance with the terms of our engagement. Our work was undertaken so that we might report to you on the Interim Financial Information for the purpose of assisting the Trust to meet the requirements of the Singapore Exchange Limited Listing Manual and for no other purpose. Our report is included in the Trust's announcement of its interim financial information for the information of its unitholders. We do not assume responsibility to anyone other than the Trust for our work, for our report, or for the conclusions we have reached in our report.

A handwritten signature in blue ink, appearing to read 'KPMG LLP'.

**KPMG LLP**  
*Public Accountants and  
Chartered Accountants*

**Singapore**  
12 July 2017



## SPH REIT achieved steady performance

- 3Q 2017 DPU was 1.37 cents, an increase of 0.7% year-on-year
- Maintained 100% committed occupancy

**SINGAPORE, July 12, 2017** – SPH REIT Management Pte. Ltd. (“SPH RM” or the “Manager”), the Manager of SPH REIT, reported that gross revenue for the third quarter ended 31 May 2017 (“3Q 2017”) grew S\$1.0 million (2.1%) to S\$53.3 million, on the back of higher rental income. With proactive management of utility contract and other expenses, net property income (“NPI”) of S\$42.2 million was S\$2.1 million (5.4%) higher in 3Q 2017 compared to the same quarter last year (“3Q 2016”).

Income available for distribution to unitholders increased by S\$0.7 million (2.0%) to S\$35.7 million for 3Q 2017. Distribution per unit (“DPU”) for 3Q 2017 was 1.37 cents, an increase of 0.7% against 3Q 2016. The aggregate DPU was 4.11 cents for the year-to-date ended 31 May 2017 (“YTD 3Q 2017”). The 3Q 2017 distribution will be paid to unitholders on 23 August 2017.

### Resilient operational performance

Both properties continued to demonstrate resilience, with positive rental reversion and full occupancy. Paragon recorded a moderate rental uplift of 3.6% for new and renewed leases in YTD 3Q 2017, amidst prevailing headwinds in the retail environment.

The Clementi Mall has completed its second renewal cycle and recorded a positive rental reversion of 3.7%. The mall continued to receive strong endorsement by tenants with retention rate of 89% by NLA. In conjunction with this renewal cycle, Management reconfigured the spaces at basement and Level 4 to create additional lettable area and introduce a wider range of F&B offerings for its stable base of shoppers. The incremental

rental revenue of about S\$0.8 million per year from the reconfiguration would boost effective rental reversion to 6.4%.

### **Capital Management**

SPH REIT has a well-staggered debt maturity profile, with weighted average term to maturity of 2.3 years and gearing level of 25.6% as at 31 May 2017. It registered an average cost of debt of 2.81% p.a. for YTD 3Q 2017, with 85.9% of the total borrowing on fixed rate basis.

Ms Susan Leng, CEO of SPH REIT Management Pte. Ltd. said: “SPH REIT has continued to maintain its track record of 100% committed occupancy and delivered stable performance. We remain committed to our management philosophy that treats the relationship with tenants as a partnership, focusing on sustainable returns for both tenants and landlord. We will continue to work closely with our tenants to ride through the challenges in the retail industry, including optimization of sales productivity, embracing the fast-changing consumer expectations, identifying opportunities in e-commerce and technology advancement. This firm partnership and the well-established positioning of our properties would underpin the long-term sustainability of SPH REIT.”

## **Summary Results of SPH REIT**

	<b>3Q 2017 S\$'000</b>	<b>3Q 2016 S\$'000</b>	<b>Change %</b>
Gross revenue	53,318	52,232	2.1
Net property income	42,170	40,023	5.4
Income available for distribution	35,711	34,995	2.0
Distribution to Unitholders <sup>1</sup>	35,006	34,575	1.2
Distribution per unit (cents)	1.37	1.36	0.7

Notes:

1. For 3Q 2017, the distribution to unitholders was 98.0% of taxable income available for distribution.

	<b>YTD 3Q 2017 S\$'000</b>	<b>YTD 3Q 2016 S\$'000</b>	<b>Change %</b>
Gross revenue	159,906	157,417	1.6
Net property income <sup>1</sup>	126,329	120,736	4.6
Income available for distribution	109,397	106,728	2.5
Distribution to Unitholders <sup>2</sup>	104,932	103,802	1.1
Distribution per unit (cents)	4.11	4.09	0.5
Annualised distribution yield (%)	5.50 <sup>2</sup>	5.81 <sup>3</sup>	(5.3)

