

FINANCIAL REVIEW

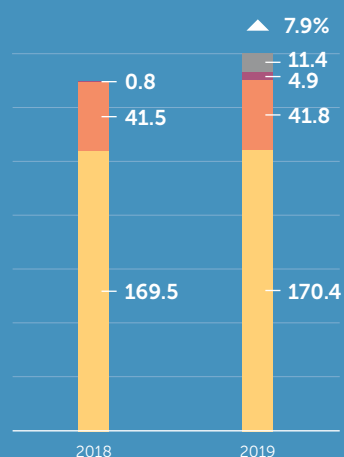
CONSOLIDATED STATEMENT OF NET INCOME AND DISTRIBUTION FOR THE FINANCIAL YEAR ENDED 31 AUGUST

	2019 ¹ S\$'000	2018 S\$'000	Change %
Gross revenue	228,635	211,802	7.9
Property operating expenses	(48,856)	(45,806)	6.7
Net property income	179,779	165,996	8.3
Income support ²	-	624	NM
Amortisation of intangible asset	-	(624)	NM
Write down of intangible asset	-	(876)	NM
Manager's management fees	(17,790)	(16,688)	6.6
Investment management fees ³	(542)	-	NM
Trust expenses ⁴	(1,995)	(1,620)	23.1
Finance income	765	778	(1.7)
Finance costs	(30,480)	(24,506)	24.4
Net income	129,737	123,084	5.4
Fair value change on investment properties ⁵	19,443	14,772	31.6
Total return before taxes and distribution	149,180	137,856	8.2
Less: income tax ⁶	(359)	-	NM
Total return after taxes and before distribution	148,821	137,856	8.0
Attributable to:			
Unitholders	149,898	137,856	8.7
Perpetual securities holders ⁷	34	-	NM
Non-controlling interests	(1,111)	-	NM
Total return for the year	148,821	137,856	8.0
Total return for the period attributable to Unitholders	149,898	137,856	8.7
Add: Non-tax deductible items ⁸	(4,864)	4,454	NM
Income available for distribution	145,034	142,310	1.9
Distribution per unit (cents) ("DPU")	5.60	5.54	1.1

NM Not Meaningful

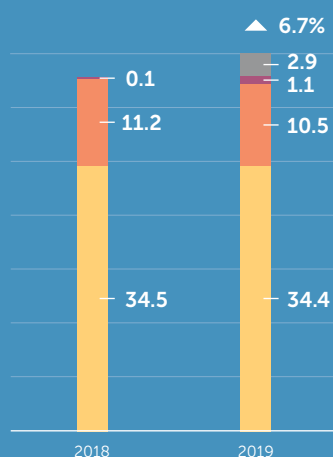
- On 21 December 2018, SPH REIT acquired 85.0% stake in Figtree Grove Shopping Centre, an established sub-regional shopping centre in Wollongong, New South Wales, Australia.
- Income support relates to the top-up payment from the vendors of The Clementi Mall pursuant to the Deed of Income Support. The income support had ended on 23 July 2018, five years from listing date on 24 July 2013.
- This relates to investment management fee paid to the investment manager of SPH REIT Moelis Australia Trust.
- Includes recurring trust expenses such as trustee's fees, valuation fees, audit and tax adviser's fees, legal & other professional fees, cost associated with the preparation of annual reports, and investor communication costs.
- This relates to the fair value change on the investment properties as at 31 August 2019 and 31 August 2018, based on independent valuations conducted by Edmund Tie & Company (SEA) Pte Ltd and M3property Pty Ltd for investment properties in Singapore and Australia respectively. In FY2019, the Group recognised a net gain of S\$19.4 million. This comprises a fair value gain of S\$33.8 million contributed by the investment properties in Singapore, offset against a fair value loss of S\$14.4 million which relates mainly to the acquisition costs of Figtree Grove Shopping Centre.
- This relates to withholding tax payable for Australia.
- On 30 August 2019, the Trust issued S\$300.0 million of subordinated perpetual securities (the "Perpetual Securities") at a rate of 4.10% per annum, with the first distribution rate reset falling on 30 August 2024 and subsequent resets occurring every five years thereafter. The Perpetual Securities have no fixed redemption date and redemption is at the option of the Trust in accordance with the terms of issue of the securities. The distribution is payable semi-annually at the discretion of the Trust and is non-cumulative.
- 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, amortisation of debt issuance costs, fair value change on investment properties and net income from subsidiary.

