

FINANCIAL REVIEW

CONSOLIDATED STATEMENT OF NET INCOME AND DISTRIBUTION

For the financial year ended 31 December 2023

	FY2023 S\$'000	16M FY2022 S\$'000	Change %
Gross revenue ¹	288,926	376,411	(23.2)
Property operating expenses	(73,857)	(96,482)	(23.4)
Net property income	215,069	279,929	(23.2)
Manager's management fees	(21,208)	(27,971)	(24.2)
Investment management fees	(2,777)	(3,885)	(28.5)
Trust expenses ²	(2,865)	(4,416)	(35.1)
Finance income	3,957	1,181	NM
Finance costs ³	(54,595)	(35,562)	53.5
Net income	137,581	209,276	(34.3)
Fair value change on investment properties ⁴	10,436	33,780	(69.1)
Net foreign currency exchange differences ⁵	(814)	4,131	NM
Total return before taxes and distribution	147,203	247,187	(40.4)
Less: income tax ⁶	(356)	(3,688)	(90.3)
Total return after taxes and before distribution	146,847	243,499	(39.7)
Attributable to:			
Unitholders	136,007	225,602	(39.7)
Perpetual securities holders ⁷	12,300	16,411	(25.1)
Non-controlling interests	(1,460)	1,486	NM
Total return for the year/period	146,847	243,499	(39.7)

NM Not Meaningful

In 2022, PARAGON REIT changed its financial year end from 31 August to 31 December and accordingly, the financial statements for the prior period covered 16 months from 1 September 2021 to 31 December 2022 ("16M FY2022"). The current financial year relates to the 12 months from 1 January 2023 to 31 December 2023 ("FY2023"). Therefore, the figures are not comparable.

Notes:

- The gross revenue in 16M FY2022 included rental assistance of approximately S\$3.6 million for eligible tenants to cushion the impact of the COVID-19 pandemic for the period.
- Trust expenses include recurring trust expenses such as valuation fees, audit and tax adviser's fees, legal & other professional fees and cost associated with the preparation of annual reports.
- Finance costs was higher compared to the corresponding period mainly due to higher interest rates.
The average cost of debt for the Group was 4.3% per annum for FY2023 (16M FY2022: 2.05%) per annum.
- Independent valuations for the investment properties as at 31 December 2023 were undertaken by Jones Lang LaSalle Property Consultants Pte Ltd (31 December 2022: Savills Valuation & Professional Services (S) Pte Ltd) for investment properties in Singapore and, CBRE Valuation Pty Limited ("CBRE") and Jones Lang LaSalle Advisory Services Pty Limited (31 December 2022: CBRE) for investment properties in Australia.
The Group recognised a fair value gain of S\$10.4 million in FY2023. This comprises a fair value gain of S\$54.7 million contributed by the investment properties in Singapore offset by fair value loss of S\$44.3 million mainly due to capitalisation rate expansion in Australia and depreciation of Australian Dollar against Singapore Dollar.
- The net foreign currency exchange differences arose mainly from revaluation of the monetary assets and liabilities that were denominated in Australian dollars. For 16M FY2022, there was also realised gain from cross currency swap settlement.
- This relates mainly to withholding tax payable for Australia. In FY2023, there was a S\$2.2 million reversal of deferred tax no longer required.
- 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.



	FY2023 S\$'000	16M FY2022 S\$'000	Change %
Total return for the period attributable to Unitholders	136,007	225,602	(39.7)
Add: Non-tax deductible items ⁸	(395)	(15,418)	NM
Income available for distribution	135,612	210,184	(35.5)
Distribution to Unitholders	142,180	203,157	(30.0)
Distribution per unit (cents) ("DPU")	5.02	7.24	(30.7)

NM Not Meaningful

Note:

- 8 Non-tax deductible items refer to fair value change on investment properties, the Manager's management fees paid/payable in units, trustee's fees, straight-line rental adjustments, amortisation of debt issuance costs, rollover adjustment, net income from subsidiaries, other expenses capital in nature and deferred tax expense.

