

## 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
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<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>	31/05/2018
<b>Attachments</b>	<a href="#"> SPH REIT - SGX Announcement Q3FY18.pdf</a> <a href="#"> SPH REIT - Press Release Q3FY18.pdf</a> <a href="#"> SPH REIT - Results Presentation Slides Q3FY18.pdf</a> Total size =5993K



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## **SPH REIT FINANCIAL STATEMENT ANNOUNCEMENT \***

### **FOR THE PERIOD ENDED 31 MAY 2018**

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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 2018 has been extracted from the interim financial information for the third quarter and year-to-date ended 31 May 2018, 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 2018

### 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 2018 S\$'000	3Q 2017 S\$'000	Change %	YTD 3Q 2018 S\$'000	YTD 3Q 2017 S\$'000	Change %
Gross revenue	51,769	53,318	(2.9)	158,840	159,906	(0.7)
Property operating expenses	(11,210)	(11,148)	0.6	(33,823)	(33,577)	0.7
<b>Net property income</b>	<b>40,559</b>	<b>42,170</b>	<b>(3.8)</b>	<b>125,017</b>	<b>126,329</b>	<b>(1.0)</b>
Income support <sup>1</sup>	188	548	(65.7)	188	1,289	(85.4)
Amortisation of intangible asset	(188)	(548)	(65.7)	(188)	(1,289)	(85.4)
Manager's management fees	(4,141)	(4,197)	(1.3)	(12,483)	(12,511)	(0.2)
Trust expenses <sup>2</sup>	(404)	(452)	(10.6)	(1,211)	(1,353)	(10.5)
Finance income <sup>3</sup>	215	191	12.6	605	548	10.4
Finance costs	(6,064)	(6,109)	(0.7)	(18,053)	(17,887)	0.9
<b>Total return before taxes and distribution</b>	<b>30,165</b>	<b>31,603</b>	<b>(4.6)</b>	<b>93,875</b>	<b>95,126</b>	<b>(1.3)</b>
Less: income tax	-	-	NM	-	-	NM
<b>Total return after taxes and before distribution</b>	<b>30,165</b>	<b>31,603</b>	<b>(4.6)</b>	<b>93,875</b>	<b>95,126</b>	<b>(1.3)</b>

Notes:

1. Income support relates to the top-up payment from the vendors of The Clementi Mall pursuant to the Deed of Income Support.
2. Includes recurring trust expenses such as trustee's fees, valuation fees, audit and tax adviser's fees, cost associated with the preparation of annual reports, and investor communication costs.
3. Finance income represent the interest income from bank deposits.

NM Not Meaningful

## For The Period Ended 31 May 2018

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

	3Q 2018 S\$'000	3Q 2017 S\$'000	Change %	YTD 3Q 2018 S\$'000	YTD 3Q 2017 S\$'000	Change %
<b>Total return after taxes and before distribution</b>	<b>30,165</b>	<b>31,603</b>	<b>(4.6)</b>	<b>93,875</b>	<b>95,126</b>	<b>(1.3)</b>
Add: Non-tax deductible items <sup>1</sup>	4,930	4,108	20.0	13,859	14,271	(2.9)
<b>Income available for distribution</b>	<b>35,095</b>	<b>35,711</b>	<b>(1.7)</b>	<b>107,734</b>	<b>109,397</b>	<b>(1.5)</b>
<b>Distribution to Unitholders<sup>2</sup></b>	<b>35,205</b>	<b>35,006</b>	<b>0.6</b>	<b>105,532</b>	<b>104,932</b>	<b>0.6</b>

Notes:

1. Non-tax deductible items refer to the Manager's management fees paid/payable in units, trustee's fees, straight-line rental adjustments, amortisation of income support and amortisation of debt issuance costs.
2. Distribution for 3Q 2018 includes income available for distribution retained earlier in the year. For YTD 3Q 2018, the distribution to unitholders was 98.0% of income available for distribution.

## For The Period Ended 31 May 2018

### 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 18 S\$'000	As at 31 Aug 17 S\$'000
<b>Non-current assets</b>		
Plant and equipment	704	843
Investment properties	3,283,826	3,278,000
	<b>3,284,530</b>	<b>3,278,843</b>
<b>Current assets</b>		
Intangible asset	1,312	1,500
Trade and other receivables <sup>1</sup>	8,343	3,353
Derivative financial instruments <sup>2</sup>	6	-
Cash and cash equivalents	51,421	63,005
	<b>61,082</b>	<b>67,858</b>
<b>Total assets</b>	<b>3,345,612</b>	<b>3,346,701</b>
<b>Non-current liabilities</b>		
Borrowing	663,100	528,004
Derivative financial instruments <sup>2</sup>	2,268	7,365
Trade and other payables	29,525	30,147
	<b>694,893</b>	<b>565,516</b>
<b>Current liabilities</b>		
Borrowing	184,937	319,423
Derivative financial instruments <sup>2</sup>	-	621
Trade and other payables	39,264	40,081
	<b>224,201</b>	<b>360,125</b>
<b>Total liabilities</b>	<b>919,094</b>	<b>925,641</b>
<b>Net assets attributable to Unitholders</b>	<b>2,426,518</b>	<b>2,421,060</b>

Notes:

1. On April 30, 2018, SPH REIT entered into a sale and purchase agreement to acquire a 99-year leasehold estate commencing from 18 March 1947 in The Rail Mall for S\$63.238 million. Included in trade and other receivables comprised deposit of S\$3.2 million on the execution of the sale and purchase agreement, buyer's stamp duty of S\$1.9 million, rental receivable and trade amount due from related parties.
2. 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 18 S\$'000</b>	<b>As at 31 Aug 17 S\$'000</b>
Amount repayable within one year	184,937	319,423
Amount repayable after one year	663,100	528,004
Total	848,037	847,427

**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\$848.0 million represented the loan stated at amortised cost. The term loan is secured by way of a first legal mortgage on Paragon.

