

# FINANCIAL REVIEW

## CONSOLIDATED STATEMENT OF NET INCOME AND DISTRIBUTION

For the financial period ended 31 December 2022

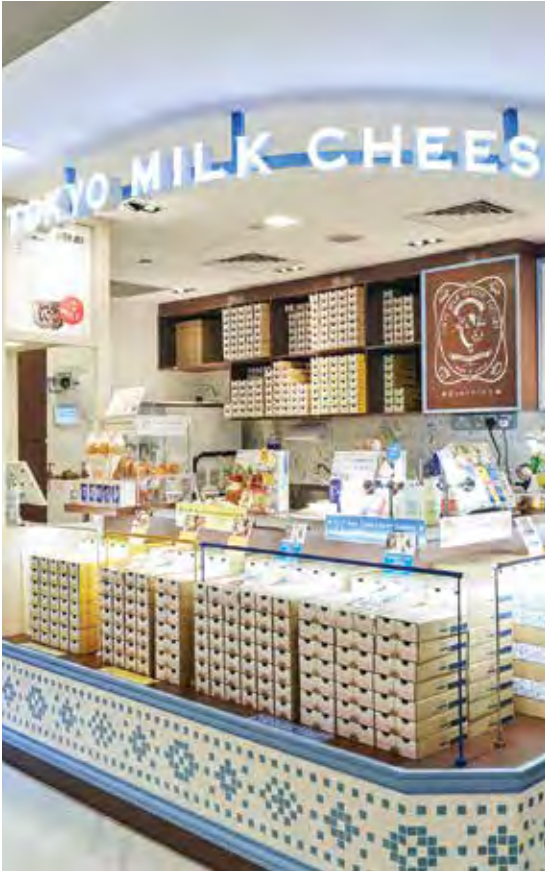
	16M FY2022 S\$'000	FY2021 S\$'000	Change %
Gross revenue <sup>1</sup>	376,411	277,179	35.8
Property operating expenses	(96,482)	(74,552)	29.4
<b>Net property income</b>	<b>279,929</b>	<b>202,627</b>	<b>38.1</b>
Manager's management fees	(27,971)	(20,434)	36.9
Investment management fees	(3,885)	(2,950)	31.7
Trust expenses <sup>2</sup>	(3,684)	(1,995)	84.7
Impairment loss on trade receivables <sup>3</sup>	(732)	(2,823)	(74.1)
Finance income	1,181	200	NM
Finance costs <sup>4</sup>	(35,562)	(23,994)	48.2
Grant income <sup>5</sup>	–	2,903	NM
Grant expense <sup>5</sup>	–	(2,903)	NM
<b>Net income</b>	<b>209,276</b>	<b>150,631</b>	<b>38.9</b>
Fair value change on investment properties <sup>6</sup>	33,780	3,421	NM
Net foreign currency exchange differences <sup>7</sup>	4,131	(567)	NM
<b>Total return before taxes and distribution</b>	<b>247,187</b>	<b>153,485</b>	<b>61.0</b>
Less: income tax <sup>8</sup>	(3,688)	(1,397)	NM
<b>Total return after taxes and before distribution</b>	<b>243,499</b>	<b>152,088</b>	<b>60.1</b>

NM Not Meaningful

During the financial period, PARAGON REIT changed its financial year end from 31 August to 31 December and accordingly, the financial statements for the current period cover a period of 16 months from 1 September 2021 to 31 December 2022 ("16M FY2022"). The prior financial period relates to the 12 months from 1 September 2020 to 31 August 2021 ("FY2021"). Therefore, the figures are not entirely comparable.