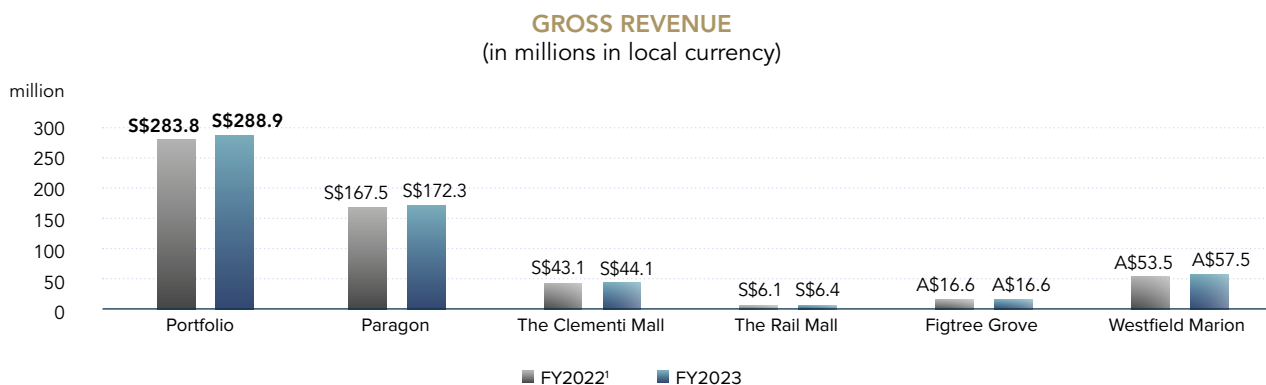
The rollover adjustment pertains to the tax deductibility of interest expenses in FY2022 (1 September 2021 to 31 December 2022) relating to the perpetual securities. The Manager has also assessed the deductibility of such interest expenses for FY2020 and FY2021. As at the balance sheet date, the Manager does not expect the tax impact (if any) for such years to be material and accordingly, no provision has been made.

FINANCIAL REVIEW

FY2023 VS 12M PERIOD ENDED 31 DECEMBER 2022 (FY2022)

GROSS REVENUE

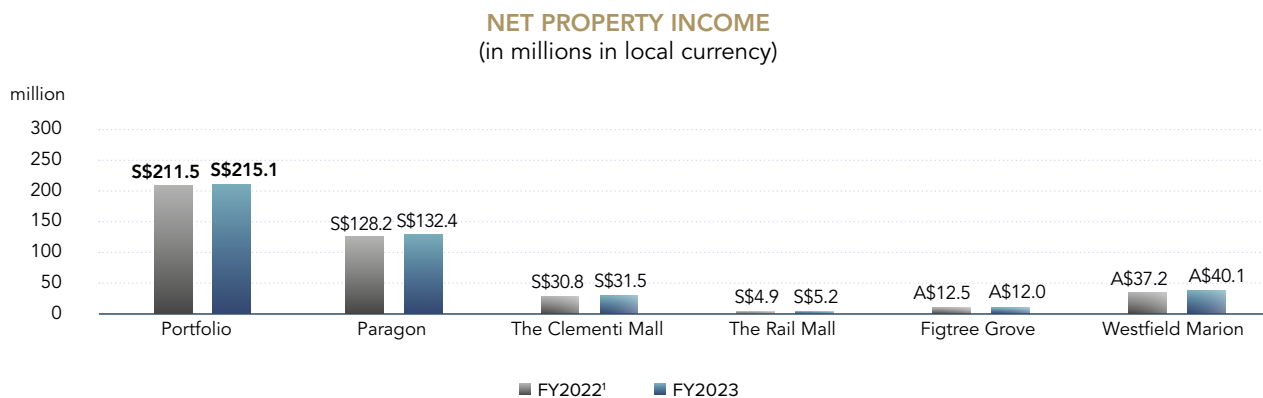
FY2023 gross revenue increased by S\$5.1 million (1.8%) to S\$288.9 million, the increase is attributable to the stronger performance of the Singapore Properties.



