

**NEWS RELEASE**
**FOR IMMEDIATE RELEASE**

## PARKWAY LIFE REIT REPORTS STRONG FINISH TO 2017 WITH DPU OF 3.38 CENTS FOR 4Q 2017

- Overall DPU grew by 10.6% (4Q Y-O-Y) and 10.2% (FY2017)
- Excluding the one-off divestment gain<sup>1</sup>, DPU from recurring operations rose 3.3% (4Q Y-O-Y) and 2.8% (FY2017)
- Strengthened Capital Structure with 2<sup>nd</sup> issuance of JPY-denominated Fixed Rate Notes; all-in cost of debt lowered to 1.0% with enhanced debt maturity profile
- Achieved a portfolio revaluation gain of S\$26.0 million

Total Portfolio	4Q 2017 S\$'000	4Q 2016 S\$'000	Inc / (Dec) %	FY2017 S\$'000	FY2016 S\$'000	Inc / (Dec) %
<b>Gross revenue</b>	<b>27,537</b>	<b>27,731</b>	<b>(0.7)</b>	<b>109,881</b>	<b>110,123</b>	<b>(0.2)</b>
<b>Net property income</b>	<b>25,746</b>	<b>25,559</b>	<b>0.7</b>	<b>102,649</b>	<b>102,426</b>	<b>0.2</b>
<b>Total distributable income to Unitholders</b>	<b>20,452</b>	<b>18,486</b>	<b>10.6</b>	<b>80,753</b>	<b>73,306</b>	<b>10.2</b>
- from recurring operations <sup>2</sup>	19,104	18,486	3.3	75,363	73,306	2.8
- from distribution of divestment gains <sup>1</sup>	1,348	-	n.m.	5,390	-	n.m.
<b>Distribution Per Unit (cents)<sup>3</sup></b>						
- DPU for the period	3.38	3.06	10.6	13.35	12.12	10.2
- Annualised DPU	13.52	12.24	10.6	13.35	12.12	10.2
<b>Annualised distribution yield (%), based on closing market price of S\$2.99 as at 29 December 2017</b>	<b>4.52</b>	<b>4.09</b>	<b>10.6</b>	<b>4.46</b>	<b>4.05</b>	<b>10.2</b>

**Singapore, 26 January 2018** – Parkway Trust Management Limited (the “Manager”), as manager of **Parkway Life Real Estate Investment Trust** (“PLife REIT” or the “Group”), one of Asia’s largest listed healthcare REITs, today announced a Distribution per Unit (“DPU”) of 3.38 Singapore cents and 13.35 Singapore Cents for the fourth quarter (“4Q 2017”) and full

<sup>1</sup> In relation to the divestment of four Japan properties as announced on 22 December 2016. Divestment gains (after tax) of S\$5,390,000 (0.89 cents) has been fully distributed to Unitholders over four quarters in FY2017.

<sup>2</sup> Net of amount retained for capital expenditure of S\$0.75 million per quarter.

<sup>3</sup> In computing the Distribution per Unit, the number of units in issue as at the end of each period is used.

year ended 31 December 2017 (“FY2017”) respectively. Excluding the one-off distribution of divestment gains<sup>1</sup>, DPU from recurring operations increased steadily by 3.3% year-on-year (“Y-O-Y”) for 4Q 2017 and 2.8% Y-O-Y for FY2017.

Gross revenue in 4Q 2017 and FY2017 declined by 0.7% and 0.2% respectively as a result of the depreciation of the Japanese Yen (“JPY”), which offset against the increase in gross revenue from the properties acquired in 1Q 2017 and the upward rent revision of 1.27%<sup>4</sup> for Singapore hospitals.

For the period under review, net property income in 4Q 2017 and FY2017 increased by 0.7% and 0.2% respectively as property expenses for the Group were lower due to the absence of one-off marketing commission paid to the Manager.

The proactive capital and financial management strategy continues to yield significant finance cost savings for the Group. For 4Q 2017 and FY2017, in spite of the enlarged portfolio of PLife REIT, finance costs<sup>5</sup> decreased by 21.7% and 19.8% respectively, arising from the refinancing initiatives completed in 2016 and 1Q 2017.

With the net income hedges put in place for PLife REIT’s Japan portfolio continuing as an effective shield against the JPY currency fluctuations, the Group registered a realised foreign exchange gain amounting to S\$0.6 million from the delivery of JPY forward contracts during the year.

