

FOR IMMEDIATE RELEASE

## Croesus Retail Trust achieves 1H FY2017

### DPU growth of 7.5% y-o-y to 3.60 Singapore cents

- Stronger net property income (“NPI”) and gross revenue on the back of contributions from recent acquisitions and outperformance from Mallage Shobu
- Distribution per unit (“DPU”) rose 5.2% to 1.81 Singapore cents in 2Q FY2017
- Realised cost savings from the internalisation of the Trustee-Manager of approximately JPY 88.1 million and JPY 118.0 million in 2Q FY2017 and 1H FY2017 respectively

**Singapore, 14 February 2017** – Croesus Retail Asset Management Pte. Ltd., as trustee-manager of Croesus Retail Trust (“CRT” or the “Trust”, and the trustee-manager of CRT, the “Trustee-Manager”), is pleased to announce its financial results for the three months ended 31 December 2016 (“2Q FY2017”), delivering an available DPU of 1.81 Singapore cents for the period. This represents a 5.2% increase from the restated DPU of 1.72<sup>1</sup> Singapore cents recorded in the corresponding three month period ended 31 December 2015 the year before (“2Q FY2016”).

#### Results summary

	2Q FY2017	2Q FY2016	Variance	1H FY2017	1H FY2016	Variance
	1 Oct 16 to 31 Dec 16	1 Oct 15 to 31 Dec 15		1 Jul 16 to 31 Dec 16	1 Jul 15 to 31 Dec 15	
<b>Gross Revenue</b> (JPY million)	3,181	2,434	30.7%	6,307	4,440	42.0%
<b>NPI</b> (JPY million)	1,685	1,368	23.2%	3,281	2,601	26.2%
<b>Income Available for Distribution</b> (JPY million)	1,181	973	21.4%	2,333	1,892	23.3%
<b>Available DPU<sup>2</sup></b> (Singapore cents)	1.81	1.72 <sup>1</sup>	5.2%	3.60	3.35 <sup>3</sup>	7.5%

#### 2Q FY2017 Performance

<sup>1</sup> The restated 2Q FY2016 DPU was adjusted to reflect an enlarged unit base for CRT, taking into consideration the 27,682,070 units issued pursuant to the preferential offering on 25 August 2016.

<sup>2</sup> CRT had entered into forward foreign currency exchange contracts to hedge the currency risk on distributions to unitholders. The DPU for the period from 1 July 2016 to 31 December 2016 and for the period 1 July 2015 to 31 December 2015 is computed based on an average exchange rate of SGD/JPY of 85.49 and 84.81 respectively. The average exchange rate takes into consideration the forward currency contract rate and spot rate at the end of the period.

<sup>3</sup> The restated 1H FY2016 DPU was adjusted to reflect an enlarged unit base for CRT, taking into consideration the 27,682,070 units issued pursuant to the preferential offering on 25 August 2016.

For 2Q FY2017, CRT recorded gross revenue of approximately JPY 3,181 million, up 30.7% from JPY 2,434 million in the previous corresponding period. This is due to a larger portfolio of income-producing properties, following the acquisitions of Torius, Fuji Grand Natalie, Mallage Saga and Feeeal Asahikawa. In addition, higher variable rent which arose from stronger tenant sales at Mallage Shobu, as well as a one-off compensation from an early lease termination, also boded positively for CRT's gross revenue. Taking into account the above, NPI for 2Q FY2017 rose 23.2% year-on-year ("y-o-y") to JPY 1,685 million.

Income available for distribution grew 21.4% to JPY 1,181 million for 2Q FY2017, from JPY 973 million in 2Q FY2016. This was mainly attributable to the same factors which contributed to the increase in NPI, and cost savings amounting to JPY 88 million in 2Q FY2017 following the successful internalisation of CRT's Trustee-Manager. This translated to a DPU of 1.81 Singapore cents in 2Q FY2017, 5.2% higher as compared to a restated<sup>1</sup> 2Q FY2016 DPU of 1.72 Singapore cents.

### 1H FY2017 Performance

Gross revenue for the six month period ended 31 December 2016 ("1H FY2017") was JPY 6,307 million, reflecting a 42.0% growth from the previous corresponding six month period ended 31 December 2015 ("1H FY2016"). This was due mainly to the addition of four new properties in FY2016, comprising Torius, Fuji Grand Natalie, Mallage Saga and Feeeal Asahikawa, and stronger contributions from Mallage Shobu on the back of robust tenant sales. In addition, a one-off compensation from a tenant's early lease termination also added to CRT's topline.