GROSS REVENUE



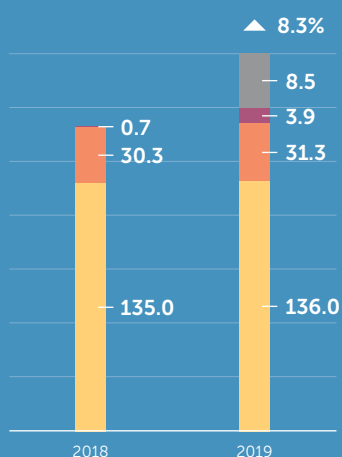
Gross revenue for FY2019 increased by S\$16.8 million (7.9%) to S\$228.6 million, mainly due to acquisitions of The Rail Mail and Figtree Grove Shopping Centre which were completed on 28 June 2018 and 21 December 2018 respectively.

PROPERTY OPERATING EXPENSES



Property operating expenses were S\$48.9 million, an increase of S\$3.1 million (6.7%) from FY2018 mainly due to property operating expenses from the acquisitions.

NET PROPERTY INCOME ("NPI")



NPI of S\$179.8 million for FY2019, was higher by S\$13.8 million (8.3%) against last financial year.

NPI margin increased from 78.4% in FY2018 to 78.6% in FY2019.

All figures in S\$ million

Paragon The Clementi Mall The Rail Mail Figtree Grove

INCOME AVAILABLE FOR DISTRIBUTION

Finance cost increased by S\$6.0 million (24.4%) to S\$30.5 million for FY2019. This was mainly due to additional interest expense from the new loans to finance the acquisition of Figtree Grove Shopping Centre.

In FY2019, the Group has recognised a net gain of S\$19.4 million, which comprises of net fair value gain of S\$33.8 million contributed by investment properties in Singapore, offset against a net fair value loss of S\$14.4 million incurred by Figtree Grove Shopping Centre. The fair value loss relates to the acquisition costs from Figtree Grove Shopping Centre.

Income available for distribution for FY2019 was S\$145.0 million, an increase of S\$2.7 million (1.9%) compared to FY2018.

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DISTRIBUTION

Quarter Ended	2019 (cents)	2018 (cents)	Change %
1Q	1.34	1.34	-
2Q	1.41	1.40	0.7
3Q	1.39	1.37	1.5
4Q	1.46	1.43	2.1
Total	5.60	5.54	1.1



SPH REIT continued to deliver consistent returns to Unitholders over the years since listing in July 2013. The aggregate distribution per unit (“DPU”) of 5.60 cents for FY2019 was 1.1% higher than last year. This translated to a distribution yield of 5.14%, based on the closing price of S\$1.09 as at 31 August 2019.

¹ Does not include the distribution of 0.56 cents from 24 July 2013 (listing date) to 31 August 2013.

VALUATION OF PROPERTIES

As at 31 August 2019, the portfolio including the recently acquired Figtree Grove Shopping Centre, was valued at S\$3.598 billion by Edmund Tie & Company (SEA) Pte Ltd and M3property Pty Ltd for investment properties in Singapore and Australia respectively. Excluding Figtree Grove Shopping Centre, the portfolio was valued at S\$3.406 billion as at 31 August 2019, an increase of 1.1% from last year's valuation. Net asset value per unit remained steady at S\$0.95 as at 31 August 2019.