Notes:

- The gross revenue includes rental waivers and reliefs granted by landlord to eligible tenants in Singapore affected by COVID-19. Included rental assistance of approximately S\$3.6 million (FY2021: S\$10.0 million) for eligible tenants to cushion the impact of the COVID-19 pandemic for the period ended 31 December 2022.
- 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. This also includes additional legal & others professional fees arising from the chain offer incurred in 16M FY2022.
- The impairment loss on trade receivables comprises of the allowance for rental arrears and reliefs for Singapore and Australia properties.
- Finance costs was higher compared to the corresponding period mainly due to higher interest rates.  
The average cost of debt for the Group was 2.05% for 16M FY2022 (FY2021: 1.84%) per annum.
- Grant income in prior year 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 FY2021.
- This relates to the fair value change on the investment properties as at 31 December 2022, based on independent valuations conducted by Savills Valuation & Professional Services (S) Pte Ltd (FY2021: Savills Valuation & Professional Services (S) Pte Ltd) for investment properties in Singapore and, CBRE Valuations Pty Ltd (FY2021: CBRE Valuations Pty Ltd and Jones Lang LaSalle Advisory Services Pty Ltd) for investment properties in Australia.  
The Group recognised a fair value gain of S\$33.8 million in 16M FY2022. This comprises a fair value gain of S\$34.9 million contributed by the investment properties in Singapore offset by fair value loss of S\$1.1 million mainly due to capital expenditure written down from investment properties in Australia.
- The net foreign currency exchange differences relate mainly to unrealised foreign exchange gain from revaluation of the monetary assets and liabilities that were denominated in Australian dollars and realised gain from cross currency swap.
- This relates mainly to withholding tax payable for Australia.



	16M FY2022 S\$'000	FY2021 S\$'000	Change %
<b>Attributable to:</b>			
Unitholders	225,602	137,348	64.3
Perpetual securities holders <sup>9</sup>	16,411	12,300	33.4
Non-controlling interests	1,486	2,440	(39.1)
<b>Total return for the period/year</b>	<b>243,499</b>	<b>152,088</b>	<b>60.1</b>

9 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.

# FINANCIAL REVIEW

## CONSOLIDATED STATEMENT OF NET INCOME AND DISTRIBUTION

For the financial period ended 31 December 2022

	16M FY2022 S\$'000	FY2021 S\$'000	Change %
<b>Total return for the period attributable to unitholders</b>	<b>225,602</b>	<b>137,348</b>	<b>64.3</b>
Add: Non-tax deductible items <sup>10</sup>	(15,418)	14,306	NM
<b>Income available for distribution</b>	<b>210,184</b>	<b>151,654</b>	<b>38.6</b>
Add: Tax-exempt income <sup>11</sup>	–	6,149	NM
Distributable income to unitholders	<b>210,184</b>	157,803	33.2
<b>Distribution to unitholders<sup>12</sup></b>	<b>203,157</b>	<b>150,160</b>	<b>35.3</b>
<b>Distribution per unit (cents) (“DPU”)</b>	<b>7.24</b>	<b>5.40</b>	<b>34.1%</b>



NM Not Meaningful

Notes:

- 10 Non-tax deductible items 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 and net income from subsidiaries.
- 11 This relates to the distribution of tax-exempt income from Australia subsidiaries.
- 12 Approximately S\$14.5 million of the income available for distribution for the financial year ended 31 August 2020 has been deferred, as allowed under the COVID-19 relief measures announced by IRAS. The amount was distributed in financial year ended 31 August 2021