Correspondingly, NPI registered a y-o-y growth of 26.2% in 1H FY2017 from JPY 2,601 million to JPY 3,281 million.

Income available for distribution grew 23.3% from JPY 1,892 million in 1H FY2016 to JPY 2,333 million for 1H FY2017. The lower growth variance compared to NPI was mainly attributed to finance costs incurred in relation to CRT's issuance of S\$110 million 5.0% fixed rate notes due 2020 under the US\$500 million euro medium term note programme (the "EMTN Programme") in April and October 2016.

For 1H FY2017, CRT posted DPU of 3.60 Singapore cents, 7.5% higher than a restated<sup>2</sup> 1H FY2016 DPU of 3.35 Singapore cents.

CRT's distribution policy is to distribute 100% of its distributable income from 1 July 2016 to 30 June 2017, and at least 90% of its distributable income thereafter. It will make distributions to unitholders on a semi-annual basis with the amounts calculated as at 30 June and 31 December each year for the six-month period ending on each of the said dates.

To mitigate against foreign exchange fluctuations, CRT has hedged close to 100% of its expected distributable income up to December 2018.

**Mr Jim Chang, Chief Executive Officer and Executive Director of the Trustee-Manager**, said, "Our financial performance for the first half is a good reflection of CRT's ongoing efforts in areas such as enhancement initiatives and tenant renewal exercises. We are also glad that cost savings from our internalisation of the Trustee-Manager are being realised, enhancing

<sup>1</sup> The restated 2Q FY2016 DPU was adjusted to reflect an enlarged unit base for CRT, taking into consideration the 27,682,070 units issued pursuant to the preferential offering on 25 August 2016.

<sup>2</sup> The restated 1H FY2016 DPU was adjusted to reflect an enlarged unit base for CRT, taking into consideration the 27,682,070 units issued pursuant to the preferential offering on 25 August 2016.

distributions to Unitholders. In the coming quarters, we remain committed towards growing CRT's portfolio and distributions steadily and sustainably, and will continue to explore viable organic and inorganic opportunities to enhance CRT's value."

### **Pursuing organic growth**

Asset enhancement initiatives ("AEIs") and tenant renewal exercises are currently being evaluated by the Trustee-Manager, as part of plans to grow CRT's income base. At Torius, the Trustee-Manager is in the process of negotiating with potential tenants for its new building plans.

A tenant replacement exercise is also currently underway at Feeeal Asahikawa, which is located in Asahikawa, the second largest city in Hokkaido. Earlier outreach efforts to key tenants in surrounding malls have yielded positive results, with the successful replacement of several tenants since. In the next few quarters, the Trustee-Manager plans to continue pursuing tenants from other properties in the vicinity, and remains in talks with several parties who are considering taking up fresh tenancies at Feeeal Asahikawa, and/or at other properties in CRT's portfolio.

On 28 December 2016, the Trustee-Manager announced that JPY 185.9 million was disbursed from proceeds raised from the private placement of 78,900,000 new units in CRT issued on 11 September 2014. The funds have been purposed for tenant replacement activities, building repair works, and AEIs carried out at Feeeal Asahikawa.

### **Refinancing to tap on low interest rates in Japan**

On 23 January 2017, CRT completed the redemption of the outstanding principal amount of the S\$100 million in aggregate principal amount of 4.60% fixed rate notes due 2017 ("Series 001 Notes"). The purchase and redemption of the full principal amount of the Series 001 Notes (including the purchase and cancellation of S\$9.75 million of the Series 001 Notes on 18 November 2016) was financed by two sources:

- (i) proceeds from the S\$50 million 5.0% fixed rate notes due 2020 issued on 13 April 2016, under the EMTN Programme; and
- (ii) proceeds from a JPY 5,000 million loan secured by a second mortgage on certain properties taken out by CRT on 6 January 2017.

As a result of the refinancing exercise, CRT is expected to enjoy lower recurring interest expense of approximately JPY 152 million per annum<sup>1</sup>.