Notes:

1. NPI for YTD 3Q 2016 included additional one-off provision for prior years' property tax based on the assessment received. Excluding the effect of the property tax provision, the NPI increase was \$4.7 million (3.8%) compared to YTD 3Q 2016.
2. For YTD 3Q 2017, the distribution to unitholders was 95.9% of taxable income available for distribution.
3. Based on S\$1.000 per unit closing price on 31 May 2017.
4. Based on S\$0.940 per unit closing price on 31 May 2016.

For further information and enquiries, please contact:

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## **ABOUT SPH REIT**

SPH REIT is a Singapore-based real estate investment trust established principally to invest, directly or indirectly, in a portfolio of income-producing real estate which is used primarily for retail purposes in Asia-Pacific, as well as real estate-related assets.

Its portfolio of properties comprises a 99-year leasehold interest in Paragon commencing on 24 July 2013 and a 99-year leasehold interest in The Clementi Mall commencing on 31 August 2010. Valued at S\$3.23 billion with an aggregate net lettable area of approximately 907,000 sq ft, the properties have a committed occupancy of 100% and have a diverse and high quality tenant base of about 460 local and international retailers and medical specialists.

Visit SPH REIT's website at [www.sphreit.com.sg](http://www.sphreit.com.sg) for more details.

## **ABOUT THE REIT MANAGER: SPH REIT MANAGEMENT PTE. LTD.**

SPH REIT is managed by SPH REIT Management Pte. Ltd., a wholly-owned subsidiary of Singapore Press Holdings Limited. The Manager's key objective for SPH REIT is to provide Unitholders with regular and stable distributions, and sustainable long-term growth in DPU and NAV per Unit, while maintaining an appropriate capital structure.

## **ABOUT THE SPONSOR: SINGAPORE PRESS HOLDINGS**

Incorporated in 1984, main board-listed Singapore Press Holdings Ltd (SPH) is Asia's leading media organisation, engaging minds and enriching lives across multiple languages and platforms, ranging from print, digital, radio and out-of-home media.

SPH owns award-winning newspapers, magazines and best-selling books in both print and digital editions, as well as online classified businesses in the region. In addition, SPH has two English radio stations and one Chinese radio station, an out-of-home digital advertising unit, a regional events and conferences arm, and runs a chain of modern retail convenience stores. SPH also has a 20 per cent stake in MediaCorp TV Holdings Pte Ltd, which operates free-to-air channels 5, 8 and U, and a 40 per cent stake in MediaCorp Press Limited, which publishes the free newspaper, Today.

SPH REIT comprises Paragon, a premier upscale retail mall and medical suite/office property in Orchard Road and The Clementi Mall, a mid-market suburban mall. SPH's latest retail development is The Seletar Mall located in Sengkang.

SPH is in the healthcare sector, operating private nursing homes under Orange Valley.

For more information, please visit [www.sph.com.sg](http://www.sph.com.sg).

## **Important Notice**

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. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of SPH REIT Management Pte. Ltd. (as the manager of SPH REIT) on future events.





# 3Q FY17 Financial Results

12 July 2017

# Disclaimer

This presentation is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for units in SPH REIT (“Units”). The value of Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. The past performance of SPH REIT is not necessarily indicative of its future performance. This presentation may also 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.

This presentation shall be read in conjunction with SPH REIT’s financial results for the third quarter and year-to-date ended 31 May 2017 in the SGXNET announcement.

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Distribution details and timetable	Slide 21



# Key Highlights

- Net property income for 3Q FY17 up 5.4% year-on-year
- 3Q FY17 DPU was 1.37 cents
- YTD 3Q FY17 DPU was 4.11 cents
- Annualised distribution yield was 5.50% (based on closing price of \$1.000 per unit on 31 May 2017)
- Strong balance sheet, with low gearing of 25.6% and 85.9% debt on fixed rate

# Resilient performance

	3Q FY17 S\$'000	3Q FY16 S\$'000	Change %
Gross revenue	53,318	52,232	▲ 2.1
Property expenses	(11,148)	(12,209)	▼ 8.7
Net property income (NPI)	42,170	40,023	▲ 5.4
Income available for distribution	35,711	34,995	▲ 2.0
Distribution to Unitholders <sup>(a)</sup>	35,006	34,575	▲ 1.2
Distribution per unit (DPU) (cents)	1.37	1.36	▲ 0.7

Notes:

(a) For 3Q FY17, the distribution to unitholders was 98.0% of taxable income available for distribution.



