

Prime US REIT and its subsidiaries
(Constituted under a trust deed dated 7 September 2018
in the Republic of Singapore)

Condensed Consolidated Financial Statements
For the six months and full year ended 31 December 2022

Prime US REIT and its subsidiaries

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Prime US REIT and its subsidiaries

Introduction

For the 6 months and full year ended 31 December 2022

Overview

Prime US REIT (“PRIME” or the “Group”) is a Singapore real estate investment trust constituted by the Trust Deed dated 7 September 2018 (as amended) between Prime US REIT Management Pte. Ltd. (formerly known as KBS US Prime Property Management Pte. Ltd.), as the Manager of PRIME (the “Manager”) and DBS Trustee Limited, as the Trustee of PRIME (the “Trustee”).

PRIME was listed on the Main Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 19 July 2019 (the “Listing Date”). PRIME’s principal investment strategy is to invest, directly or indirectly, in stabilised income-producing office assets and real estate related assets, in the United States of America (“U.S.”). PRIME’s key objectives are to provide Unitholders with regular and stable distributions and to achieve long-term growth in Distribution Per Unit (“DPU”) and net asset value (“NAV”) per Unit, while maintaining an appropriate capital structure.

As at 31 December 2022, the portfolio of PRIME comprises of 14 office properties (“the Properties”) in the U.S. with an aggregate NLA of 4.4 million sq. ft with approximately US\$1.5 billion in value, as follows:

1. Tower I at Emeryville
2. 222 Main
3. Village Center Station I
4. Village Center Station II
5. 101 South Hanley
6. Tower 909
7. Promenade I & II
8. CrossPoint
9. One Washingtonian Center
10. Reston Square
11. 171 17th Street
12. Park Tower
13. One Town Center (as announced on 21 July 2021, the Group completed the acquisition of One Town Center located at Boca Raton, Florida)
14. Sorrento Towers (as announced on 23 July 2021, the Group completed the acquisition of Sorrento Towers located at 5355 & 5375 Mira Sorrento Place, San Diego)

Summary of Results

	Group					
	1 Jul 2022 to 31 Dec 2022	1 Jul 2021 to 31 Dec 2021		1 Jan 2022 to 31 Dec 2022	1 Jan 2021 to 31 Dec 2021	
	Actual	Actual	+/(-) %	Actual	Actual	+/(-) %
Gross Revenue (US\$'000)	81,208	84,672	(4.1)	163,012	156,741	4.0
Net Property Income (US\$'000) ⁽¹⁾	47,114	54,358	(13.3)	97,934	100,698	(2.7)
Income available for distribution to Unitholders (US\$'000)	35,823	40,176	(10.8)	77,150	75,601	2.0
Available DPU (US cents)	3.03	3.45	(12.2)	6.55	6.78	(3.4)

⁽¹⁾ Net property income (NPI) includes non-cash straight-line rent, amortisation of leasing commission and non-recurring termination income, where applicable. Excluding these and including adjustments relating to amortisation of termination income and free rent credits given by sellers from acquisitions, NPI would have been US\$100.4 million for FY2022 (FY2021: US\$94.3 million) and US\$48.0 million for 2H2022 (2H2021: US\$50.3 million).

Prime US REIT and its subsidiaries

Condensed Statements of Financial Position
As at 31 December 2022

	Group			Trust			
	Note	31 December 2022 US\$'000	31 December 2021 US\$'000	+/- %	31 December 2022 US\$'000	31 December 2021 US\$'000	+/- %
Current assets							
Cash and cash equivalents		11,581	13,873	(16.5) (i)	2,127	1,571	35.4
Trade and other receivables		3,859	2,997	28.8 (ii)	101	563	(82.1)
Prepaid expenses		1,462	1,482	(1.3)	78	1	N.M.
		16,902	18,352	(7.9)	2,306	2,135	8.0
Non-current assets							
Investment properties	5	1,542,200	1,653,000	(6.7)	–	–	N.M.
Derivative assets		29,954	1,580	N.M. (iii)	–	–	N.M.
Investment in subsidiaries		–	–	N.M.	892,217	961,368	(7.2)
		1,572,154	1,654,580	(5.0)	892,217	961,368	(7.2)
Total assets		1,589,056	1,672,932	(5.0)	894,523	963,503	(7.2)
Current liabilities							
Trade and other payables		18,126	15,903	14.0 (iv)	904	868	4.1
Amounts due to related parties		361	361	–	361	361	–
Rental security deposits		482	892	(46.0) (v)	–	–	N.M.
Rent received in advance		6,777	9,329	(27.4) (vi)	–	–	N.M.
		25,746	26,485	(2.8) (vii)	1,265	1,229	2.9

N.M.: not meaningful

Prime US REIT and its subsidiaries

Condensed Statements of Financial Position
As at 31 December 2022

	Note	Group			Trust		
		31 December 2022 US\$'000	31 December 2021 US\$'000	+/- %	31 December 2022 US\$'000	31 December 2021 US\$'000	+/- %
Non-current liabilities							
Loans and borrowings	6	665,572	628,973	5.8	–	–	N.M.
Rental security deposits		3,820	3,428	11.4 (viii)	–	–	N.M.
Derivative liabilities		–	8,908	(100.0) (ix)	–	–	N.M.
Preferred shares		125	125	–	–	–	N.M.
Deferred tax liabilities	7	–	13,929	(100.0) (x)	–	–	N.M.
		669,517	655,363	2.2	–	–	N.M.
Total liabilities		695,263	681,848	2.0	1,265	1,229	2.9
Net assets attributable to Unitholders		893,793	991,084	(9.8)	893,258	962,274	(7.2)
Represented by:							
Unitholders' funds		893,793	991,084	(9.8)	893,258	962,274	(7.2)
Units in issue and to be issued ('000)	8	1,186,252	1,170,191	1.4	1,186,252	1,170,191	1.4
Net asset value per Unit (US\$) attributable to Unitholders	9	0.75	0.85	(11.8)	0.75	0.82	(8.5)