SPH REIT maintained a well staggered debt maturity profile without major concentration of debts maturing in a single year. The loan tranche of S\$135 million that matured in March 2018 was refinanced as a four year loan.

The refinancing proposals for the 2018 tranche due in July have been accepted in-principle. Loan documentation is being finalised.

## For The Period Ended 31 May 2018

### 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 2018 S\$'000	3Q 2017 S\$'000	YTD 3Q 2018 S\$'000	YTD 3Q 2017 S\$'000
<b>Cash flows from operating activities</b>				
Total return for the period	30,165	31,603	93,875	95,126
Adjustments for:				
Manager's fee paid/payable in units	4,141	2,997	12,483	11,311
Depreciation of plant and equipment	51	53	162	158
Finance income	(215)	(191)	(605)	(548)
Finance costs	6,064	6,109	18,053	17,887
Amortisation of intangible asset	188	548	188	1,289
Straight-line rental adjustments	97	-	(432)	-
Operating cash flow before working capital changes	40,491	41,119	123,724	125,223
Changes in operating assets and liabilities				
Trade and other receivables	868	279	496	1,131
Trade and other payables	1,003	638	(2,638)	(252)
<b>Net cash from operating activities</b>	<b>42,362</b>	<b>42,036</b>	<b>121,582</b>	<b>126,102</b>
<b>Cash flows from investing activities</b>				
Additions to investment properties	(2,821)	(1,413)	(4,562)	(5,191)
Purchase of plant and equipment	(13)	(2)	(24)	(13)
Interest received	199	218	592	613
Deposit paid for acquisition of investment property	(5,054)	-	(5,054)	-
<b>Net cash used in investing activities</b>	<b>(7,689)</b>	<b>(1,197)</b>	<b>(9,048)</b>	<b>(4,591)</b>
<b>Cash flows from financing activities</b>				
Distribution to unitholders	(35,947)	(35,743)	(106,624)	(105,834)
Payment of transaction costs related to borrowing	(486) <sup>1</sup>	-	(486) <sup>1</sup>	-
Interest paid	(5,619)	(5,541)	(17,008)	(16,840)
<b>Net cash used in financing activities</b>	<b>(42,052)</b>	<b>(41,284)</b>	<b>(124,118)</b>	<b>(122,674)</b>

Notes:

1. This relates to upfront fees incurred for refinancing the loan tranche that matured in March 2018. Please refer to paragraph 1(b)(ii) Borrowing.



**For The Period Ended 31 May 2018**

**1(c) Statement of Cash Flows (Cont'd)**

	<b>3Q 2018</b>	<b>3Q 2017</b>	<b>YTD 3Q 2018</b>	<b>YTD 3Q 2017</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(7,379)</b>	<b>(445)</b>	<b>(11,584)</b>	<b>(1,163)</b>
Cash and cash equivalents at beginning of the period/year	58,800	66,664	63,005	67,382
<b>Cash and cash equivalents at end of the period/year</b>	<b>51,421</b>	<b>66,219</b>	<b>51,421</b>	<b>66,219</b>

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

	<b>3Q 2018</b>	<b>3Q 2017</b>	<b>YTD 3Q 2018</b>	<b>YTD 3Q 2017</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>Balance as at beginning of period</b>	<b>2,426,941</b>	<b>2,393,822</b>	<b>2,421,060</b>	<b>2,388,532</b>
<b><u>Operations</u></b>				
Total return for the period / net increase in assets resulting from operations	30,165	31,603	93,875	95,126
<b><u>Hedging reserve</u></b>				
Effective portion of changes in fair value of cash flow hedges <sup>1</sup>	1,218	(1,795)	5,724	1,749
<b><u>Unitholders' transactions</u></b>				
Distribution to unitholders	(35,947)	(35,743)	(106,624)	(105,834)
Manager's fee paid/payable in units	4,141	2,997	12,483	11,311
	<b>(31,806)</b>	<b>(32,746)</b>	<b>(94,141)</b>	<b>(94,523)</b>
<b>Balance as at end of period</b>	<b>2,426,518</b>	<b>2,390,884</b>	<b>2,426,518</b>	<b>2,390,884</b>

Note:

1. This relates to interest rate swap arrangements.

## For The Period Ended 31 May 2018

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

	3Q 2018	3Q 2017	YTD 3Q 2018	YTD 3Q 2017
	No. of units '000	No. of units '000	No. of units '000	No. of units '000
<b>Issued units as at beginning of period</b>	<b>2,567,660</b>	<b>2,553,099</b>	<b>2,556,106</b>	<b>2,546,703</b>
Manager's fee paid in units <sup>1,3</sup>	2,073	2,108	13,627	8,504
	<b>2,569,733</b>	<b>2,555,207</b>	<b>2,569,733</b>	<b>2,555,207</b>
<b>Issuable units:</b>				
Manager's fee payable in units <sup>2,3</sup>	8,279	7,426	8,279	7,426
<b>Total issued and issuable units as at end of period</b>	<b>2,578,012</b>	<b>2,562,633</b>	<b>2,578,012</b>	<b>2,562,633</b>

Notes:

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 paid on an annual basis, after Board's approval of the audited annual accounts.

- For 3Q 2018 and 3Q 2017, the issued units relates to base management fee for Q2 2018 and Q2 2017 respectively.