# Resilient performance

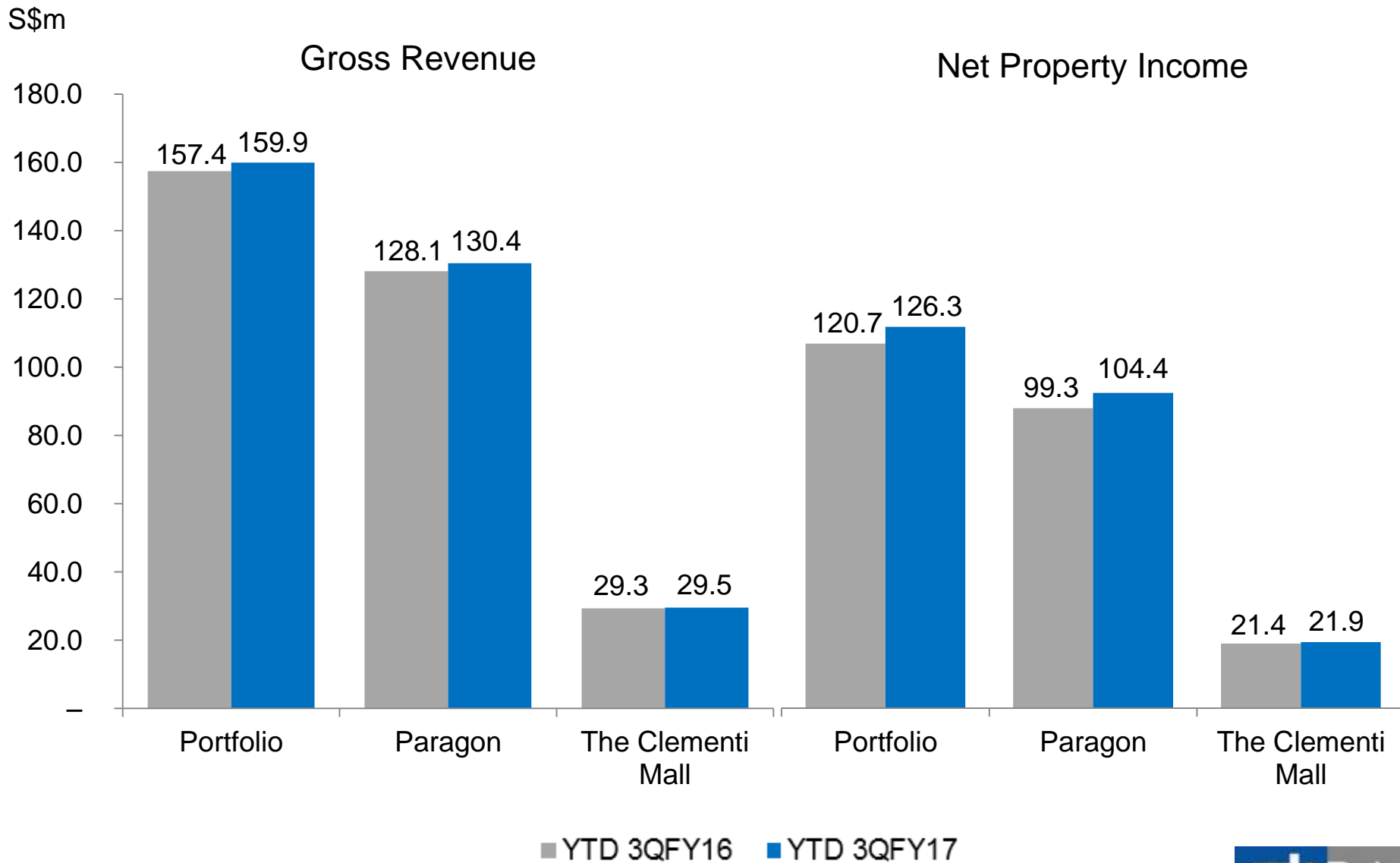
	YTD 3Q FY17 S\$'000	YTD 3Q FY16 S\$'000	Change %
Gross revenue	159,906	157,417	▲ 1.6
Property expenses	(33,577)	(36,681)	▼ 8.5
Net property income (NPI) <sup>(a)</sup>	126,329	120,736	▲ 4.6
Income available for distribution	109,397	106,728	▲ 2.5
Distribution to Unitholders <sup>(b)</sup>	104,932	103,802	▲ 1.1
Distribution per unit (DPU) (cents)	4.11	4.09	▲ 0.5