N.M.: not meaningful

Prime US REIT and its subsidiaries

Condensed Statements of Financial Position As at 31 December 2022

Explanatory Notes

- (i) Cash and cash equivalents – Decrease due to the timing of payments or cash receipts. For detailed movement, refer to Condensed Consolidated Statement of Cash Flows.
- (ii) Trade and other receivables – Increase primarily due to difference in timing of receipts.
- (iii) Derivative assets – Increase due to a mark to market gain on interest rate swaps. This is primarily due to the increase in projected interest rates as at 31 December 2022 compared to projected interest rates as at 31 December 2021, resulting in a gain from the mark-to-market of these swaps. Correspondingly, derivative liabilities have been reversed during the year.
- (iv) Trade and other payables – Increase primarily due to difference in timing of payments.
- (v) Rental security deposits (current) – Decrease due to expiry of leases with lease expiry of less than 12 months.
- (vi) Rent received in advance – Decrease largely due to timing difference of advance receipts.
- (vii) Current liabilities – Notwithstanding the net current liability position, based on the Group's existing financial resources, the Group believes that it will be able to refinance its borrowings and meet its current obligations as and when they fall due.
- (viii) Rental security deposits (non-current) – Increase mainly due to new leases with lease expiry of more than 12 months.
- (ix) Derivative liabilities – Please see (iii).
- (x) Deferred tax liabilities – Decrease due to a market value loss on real estate. Deferred tax liabilities have been fully reversed.

The accompanying notes form an integral part of the condensed consolidated financial statements.

Prime US REIT and its subsidiaries

**Condensed Consolidated Statement of Comprehensive Income
For the 6 months and full year ended 31 December 2022**

Note	Group						
	1 Jul 2022 to 31 Dec 2022	1 Jul 2021 to 31 Dec 2021	1 Jan 2022 to 31 Dec 2022		1 Jan 2021 to 31 Dec 2021		
	US\$'000	US\$'000	+/(-) %	US\$'000	US\$'000	+/(-) %	
Gross revenue	10	81,208	84,672	(4.1)	163,012	156,741	4.0
Property operating expenses	11	(34,094)	(30,314)	12.5	(65,078)	(56,043)	16.1 (i)
Net property income		47,114	54,358	(13.3)	97,934	100,698	(2.7)
Manager's base fee		(3,655)	(4,099)	(10.8)	(7,872)	(7,714)	2.0
Trustee's fee		(108)	(105)	2.9	(208)	(193)	7.8
Other trust expenses	13	(1,405)	(1,025)	37.1	(2,612)	(1,860)	40.4 (ii)
Net change in fair value of derivatives		10,842	7,637	42.0	37,282	16,147	130.9 (iii)
Finance expenses	12	(11,509)	(9,451)	21.8	(21,613)	(16,986)	27.2 (iv)
Finance income		13	4	N.M.	14	4	N.M.
Net income before tax and fair value change in investment properties		41,292	47,319	(12.7)	102,925	90,096	14.2
Net fair value change in investment properties		(143,732)	(17,199)	N.M.	(143,732)	(17,199)	N.M. (v)
Net (loss)/income before tax		(102,440)	30,120	N.M.	(40,807)	72,897	(156.0)
Tax credit/(expense)	14	18,339	(784)	N.M.	13,890	(4,709)	N.M. (vi)
Net (loss)/income for the period attributable to Unitholders		(84,101)	29,336	N.M.	(26,917)	68,188	(139.5)
Earnings per Unit (US cents)							
Basic and diluted	15	(7.13)	2.52	N.M.	(2.29)	6.13	(137.4)
Net (loss)/income attributable to Unitholders		(84,101)	29,336	N.M.	(26,917)	68,188	(139.5)
Distribution adjustments		119,924	10,840	N.M.	104,067	7,413	N.M.
Income available for distribution to Unitholders		35,823	40,176	(10.8)	77,150	75,601	2.0

Explanatory Notes

- (i) Property operating expenses – Higher due to the acquisition One Town Center and Sorrento Towers in July 2021 and increase in physical occupancy
- (ii) Other trust expenses – Higher due to dead deal costs in relation to properties not acquired and legal costs in relation to refinancing arrangements put on hold. These are added back as distribution adjustments and do not impact distributable income.
- (iii) Net change in fair value of derivatives – Higher due to increase in projected interest rates as at 31 December 2022 compared to projected interest rates as at 31 December 2021, resulting in a gain from the mark-to-market of interest rate swaps
- (iv) Finance expenses – Higher due to increase in interest rates and incremental drawdowns on debt facilities for acquisitions in July 2021 and subsequently for capital expenditures
- (v) Net fair value change in investment properties – PRIME obtains independent appraisals on an annual basis and according to the latest appraisals as at 31 December 2022, there is a net decrease in appraised fair value of investment properties.
- (vi) Tax credit/(expense) – Lower due to full reversal of deferred tax liabilities as a result of market value loss on real estate.

The accompanying notes form an integral part of the condensed consolidated financial statements.

Prime US REIT and its subsidiaries

Distribution Statement

For the 6 months and full year ended 31 December 2022

	Group			
	1 Jul 2022 to 31 Dec 2022	1 Jul 2021 to 31 Dec 2021	1 Jan 2022 to 31 Dec 2022	1 Jan 2021 to 31 Dec 2021
	US\$'000	US\$'000	US\$'000	US\$'000
Income available for distribution to Unitholders at the beginning of period	41,423	35,498	39,348	36,250
Net (loss)/income for the period	(84,101)	29,336	(26,917)	68,188
Distribution adjustments (Note A)	119,924	10,840	104,067	7,413
Income available for distribution to Unitholders for the period	35,823	40,176	77,150	75,601
<u>Distribution to Unitholders</u>				
- Distribution of US 3.42 cents per unit for the period from 1 July 2020 to 31 December 2020	-	-	-	(36,177)
- Distribution of US 3.42 cents per unit for the period from 1 January 2021 to 5 July 2021	-	(36,326)	-	(36,326)
- Distribution of US 3.36 cents per unit for the period from 6 July 2021 to 31 December 2021	-	-	(39,252)	-
- Distribution of US 3.42 cents per unit for the period from 1 January 2022 to 30 June 2022	(41,385)	-	(41,385)	-
Total Distribution to Unitholders	(41,385)	(36,326)	(80,637)	(72,503)
Income available for distribution to Unitholders at the end of the period	35,861	39,348	35,861	39,348

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**Distribution Statement (cont'd)
For the 6 months and full year ended 31 December 2022**

Note A - Distribution adjustments comprise:

	Group			
	1 Jul 2022 to 31 Dec 2022	1 Jul 2021 to 31 Dec 2021	1 Jan 2022 to 31 Dec 2022	1 Jan 2021 to 31 Dec 2021
	US\$'000	US\$'000	US\$'000	US\$'000
Property related non-cash items ⁽¹⁾	(830)	(1,666)	(2,139)	(3,524)
Manager's base fee paid/payable in Units	2,924	3,280	6,298	6,173
Trustee's fee	108	105	208	193
Amortisation of upfront debt-related transaction costs ⁽²⁾	811	972	1,824	1,552
Net change in fair value of derivatives	(10,842)	(7,637)	(37,282)	(16,147)
Net fair value change in investment properties	143,732	17,199	143,732	17,199
Deferred tax expense	(18,346)	771	(13,930)	4,670
Others ⁽³⁾	2,367	(2,184)	5,356	(2,703)
Distribution adjustments	119,924	10,840	104,067	7,413

The Distribution Statement presents the distributions made to Unitholders during the period/year and the income available for distribution to Unitholders at the end of the period/year.