For YTD 3Q 2018, the issued units relates to performance management fees for FY2017, partial satisfaction of base management fee for Q4 2017 and base management fee for 1H 2018.

For YTD 3Q 2017, the issued units relates to base and performance management fees for Q4 2016 and base management fee for 1H 2017.

- For YTD 3Q 2018, the Manager's management fees will be fully payable in units. For YTD 3Q 2017, the Manager's management fees comprised S\$1.2 million in cash with the balance in SPH REIT units.
- 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.

### 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 2018, SPH REIT had 2,569,733,593 units (31 August 2017: 2,556,106,012 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.

## For The Period Ended 31 May 2018

**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 2018 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 2018, 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.

**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")**

	3Q 2018	3Q 2017	YTD 3Q 2018	YTD 3Q 2017
<b><u>Earnings per unit</u></b>				
Weighted average number of units <sup>1</sup> ('000)	2,573,909	2,559,633	2,569,782	2,555,311
Total return for the period after tax (S\$'000)	30,165	31,603	93,875	95,126
EPU (basic and diluted) (cents)	1.17	1.23	3.65	3.72

## For The Period Ended 31 May 2018

### 6. Earnings per unit (“EPU”) and Distribution per unit (“DPU”) (Cont’d)

#### Distribution per unit

Total number of units in issue at end of period (‘000)	2,569,733	2,555,207	2,569,733	2,555,207
Distribution to Unitholders <sup>2</sup> (S\$’000)	35,205	35,006	105,532	104,932
DPU <sup>3</sup> (cents)	1.37	1.37	4.11	4.11

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.

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

	As at 31 May 18	As at 31 Aug 17
NAV per unit <sup>1</sup> (S\$)	0.94	0.95
NTA per unit <sup>1</sup> (S\$)	0.94	0.95

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 2018 (“3Q 2018”) compared with the Third Quarter ended 31 May 2017 (“3Q 2017”)**

Gross revenue for 3Q 2018 declined by S\$1.5 million (2.9%) to S\$51.8 million due to lower rental income at Paragon.

Property operating expenses for 3Q 2018 were S\$11.2 million, a marginal increase of S\$0.1 million (0.6%) from Q3 2017 mainly due to higher utility rate contracted.

Consequently, net property income (“NPI”) of S\$40.6 million for 3Q 2018 was S\$1.6 million (3.8%) lower than 3Q 2017.

Income available for distribution for 3Q 2018 was S\$35.1 million, which was S\$0.6 million (1.7%) lower as compared to 3Q 2017.

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

**Review of Results for the Year-to-date ended 31 May 2018 (“YTD 3Q 2018”) compared with the Year-to-date ended 31 May 2017 (“YTD 3Q 2017”)**

Gross revenue for YTD 3Q 2018 was lower by S\$1.1 million (0.7%) to S\$158.8 million.

The overall portfolio registered rental reversion of -6.0% for new and renewed leases cumulatively for YTD 2018, which were mostly committed a year ago in the period of retail sales downturn. This represented 22.1% of total portfolio net lettable area.

Property operating expenses were S\$33.8 million, a slight increase of S\$0.2 million (0.7%) from YTD 3Q 2017 mainly due to higher utility rate contracted.

Consequently, NPI of S\$125.0 million for YTD 3Q 2018, was lower by S\$1.3 million (1.0%) against the corresponding period last year.

Finance cost increased by S\$0.2 million (0.9%) to S\$18.1 million and average cost of debt was 2.84% p.a. for YTD 3Q 2018.

Income available for distribution for YTD 3Q 2018 was S\$107.7 million, which was S\$1.7 million (1.5%) lower than YTD 3Q 2017.

**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 4.4% on a year-on-year basis in the first quarter of 2018, higher than the 3.6% growth in the previous quarter. While the outlook for the global economy has remained on a steady expansionary path since the start of the year, uncertainties and downside risks have also increased. Growth is expected in domestically-oriented services sectors like retail and food services on the back of an improvement in consumer sentiments amidst the on-going recovery in the labour market. MTI expects the economic growth forecast in 2018 to come in at “2.5% to 3.5%”, barring the full materialisation of downside risks.

Based on figures released by the Singapore Department of Statistics (DOS), the retail sales index (excluding motor vehicles) grew by 1.2% y-o-y in the first quarter of 2018, continuing the growth momentum in the last three quarters of 2017.

Singapore Tourism Board (STB) reported a 7.1% y-o-y increase in international visitor arrivals in the first three months of 2018. Tourism receipts grew by 4.0% y-o-y to S\$26.8 billion in 2017.

SPH REIT has a portfolio of two high quality and well-positioned retail properties in prime locations. The Singapore economic outlook has improved and tenant sales from Paragon and The Clementi Mall have registered growth in tandem with the recovery in retail sales since June 2017.

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 (Cont'd)**

In line with The Manager's strategy of acquiring yield-accretive retail properties that provide sustainable returns to unitholders, SPH REIT entered into a sale and purchase agreement on 30 April 2018 to acquire a leasehold interest in The Rail Mall with remaining lease tenure of about 28 years. The Rail Mall is a unique cluster of shop units, with opportunity for SPH REIT to further strengthen its current F&B mix and create a differentiated positioning for the asset. The acquisition was completed on 28 June 2018. 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 2018 to 31 May 2018
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?    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>

**(c) Date payable**

The date the distribution is payable: 17 August 2018.

