

STATEMENT BY CHAIRMAN & CEO

On behalf of the Board of Directors of SPH REIT Management Pte. Ltd., the Manager of SPH REIT (the “Manager”), we are pleased to present SPH REIT’s Annual Report for the period from 1 September 2019 to 31 August 2020 (“FY2020”).



From left:

DR LEONG HORN KEE

MS SUSAN LENG MEE YIN





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DEAR UNITHOLDERS,

On behalf of the Board of Directors of SPH REIT Management Pte. Ltd., the Manager of SPH REIT (the "Manager"), we are pleased to present SPH REIT's Annual Report for the period from 1 September 2019 to 31 August 2020 ("FY2020").

The first half of FY2020 commenced positively from September 2019 to February 2020. However, the COVID-19 virus which started in early 2020, rapidly spread worldwide to a pandemic that caused major lockdowns and travel restrictions globally. The resulting economic downturn affected all countries around the world, and our key markets of Singapore and Australia have not been spared. The COVID-19 pandemic posed unprecedented challenges to our business in FY2020, and have impacted our performance.

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Since the commencement of the pandemic, the Board has convened regular meetings with management to closely monitor the situation and provide operational and strategic guidance. The meetings allowed the Board to assess the situation in a timelier manner and approve plans to mitigate the impact on our assets and operations.

Before the onset of the pandemic, SPH REIT acquired a 50.0% interest in Westfield Marion Shopping Centre ("Westfield Marion"), the largest shopping centre in South Australia on 6 December 2019.

The acquisition of Westfield Marion is in line with our long-term strategy to diversify our asset base and income stream geographically. The new Australian assets, Westfield Marion and Figtree Grove Shopping Centre ("Figtree Grove"), have contributed to our performance in FY2020.

On the capital market front, we successfully tapped the equity market and raised S\$164.5 million in December 2019 from a private placement of 156.6 million new units to partially finance the Westfield Marion acquisition. The placement was well-received and drew strong participation from new and existing institutional investors.

FY2020 PERFORMANCE

FY2020 was a tale of two halves. For the first half from September 2019 to February 2020, SPH REIT performed credibly. Our Singapore assets recorded positive rental reversions of an average of 6.4%. However, during the second half of the financial year, our performance was severely impacted as business operations took a hit due to COVID-19 affecting international tourism and local lifestyles.

Paragon, which was impacted by border restrictions, registered a year-on-year decline in tenant sales by 28.3% to S\$507.8 million while footfall declined by 27.4% to 13.8 million.

The Clementi Mall, which was impacted by the work-from-home arrangements, saw footfall decline by 27.8% to 22.8 million, while tenant sales declined by 12.7% to S\$206.6 million.

Westfield Marion, the largest shopping centre in South Australia with a higher exposure to discretionary offerings, registered a drop in footfall of 11.2% to 11.9 million and decline in tenant sales by 9.1% to A\$690.6 million. Figtree Grove, which was supported by the residential catchment in the suburbs of Wollongong, maintained a footfall of 4.6 million while tenant sales declined by 1.1% to A\$184.7 million.

STATEMENT BY CHAIRMAN & CEO

Overall occupancy of all our assets remain strong at an average of 97.7% as at end August 2020.

On the financial front, net property income ("NPI") for FY2020 was S\$181.9 million, an increase of S\$2.1 million (1.2%) compared to S\$179.8 million last year.

Our Singapore assets have been more impacted by COVID-19 and we have rendered rent relief amounting to S\$31.8 million to eligible tenants to assist them in riding through this pandemic. This resulted in a decline in NPI of 16.4% to S\$143.1 million in FY2020.

For Australia, Westfield Marion contributed S\$26.3 million to NPI for FY2020 while Figtree Grove had its first full year contribution in FY2020, contributing S\$12.5 million in NPI. The Australia assets, though not spared from the effects of COVID-19, have been less impacted and an allowance for rent relief of S\$8.1 million has been provided in FY2020 for eligible tenants who have been affected by COVID-19.

Notwithstanding the revenue impact, SPH REIT's gearing is stable at 30.5% and debt maturity profile is well-staggered, with no refinancing due till June 2021.

