

FINANCIAL REVIEW

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

Gross revenue¹

Property operating expenses

Net property income

Manager's management fees

Investment management fees

Trust expenses²

Impairment loss on trade receivables relating to COVID-19³

Finance income

Finance costs

Grant income⁴

Grant expense⁴

Net income

Fair value change on investment properties⁵

Net foreign currency exchange differences⁶

Total (loss)/return before taxes and distribution

Less: income tax⁷

Total (loss)/return after taxes and before distribution

Attributable to:

Unitholders

Perpetual securities holders⁸

Non-controlling interests

Total (loss)/return for the year

Total (loss)/return for the period attributable to Unitholders

Add/(Less): Net tax adjustments⁹

Income available for distribution^{10,11}

Distribution to Unitholders

Distribution per unit (cents) ("DPU")

NM Not Meaningful

1. The gross revenue includes rental waivers and reliefs granted by landlord to eligible tenants in Singapore affected by COVID-19 amounting to S\$31.8 million.
2. Includes recurring trust expenses such as trustee's fees, valuation fees, audit and tax adviser's fees, legal & others professional fees, cost associated with the preparation of annual reports.
3. The impairment loss on trade receivables relating to COVID-19 relate to rental arrears and relief that may be waived for tenants in Australia affected by COVID-19.
4. Grant income relates to property tax rebates and cash grants from Singapore government as part of the COVID-19 relief measures. Grant expense relates to the property tax rebates and cash grants being passed on to eligible tenants in the form of rental reliefs in FY2020.
5. This relates to the fair value change on the investment properties as at 31 August 2020, based on independent valuations conducted by Edmund Tie & Company (SEA) Pte Ltd (2019: Edmund Tie & Company (SEA) Pte Ltd) for investment properties in Singapore, Urbis Valuations Pty Ltd and Jones Lang LaSalle Advisory Services Pty Ltd (2019: M3property Pty Ltd) for investment properties in Australia.

In FY2020, the Group recognised a fair value loss of S\$179.9 million. This comprises a fair value loss of S\$126.0 million and S\$53.9 million contributed by the investment properties in Singapore and Australia respectively.

	2020 S\$'000	2019 S\$'000	Change %
	241,463	228,635	5.6
	(59,520)	(48,856)	21.8
	181,943	179,779	1.2
	(19,245)	(17,790)	8.2
	(2,143)	(542)	NM
	(2,282)	(1,995)	14.4
	(8,100)	-	NM
	1,775	765	NM
	(32,905)	(30,480)	8.0
	24,774	-	NM
	(24,774)	-	NM
	119,043	129,737	(8.2)
	(179,939)	19,443	NM
	917	-	NM
	(59,979)	149,180	NM
	(4,045)	(359)	NM
	(64,024)	148,821	NM
	(74,907)	149,898	NM
	12,333	34	NM
	(1,450)	(1,111)	30.5
	(64,024)	148,821	NM
	(74,907)	149,898	NM
	167,133	(4,864)	NM
	92,226	145,034	(36.4)
	72,851	144,790	(49.7)
	2.72	5.60	(51.4)

6. The net foreign currency exchange differences relate mainly to:
 - Realised foreign currency exchange gain upon settlement on completion of Westfield Marion Shopping Centre's acquisition; and
 - Unrealised foreign exchange gain from revaluing of the monetary assets and liabilities that were denominated in Australian dollars.
7. Income tax includes deferred tax for Singapore investment properties and withholding tax payable for Australia income.
8. 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.
9. Net tax adjustments refer to the Manager's management fees paid/payable in units, trustee's fees, straight-line rental adjustments, amortisation of debt issuance costs, fair value change on investment properties, net income from subsidiaries and capital allowances.
10. S\$14.5 million of income available for distribution will be deferred as allowed under COVID-19 relief measures announced by IRAS.
11. Net of approximately S\$15.0 million of capital allowance claim for FY2020.