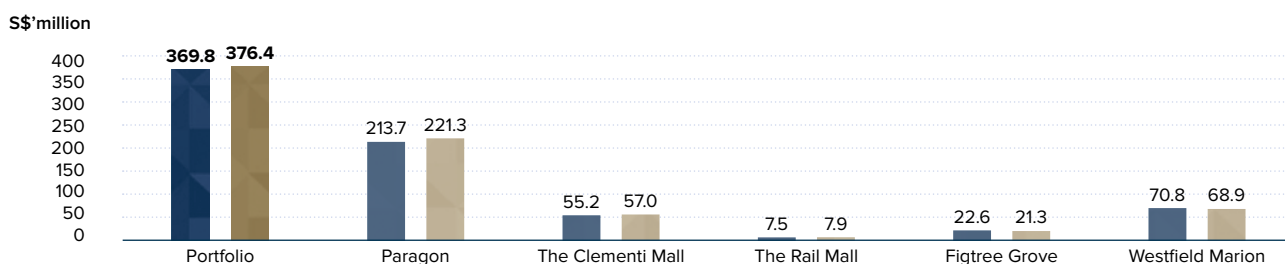


## 16M PERIOD ENDED DEC 2022 (16M FY2022) VS 16M PERIOD ENDED DEC 2021 (CP2021)

### GROSS REVENUE

16M FY2022 gross revenue was S\$376.4 million, an increase of S\$6.6 million (1.8%) from CP2021. The increase was attributable to the stronger performance of the Singapore properties.

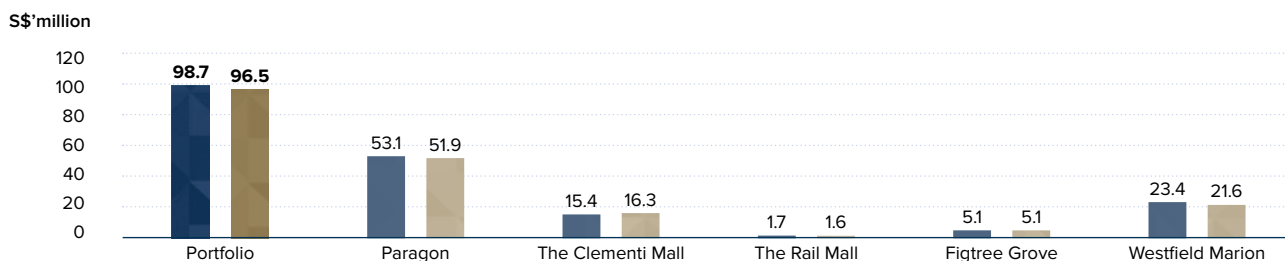
#### GROSS REVENUE 16M FY2022 vs CP2021



### PROPERTY OPERATING EXPENSES

16M FY2022 property operating expenses were S\$96.5 million, a decrease of S\$2.2 million (2.3%) from CP2021.

#### PROPERTY OPERATING EXPENSES 16M FY2022 vs CP2021

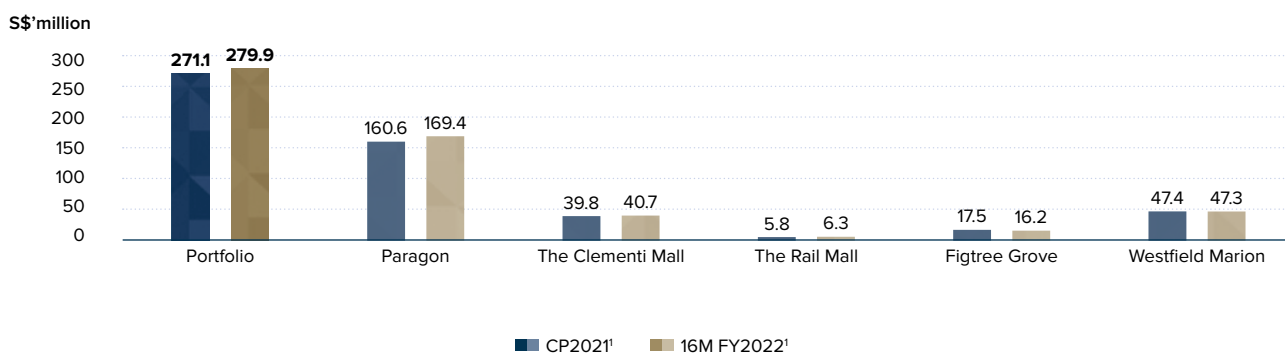


### NET PROPERTY INCOME

16M FY2022 net property income ("NPI") was S\$279.9 million, an increase of S\$8.8 million (3.3%) from CP2021.

NPI margin for 16M FY2022 was 74% (CP2021: 73%).

#### NET PROPERTY INCOME 16M FY2022 vs CP2021



Note:

1 As FY2022 comprised a period of 16 months, comparative figures are for the corresponding 16-month period ended 31 December 2021 ("CP2021").