As the COVID-19 situation is continually evolving and there is no certainty as to when normalcy will return, the Board has decided, for prudence in financial management, to defer the distribution of S\$14.5 million, distribution per unit ("DPU") of 0.52 Singapore cents, a part

of the FY2020 income, to FY2021, which is allowed under COVID-19 measures announced by the Inland Revenue Authority of Singapore ("IRAS"). In addition, for financial flexibility, an amount of S\$15.0 million of capital allowance was utilised to provide for capital expenditure and other working capital requirements.

Our full year DPU is at 2.72 Singapore cents, giving a yield of 3.1%, based on the 31 August 2020 unit price of S\$0.87.

EFFORTS TOWARDS MANAGING COVID-19

COVID-19 is a global pandemic which affected all countries around the world. As a result, landlords and tenants in the retail sector have suffered, operationally and financially.

SPH REIT's philosophy has always been to work in close partnership with our main stakeholder: our tenants. Throughout this difficult period, we have engaged our tenants proactively and have taken various measures to assist them to ride through this crisis. Since February 2020, we have rolled out a tenants' assistance relief scheme for our tenants in Singapore and Australia.

In Singapore, the Government legislated rental rebate to assist tenants through property tax rebates and cash grants. Complementing the Government's schemes, SPH REIT provided its own additional targeted rental relief to assist eligible tenants whose businesses were more impacted. Our assistance rolled out in FY2020 amounted to approximately S\$31.8 million.

Similarly in Australia, the Federal Government issued guidelines under the "SME Commercial Code of Conduct and Leasing Principles" (the "Code") which were enacted in various states. SPH REIT likewise made an allowance of approximately S\$8.1 million rental assistance for eligible tenants in its Australian assets in line with the Code.

SPH REIT aims to work with tenants by lightening the burden of those affected in a targeted manner and supporting them through this difficult time, so that both landlord and tenants can be ready for recovery when the time comes.

COVID-19 has also presented severe health and operational risks to all our stakeholders including tenants, employees, shoppers and contractors. During this difficult time, we have worked hard to ensure a safe environment for all our stakeholders, taking guidance from advisories issued by the authorities. The measures we have taken include intensifying the cleaning and disinfecting of main contact areas.

COMMITMENT TOWARDS SUSTAINABILITY

COVID-19 is a timely reminder for us to remain committed to embracing sustainability efforts in our business strategy and practices. In FY2020, the Board continued its supervision and oversight over the implementation and results of our sustainability efforts in the six material Environmental, Social and Governance ("ESG") factors that have been identified as relevant to our businesses. The Audit & Risk Committee ("ARC") oversees the



Our well-established assets and their strategic locations with dominant catchment areas contribute to SPH REIT's resilience during this difficult time. We will continue to engage our stakeholders and focus on the long-term sustainability of our assets to position ourselves stronger for the future.

progress of the projects and efforts undertaken by the management, and is supported by the Sustainability Steering Committee ("SSC") of the management. This year, the ARC has reviewed and endorsed the existing ESG factors for its continued relevance to the business.

In FY2020, our third sustainability report has expanded its reporting scope to include The Rail Mall in Singapore and Figtree Grove in Australia. SPH REIT continues to operate responsibly in regard to the environment, our shoppers, employees, business partners and the communities in which we operate. Our ESG targets and performance are also mapped to the four adopted United Nations ("UN") Sustainable Development Goals ("SDGs"), which will better guide us on our sustainability journey.

LOOKING AHEAD

COVID-19's impact on economies around the world is expected to continue into FY2021.

As the COVID-19 situation remains uncertain, our near-term focus for FY2021 is to minimise vacancies to provide sustainable rental income by working hand in hand with our tenants, while carefully managing costs.

Our well-established assets and their strategic locations with dominant catchment areas contribute to SPH REIT's resilience during this difficult time. We will continue to engage our stakeholders and focus on the long-term sustainability of our assets to position ourselves stronger for the future.

ACKNOWLEDGEMENTS

We wish to acknowledge the dedication and commitment of the Board members, management team and staff in the past financial year, which was a very challenging period with the unprecedented uncertainties brought about by COVID-19.

We also offer our sincere gratitude to all stakeholders, including our Unitholders, business partners, tenants, shoppers, employees and the government, for their continued cooperation and support. We look forward to seeing a speedy ending of the pandemic and normalisation of the economy in the coming financial year. We wish for all to stay safe and healthy.

DR LEONG HORN KEE

Chairman, Non-Executive and Independent Director

MS SUSAN LENG MEE YIN

Chief Executive Officer