Notes:

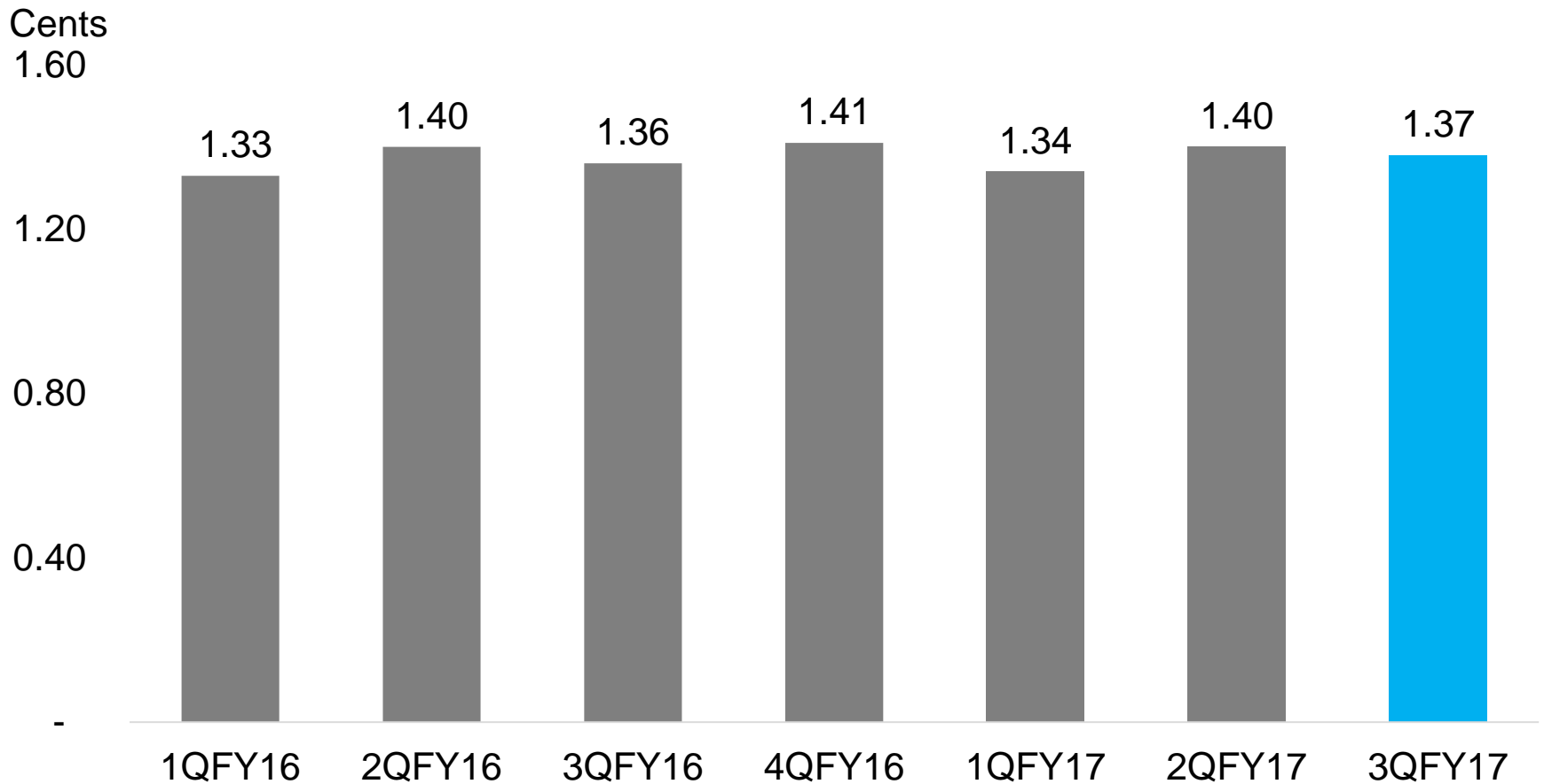
(a) NPI for YTD 3Q FY16 included additional one-off provision for prior years' property tax based on the assessment received. Excluding the effect of the property tax provision, the NPI increase was \$4.7 million (3.8%) compared to YTD 3Q FY16.

