

CHAIRMAN & CEO STATEMENT

Total income available for distribution to Unitholders was S\$138.5 million for FY2015, an increase of S\$2.1 million (1.6%) compared to last year.

Dear Unitholders,

On behalf of the Board of Directors of SPH REIT Management Pte. Ltd., the Manager of SPH REIT (the “Manager”), we are delighted to present SPH REIT’s Annual Report to Unitholders for the period from 1 September 2014 to 31 August 2015 (“FY2015”).

Performing well, well-positioned

We are pleased that SPH REIT has delivered another year of steady performance in FY2015, amid the challenging retail environment. Total income available for distribution to Unitholders was S\$138.5 million, an increase of S\$2.1 million (1.6%) compared to last financial year. The aggregate distribution per unit (“DPU”) of 5.47 cents for FY2015 translated to the distribution yield of 5.70%, based on the closing price of S\$0.96 as at 31 August 2015.

Net property income was up S\$4.9 million (3.3%) to S\$155.6 million for FY2015, with higher contribution from both Paragon and The Clementi Mall.

The resilience can be attributed to the strategic positioning of both properties in our portfolio, proactive leasing strategies, active asset management and firm partnership with our tenants.

The portfolio comprises two high quality properties – Paragon, a premier upscale retail mall on Orchard Road, Singapore’s foremost shopping and tourist precinct and The Clementi Mall, a mid-market suburban mall in an established residential estate in the west of Singapore, with excellent connectivity to the Clementi Bus Interchange and MRT station.

Paragon Medical, which sits on top of the retail podium, is positioned as a multi-disciplinary destination offering about 70 specialists. Together with Mount Elizabeth Hospital and Mount Elizabeth Medical Centre, it has created a medical cluster which is well-recognised in the region.

Distribution Per Unit

5.47¢

Committed Occupancy

100.0%

Gearing

25.7%



From left: Susan Leng Mee Yin, Dr Leong Horn Kee

CHAIRMAN & CEO STATEMENT

Paragon and The Clementi Mall continued to attract high visitorship of 18.8 million and 30.8 million respectively.

Higher value, value creation

The Manager's strategy is to manage its properties for sustainable financial returns by working in close partnership with tenants to strengthen business relationships and continually refresh the properties.

In line with our continual asset enhancement strategy, the chiller decanting project at Paragon was completed on schedule and created about 5,000 square feet of net lettable area which would contribute close to S\$1 million of incremental rental income annually. This allowed us to introduce new tenants, namely, Paul, the French bakery and patisserie and Cole Haan, as well as accommodate the expansion plans of Din Tai Fung and Singapore Medical Specialists Centre.

Our leasing strategy focuses on enhancing shopper's experience with depth and range of merchandise. During the year, new brands such as Brunello Cucinelli, Gieves & Hawkes and Kent & Curwen, were introduced. New retail concepts such as MUJI's first Singapore F&B outlet, Café&Meal MUJI can also be found in Paragon. The design of the cafe is synonymous with the Japanese lifestyle brand of minimalist chic. We are also very pleased that Givenchy, Jimmy Choo

and Cortina Watch have taken up more space and expanded their presence in Paragon. There were also several changes and new additions to strengthen Paragon Junior's offering, including the new Nicholas & Bears store and expanded product variety from existing tenants such as Little Colette, Stride Ride, ELM Tree and Lemmi Fashion.

Similarly, The Clementi Mall saw new tenants like Eu Yan Sang TCM Clinic, Sushi Express, TOG Toy Or Game store and Yoguru added to its existing range of retail offerings to complement established tenants such as Best Denki, FairPrice Finest, Popular Bookstore and Swensen's, as well as the Clementi Public Library.

As at 31 August 2015, the portfolio properties were valued at S\$3.21 billion representing an increase of S\$53.5 million (1.7%) compared to last year.

Sustained performance, performance driven

Through proactive leasing strategy, both Paragon and The Clementi Mall maintained their track record of 100.0% committed occupancy. Paragon achieved consistently robust performance with rental uplift of 9.1% for new or renewed leases

in FY2015. For The Clementi Mall, which opened in 2011, the focus was to fine-tune certain tenancies to strengthen the offering to a wider base of shoppers. It recorded a negative rental reversion of 5.6% on 5.0% of total net lettable area.

Paragon and The Clementi Mall continued to attract high visitorship of 18.8 million and 30.8 million respectively for FY2015. This was a 2.0% and 4.7% increase against last year for the two properties.

Despite higher visitorship to Paragon, tenant sales declined by 3.2% to S\$657 million, largely due to temporary closure of some key stores to facilitate relocation and expansion and the weaker retail sentiment.

The Clementi Mall continued to gain traction with the immediate catchment and achieved an increase of 3.6% in tenant sales to S\$242 million.

In line with SPH REIT's prudent capital management strategy, SPH REIT has a strong balance sheet with gearing of 25.7% as at 31 August 2015. The borrowing of S\$850 million was well-staggered, with a weighted average term to maturity of 2.9 years at an average cost of 2.55%. To manage interest

rate volatility, we have increased the percentage of borrowing on fixed rate basis from 54.7% to 84.7% during the year.

Awards and accolades

Paragon has won several accolades in the year. Our efforts to create an enjoyable shopping environment was recognised when it won Outstanding Efforts in Centre Management at the Singapore Retailers Association (SRA) Shopping Centre Awards in 2014 and was crowned Overall Winner (Judges' Choice) for the Best Dressed Building Contest 2014 organised by Orchard Road Business Association for its splendid Christmas decorations.

Looking ahead

The Singapore economy is expected to grow modestly amid increasing uncertainties in the global environment. Lower tourist arrivals and manpower shortages have added challenges to the local retail industry. Nevertheless, the retail rental market is expected to hold up.

2016 looks set to be another exciting year for SPH REIT. The Manager remains focused on proactively managing the properties to deliver sustainable returns and be at the forefront of the retail arena through our philosophy of continual asset

enhancement. We have embarked on another enhancement project to decant Air Handling Unit (AHU) space to generate about 7,000 square feet of retail net lettable area and improve operational efficiencies at Paragon.

Barring any unforeseen circumstances, both Paragon and The Clementi Mall are expected to remain resilient and deliver a steady performance.

Acknowledgements

We would like to express our deepest appreciation to our Unitholders, business partners, tenants and shoppers for their unwavering support.

Our sincere gratitude also goes to the Board members, management team and staff for their dedication and hard work in the past year.

We look forward to continued success and another good year of sustained performance.

Dr Leong Horn Kee
Chairman, Non-Executive And
Independent Director

Ms Susan Leng Mee Yin
Chief Executive Officer