NET PROPERTY INCOME

FY2023 net property income ("NPI") increased by S\$3.6 million (1.7%) to S\$215.1 million.

NPI margin for FY2023 is 74.4% (FY2022: 74.5%).



Note:

¹ The financial year ended 31 December 2022 comprised a period of 16 months. For the purpose of like-for-like comparison, the corresponding 12-month period ended 31 December 2022 ("FY2022") has been presented.

DISTRIBUTABLE INCOME TO UNITHOLDERS

Finance costs increased to S\$54.6m for FY2023 due to the increase in the average cost of debt. The average cost of debt for the Group was 4.3% p.a (16M FY2022: 2.05% p.a).

Total return of S\$146.8 million for FY2023 includes the fair value gain on investment properties of S\$10.4 million. Investment properties recorded a fair value gain of S\$54.7 million for Singapore and this was offset by

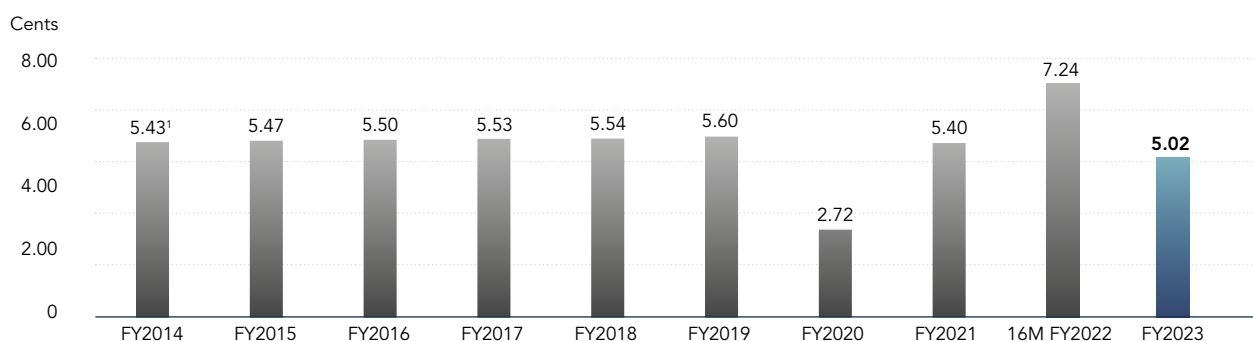
a S\$44.3 million loss mainly due to capitalisation rate expansion in Australia and depreciation of the Australian Dollar against the Singapore Dollar. The fair value gain/loss has no impact on the income available for distribution.

Distributable income to unitholders for FY2023 was S\$135.6 million, a decrease of S\$74.6 million (35.5%) compared to 16M FY2022.

DISTRIBUTION

Financial Period	FY2023 (cents)	Financial period	16M FY2022 (cents)
1H	2.42	1Q	1.24
		2Q	1.44
2H	2.60	3Q	1.45
		4Q	1.39
		4 months ended December 2022	1.72
Total	5.02		7.24

DPU TREND (in cents)



The aggregate distribution per unit ("DPU") of 5.02 cents for FY2023 was 9.1% lower than 5.52 cents for FY2022². Distribution yield is 5.67%, based on the closing price of S\$0.885 as at 29 December 2023.

Notes:

- Does not include the distribution of 0.56 cents from 24 July 2013 (listing date) to 31 August 2013.
- Distribution per unit (DPU) for FY2022 (1 January 2022 to 31 December 2022) of 5.52 cents is the pro-rated 2-months DPU from the 1 December 2021 to 28 February 2022 DPU and the DPU for the periods between 1 March 2022 and 31 December 2022.

FINANCIAL REVIEW

VALUATION OF PROPERTIES

As at 31 December 2023, the portfolio was valued at S\$4.1 billion.

The valuations were performed by Jones Lang LaSalle Property Consultants Pte Ltd for investment properties in Singapore and, CBRE Valuation Pty Limited and Jones Lang LaSalle Advisory Services Pty Limited for the properties in Australia.

Net asset per unit as at 31 December 2023 was S\$0.91.