**(d) Record date**

The Transfer Books and Register of Unitholders of SPH REIT will be closed at 5.00pm on 18 July 2018 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 2018

### 13. Segment Results

	3Q 2018	3Q 2017	Change	YTD 3Q 2018	YTD 3Q 2017	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
<b><u>Gross Revenue</u></b>						
Paragon	41,367	43,661	(5.3)	127,764	130,424	(2.0)
The Clementi Mall	10,402	9,657	7.7	31,076	29,482	5.4
Total	51,769	53,318	(2.9)	158,840	159,906	(0.7)
<b><u>Net Property Income</u></b>						
Paragon	33,008	34,968	(5.6)	101,926	104,368	(2.3)
The Clementi Mall	7,551	7,202	4.8	23,091	21,961	5.1
Total	40,559	42,170	(3.8)	125,017	126,329	(1.0)

### 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,  
10 July 2018





**SPH REIT Management Pte. Ltd.**

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Singapore 238859

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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 2018, 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 'Ginney'.

**GINNEY LIM MAY LING**  
*Director*

Singapore,  
10 July 2018



**KPMG LLP**  
16 Raffles Quay #22-00  
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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 2018**

We have reviewed the accompanying Statement of Financial Position and Portfolio Statement of SPH REIT (the “Trust”) as at 31 May 2018, 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 2018 (“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 'Kuei W'.

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

**Singapore**  
10 July 2018



## **SPH REIT maintained steady distribution**

- 3Q 2018 DPU held steady at 1.37 cents
- The Rail Mall - yield-accretive acquisition

**SINGAPORE, July 10, 2018** – SPH REIT Management Pte. Ltd. (“SPH RM” or the “Manager”), the Manager of SPH REIT, reported that net property income (“NPI”) for the third quarter ended 31 May 2018 (“3Q 2018”) was S\$40.6 million, a decrease of S\$1.6 million (3.8%) compared to the same quarter last year (“3Q 2017”), mainly due to lower revenue at Paragon.

Income available for distribution to unitholders of S\$35.1 million for 3Q 2018 was lower by S\$0.6 million (1.7%) compared to 3Q 2017. Distribution per unit (“DPU”) for 3Q 2018 held steady at 1.37 cents. The aggregate DPU was 4.11 cents for year-to-date ended 31 May 2018 (“YTD 3Q 2018”). The 3Q 2018 distribution will be paid to unitholders on 17 August 2018.

### **Operational performance**

Paragon recorded a rental reversion of -6.2% for new and renewed leases cumulatively for YTD 2018. These leases were committed about a year ago, during the retail sales downturn. The decline was more moderated in Q3 compared to 1H 2018. As part of our long-standing philosophy of partnering tenants for mutual sustainability, the rental negotiation with tenants took into consideration occupancy cost and we continue to work closely with them as they ride through cyclical and structural changes.

The Clementi Mall recorded a positive rental reversion of 5.3% in YTD 3Q 2018 with renewal of 3.2% of the mall’s net lettable area. The overall portfolio registered a rental reversion of -6.0%.

In tandem with the recovery in retail sales since June 2017, tenant sales in the malls have continued to register growth, and the portfolio was close to full occupancy at 99.6%.

### **Capital Management**

SPH REIT proactively manages its financing risk by ensuring that the debt maturity profile is well spread out without major concentration of debts maturing in a single year. In the annual renewal of loan tranches, it maintains an appropriate loan tenure as well as strikes a balance between fixed and floating interest rates to optimize borrowing cost whilst manage exposure to interest rate fluctuations. The average term to maturity stood at 2 years as at 31 May 2018, which is expected to be extended when the refinancing of the tranche due in July is completed. A new loan of S\$45 million was established on 25 June 2018 to partially finance the acquisition of The Rail Mall, and including the additional loan, gearing remained low at about 26%.

Ms Susan Leng, CEO of SPH REIT Management Pte. Ltd. said: “SPH REIT has delivered steady distribution and tenant sales have continued to register growth. We remain focused on curating the right retail mix that will resonate with shoppers and are pleased to introduce a new shopping concept at Level 3, Paragon. This concept offers open store design for seamless interactions across brands, merchandise and shoppers, and also introduces carefully curated new-to-market concepts. The first phase was launched in June and when fully completed in December, will span across about 16,000 sqft of more than 20 fashion, lifestyle and F&B tenants. Paragon also welcomed MCM, its first flagship store in Southeast Asia at Level 1.

In line with our strategy of acquiring yield-accretive retail properties that provide sustainable returns to unitholders, we have completed the acquisition of The Rail Mall, a unique cluster of shop units along Upper Bukit Timah Road, with opportunity to further strengthen its current F&B mix and create a differentiated positioning for the asset. We remain focused to seek opportunities to continually enhance our properties and create long-term value for our unitholders.”

## **Summary Results of SPH REIT**

	<b>3Q 2018 S\$'000</b>	<b>3Q 2017 S\$'000</b>	<b>Change %</b>
Gross revenue	51,769	53,318	(2.9)
Net property income	40,559	42,170	(3.8)
Income available for distribution	35,095	35,711	(1.7)
Distribution to Unitholders <sup>1</sup>	35,205	35,006	0.6
Distribution per unit (cents)	1.37	1.37	-

Notes:

1. Distribution for 3Q 2018 includes income available for distribution retained earlier in the year.

	<b>YTD 3Q 2018 S\$'000</b>	<b>YTD 3Q 2017 S\$'000</b>	<b>Change %</b>
Gross revenue	158,840	159,906	(0.7)
Net property income	125,017	126,329	(1.0)
Income available for distribution	107,734	109,397	(1.5)
Distribution to Unitholders <sup>1</sup>	105,532	104,932	0.6
Distribution per unit (cents)	4.11	4.11	-
Annualised distribution yield (%)	5.55 <sup>2</sup>	5.50 <sup>3</sup>	0.9

Notes:

1. For YTD 3Q 2018, the distribution to unitholders was 98.0% of income available for distribution.
2. Based on S\$0.990 per unit closing price on 31 May 2018.
3. Based on S\$1.000 per unit closing price on 31 May 2017.