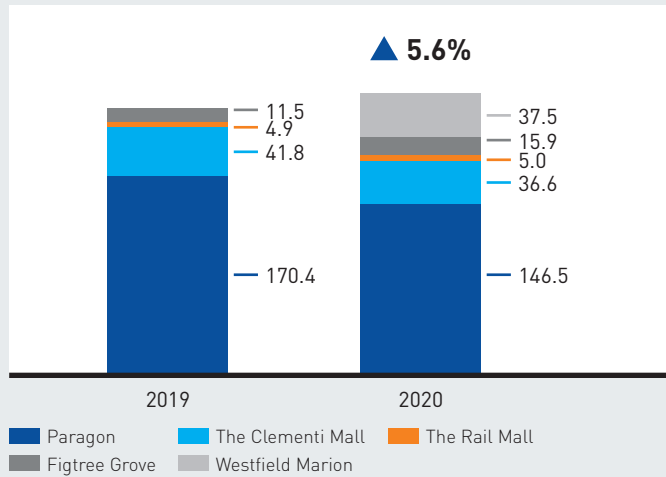
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GROSS REVENUE

Gross revenue for FY2020 was S\$241.5 million, an increase of S\$12.8 million (5.6%) from FY2019.

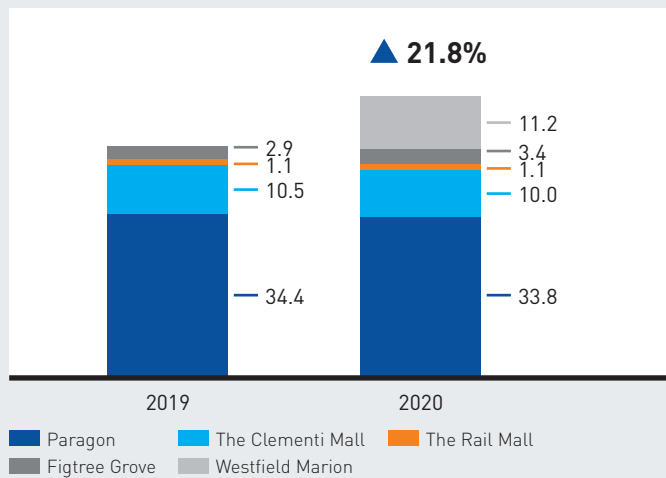
The acquisition of a 50.0% interest in Westfield Marion in December 2019 contributed S\$37.5 million for three quarters and Figtree Grove which was acquired in December 2018 had its first full year contribution of S\$15.9 million.

Rental waivers and reliefs provided by landlord to eligible tenants in Singapore amounted to S\$31.8 million.



PROPERTY OPERATING EXPENSES

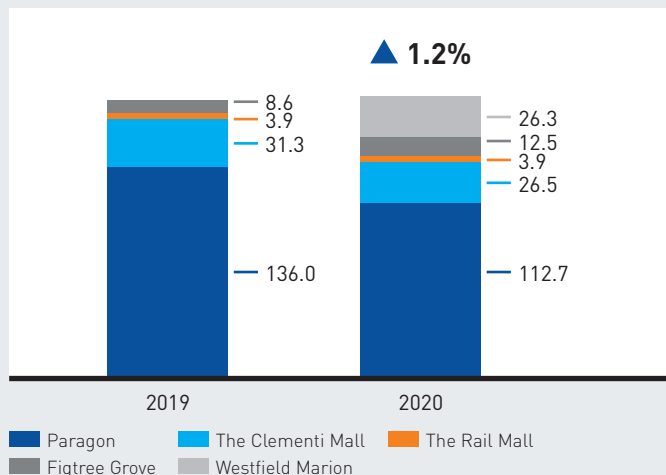
Property operating expenses were S\$59.5 million, an increase of S\$10.7 million (21.8%) from FY2019 mainly from the operations of Westfield Marion Shopping Centre.



NET PROPERTY INCOME

Net property income ("NPI") of S\$181.9 million for FY2020, was higher by S\$2.1 million (1.2%) against FY2019.

NPI margin decreased from 78.6% in FY2019 to 75.4% in FY2020.