(b) For YTD 3Q FY17, the distribution to unitholders was 95.9% of taxable income available for distribution.

# Higher gross revenue and NPI



# Stable and regular DPU





# Balance sheet





# Financial position

	As at 31 May 2017 S\$'000	As at 31 August 2016 S\$'000
Total assets	3,313,647	3,311,255
Total liabilities	922,763	922,723
Net assets	2,390,884	2,388,532
Net asset value per unit	S\$0.94	S\$0.94
Gearing <sup>(a)</sup>	25.6%	25.7%

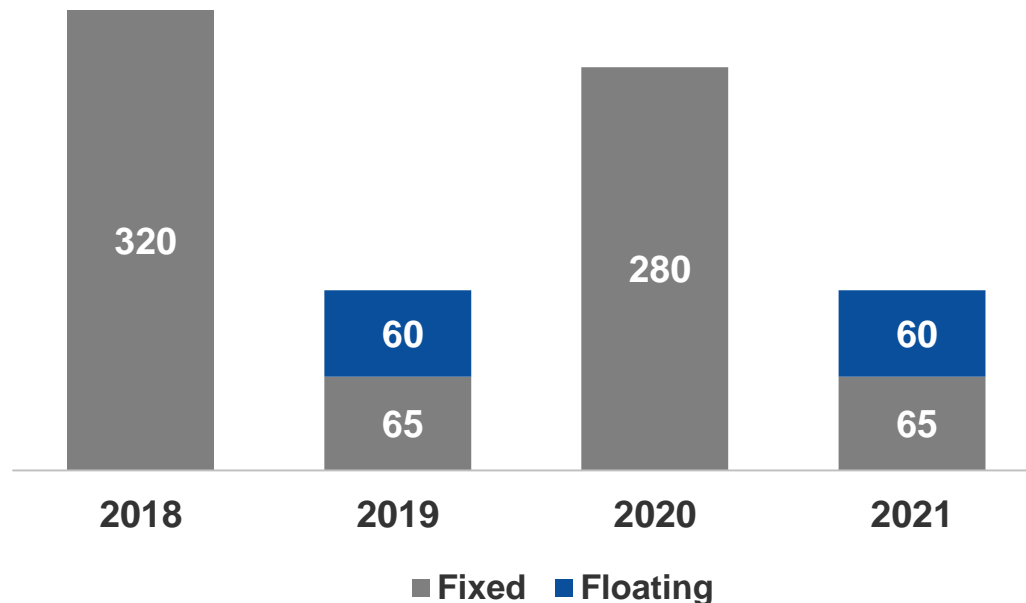
Note:

(a) Gearing is computed based on total debt/ total assets

# Low gearing and 86% of debt fixed

- Proactive capital management with 85.9% of the S\$850m debt facility on a fixed rate basis
- Gearing level of 25.6% and average cost of debt: 2.81% p.a.
- Weighted average term to maturity: 2.3 years

Debt Maturity Profile (S\$m)



# Market value of properties

	Valuation as at 31 August <sup>(a)</sup>		Capitalisation Rate As at 31 August 2016 and 2015
	2016 S\$m	2015 S\$m	
Paragon	2,656.0	2,641.0	4.85% - Retail 4.00% <sup>(c)</sup> - Medical Suite/Office
The Clementi Mall <sup>(b)</sup>	574.0	571.5	5.00%
SPH REIT Portfolio	3,230.0	3,212.5	

Notes:

(a) Valuations as at 31 August 2016 and 31 August 2015 were conducted by JLL and DTZ respectively.