For further information and enquiries, please contact:

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Head of Investor Relations  
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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, a 99-year leasehold interest in The Clementi Mall commencing on 31 August 2010 and a leasehold interest in The Rail Mall with remaining lease tenure of about 28 years. Valued at S\$3.341 billion with an aggregate net lettable area of approximately 960,000 sq ft, the properties have a committed occupancy of 99.6% 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.

SPH's core business is publishing of newspapers, magazines and books in both print and digital editions. It also owns other digital products, online classifieds, radio stations and outdoor media.

On the property front, SPH owns 70% in a real estate investment trust called SPH REIT which comprises Paragon, a premier upscale retail mall and medical suite/office property in Orchard Road, The Clementi Mall, a mid-market suburban mall and The Rail Mall, a stretch of shopping and dining outlets along Upper Bukit Timah Road. SPH also owns and operates The Seletar Mall. It is developing a new commercial cum residential site at Woodleigh. It also has a stake in Chinatown Point.

It is in the aged care sector and owns Orange Valley, Singapore's largest private nursing home operator.

SPH runs a regional events arm and a chain of Buzz retail outlets. It also invested in the education business.

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 FY18 Financial Results

10 July 2018



# 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 2018 in the SGXNET announcement.

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Growth strategy and market outlook	Slide 16
Distribution details and timetable	Slide 22



# Key Highlights

- Net property income for 3Q FY18 decreased 3.8% year-on-year
- 3Q FY18 DPU held steady at 1.37 cents
- YTD 3Q FY18 DPU was 4.11 cents
- Annualised distribution yield was 5.55% (based on closing price of \$0.990 per unit on 31 May 2018)
- The Rail Mall – yield accretive acquisition
- Strong balance sheet, with low gearing of 25.4% as at 31 May 2018

# 3Q FY18 financial performance

	3Q FY18 S\$'000	3Q FY17 S\$'000	Change %
Gross revenue	51,769	53,318	(2.9)
Property expenses	(11,210)	(11,148)	0.6
Net property income (NPI)	40,559	42,170	(3.8)
Income available for distribution	35,095	35,711	(1.7)
Distribution to Unitholders <sup>(a)</sup>	35,205	35,006	0.6
Distribution per unit (DPU) (cents)	1.37	1.37	-

Notes:

(a) Distribution for 3Q 2018 includes income available for distribution retained earlier in the year.