⁽¹⁾ Mainly comprise straight-line rent adjustments and amortisation of lease incentives.

⁽²⁾ Upfront debt-related transaction cost are amortised over the life of the borrowings.

⁽³⁾ This includes free rent reimbursements, adjustments related to lease termination income and other adjustments. The free rent reimbursements were related to free rent periods granted to certain tenants at One Town Center and Sorrento Towers. As part of the acquisition of these properties, the sellers reimbursed the Group for free rent under existing lease arrangements and free rent reimbursements are applied towards distributable income during these free rent periods.

The accompanying notes form an integral part of the condensed consolidated financial statements.

Prime US REIT and its subsidiaries

Condensed Statements of Changes in Unitholders' Funds
For the 6 months and full year ended 31 December 2022

	Attributable to Unitholders		
	Units in issue and to be issued US\$'000	Retained earnings US\$'000	Total US\$'000
Group			
At 1 January 2022	955,481	35,603	991,084
Net income for the period	–	57,184	57,184
Net increase in net assets resulting from operations	955,481	92,787	1,048,268
Unitholders' transactions			
Issue of new units for Distribution Reinvestment Plan ⁽¹⁾	2,472	–	2,472
Manager's base fee paid/payable in Units	3,374	–	3,374
Distribution to Unitholders	(15,070)	(24,182)	(39,252)
Net decrease in net assets resulting from Unitholders' transactions	(9,224)	(24,182)	(33,406)
At 30 June 2022	946,257	68,605	1,014,862
Net loss for the period	–	(84,101)	(84,101)
Unitholders' transactions			
Issue costs	181	–	181
Issue of new units for Distribution Reinvestment Plan ⁽²⁾	1,312	–	1,312
Manager's base fee paid and payable in Units	2,924	–	2,924
Distribution to Unitholders	(17,871)	(23,514)	(41,385)
Net decrease in net assets resulting from Unitholders' transactions	(13,454)	(23,514)	(36,968)
At 31 December 2022	932,803	(39,010)	893,793

⁽¹⁾ 3,255,625 new Units were issued on 31 March 2022 at the issue price of US\$0.759 per Unit for the period from 6 July 2021 to 31 December 2021.

⁽²⁾ 1,975,982 new Units were issued on 22 August 2022 at the issue price of US\$0.664 per Unit for the period from 1 January 2022 to 30 June 2022.

Prime US REIT and its subsidiaries

Condensed Statements of Changes in Unitholders' Funds
For the 6 months and full year ended 31 December 2022

Group	Attributable to Unitholders		
	Units in issue and to be issued US\$'000	Retained earnings US\$'000	Total US\$'000
At 1 January 2021	891,622	16,170	907,792
Net income for the period	–	38,852	38,852
Net increase in net assets resulting from operations	891,622	55,022	946,644
Unitholders' transactions			
Manager's base fee paid/payable in Units	2,892	–	2,892
Distribution to Unitholders	(10,895)	(25,282)	(36,177)
Net decrease in net assets resulting from Unitholders' transactions	(8,003)	(25,282)	(33,285)
At 30 June 2021	883,619	29,740	913,359
Net income for the period	–	29,336	29,336
Unitholders' transactions			
Issue of new units for private placement ⁽¹⁾	80,000	–	80,000
Issue costs ⁽²⁾	(1,628)	–	(1,628)
Issue of new units for Distribution Reinvestment Plan ⁽³⁾	3,062	–	3,062
Manager's base fee paid and payable in Units	3,281	–	3,281
Distribution to Unitholders	(12,853)	(23,473)	(36,326)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	71,862	(23,473)	48,389
At 31 December 2021	955,481	35,603	991,084

⁽¹⁾ 98,766,000 Units were issued on 6 July 2021 for Private Placement to raise US\$80.0 million of proceeds for the acquisition of One Town Center and Sorrento Towers.

⁽²⁾ The issue costs relate mainly to the underwriting and professional fees for the Private Placement.

⁽³⁾ 3,679,911 new Units were issued on 20 August 2021 at the issue price of US\$0.832 per Unit for the cumulative distribution for the period from 1 January 2021 to 5 July 2021.

Prime US REIT and its subsidiaries

Condensed Statements of Changes in Unitholders' Funds
For the 6 months and full year ended 31 December 2022

	Attributable to Unitholders		
	Units in issue and to be issued US\$'000	Retained earnings US\$'000	Total US\$'000
Trust			
At 1 January 2022	955,481	6,793	962,274
Net income for the period	–	22,430	22,430
Net increase in net assets resulting from operations	955,481	29,223	984,704
Unitholders' transactions			
Issue of new units for Distribution Reinvestment Plan ⁽¹⁾	2,472	–	2,472
Manager's base fee paid/payable in Units	3,374	–	3,374
Distribution to Unitholders	(15,070)	(24,182)	(39,252)
Net decrease in net assets resulting from Unitholders' transactions	(9,224)	(24,182)	(33,406)
At 30 June 2022	946,257	5,041	951,298
Net loss for the period	–	(21,072)	(21,072)
Unitholders' transactions			
Issue costs	181	–	181
Issue of new units for Distribution Reinvestment Plan ⁽²⁾	1,312	–	1,312
Manager's base fee paid and payable in Units	2,924	–	2,924
Distribution to Unitholders	(17,871)	(23,514)	(41,385)
Net decrease in net assets resulting from Unitholders' transactions	(13,454)	(23,514)	(36,968)
At 31 December 2022	932,803	(39,545)	893,258

⁽¹⁾ 3,255,625 new Units were issued on 31 March 2022 at the issue price of US\$0.759 per Unit for the period from 6 July 2021 to 31 December 2021.