Additionally, independent valuations were performed for all properties in the portfolio as at 31 December 2017. For FY2017, PLife REIT registered a portfolio revaluation gain of S\$26.0 million and its total portfolio size stands at approximately S\$1.7 billion as at 31 December 2017.

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<sup>4</sup> In 11<sup>th</sup> year of lease commencing 23 August 2017 to 22 August 2018

<sup>5</sup> Finance costs largely consist of interest expense on loans, settlement on interest rate swaps that provide fixed rate funding on loans and amortisation of transaction costs of establishing debt facilities.

## **Strengthened Capital Structure with 2<sup>nd</sup> issuance of JPY-denominated Fixed Rate Notes**

In 4Q 2017, PLife REIT successfully issued a 5.5-year JPY5.0 billion (approx. S\$60.0 million<sup>6</sup>) senior unsecured fixed rate notes due 2023 (the “Notes Issue”), building on its diversified funding sources. Fully subscribed by Japanese institutional investors, the Notes Issue at a competitive fixed rate of 0.57% per annum further reduced the Group’s effective all-in cost of debt from 1.1%<sup>7</sup> to 1.0%, with gearing remaining optimal at 36.4%. The proceeds from the Notes Issue has been fully used to refinance approximately 32% of PLife REIT’s loans due in 2019.

### **Outlook**

Commenting on the performance of 2017, Mr. Yong Yean Chau, Chief Executive Officer of the Manager said: “Building on our strategies and network developed in the last 10 years, we are pleased to deliver another sound set of results for Unitholders in 2017. In 1Q 2017, we completed our 2<sup>nd</sup> Strategic Japan Asset Recycling Exercise and successfully rebalanced our Japan portfolio with the acquisition of five better quality Japan properties. Maintaining a strong focus in cultivating good Landlord-Lessee relationships, three more asset enhancement initiatives were rolled out for our Japan portfolio in 2017, bringing the total to twelve to-date.

Throughout the year, proactive financial and capital management continues to work in unison to enhance the stability of distributions to Unitholders. We enter our second decade with confidence, with a healthy level of gearing and a lowered effective all-in cost of debt. With no refinancing need till 2019, the weighted average debt to maturity had been lengthened to 3.1 years from 2.9 years<sup>7</sup>, with a well staggered debt maturity profile. Our interest cover ratio stands healthy at 11.3 times with interest rate exposure largely hedged and the JPY net income fully hedged till 1Q 2022.

Moving into the new financial year, our sound fundamentals continue to serve as the bulwark as we stay watchful for growth opportunities for PLife REIT.”

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<sup>6</sup> At an exchange rate of S\$1.00 = JPY83.26, as per announcement on 6 December 2017

<sup>7</sup> As at 30 September 2017

## About Parkway Life REIT

Parkway Life Real Estate Investment Trust (“PLife REIT”) is one of Asia’s largest listed healthcare REITs by asset size. It invests in income-producing real estate and real estate-related assets that are used primarily for healthcare and healthcare-related purposes (including but are not limited to, hospitals, healthcare facilities and real estate and/or real estate assets used in connection with healthcare research, education, and the manufacture or storage of drugs, medicine and other healthcare goods and devices).

PLife REIT owns a well-diversified portfolio of 49 properties with a total portfolio size of approximately S\$1.7 billion as at 31 December 2017. It owns the largest portfolio of strategically-located private hospitals in Singapore comprising Mount Elizabeth Hospital, Gleneagles Hospital and Parkway East Hospital. In addition, it has 45 assets located in Japan, including one pharmaceutical product distributing and manufacturing facility in Chiba Prefecture as well as 44 high quality nursing home and care facility properties in various prefectures of Japan. It also owns strata-titled units/lots at Gleneagles Intan Medical Centre Kuala Lumpur in Malaysia.

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### **Important Notice**

This press release is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for units in Parkway Life Real Estate Investment Trust (“PLife REIT” and the units in PLife REIT, the “Units”).

The value of the Units and the income derived from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by, Parkway Trust Management Limited, as Manager of PLife REIT, or any of its affiliates. Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders of PLife REIT may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (the “SGX-ST”). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units. The past performance of PLife REIT or the Manager is not necessarily indicative of the future performance of PLife REIT or the Manager. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.