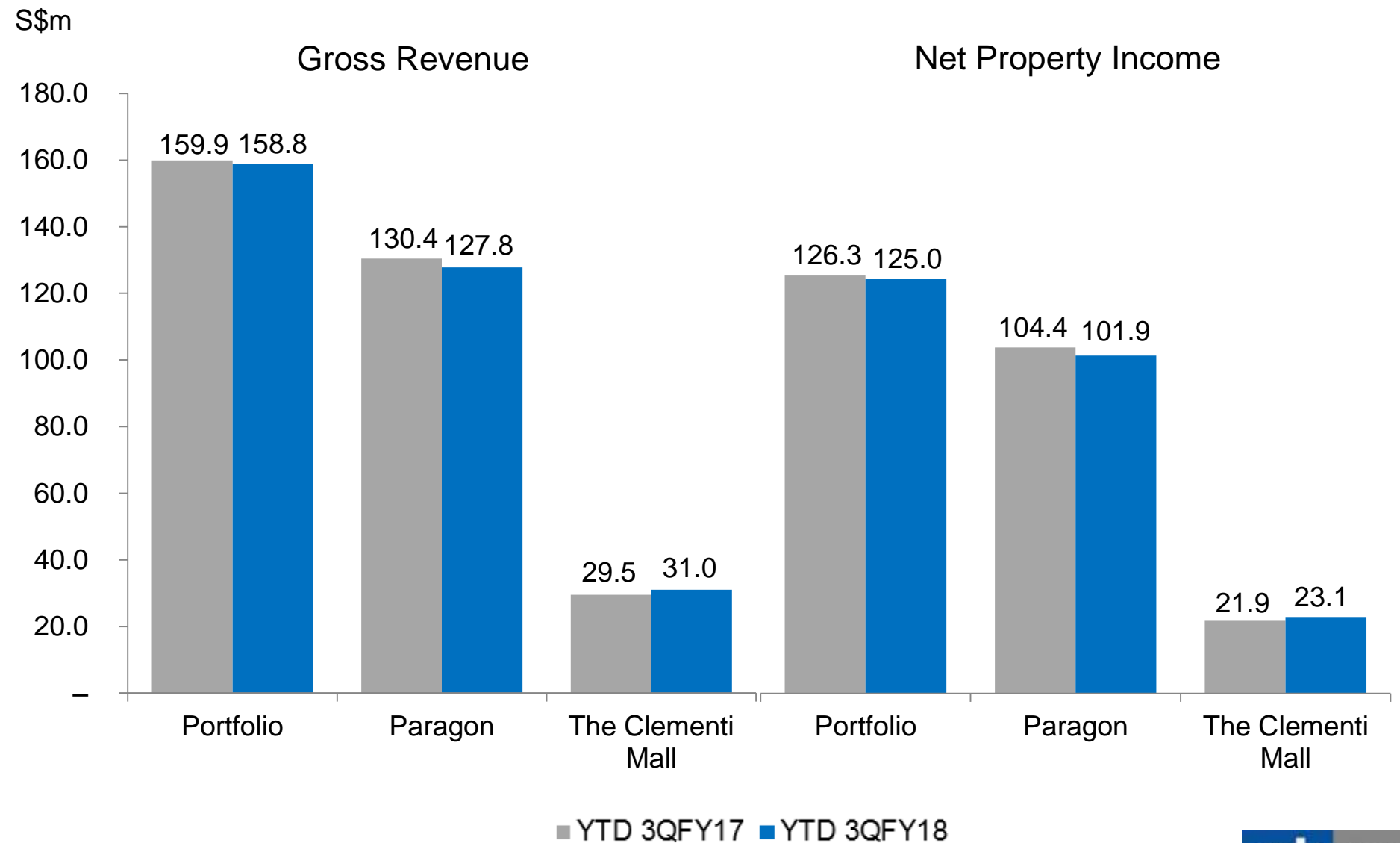
# YTD 3Q FY18 financial performance

	YTD 3Q FY18 S\$'000	YTD 3Q FY17 S\$'000	Change %
Gross revenue	158,840	159,906	(0.7)
Property expenses	(33,823)	(33,577)	0.7
Net property income (NPI)	125,017	126,329	(1.0)
Income available for distribution	107,734	109,397	(1.5)
Distribution to Unitholders <sup>(a)</sup>	105,532	104,932	0.6
Distribution per unit (DPU) (cents)	4.11	4.11	-

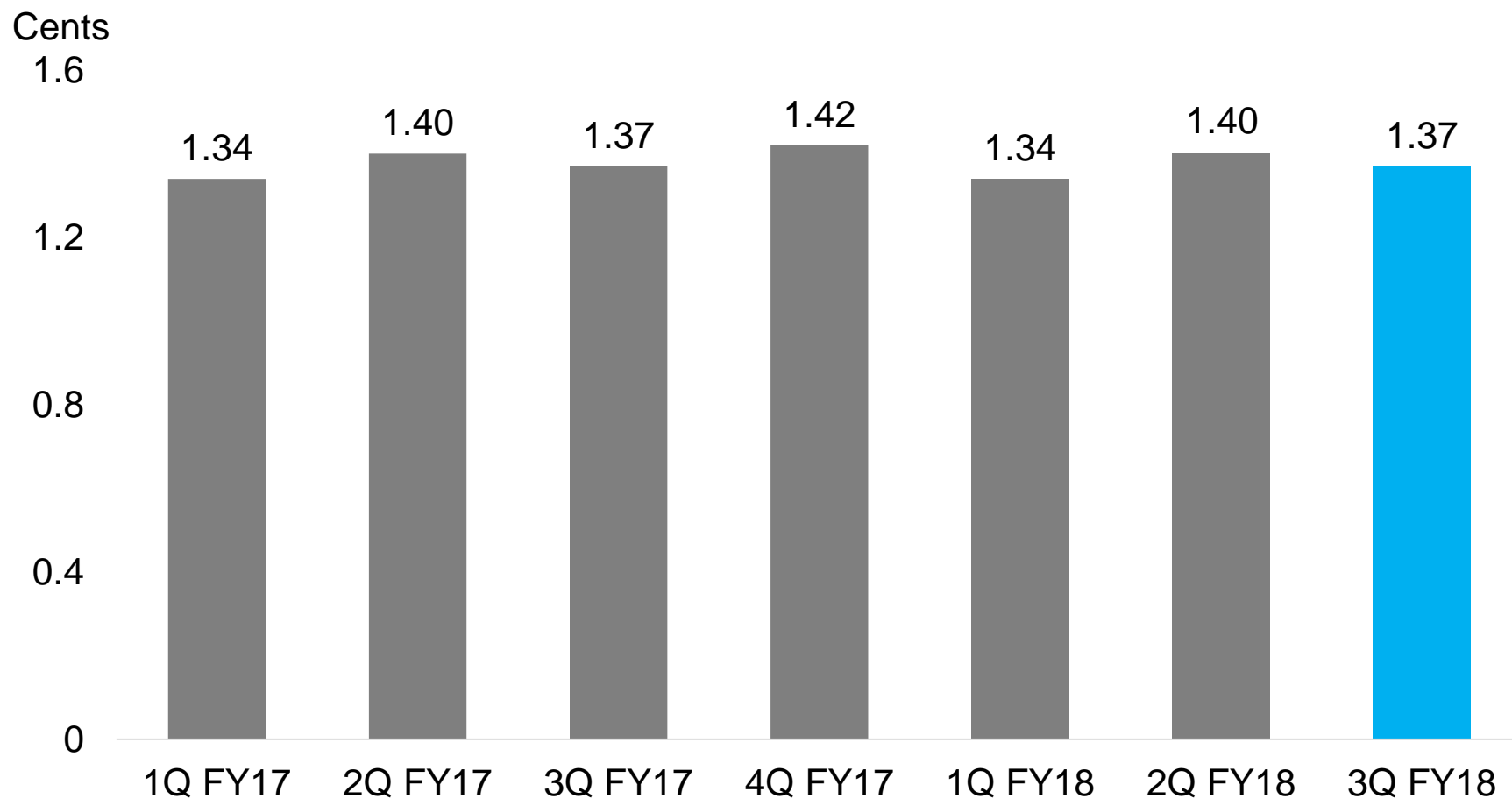
Notes:

(a) For YTD 3Q FY18, the distribution to unitholders was 98.0% of income available for distribution.