⁽²⁾ 1,975,982 new Units were issued on 22 August 2022 at the issue price of US\$0.664 per Unit for the period from 1 January 2022 to 30 June 2022.

Prime US REIT and its subsidiaries

Condensed Statements of Changes in Unitholders' Funds
For the 6 months and full year ended 31 December 2022

	Attributable to Unitholders		
	Units in issue and to be issued US\$'000	Retained earnings US\$'000	Total US\$'000
Trust			
At 1 January 2021	891,622	14,953	906,575
Net income for the period	–	22,877	22,877
Net increase in net assets resulting from operations	891,622	37,830	929,452
Unitholders' transactions			
Manager's base fee paid/payable in Units	2,892	–	2,892
Distribution to Unitholders	(10,895)	(25,282)	(36,177)
Net decrease in net assets resulting from Unitholders' transactions	(8,003)	(25,282)	(33,285)
At 30 June 2021	883,619	12,548	896,167
Net income for the period	–	20,248	20,248
Unitholders' transactions			
Issue of new units for private placement ⁽¹⁾	80,000	–	80,000
Issue costs ⁽²⁾	(1,628)	–	(1,628)
Issue of new units for Distribution Reinvestment Plan ⁽³⁾	3,062	–	3,062
Manager's base fee paid and payable in Units	3,281	–	3,281
Distribution to Unitholders	(12,853)	(26,003)	(38,856)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	71,862	(26,003)	45,859
At 31 December 2021	955,481	6,793	962,274

⁽¹⁾ 98,766,000 Units were issued on 6 July 2021 for Private Placement to raise US\$80.0 million of proceeds for the acquisition of One Town Center and Sorrento Towers.

⁽²⁾ The issue costs relate mainly to the underwriting and professional fees for the Private Placement.

⁽³⁾ 3,679,911 new Units were issued on 20 August 2021 at the issue price of US\$0.832 per Unit for the cumulative distribution for the period from 1 January 2021 to 5 July 2021.

The accompanying notes form an integral part of the condensed consolidated financial statements.

Prime US REIT and its subsidiaries

Condensed Consolidated Statement of Cash Flows
For the 6 months and full year ended 31 December 2022

Note	Group			
	1 Jul 2022 to 31 Dec 2022	1 Jul 2021 to 31 Dec 2021	1 Jan 2022 to 31 Dec 2022	1 Jan 2021 to 31 Dec 2021
	US\$'000	US\$'000	US\$'000	US\$'000
Operating activities				
Net (loss)/income before tax	(102,440)	30,120	(40,807)	72,897
Adjustments for:				
Property related non-cash items	(831)	(1,666)	(2,139)	(3,524)
Manager's fee paid/payable in Units	2,924	3,280	6,298	6,173
Impairment loss on trade receivables	412	151	573	384
Net fair value change in derivatives	(10,842)	(7,637)	(37,282)	(16,147)
Foreign exchange (gains)/losses	(5)	9	28	38
Finance expenses	11,509	9,451	21,613	16,986
Finance income	(14)	(4)	(15)	(4)
Fair value change in investment properties	143,732	17,199	143,732	17,199
Operating cash flow before working capital changes	44,445	50,903	92,001	94,002
Changes in working capital				
Trade and other receivables	85	(621)	(380)	(586)
Prepaid expenses	226	(103)	20	(70)
Amounts due from related parties	11	-	-	-
Trade and other payables	(1,724)	(983)	147	766
Amounts due to related parties	(6)	172	-	33
Rental security deposits	49	(1,233)	(18)	(1,255)
Rent received in advance	520	2,700	(2,552)	2,836
Cash flow from operations	43,606	50,835	89,218	95,726
Taxes paid	-	(13)	(39)	(39)
Net cash generated from operating activities	43,606	50,822	89,179	95,687
Cash flows from investing activities				
Acquisition of investment properties and related assets and liabilities (a)	-	(238,715)	-	(238,715)
Deposits paid for future acquisitions of investment properties	-	7,000	-	-
Settlement of liabilities in relation to the acquisition of investment properties	(5)	(5,506)	(631)	(5,552)
Payment for capital expenditure relating to investment properties	(20,901)	(7,797)	(29,489)	(16,097)
Interest received	14	4	15	4
Net cash used in investing activities	(20,892)	(245,014)	(30,105)	(260,360)

Prime US REIT and its subsidiaries

Condensed Consolidated Statement of Cash Flows (cont'd)
For the 6 months and full year ended 31 December 2022

Note	Group			
	1 Jul 2022 to 31 Dec 2022	1 Jul 2021 to 31 Dec 2021	1 Jan 2022 to 31 Dec 2022	1 Jan 2021 to 31 Dec 2021
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from financing activities				
Distribution to Unitholders	(40,073)	(33,262)	(76,852)	(69,441)
Proceeds from issuance of Units	(b) -	80,000	-	80,000
Payment of transaction costs relating to issuance of Units	-	(1,445)	-	(1,445)
Dividends on preferred shares	(8)	(8)	(16)	(16)
Proceeds from loans and borrowings	65,000	221,575	121,500	355,575
Payment of transaction costs related to loans and borrowings	(225)	(1,480)	(225)	(1,910)
Repayment of loans and borrowings	(38,500)	(93,000)	(86,500)	(206,596)
Interest paid on loans and borrowings	(10,282)	(8,167)	(19,245)	(15,025)
Net cash (used in)/generated from financing activities	(24,088)	164,213	(61,338)	141,142
Net decrease in cash and cash equivalents				
Cash and cash equivalents at the beginning of the period	12,949	43,860	13,873	37,442
Effect of exchange rate fluctuations on cash held in foreign currency	6	(8)	(28)	(38)
Cash and cash equivalents at end of the period	11,581	13,873	11,581	13,873

(a) Acquisition of investment properties and related assets and liabilities

	Group	
	1 Jan 2022 to 31 Dec 2022	1 Jan 2021 to 31 Dec 2021
	US\$'000	US\$'000
Agreed purchase consideration for investment properties	-	245,500
Acquisition costs	-	3,025
Capital expenditure and leasing costs under seller's responsibility	-	(2,505)
Net cash consideration for investment properties	-	246,020
Accrued expenses and other payables	-	(6,215)
Rental security deposits	-	(1,090)
Acquisition of investment properties and related assets and liabilities	-	238,715

Prime US REIT and its subsidiaries

Condensed Consolidated Statement of Cash Flows (cont'd) For the 6 months and full year ended 31 December 2022

(b) Proceeds from issuance of Units

An aggregate of 98,766,000 Units were issued at US\$0.81 per unit for gross proceeds of US\$80.0 million pursuant to a private placement completed on 6 July 2021.