### **Outlook**

As of 1 February 2017, the Bank of Japan ("BOJ") announced that its stimulus plans and inflation forecast will remain status quo as it adopts a wait-and-see attitude, in view of the recent weakening of the JPY, and policies of US President Donald Trump's administration<sup>2</sup>. BOJ also upgraded its economic growth forecast for 2017 to 1.5% from 1.3% previously, and increased its forecast for 2018 to 1.1% from 0.9%<sup>2</sup>.

<sup>1</sup> The cost savings are expected to result from the lower overall recurring interest rate costs involved in the sources of funds as compared to the recurring interest rate on the Series 001 Notes (assuming no Early Cancellation and excluding the costs of all upfront fees and swap costs on the respective tranches of financing).

<sup>2</sup> Based on CNBC news article dated 30 January 2017, "Bank of Japan raises economic growth forecasts, keeps policy unchanged"

With regards to real estate, commercial land prices in Tokyo, Nagoya and Osaka have continued to appreciate. In particular, property prices in Osaka have risen significantly due to an increase of foreign visitors, driving cap rate compressions even further.<sup>1</sup> This has given rise to greater competition among Japanese real estate investment trusts and property players, for retail property in prime locations.

**Mr Jeremy Yong, Managing Director and Executive Director of the Trustee-Manager**, said, “The negative interest rates in Japan continue to offer an enhanced lending environment to CRT, allowing us to refinance our loans at preferential rates, and pass on cost savings to our Unitholders in the form of distributions. In terms of outlook, we remain cautiously optimistic of Japan’s economic recovery. Though the effects of stimulus policies are still work-in-progress, we believe the outcome will be favourable on the back of unwavering commitment from the Japanese government and its central bank to attain sustainable growth for the country’s economy.”

The acquisition of all the issued shares of the Trustee-Manager by the Trustee-Manager Share Trustee was completed on 31 August 2016, in connection with the internalisation of the Trustee-Manager. Going forward, the internalisation is expected to help CRT realise greater cost savings.

Barring any unforeseen circumstances, CRT’s properties are expected to continue generating robust and stable cash flows in the next 12 months.

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<sup>1</sup> Based on Colliers International, Japan Investment Outlook report for Q3 2016.

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**About Croesus Retail Trust**

Croesus Retail Trust ("CRT") is the first SGX-listed Asia-Pacific retail business trust with a portfolio located in Japan. CRT is principally focused on investing in a diversified portfolio of predominantly retail real estate assets located in the Asia Pacific region, with an initial focus on Japan. CRT currently has eleven retail properties in Japan – Aeon Town Moriya, Aeon Town Suzuka, Croesus Shinsaibashi, Croesus Tachikawa, Feeal Asahikawa, Fuji Grand Natalie, Luz Omori, Mallage Saga, Mallage Shobu, One's Mall, and Torius – out of which five are located in the Greater Tokyo area. CRT's portfolio of assets in Japan allows it to create a core portfolio of stable income generating assets that serves as a foundation for CRT to pursue development and acquisition opportunities in the Asia-Pacific region, including Japan, to generate long-term capital value and long-term returns. CRT was awarded by FinanceAsia as 'Best Small-cap Company in Singapore' in its Best Managed Companies Poll for 2014. CRT is part of the FTSE ST Small Cap Index, the TR/GPR/ APREA Composite Index, FTSE Real Estate Index and the FTSE REIT index. For more information on CRT, please visit [www.croesusretailtrust.com](http://www.croesusretailtrust.com).

**Important Notice**

This press release is not an offer of securities for sale or a solicitation of an offer to purchase securities. This release may contain forward-looking statements that involve risks and uncertainties. Forward-looking statements include statements regarding the intent, belief and current expectations of CRT or its officers with respect to various matters. When used in this press release, the words "expects," "believes," "anticipates," "plans," "may," "will," "should" and similar expressions, and the negatives thereof, are intended to identify forward-looking statements. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, availability of real estate properties, competition from other companies and venues for the sale/distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes, and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of management on future events and speak only as of the date of this press release. CRT does not undertake to revise forward-looking statements to reflect future events or circumstances. No assurance can be given that future events will occur, that projections will be achieved, or that CRT's assumptions are correct. The past performance of CRT is not indicative of the future performance of CRT. Similarly, the past performance of the Trustee-Manager is not indicative of the future performance of the Trustee-Manager.