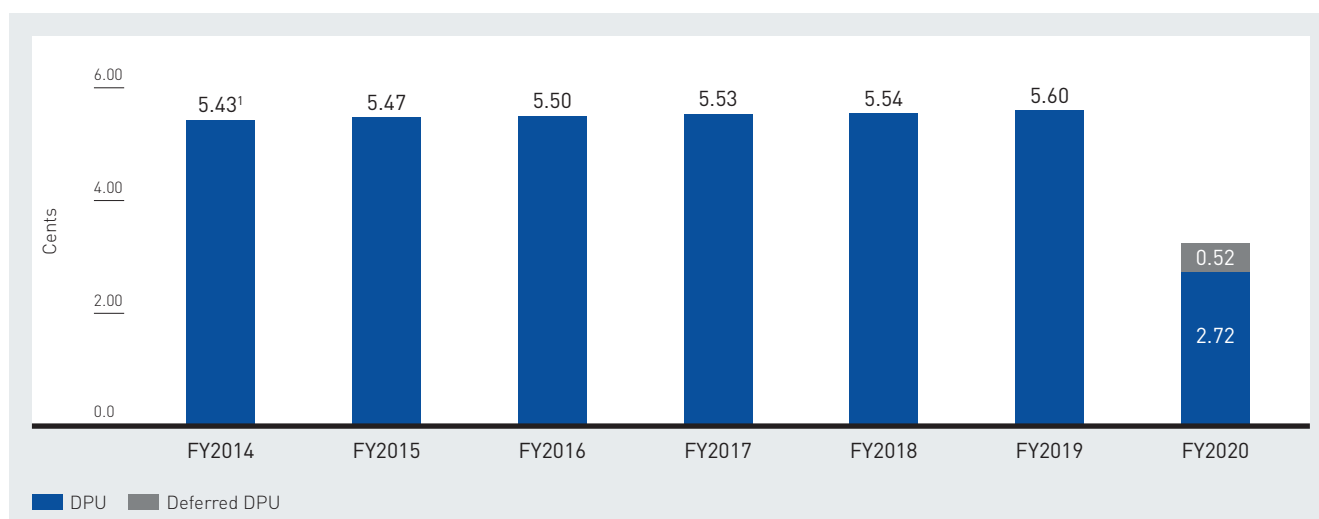
INCOME AVAILABLE FOR DISTRIBUTION

Finance cost increased by S\$2.4 million (8.0%) to S\$32.9 million for FY2020. This was mainly due to interest expense from a new loan to finance the acquisition of Westfield Marion Shopping Centre. The average cost of debt was 2.66% p.a. for FY2020.

Total loss of S\$64.0 million for FY2020 was mainly because of the fair value loss on investment properties of \$S179.9 million. The Singapore and Australia investment properties recorded a fair value loss of S\$126.0 million and S\$53.9 million respectively. The fair value loss has no impact on the income available for distribution.

Income available for distribution for FY2020 was S\$92.2 million, a decrease of S\$52.8 million (36.4%) compared to FY2019.

DISTRIBUTION			
Quarter Ended	2020 (cents)	2019 (cents)	Change %
1Q	1.38	1.34	3.0
2Q	0.30	1.41	(78.7)
3Q	0.50	1.39	(64.0)
4Q	0.54	1.46	(63.0)
Total	2.72	5.60	(51.4)



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

The aggregate distribution per unit ("DPU") of 2.72 cents for FY2020 was 51.4% lower than last year. This translated to a distribution yield of 3.13%, based on the closing price of S\$0.87 as at 31 August 2020.

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VALUATION OF PROPERTIES

As at 31 August 2020, the portfolio was valued at S\$4.1 billion after including the recently acquired Westfield Marion Shopping Centre.

The valuations were performed by Edmund Tie & Company (SEA) Pte Ltd¹ for investment properties in Singapore, Urbis Valuations Pty Ltd and Jones Lang LaSalle Advisory Services Pty Ltd for investment properties in Australia.

Net asset value per unit decreased to S\$0.91 as at 31 August 2020.

Property	Valuation (S\$ million) As at 31 August			Capitalisation Rate (%) As at 31 August	
	2020	2019	Change	2020	2019
Paragon	2,640.0	2,745.0	-3.8%	Retail: 4.50%	Retail: 4.50%
				Medical suite/ office: 3.75%	Medical suite/ office: 3.75%
The Clementi Mall	584.0	597.0	-2.2%	4.50%	4.50%
The Rail Mall	62.2	63.8	-2.5%	6.00%	6.00%
Figtree Grove Shopping Centre	190.6	192.0	-0.7%	6.25%	6.00%
Westfield Marion Shopping Centre	648.6	-	NM	5.50%	-
SPH REIT Portfolio	4,125.4	3,597.8	14.7%		
Representing:					
Acquisition			633.9		
Additions			9.1		
Fair value change			(179.9)		
Translation difference and others			64.5		

CASH FLOWS AND LIQUIDITY

As at 31 August 2020, SPH REIT's cash and cash equivalents amounted to S\$82.0 million.