The proceeds from the issuance of Units and loan facilities were used for the following:

	Group	
	1 Jan 2022 to 31 Dec 2022 US\$'000	1 Jan 2021 to 31 Dec 2021 US\$'000
Acquisitions of properties ⁽¹⁾	-	78,100
Transaction costs ⁽²⁾	-	1,900
Total costs	-	80,000

⁽¹⁾ Actual cash consideration was net of sellers' portion of capital and leasing costs and includes acquisition costs.

⁽²⁾ Transaction costs include expenses incurred to the issuance of Units and bank borrowings.

The accompanying notes form an integral part of the condensed consolidated financial statements.

Prime US REIT and its subsidiaries

Consolidated Portfolio Statement
As at 31 December 2022

Description of property	Location	Tenure of land	Fair value as at 31 December 2022 US\$'000	Percentage of total net assets as at 31 December 2022 %	Fair value as at 31 December 2021	Percentage of total net assets as at 31 December 2021
Tower 1 at Emeryville	San Francisco Bay Area (Oakland)	Freehold	111,100	12.4	115,000	11.6
222 Main	Salt Lake City	Freehold	206,300	23.1	228,000	23.0
Village Center Station I	Denver	Freehold	71,200	8.0	81,000	8.0
Village Center Station II	Denver	Freehold	143,300	16.0	156,000	15.7
101 South Hanley	St. Louis	Freehold	71,200	8.0	79,300	8.0
Tower 909	Dallas	Freehold	76,000	8.5	81,600	8.2
Promenade I & II	San Antonio	Freehold	71,800	8.0	74,900	7.6
CrossPoint	Philadelphia	Freehold	101,600	11.4	102,000	10.3
One Washingtonian Center	Washington D.C. Area (Suburban Maryland)	Freehold	83,600	9.4	92,500	9.3
Reston Square	Washington D.C. Area (Suburban Virginia)	Freehold	30,100	3.4	35,100	3.5
171 17th Street	Atlanta	Freehold	190,400	21.3	200,000	20.2
Park Tower	Sacramento	Freehold	146,800	16.4	157,600	15.9
One Town Center	Boca Raton	Freehold	90,300	10.1	101,000	10.2
Sorrento Towers	San Diego	Freehold	148,500	16.6	149,000	15.0
Total investment properties			1,542,200	172.6	1,653,000	166.5
Other assets and liabilities (net)			(648,407)	(72.6)	(661,916)	(66.5)
Net assets			893,793	100.0	991,084	100.0

The accompanying notes form an integral part of the condensed consolidated financial statements.

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements For the 6 months and full year ended 31 December 2022

1. General

Prime US REIT (the “Trust”) is a Singapore real estate investment trust constituted pursuant to the trust deed (the “Trust Deed”) dated 7 September 2018 (as amended and restated) between Prime US REIT Management Pte. Ltd. (formerly known as KBS US Prime Property Management Pte. Ltd.) (the “Manager”) and DBS Trustee Limited (the “Trustee”). The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries in trust for the Unitholders of the Trust. The Trust and its subsidiaries are collectively referred to as the “Group”.

KBS Asia Partners Pte. Ltd. is the sponsor (the “Sponsor”) of the Trust.

The Trust was inactive from the date of its constitution to 19 July 2019 (the “Listing Date”). The Trust was admitted to the Official List of the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 19 July 2019.

The registered office and principal place of business of the Manager is located at 1 Raffles Place, #40-01 One Raffles Place, Singapore 048616.

The principal activity of the Trust is investment holding. The principal activities of the Trust’s subsidiaries are to own and invest, directly or indirectly, in a portfolio of income-producing office real estate in major markets in the United States, as well as real estate-related assets. The Group’s key objectives are to provide sustainable distribution and strong total returns for Unitholders.

2. Basis of preparation

2.1 Statement of compliance

The condensed financial statements for the six months and full year ended 31 December 2022 have been prepared in accordance with IAS 34 – *Interim Financial Reporting* issued by the International Accounting Standards Board (“IASB”), and the applicable requirements of the Code on Collective Investment Schemes (the “CIS Code”) issued by the Monetary Authority of Singapore (“MAS”) and the provisions of the Trust Deed.

The condensed financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with International Financial Reporting Standards (“IFRS”), except for the adoption of new and amended standards as set out in Note 2.3 which are not expected to have a material impact on the financial statements.

The condensed financial statements are presented in United States dollars (“US\$”), which is the functional currency of the Trust. All financial information presented in United States dollars has been rounded to the nearest thousand (US\$’000), unless otherwise stated.

Notwithstanding the net current liability position, based on the Group’s existing financial resources, the Group believes that it will be able to refinance its borrowings and meet its current obligations as and when they fall due.

Basis of preparation (cont'd)

2.2 Significant accounting judgements and estimates

The preparation of the Group's condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, and in any future periods affected.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2021.

Judgements made in applying accounting policies

There are no critical judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the condensed consolidated financial statements.

Key sources of estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the end of the reporting period are described as follows:

Valuation of investment properties

The Group carries its investment properties at fair value with changes in fair values being recognised in profit or loss. The fair values of investment properties are determined based on assumptions and estimates on parameters including inputs from independent real estate valuation experts where available using recognised valuation techniques. These techniques include the Discounted Cash Flow Method, Income Capitalisation Method and Direct Comparison Method. The key assumptions used to determine the fair value of these investment properties are provided in Note 5.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements For the 6 months and full year ended 31 December 2022

2. Basis of preparation (cont'd)

2.3 New and amended standards adopted by the Group

A number of amendments to standards have become applicable for the current reporting period. The adoption of those standards does not have any material impact on the Group's financial statements.

New standards issued but not yet effective

The Group has not adopted the following standards which are applicable to the Group that have been issued but not yet effective:

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to IAS 1: <i>Classification of Liabilities as Current or Non-Current</i>	1 January 2023
Amendments to IAS 8: Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The adoption of the standards above will have no material impact on the financial statements in the year of initial application.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. The Group's investment properties are primarily commercial office properties and are located in the United States. Therefore, the directors consider that the Group operates within a single business segment and within a single geographical segment in the United States. Accordingly, no segment information has been presented in the condensed consolidated financial statements.