# Gross revenue and NPI



# Stable and regular DPU





# Balance sheet





# Financial position

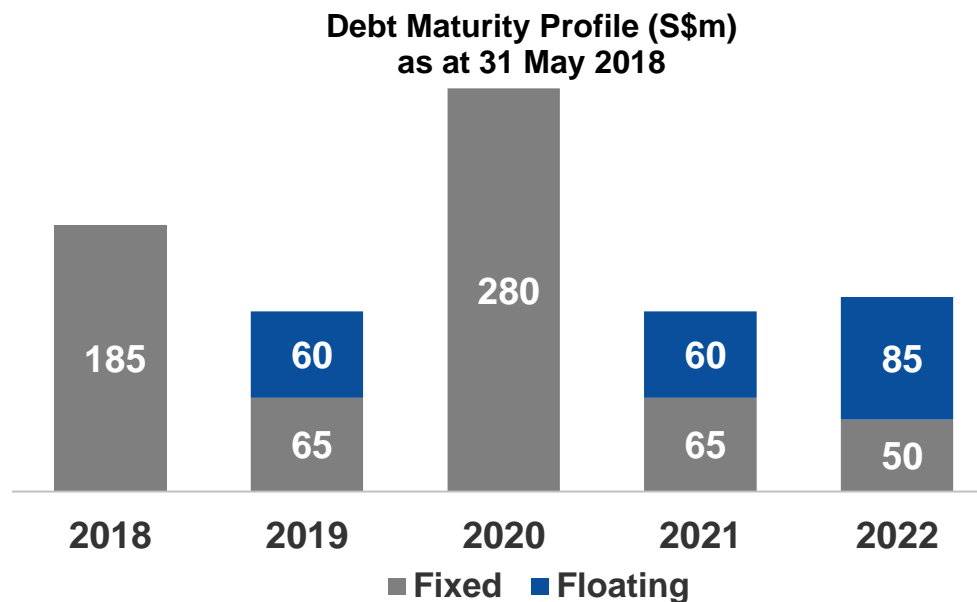
	As at 31 May 2018 S\$'000	As at 31 August 2017 S\$'000
Total assets	3,345,612	3,346,701
Total liabilities	919,094	925,641
Net assets	2,426,518	2,421,060
Net asset value per unit	S\$0.94	S\$0.95
Gearing <sup>(a)</sup>	25.4%	25.4%

Note:

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

# Low gearing

- SPH REIT maintained a well staggered debt maturity profile without major concentration of debts maturing in a single year.
- Weighted average term to maturity: 2.0 years as at 31 May 2018, and is expected to be extended when the refinancing of the July 2018 tranche is completed.
- Gearing level of 25.4% and average cost of debt of 2.84% p.a as at 31 May 2018.
- A three year loan of \$45.0m was established on 25 June 2018 to partially finance the acquisition of The Rail Mall.





Operational performance





# Operational performance

- SPH REIT portfolio maintained high occupancy of 99.6%.
- Paragon recorded a rental reversion of -6.2% for new and renewed leases cumulatively for YTD FY18. These leases were committed about a year ago, during the retail sales downturn. The decline was more moderated in Q3 compared to 1H.
- The Clementi Mall recorded a positive rental reversion of 5.3%.
- Tenant sales have continued to register growth, in tandem with the recovery in retail sales since June 2017.
- YTD 3Q FY18 visitor traffic remained steady.

# Rental reversion

	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	58	195,233	27.3%	(6.2%)
The Clementi Mall	12	6,177	3.2%	5.3%
SPH REIT Portfolio	70	201,410	22.1% <sup>(b)</sup>	(6.0%) <sup>(d)</sup>

Notes:

(a) For expiries in YTD 3Q FY18.

(b) As a % of SPH REIT portfolio's total Net Lettable Area ("NLA") of 910,665 sqft as at 31 May 2018.

(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 2018

By NLA 1.9 years

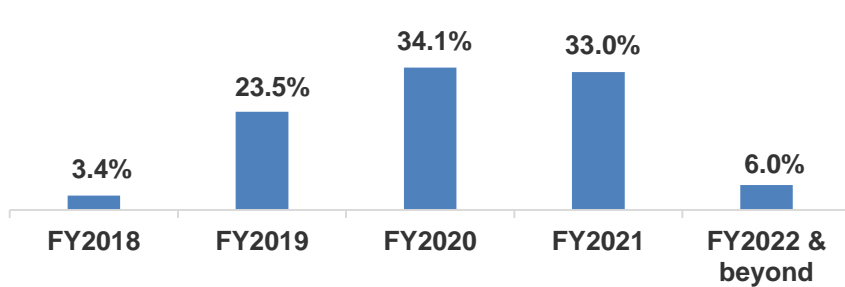
By Gross Rental Income 1.9 years

## Lease expiry as at 31 May 2018

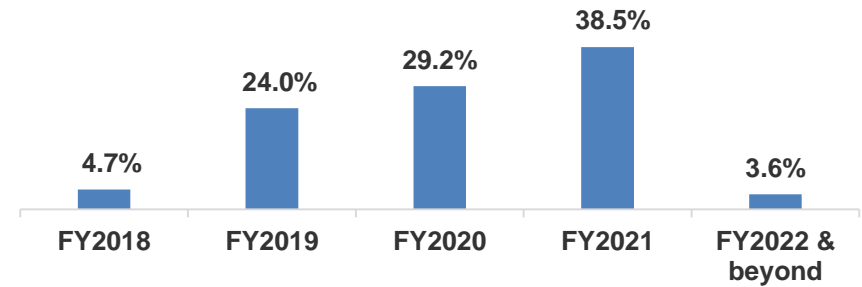
	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022 and beyond</b>
Expiries as a % of total NLA	3.7%	21.1%	39.6%	32.7%	2.9%
Expiries as a % of Gross rental income	2.7%	20.7%	41.3%	30.2%	5.1%