(b) The Clementi Mall's valuation excludes income support. The guaranteed Net Property Income (NPI) per year is S\$31 million and the aggregate top up NPI shall not exceed \$20 million over five years from 24 July 2013 (Listing date).

(c) The capitalisation rate was 4.25% for the valuation as at 31 August 2015



# Operational performance





# Resilient operating performance

- Both malls achieved 100% committed occupancy
- Paragon achieved a moderate rental uplift of 3.6% for new and renewed leases in YTD 3Q FY17
- The Clementi Mall completed its second renewal cycle in 2017 with tenant retention rate of 89% and rental reversion of 3.7%.
- YTD 3Q FY17 visitor traffic remained steady.

# Rental reversion up 3.7%

	Number of renewals / new leases <sup>(a)</sup>	NLA renewed / new leases (sqft)	As a % of properties' NLA	Change compared to preceding rental rates <sup>(c)</sup>
Paragon	65	95,867	13.4%	3.6%
The Clementi Mall	94	154,392	80.0%	3.7%
SPH REIT Portfolio	159	250,259	27.6% <sup>(b)</sup>	3.7% <sup>(d)</sup>

Notes:

(a) For expiries in YTD 3Q FY17, excluding newly created and reconfigured units

(b) As a % of SPH REIT portfolio's total Net Lettable Area ("NLA") of 907,945 sqft as at 31 May 2017.

(c) The change is measured between average rents of the renewed & new lease terms and the average rents of the preceding lease terms. The leases were typically committed three years ago.

(d) Reversion rate is computed based on weighted average of all expiring leases.



# Staggered portfolio lease renewal

## Weighted Average Lease Expiry (WALE) as at 31 May 2017

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By NLA	2.4 years
By Gross Rental Income	2.2 years

## Lease expiry as at 31 May 2017

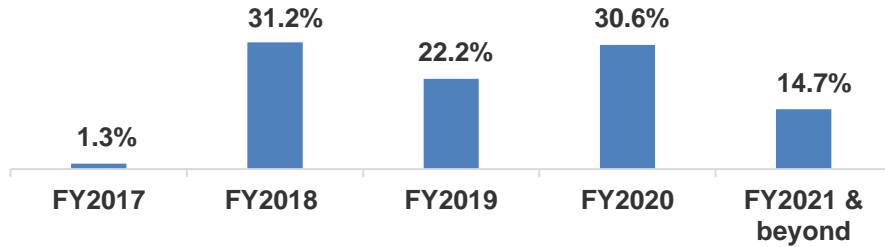
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	FY2017	FY2018	FY2019	FY2020	FY2021 and beyond
Expiries as a % of total NLA	1.4%	20.9%	20.8%	36.0%	20.9%
Expiries as a % of Gross rental income	1.1%	27.1%	21.4%	36.9%	13.5%

