

CHAIRMAN & CEO'S STATEMENT

5.99¢

Distribution
Per Unit

25.0%

Total Return

100.0%

Committed
Occupancy

DEAR UNITHOLDERS

On behalf of the Board of Directors of SPH REIT Management Pte. Ltd., the Manager of SPH REIT, we are pleased to present SPH REIT's inaugural Annual Report to Unitholders for the financial period from listing date on 24 July 2013 to 31 August 2014 ("FP2014").

A STRONG START

SPH REIT made a strong debut when it was listed on the Mainboard of the SGX-ST on 24 July 2013. SPH REIT was well-received by both institutional and retail investors, as can be seen by the units offered at its Initial Public Offering ("IPO"), which was 37 times subscribed. The resounding success was a firm endorsement of investors' confidence in the quality of

the assets, its management and proven track record of its Sponsor, Singapore Press Holdings Limited. On its first trading day, SPH REIT's unit price closed at 98.5 cents, which was 9 per cent above its IPO price of 90 cents.

We are pleased to report that SPH REIT has delivered strong results for Unitholders. For FP2014, the Distribution Per Unit ("DPU") of 5.99 cents outperformed forecast by 3.8% and translated to an annualised yield of 6.0% based on IPO price. The unit price grew steadily during the year and appreciated 18.3% over its IPO price when it closed at S\$1.065 on 29 August 2014. Unitholders were rewarded with a total return of 25.0% taking into account the capital appreciation of unit price and DPU based on IPO issue price.



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

QUALITY ASSETS

SPH REIT's portfolio offers investors a unique combination of Orchard Road and suburban properties exposure with both retail and healthcare services components.

Paragon is a premier upscale retail mall and medical suite/ office property strategically located in the heart of Orchard Road, Singapore's most famous shopping and tourist precinct. Paragon Mall offers exposure to Singapore's vibrant retail sector and Paragon Medical, which comprises two towers sitting on top of the podium, benefits from the strong medical healthcare services sector.

The Clementi Mall is a mid-market suburban mall located in the centre of Clementi town, an established residential estate in the west of Singapore. It enjoys excellent connectivity due to its co-location with a bus interchange and the Clementi MRT station.

As at 31 August 2014, the portfolio properties were valued at S\$3.16 billion representing an increase of 3.4% since IPO. Net asset value ("NAV") per unit has increased from S\$0.89 to S\$0.93 compared to the pro-forma financial position in the IPO prospectus.

A VIBRANT IMPACT

The Manager's strategy is to manage its properties for sustainable financial returns. In line with this, the Manager works in close partnership with tenants to strengthen business relationships and continually revitalise the tenant mix to refresh the mall. During the year, we welcomed a number of international brands including Balenciaga, Burberry Children, Timberland, Valextra and Versace to Paragon. The Clementi Mall boasts a wide range of familiar favourites like BHG, Cotton On, FairPrice Finest, G2000, Popular Bookstore and Swensen's.

SPH REIT believes in enhancing shoppers' experience by creating a holistic approach through integrating arts and music at its properties. A regular highlight at Paragon is the daily lunch time live music performances that have

captivated many shoppers. Over a 5-day period in July this year, more than 150,000 visitors to Paragon were treated to the "live" sketching of Singapore's cityscape by renowned artist and autistic savant Mr Stephen Wiltshire. His work was drawn from pure memory after a short helicopter ride over the city, and it is now displayed at the URA Singapore City Gallery.

During the year, Paragon received the "Outstanding Efforts in Centre Management" award by the Singapore Retailers Association. This award was based on votes by tenants who are members of the association. The award attests to the outstanding property management standards by the Property Manager. Paragon was also awarded "Most MasterCard Friendly" Mall and winner of Christmas 2013 Best Dressed Building.

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SUSTAINED PERFORMANCE

With proactive leasing and management of expenditure, SPH REIT turned in a total distribution of S\$150.3 million to Unitholders for FP2014. This exceeded forecast by 4.1%. All leases expiring in FP2014 were renewed or re-let ahead of time with a positive rental reversion at an average of 8.5%. It also maintained its solid track record of 100.0% committed occupancy for the portfolio properties during the year.

SPH REIT has a strong balance sheet with gearing of 26.0% as at 31 August 2014. In line with SPH REIT's prudent capital management strategy, the borrowing of S\$850 million was well-staggered, with a weighted average term to maturity of 4 years. 54.7% of the total borrowings are at fixed interest rate, and this represents 77.5% of the longer tenure tranches maturing in 2018 and 2020. The average cost of debt for FP2014 was 2.33%.

During the year, the Manager has identified three asset enhancement initiatives for Paragon, which would improve operational efficiencies and collectively generate an additional net lettable space of around 10,000 sq ft. These initiatives will start to phase in from FY2016.

LOOKING AHEAD

The Singapore economy is expected to grow modestly, amidst uncertainties in the global environment and constraints of continuing manpower crunch on some domestic-oriented, labour-intensive sectors. The retail sector has been impacted by moderated retail sales and lower tourist arrivals in the first half of 2014.

Nevertheless, the retail rental market is expected to hold up, with moderate new supply and Singapore's attractiveness to many international retailers.

Barring any unforeseen circumstances, SPH REIT's properties, which are strategically located and have well-established market positioning, are expected to remain resilient and turn in a steady performance. The Manager remains focused on proactively managing the properties to deliver sustainable returns. We remain confident in our philosophy of continual enhancement to keep our properties relevant. By doing so, we remain at the forefront of the competitive retail arena and will sustain future performance.

ACKNOWLEDGEMENTS

The successful listing of SPH REIT would not have been possible without the tireless efforts, dedication

and commitment of the team who worked on the IPO.

We would like to thank the Board of Directors for their counsel and guidance, as well as Unitholders, business partners, advisors, tenants and shoppers for their unwavering support. We would also like to acknowledge and thank our Sponsor for their commitment to grow SPH REIT.

On behalf of all Unitholders, we would like to extend our sincere appreciation to the management team for their continued hard work and dedication. Without their strong commitment, SPH REIT would not have been able to deliver this set of commendable results.

With the commendable start and the strong foundation we have built, we look forward to another good year with your unstinting support.

DR LEONG HORN KEE

CHAIRMAN, NON-EXECUTIVE AND INDEPENDENT DIRECTOR

MS SUSAN LENG MEE YIN

CHIEF EXECUTIVE OFFICER