# Paragon: Staggered lease expiry

Expiry by Gross Rental Income

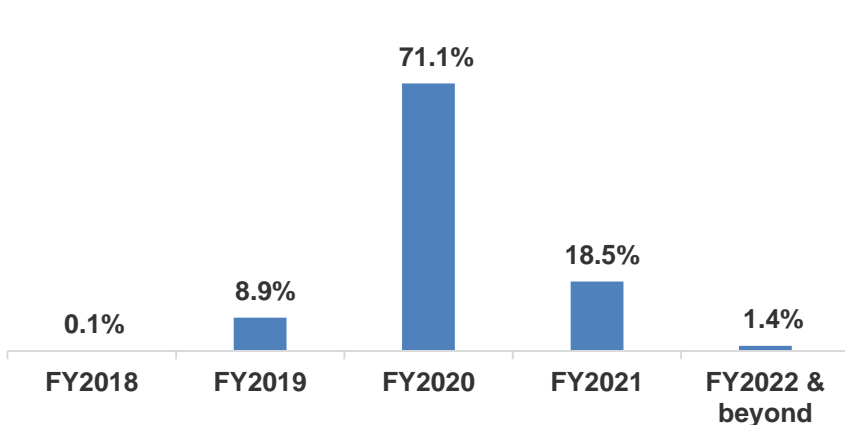


Expiry by NLA

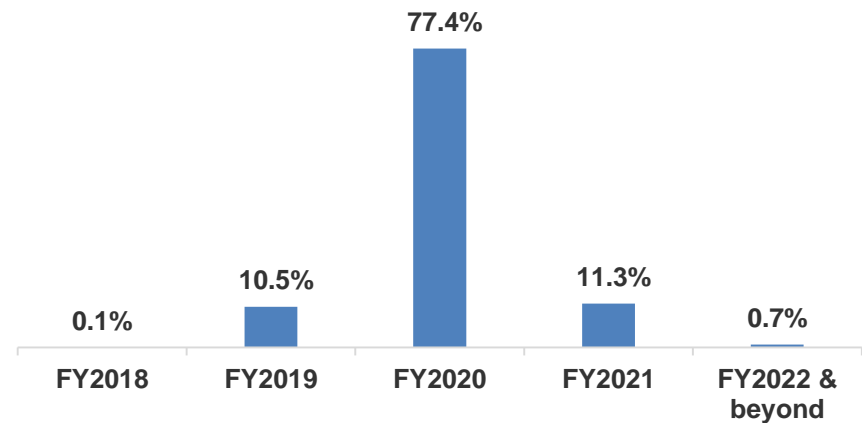


## The Clementi Mall : Tenant retention rate of 89% for second renewal cycle in 2017

Expiry by Gross Rental Income



Expiry by NLA







# 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, and maintained high occupancy rate since its opening.
  - 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



New tenant with personalised engraving service – Mont Blanc

45%



New tenant – First store in Orchard Road



Flagship store in South East Asia – MCM



Flagship store in South East Asia - UGG



New tenant – Largest store in Singapore



New tenant – Exclusive collection in Paragon



New tenant – Second store in Orchard Road



# Continual asset enhancement

## Level 3

- New retail experience for shoppers with open store design and curated multi-brands concept.
- New retail zone of about 16,000 sq ft at Level 3 will be completed in phases to minimise disruption to tenants. The first phase was launched in June.



**Curated multi brands includes:**



HUE

MOISELLE

MAKE UP STORE®

Samsonite  
FOR HER  
Sulin Serio

MOXIE

escentials

ARIUM  
COLLECTION

# The Rail Mall

## Completed Acquisition on 28 June 2018

- Purchase consideration at \$63.238 million
- 99-year lease commencing 18 March 1947, with remaining lease tenure of about 28 years
- Approximately 50,000 sq ft net lettable area
- 360 metres prominent road frontage to Upper Bukit Timah Road
- Unique cluster of 43 single-storey shop units with established F&B offerings
- 250 metres to Hillview MRT and a network of public bus services
- Opportunity for SPH REIT to further strengthen its current F&B offerings and intensify community programs leveraging on the Rail Corridor to attract a wider catchment



# Market outlook

- **Outlook for Singapore economic growth is expected to remain firm**
  - The Ministry of Trade and Industry (MTI) reported that the Singapore economy grew by 4.4% on a year-on-year basis in the first quarter of 2018, higher than the 3.6% growth in the previous quarter.
  - Growth is expected in domestically-oriented services sectors like retail and food services on the back of an improvement in consumer sentiments amidst the on-going recovery in the labour market.
  - MTI expects the economic growth forecast in 2018 to come in at “2.5% to 3.5%”.
- **Growth in international visitor arrivals and tourism receipts**
  - International visitor arrivals (IVA) recorded a 7.1% y-o-y growth in the first three months of 2018.
  - Tourism receipts grew 4.0% y-o-y to S\$26.8 billion in 2017.
- **Growth in retail sales for four quarters**
  - The retail sales index (excluding motor vehicles) grew by 1.2% y-o-y in Q1 2018, continuing the growth momentum in the last three quarters of 2017.

# Distribution details and timetable

Distribution period	3Q FY18 (1 March 2018 – 31 May 2018)
Distribution per unit	1.37 cents per unit
Ex-date	16 July 2018
Record date	18 July 2018
Payment date	17 August 2018

# Thank You

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