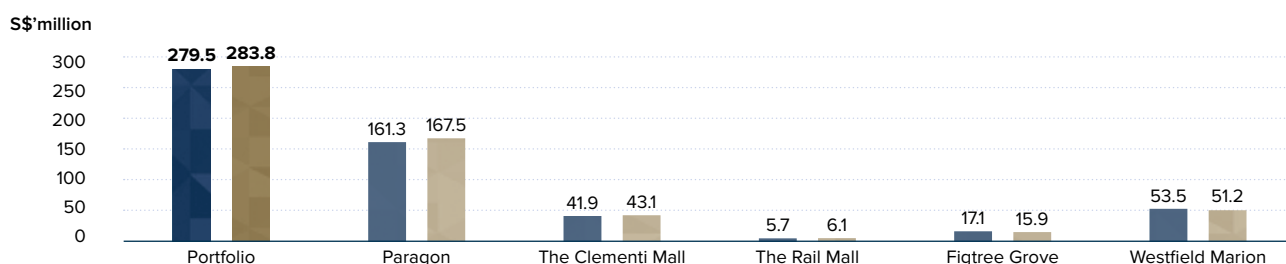
# FINANCIAL REVIEW

## 12M ENDED DEC 2022 (CY2022) VS 12M ENDED DEC 2021 (CY2021)

### GROSS REVENUE

CY2022 gross revenue was S\$283.8 million, an increase of S\$4.3 million (1.5%) from CY2021. The increase was mainly from lower rent relief in CY2022 period due to the stabilisation of COVID-19 situation and improved tenant sales performance.

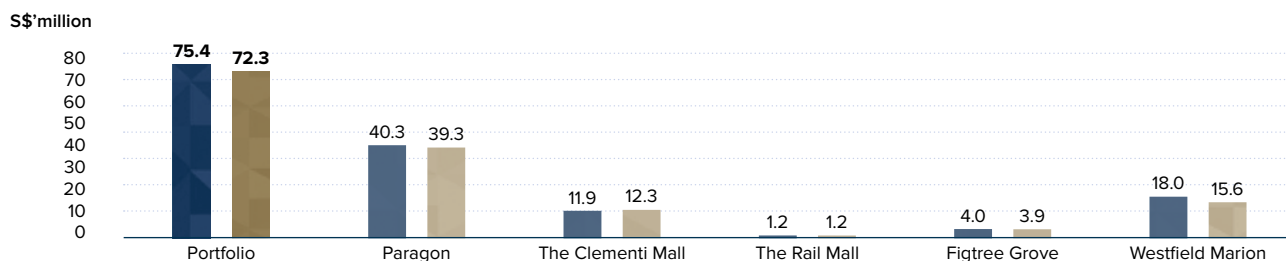
### GROSS REVENUE CY2022 vs CY2021



### PROPERTY OPERATING EXPENSES

CY2022 property operating expenses were S\$72.3 million, a decrease of S\$3.1 million (4.1%) from CY2021.