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements
For the 6 months and full year ended 31 December 2022

5. Investment properties

	Group	
	31 December 2022	31 December 2021
	US\$'000	US\$'000
Condensed Statements of Financial Position		
At 1 January	1,653,000	1,405,200
Acquisitions (including acquisition costs)	–	246,020
Capital expenditure (including leasing commissions and incentives) ⁽¹⁾	29,087	14,330
Fair value changes in investment properties	(139,887)	(12,550)
As at year end	1,542,200	1,653,000
Condensed Consolidated Statement of Comprehensive Income		
Fair value changes in investment properties	(139,887)	(12,550)
Net effect of straight-lining	(3,845)	(4,649)
Net fair value change recognised in the Statement of Comprehensive Income	(143,732)	(17,199)

⁽¹⁾ Includes net lease commissions of US\$5,345,000 (2021: US\$3,877,000) and lease incentives amortisation of US\$2,407,000 (2021: US\$605,000)

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on valuations performed as at 31 December 2022. The valuations were performed by JLL Valuation & Advisory Services, LLC an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued.

**Notes to the Condensed Consolidated Financial Statements
For the 6 months and full year ended 31 December 2022**

5. Investment properties (cont'd)

Valuation of investment properties (cont'd)

The following table shows the Group's valuation techniques used in measuring the fair value of investment properties, as well as the key unobservable inputs used as at 31 December 2022:

Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
Discounted cash flow method	<ul style="list-style-type: none"> Discount rate of 7.00% to 9.00% (2021: 6.50% to 8.50%) Terminal capitalisation rate of 6.25% to 8.50% (2021: 5.75% to 8.00%) 	Higher discount rate and terminal capitalisation rate would result in a lower fair value, while lower rate would result in a higher fair value.
Income capitalisation method	<ul style="list-style-type: none"> Capitalisation rate of 5.75% to 8.25% (2021: 5.25% to 7.50%) 	Higher capitalisation rate would result in a lower fair value, while lower rate would result in a higher fair value.
Direct comparison method	<ul style="list-style-type: none"> Price per square foot of US\$189 to US\$500 (2021: US\$208 to US\$533) 	Higher price per square foot would result in a higher fair value, while lower rate would result in a lower fair value.

The Group carries its investment properties at fair value with changes in fair value being recognised in profit or loss, determined annually by independent professional valuers based on open market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The independent professional valuers have considered valuation techniques including direct comparison method, capitalisation approach and discounted cash flows in arriving at the open market value as at the reporting date. These valuation methods involve certain estimates. The Manager has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of the current market conditions.

The fair value of the Group's investment properties is determined based on significant unobservable inputs and is categorised under Level 3 of the fair value measurement hierarchy based on the inputs to the valuation techniques used.

Property pledged as security

Three investment properties with carrying value of US\$445,100,000 (2021: US\$478,000,000) are mortgaged to secure loans (Note 6).

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements
For the 6 months and full year ended 31 December 2022

5. Investment properties (cont'd)

Fair value of investment properties held by the Group:

Property	Description and Location	Tenure	31 December 2022 US\$'000	31 December 2021 US\$'000
Tower I at Emeryville	12-storey Class A office building located in Emeryville, California	Freehold	111,100	115,000
222 Main	21-storey Class A office building located in Salt Lake City, Utah	Freehold	206,300	228,000
Village Center Station I	9-storey Class A office building located in Greenwood Village, Colorado	Freehold	71,200	81,000
Village Center Station II	12-storey Class A office building located in Greenwood Village, Colorado	Freehold	143,300	156,000
101 South Hanley	19-storey Class A office building located in St. Louis, Missouri	Freehold	71,200	79,300
Tower 909	19-storey Class A office building located in Irving, Texas	Freehold	76,000	81,600
Promenade I & II	Two 4-storey Class A office buildings located in San Antonio, Texas	Freehold	71,800	74,900
CrossPoint	4-storey Class A office building located in Wayne, Pennsylvania	Freehold	101,600	102,000
One Washingtonian Center	14-storey Class A office building located in Gaithersburg, Maryland	Freehold	83,600	92,500
Reston Square	7-storey Class A office building located in Reston, Virginia	Freehold	30,100	35,100
171 17th Street	21-storey Class A office building located in Atlanta, Georgia	Freehold	190,400	200,000
Park Tower	24-storey Class A office building located in Sacramento, California.	Freehold	146,800	157,600
One Town Center	10-storey Class A office building located in Boca Raton, Florida.	Freehold	90,300	101,000
Sorrento Towers	7-storey Class A office building located in San Diego, California.	Freehold	148,500	149,000
			1,542,200	1,653,000

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements
For the 6 months and full year ended 31 December 2022

6. Loans and borrowings

	Nominal interest rate		Group	
	% per annum	Maturity	31 December 2022 US\$'000	31 December 2021 US\$'000
Non-current				
Revolving credit facility ⁽¹⁾	LIBOR + 1.30%	July 2023 ⁽⁴⁾	49,000	14,000
Four-year term loan facility ⁽²⁾	LIBOR + 1.15%	July 2023 ⁽⁴⁾	200,000	200,000
Five-year term loan facility ⁽²⁾	LIBOR + 1.15%	July 2024	200,000	200,000
Three-year term loan facility ⁽³⁾⁽⁵⁾	LIBOR + 1.65%	July 2024	44,675	44,675
Three-year term loan facility ⁽³⁾⁽⁶⁾	LIBOR + 1.65%	July 2024	69,900	69,900
Ten-year term loan facility ⁽⁷⁾	4.11%	August 2029	105,000	105,000
			668,575	633,575
Less: Unamortised transaction costs			(3,003)	(4,602)
Total loans and borrowings			665,572	628,973

(1) The total amount available under this facility as of 31 December 2022 is US\$200.0 million (31 Dec 2021: US\$200.0 million).

(2) The borrower is Prime US-Lower Tier, LLC, which has pledged its equity interest in each of the property-owning entities (apart from the entities owning the 222 Main property, One Town Center and Sorrento Towers).

(3) The facility has two one-year extension options.

(4) The facility has a one-year extension option. The Group has the discretion to roll over the facility upon meeting certain conditions. Management has assessed that they are able to meet these conditions and planned to exercise its extension option for a year upon its maturity in July 2023. Accordingly, the Group continues to disclose this as non-current liability.

(5) The borrower is Prime US-One Town Center, and the facility is secured by the One Town Center property.