Property	Valuation (S\$ million)			Capitalisation Rate (%)	
	31 Dec 2023	31 Dec 2022	Change	31 Dec 2023	31 Dec 2022
Paragon	2,730.0	2,679.0	1.9%	Retail: 4.50% Medical suite/ office: 3.75%	Retail: 4.50% Medical suite/ office: 3.75%
The Clementi Mall	609.0	597.5	1.9%	4.50%	4.50%
The Rail Mall	62.0	62.2	(0.3%)	6.00%	6.00%
Westfield Marion	552.2 A\$612.5	589.1 A\$645.0	(6.3%) (5.0%)	6.00%	5.50%
Figtree Grove	168.6 A\$187.0	184.5 A\$202.0	(8.6%) (7.4%)	6.50%	6.00%
PARAGON REIT Portfolio	4,121.8	4,112.3	0.2%		

CASH FLOWS AND LIQUIDITY

As at 31 December 2023, PARAGON REIT's cash and cash equivalents amounted to S\$134.5 million.

Net cash generated from operating activities for financial period ended 31 December 2023 was S\$192.2 million. Net cash used in investing activities was S\$2.9 million, mainly for the asset enhancement projects and upgrading of equipment. Net cash used in financing activities was S\$180.8 million, mainly for distribution to unitholders and interest settlements.



CAPITAL MANAGEMENT

PARAGON REIT and its subsidiaries (the "Group") have term loans amounted to S\$1.3 billion. The term loans are secured by the following:

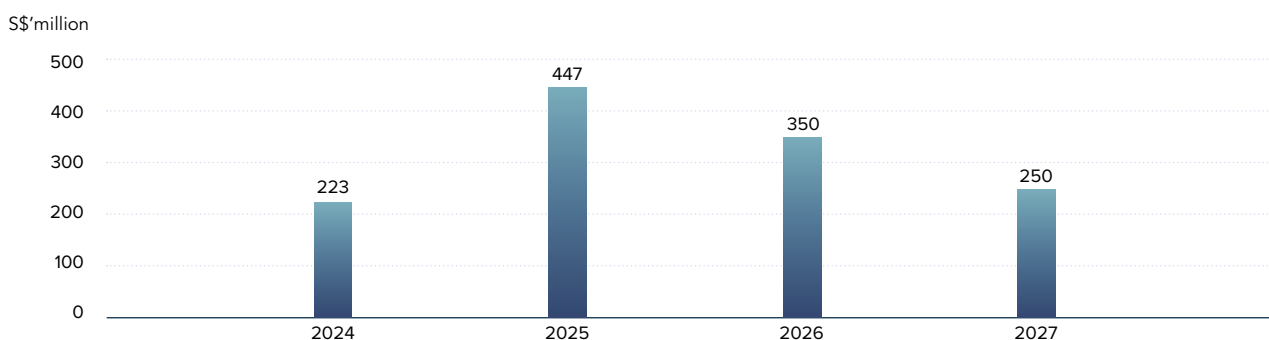
- Sustainability-linked term loan of S\$995 million secured by way of a first legal mortgage on Paragon, first legal charge over the tenancy account and sales proceeds account for Paragon, and an assignment of certain insurances taken in relation to Paragon;

- 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 2.1 years and gearing remained low at 29.6%.

DEBT MATURITY PROFILE

S\$1.3 billion as at 31 December 2023



Key Indicators as at	31 Dec 2023	31 Dec 2022
Gearing ratio	29.6%	29.8%
Interest coverage ratio	3.5 times	6.8 times
Adjusted interest coverage ratio (includes perpetual securities)	2.9 times	4.7 times
Weighted average term to maturity	2.1 years	2.8 years
Percentage of fixed loan	85%	84%
Annualised average all-in interest rate	4.3%	2.1%
Derivative financial instrument ¹ as % of NAV	0.0%	0.3%

Note:

- ¹ The derivative financial instruments refer to the fair value of interest rate swaps, cross currency interest rate swaps and cross currency swaps contracts as at balance sheet date.