### PROPERTY OPERATING EXPENSES CY2022 vs CY2021

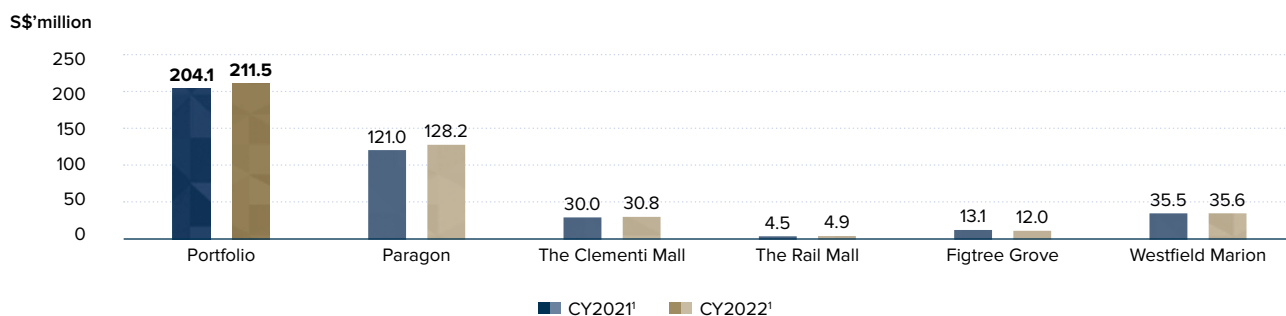


### NET PROPERTY INCOME

CY2022 NPI was S\$211.5 million, an increase of S\$7.4 million (3.6%) from CY2021.

NPI margin for CY2022 was 75% (CY2021: 73%).

### NET PROPERTY INCOME CY2022 vs CY2021



Note:

As FY2022 comprised a period of 16 months, the following comparative figures are presented:

1 Audited 12-month period ended 31 December 2022 ("CY2022") and unaudited 12-month period ended 31 December 2021 ("CY2021")

### DISTRIBUTABLE INCOME TO UNITHOLDERS

Finance costs amounted to S\$35.6 million for 16M FY2022. Higher interest rates led to higher finance costs. The average cost of debt for 16M FY2022 was 2.05% p.a. (FY2021: 1.84% p.a.).

Total return of S\$243.5 million for 16M FY2022 includes the fair value gain on investment properties of S\$33.8 million. Investment properties recorded a fair value gain

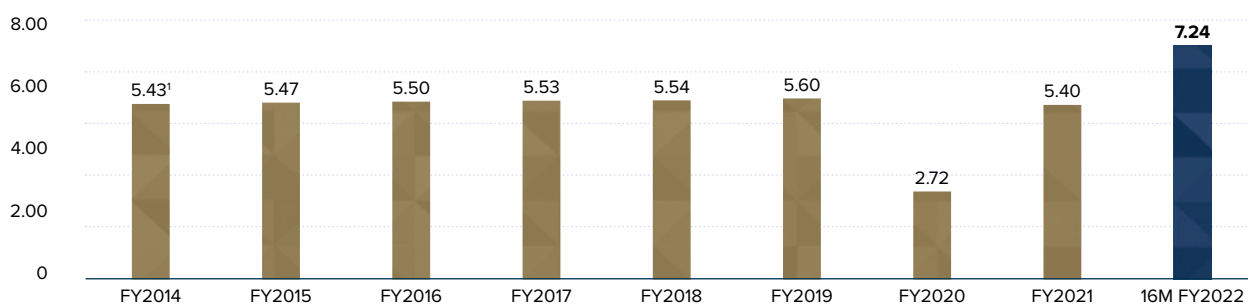
of S\$34.9 million for Singapore and this was offset by a S\$1.1 million loss mainly due to capital expenditure written down from investment properties in Australia. The fair value gain/loss has no impact on the income available for distribution.

Distributable income to unitholders for 16M FY2022 was S\$210.2 million, an increase of S\$52.4 million (33.2%) compared to FY2021.

### DISTRIBUTION

Financial Period	16M FY2022 (cents)	FY2021 (cents)	Change (%)
1Q	1.24	1.20	3.3
2Q	1.44	1.24	16.1
3Q	1.45	1.38	5.1
4Q	1.39	1.58	-12.0
4 months ended December 2022	1.72	–	NM
<b>Total</b>	<b>7.24</b>	<b>5.40</b>	<b>34.1</b>

Cents



The aggregate distribution per unit (“DPU”) of 7.24 cents for 16M FY2022 was 34.1% higher than FY2021, with additional DPU payout of 1.72 cents per unit for the 4 months period covering 1 September 2022 to

31 December 2022. This translated to a distribution yield of 6.03%, based on the closing price of S\$0.90 as at 30 December 2022.

Note:

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

# FINANCIAL REVIEW

## VALUATION OF PROPERTIES

As at 31 December 2022, the portfolio was valued at S\$4.112 billion.