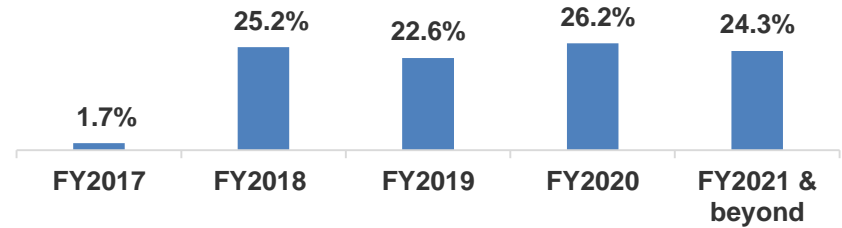


# Paragon: Staggered lease expiry

Expiry by Gross Rental Income

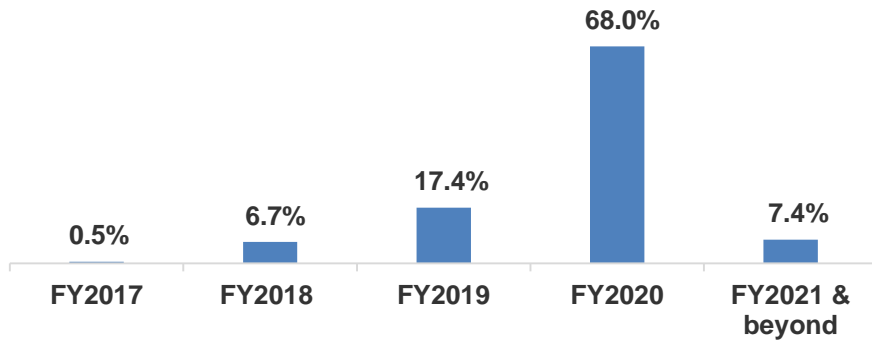


Expiry by NLA

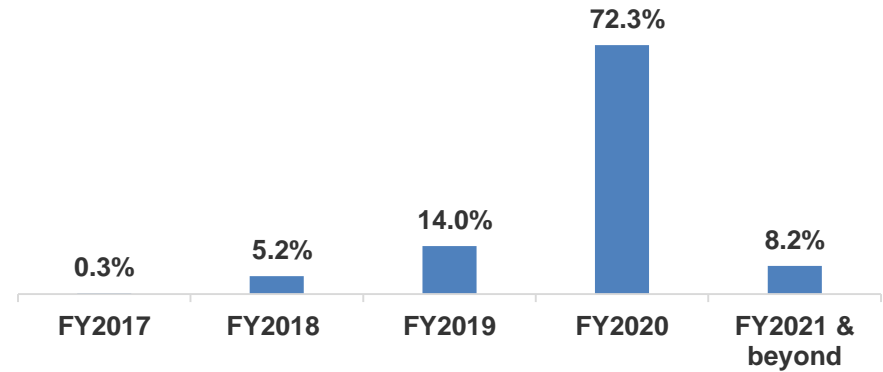


## The Clementi Mall (a) : Tenant retention rate of 89% for second renewal cycle in 2017

Expiry by Gross Rental Income



Expiry by NLA



Note:

(a) The Clementi Mall officially opened in May 2011 with first lease renewal cycle in 2014.





# Growth strategy and market outlook





# Multi-pronged strategy to ensure growth

## Proactive asset management and asset enhancement strategy

- Ensure that interests of all stakeholders, including tenants, shoppers and unitholders are protected while keeping its properties at the forefront of evolving retail mall trends and relevant to changing demands of consumers
- Continually optimise tenant mix of its properties
- Deliver high quality service to tenants and become the landlord of choice in the Singapore retail real estate space
- Implement asset enhancement initiatives and implement proactive marketing plans

## Investments and acquisition growth strategy

- ROFR on the Sponsor's future income-producing properties used primarily<sup>(1)</sup> for retail purposes in Asia Pacific
  - Currently one applicable ROFR property, The Seletar Mall, which has opened on 28 November 2014, achieved 100% committed occupancy rate since December 2014.
  - Explore acquisition opportunities that will add value to SPH REIT's portfolio and improve returns to unitholders

Note:

- (1) 'primarily' means more than 50.0% of net lettable area or (in the case of a property where the concept of net lettable area is not applicable) gross floor area.

# Refresh tenancies to enhance shoppers' experience at The Clementi Mall

## New offerings



## Coming Soon



## New look



## New concept



# Market outlook

- **Outlook for Singapore economy remains modest**
  - The Ministry of Trade and Industry (MTI) reported that the Singapore economy grew by 2.7% on a year-on-year in first quarter 2017, easing from the 2.9% growth in the previous quarter.
  - MTI has maintained the 2017 growth forecast at 1.0% to 3.0%.
- Singapore Tourism Board reported 13% year-on-year growth in tourism receipts in 2016. The growth in international visitor arrivals was 8% in 2016 and 4% in Q1 2017.
- **Despite growth in the tourism sector, the retail environment remains muted**
  - The retail sales index (excluding motor vehicles) declined by 4.4% in Q3 2016, 1.6% in Q4 2016 and 0.4% in Q1 2017.
  - Several segments registered decline in sales, in particular department stores (4.6%), supermarkets (2.2%), food retailers (1.9%) and wearing apparel & footwear (1.6%) in Q1 2017.

# Distribution details and timetable

Distribution period	3Q FY17 (1 March 2017 – 31 May 2017)
Distribution per unit	1.37 cents per unit
Ex-date	18 July 2017
Record date	20 July 2017
Payment date	23 August 2017

# Thank You

Please visit [www.sphreit.com.sg](http://www.sphreit.com.sg) for more information.