(6) The borrower is Prime US-Sorrento Tower and the facility is secured by the Sorrento Towers property.

(7) The borrower is Prime US-222 Main, LLC, and the facility is secured by the 222 Main property.

As at 31 December 2022, the Group had total gross loans and borrowings of US\$668.6 million (2021: US\$633.6 million) and US\$196.0 million (2021: US\$231.0 million) unutilised under the revolving credit facilities to meet its future obligations.

The interest rates on an aggregate of US\$330m of the four and five-year term loans have been hedged using floating-for-fixed interest rate swaps and the ten-year term loan has a fixed interest rate. The weighted average interest rate (including amortisation of upfront debt-related transaction costs and commitment fees) on loans and borrowings from 1 January 2022 to 31 December 2022 was 3.3% (2021: 3.0%) per annum (taking into account the interest rate swaps). Aggregate leverage, as defined in the Property Funds Appendix, as at 31 December 2022 was 42.1% (2021: 37.9%). Interest coverage ratio for the year ended 31 December 2022 was 4.1 times (2021: 5.4 times).

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements
For the 6 months and full year ended 31 December 2022

7. Deferred tax liabilities – net

Deferred tax liabilities are attributable to the following:

	Group	
	31 December 2022 US\$'000	31 December 2021 US\$'000
Investment properties	–	13,929
Revaluation differences on derivatives	6,290	–
Unutilised tax losses	(6,290)	–
	–	13,929

Movements in deferred tax liabilities of the Group during the year are as follows:

	At 1 January 2022 US\$'000	Recognized in Statement of Comprehensive Income US\$'000	At 31 December 2022 US\$'000
Deferred tax assets			
Unutilised tax losses	–	6,290	6,290
Deferred tax liabilities			
Investment properties			
- Change in fair value of investment properties including net effect of straight-lining ⁽¹⁾	2,735	(2,735)	–
- Depreciation claimed for income tax purpose in United States	(16,664)	16,664	–
Revaluation difference on derivatives	–	(6,290)	(6,290)
	(13,929)	7,639	(6,290)
Deferred tax liabilities – net	(13,929)	13,929	–

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements
For the 6 months and full year ended 31 December 2022

7. Deferred tax liabilities – net (cont'd)

	At 1 January 2021 US\$'000	Recognized in Statement of Comprehensive Income US\$'000	At 31 December 2021 US\$'000
Deferred tax liabilities			
Investment properties			
- Change in fair value of investment properties including net effect of straight-lining ⁽¹⁾	99	2,636	2,735
- Depreciation claimed for income tax purpose in United States	(9,358)	(7,306)	(16,664)
Deferred tax liabilities – net	(9,259)	(4,670)	(13,929)

⁽¹⁾ Due to accounting for rental income on a straight-line basis, the difference between revenue recognized and the contractual cash flow is included in the carrying value of the investment properties.

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements
For the 6 months and full year ended 31 December 2022

8. Units in issue and to be issued

	Group and Trust			
	2022		2021	
	No. of Units '000	US\$'000	No. of Units '000	US\$'000
Units in issue				
As at beginning of year	1,168,192	953,836	1,057,791	889,513
Issue of new Units:				
- Private placement	–	–	98,766	80,000
- Units issued pursuant to Distribution Reinvestment Plan	5,232	3,784	3,680	3,062
- Management base fees paid in Units	9,611	6,588	7,175	6,015
- Performance fees paid in Units	–	–	780	622
- Issue costs	–	181	–	(1,628)
- Distribution to Unitholders	–	(32,941)	–	(23,748)
As at end of year	1,183,035	931,448	1,168,192	953,836
Units to be issued				
Management fee payable in Units	3,217	1,355	1,999	1,645
Total Units in issue and to be issued as at end of year	1,186,252	932,803	1,170,191	955,481

The Trust did not hold any Units in treasury as at 31 December 2022 and 31 December 2021. There are no sales, transfers disposals, cancellation and/or use of treasury Units.

The Trust's subsidiaries do not hold any Units in the Trust as at 31 December 2022 and 31 December 2021.

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements For the 6 months and full year ended 31 December 2022

8. Units in issue and to be issued (cont'd)

Base fee

Pursuant to the Trust Deed, the Manager is entitled to a base fee at the rate of 10.0% per annum of the Trust's annual distributable income (calculated before accounting for the base fee and performance fee, if any). The base fee is payable in the form of cash and/or Units as the Manager may elect, in such proportions as may be determined by the Manager.

The Manager has elected to receive 80.0% (2021: 80.0%) of its base fee in the form of Units for the year ended 31 December 2022.

Performance fee

Pursuant to the Trust Deed, the Manager is entitled to a performance fee equal to the rate of 25.0% of the difference in Distribution Per Unit ("DPU") in a financial year with the DPU in the preceding financial year (calculated before accounting for performance fee but after accounting for the base fee in each financial year) multiplied by the weighted average number of Units in issue for such financial year. The performance fee is payable if the DPU in any financial year exceeds the DPU in the preceding financial year, notwithstanding that the DPU in the financial year where the performance fee is payable may be less than the DPU in any preceding financial year.

The performance fee is payable in the form of cash and/or Units as the Manager may elect, in such proportions as may be determined by the Manager.

The Group did not incur any performance fee for 31 December 2022 and 31 December 2021.

9. Net asset value per Unit

	Group		Trust	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Net asset value per Unit (US\$)	0.75	0.85	0.75	0.82
Net asset value per Unit is based on:				
- Net assets (US\$'000)	893,793	991,084	893,258	962,274
- Total Units in issue and to be issued at year end ('000)	1,186,252	1,170,191	1,186,252	1,170,191

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements
For the 6 months and full year ended 31 December 2022

10. Gross revenue

	Group			
	1 Jul 2022 to 31 Dec 2022 US\$'000	1 Jul 2021 to 31 Dec 2021 US\$'000	1 Jan 2022 to 31 Dec 2022 US\$'000	1 Jan 2021 to 31 Dec 2021 US\$'000
Rental income	62,858	63,770	127,707	123,134
Recoveries income	13,960	12,096	26,797	21,601
Other operating income	4,390	8,806	8,508	12,006
Gross revenue	81,208	84,672	163,012	156,741

Recoveries income includes, amongst others, charges to tenants for recovery of certain operating costs and real estate taxes and is estimated in accordance with the individual tenant leases.

Other operating income includes parking income and lease termination income, where applicable.