Property	At Valuation (S\$ million) As at 31 August			Capitalisation Rate (%) As at 31 August	
	2019	2018	Change	2019	2018
Paragon	2,745.0	2,719.0	1.0%	Retail: 4.50%	Retail: 4.50%
				Medical suite/ office: 3.75%	Medical suite/ office: 3.75%
The Clementi Mall	597.0	586.0	1.9%	4.50%	4.75%
The Rail Mall	63.8	63.3	0.8%	6.00%	6.00%
Figtree Grove Shopping Centre	192.0	-	-	6.00%	-
SPH REIT Portfolio	3,597.8	3,368.3	6.8%		
Representing:					
Acquisition			211.3		
Additions			3.8		
Fair value change			19.4		
Translation difference			(5.0)		

CASH FLOWS AND LIQUIDITY

As at 31 August 2019, SPH REIT's cash and cash equivalents amounted to S\$342.7 million.

Net cash generated from operating activities for FY2019 was S\$180.5 million. Net cash used in investing activities was S\$214.8 million, mainly for the acquisition of Figtree Grove Shopping Centre, asset enhancement project and upgrading of equipment. Net cash generated from financing activities was S\$341.3 million. This arose mainly from the proceeds of a new loan drawn down on 21 December 2018 to finance the acquisition of Figtree Grove Shopping Centre and proceeds from the Perpetual Securities issued on 30 August 2019; which were offset against distribution to Unitholders and interest settlements.

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CAPITAL MANAGEMENT

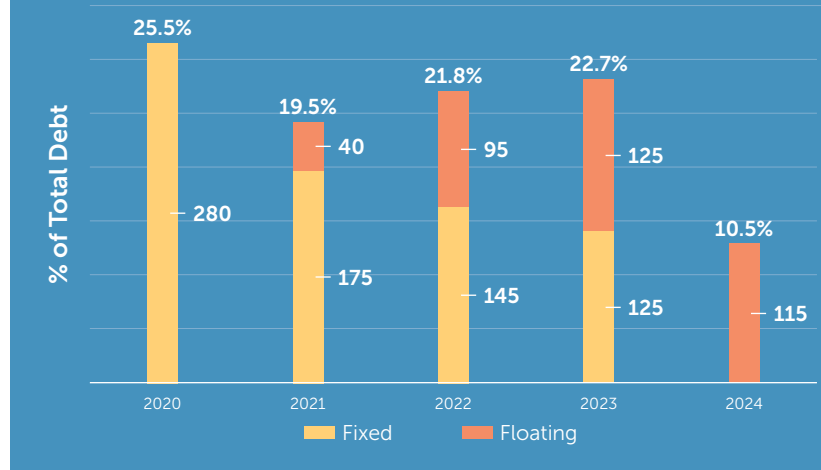
SPH REIT and its subsidiaries (the "Group") secured term loans amounted to S\$1.1 billion. This included additional term loans of S\$100 million and A\$105 million established in end December 2018 to finance the acquisition of Figtree Grove Shopping Centre.

The term loans are secured by the following:

- term loan of S\$995 million 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; and
- term loan of A\$105 million secured by way of a legal mortgage on Figtree Grove Shopping Centre.

In line with the Group prudent capital management strategy, the debt maturity profile is well staggered, without major concentration of debts maturing in any single year. The average term to maturity was 2.5 years and gearing remained low at 27.5%. The annualised average cost of debt was 2.91% p.a. for FY2019.

DEBT MATURITY PROFILE (S\$ MILLION)



Key Indicators as at 31 August

	2019	2018
Gearing ratio	27.5%	26.3%
Interest coverage ratio	5.3 times	6.0 times
Weighted average term to maturity	2.5 years	2.3 years
Annualised average all-in interest rate	2.91%	2.85%
Derivative financial instrument ¹ as % of NAV	0.03%	0.12%

¹ The derivative financial instruments refer to the fair value of interest rate swap, cross currency interest rate swaps and cross currency swaps contracts as at balance sheet date.