Net cash generated from operating activities for FY2020 was S\$166.3 million. Net cash used in investing activities was S\$635.0 million, mainly for the acquisition of Westfield Marion Shopping Centre. Net cash generated from financing activities was S\$206.0 million, mainly from the issuance of new units on 2 December 2019 and a new loan drawn down on 6 December 2019 that was used to finance the acquisition of Westfield Marion Shopping Centre; netting off the distribution to Unitholders and interest settlements.

1. Edmund Tie & Company (SEA) Pte Ltd has been appointed as the property valuer of Singapore investment properties for the 3rd consecutive financial year.

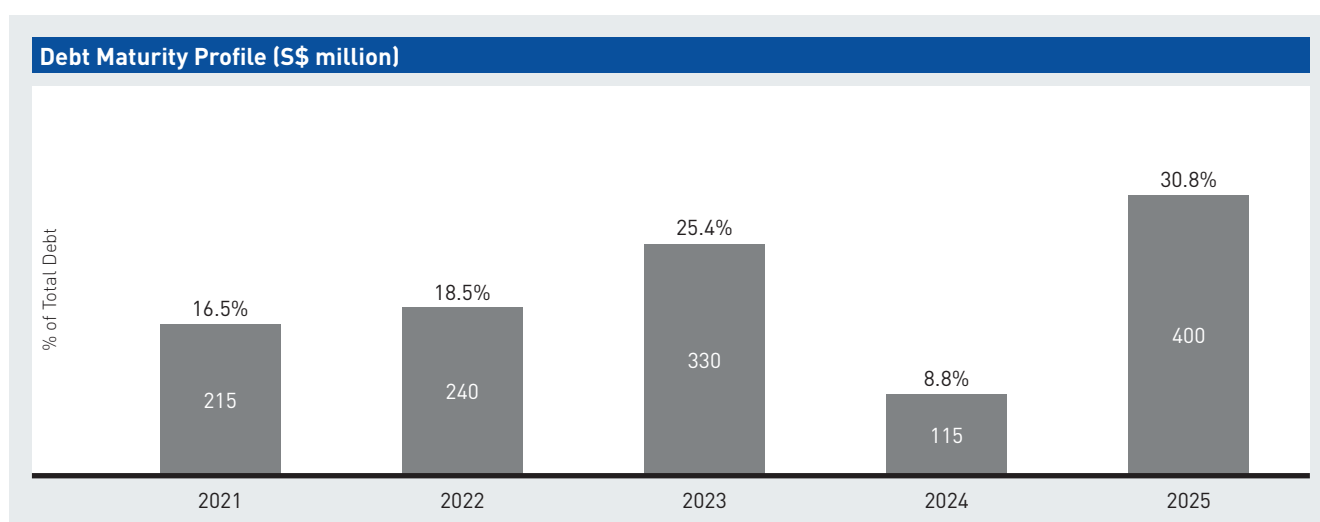
CAPITAL MANAGEMENT

SPH REIT and its subsidiaries (the "Group") secured term loans amounting to S\$1.3 billion. This included additional term loans of A\$200 million established in end December 2019 to finance the acquisition of Westfield Marion 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;
- term loan of A\$105 million secured by way of a legal mortgage on Figtree Grove Shopping Centre; and
- term loan of A\$200 million secured by way of a legal mortgage on Westfield Marion Shopping Centre.

In line with the Group's 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 2.9 years and gearing is at 30.5%. The increase in gearing ratio is not expected to have a significant impact on the risk profile of SPH REIT. The average cost of debt was 2.66% p.a. for FY2020.



Key Indicators as at 31 August	2020	2019
Gearing ratio	30.5%	27.5%
Interest coverage ratio	4.7 times	5.3 times
Weighted average term to maturity	2.9 years	2.5 years
Percentage of fixed loan	49.7%	65.9%
Annualised average all-in interest rate	2.66%	2.91%
Derivative financial instrument ¹ as % of NAV	0.36%	0.03%

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.