The valuations were performed by Savills Valuation And Professional Services (S) Pte Ltd for investment

properties in Singapore and CBRE Valuations Pty Ltd for investment properties in Australia.

Net asset value per unit as at 31 December 2022 remained at S\$0.91.

Property	Valuation (S\$ million)			Capitalisation Rate (%)	
	31 Dec 2022	31 Aug 2021	Change	31 Dec 2022	31 Aug 2021
Paragon	2,679.0	2,640.0	1.5%	Retail: 4.50% Medical suite/ office: 3.75%	Retail: 4.50% Medical suite/ office: 3.75%
The Clementi Mall	597.5	594.0	0.6%	4.50%	4.50%
The Rail Mall	62.2	62.2	–	6.00%	6.00%
Westfield Marion	589.1 A\$645.0	630.1 A\$640.5	(6.5%) 0.7%	5.50%	5.50%
Figtree Grove	184.5 A\$202.0	196.7 A\$200.0	(6.2%) 1.0%	6.00%	6.00%
<b>PARAGON REIT Portfolio</b>	<b>4,112.3</b>	<b>4,123.0</b>	<b>(0.3%)</b>		

## CASH FLOWS AND LIQUIDITY

As at 31 December 2022, PARAGON REIT's cash and cash equivalents amounted to S\$125.6 million.

Net cash generated from operating activities for 16-month financial period ended 31 December 2022

was S\$276.0 million. Net cash used in investing activities was S\$13.4 million, mainly for the asset enhancement project and upgrading of equipment. Net cash used in financing activities was S\$246.4 million, mainly for distribution to unitholders and interest settlements.



## CAPITAL MANAGEMENT

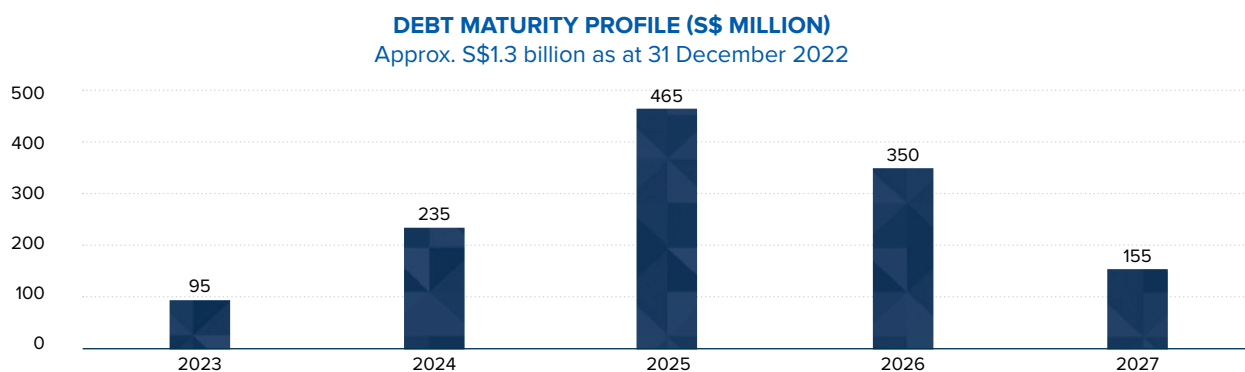
PARAGON REIT and its subsidiaries (the “Group”) have secured term loans amounting to S\$1.3 billion.

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 2.8 years and gearing remained low at 29.8%. The average cost of debt was 2.05% p.a. for the financial period ended 31 December 2022.



Key Indicators as at	31 Dec 2022	31 Aug 2021
Gearing ratio	29.8%	30.3%
Interest coverage ratio	6.8 times	7.3 times
Adjusted interest coverage ratio	4.7 times	4.8 times
Weighted average term to maturity	2.8 years	2.9 years
Percentage of Fixed loan	84%	76%
Annualised average all-in interest rate	2.05%	1.84%
Derivative financial instrument <sup>1</sup> as % of NAV	0.33%	0.15%

Note:

- 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.