11. Property operating expenses

	Group			
	1 Jul 2022 to 31 Dec 2022 US\$'000	1 Jul 2021 to 31 Dec 2021 US\$'000	1 Jan 2022 to 31 Dec 2022 US\$'000	1 Jan 2021 to 31 Dec 2021 US\$'000
Utilities	4,772	3,937	8,689	6,930
Repair and maintenance expenses	3,942	3,748	7,704	7,199
Property management fees	3,496	3,247	6,476	6,050
Property taxes	11,888	11,072	23,687	20,868
Other property operating expenses	9,996	8,310	18,522	14,996
Property operating expenses	34,094	30,314	65,078	56,043

Other property operating expenses comprise mainly of janitorial, security, insurance, and lot and landscaping costs.

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements
For the 6 months and full year ended 31 December 2022

12. Finance expenses

	Group			
	1 Jul 2022 to 31 Dec 2022 US\$'000	1 Jul 2021 to 31 Dec 2021 US\$'000	1 Jan 2022 to 31 Dec 2022 US\$'000	1 Jan 2021 to 31 Dec 2021 US\$'000
Interest expense on loans and borrowings	10,526	8,292	19,428	15,095
Amortisation of upfront debt-related transaction costs	811	972	1,824	1,552
Commitment fees	164	179	335	313
Dividends on preferred shares	8	8	26	26
Finance expenses	11,509	9,451	21,613	16,986

Upfront debt-related transaction costs are amortised over the tenure of the borrowings.

13. Other trust expenses

Included in other trust expenses are the following:

	Group			
	1 Jul 2022 to 31 Dec 2022 US\$'000	1 Jul 2021 to 31 Dec 2021 US\$'000	1 Jan 2022 to 31 Dec 2022 US\$'000	1 Jan 2021 to 31 Dec 2021 US\$'000
Audit fees and non audit fees paid/payable to auditors of the Group	158	187	616	565
Tax compliance fees	63	189	351	381
Valuation fees	140	133	140	123
Investor relations and processing expenses				
Other expenses ⁽¹⁾	1,044	516	1,505	791
Other trust expenses	1,405	1,025	2,612	1,860

⁽¹⁾ Other expenses include legal fees, investor relations and miscellaneous expenses.

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements
For the 6 months and full year ended 31 December 2022

14. Tax (credit)/expense

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed consolidated statement of comprehensive income are:

	Group			
	1 Jul 2022 to 31 Dec 2022 US\$'000	1 Jul 2021 to 31 Dec 2021 US\$'000	1 Jan 2022 to 31 Dec 2022 US\$'000	1 Jan 2021 to 31 Dec 2021 US\$'000
Current tax expense				
- Current period/year	6	13	40	39
Deferred tax expense				
Movement in temporary differences	(18,345)	771	(13,930)	4,670
Total tax (credit)/expense	(18,339)	784	(13,890)	4,709

15. Consolidated Earnings per Unit (“EPU”) and Distribution per Unit (“DPU”)

	Group			
	1 Jul 2022 to 31 Dec 2022	1 Jul 2021 to 31 Dec 2021	1 Jan 2022 to 31 Dec 2022	1 Jan 2021 to 31 Dec 2021
<u>EPU</u>				
Net (loss)/income for the period (US\$'000)	(84,101)	29,336	(26,917)	68,188
Weighted average number of Units in issue and to be issued ⁽¹⁾	1,178,810,397	1,162,501,891	1,175,258,383	1,111,620,167
Basic and diluted EPU (US cents) ⁽²⁾	(7.13)	2.52	(2.29)	6.13
<u>DPU</u>				
Income available for distribution to Unitholders (US\$'000)	35,823	40,176	77,150	75,601
Number of Units in issue at the end of the period ⁽³⁾	1,183,035,014	1,168,192,083	1,183,035,014	1,168,192,083
DPU (US cents)	3.03	3.44	6.55	6.78

(1) Based on the weighted average number of Units in issue during the period and the Units to be issued as part payment of the Manager’s base fee incurred for the period from 1 October 2022 to 31 December 2022.

(2) Diluted EPU is equivalent to basic EPU as there were no dilutive instruments in issue during the period.

(3) Number of Units in issue as at 31 December 2022 and 31 December 2021

Prime US REIT and its subsidiaries

**Notes to the Condensed Consolidated Financial Statements
For the 6 months and full year ended 31 December 2022**

16. Significant related party transactions

In the normal course of its business, the Group carried out transactions with related parties on terms agreed between the parties. During the year, in addition to those disclosed elsewhere in the condensed consolidated financial statements, the following significant related party transactions took place at terms agreed between the parties:

	Group			
	1 Jul 2022 to 31 Dec 2022 US\$'000	1 Jul 2021 to 31 Dec 2021 US\$'000	1 Jan 2022 to 31 Dec 2022 US\$'000	1 Jan 2021 to 31 Dec 2021 US\$'000
Manager's base fees paid/payable	3,655	4,099	7,872	7,714
Manager's acquisition fees paid	–	2,451	–	2,451
Reimbursement to the Manager	98	110	219	194
Reimbursement to a related party	253	200	259	223
Trustee fees paid/payable	108	105	208	193

17. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3: Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group 31 December 2022 US\$'000			
	Fair value measured at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
– recurring				
Non-financial assets				
Investment properties				
- <i>Commercial</i>	–	–	1,542,200	1,542,200
Total non-financial assets	–	–	1,542,200	1,542,200
Financial assets				
Derivative assets				
- <i>Interest rate swaps</i>	–	29,954	–	29,954
Total financial assets	–	29,954	–	29,954

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements
For the 6 months and full year ended 31 December 2022

17. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value (cont'd)

	Group 31 December 2021 US\$'000			
	Fair value measured at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
– recurring				
Non-financial assets				
Investment properties				
- <i>Commercial</i>	–	–	1,653,000	1,653,000
Total non-financial assets	–	–	1,653,000	1,653,000
Financial assets				
Derivative assets				
- <i>Interest rate swaps</i>	–	1,580	–	1,580
Total financial assets	–	1,580	–	1,580
Liabilities measured at fair value - recurring				
Financial liabilities				
Derivative liabilities				
- <i>Interest rate swaps</i>	–	8,908	–	8,908
Total financial liabilities	–	8,908	–	8,908

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements
For the 6 months and full year ended 31 December 2022

18. Financial assets and financial liabilities

(a) Classification and fair value

Set out below is an overview of the financial assets and financial liabilities of the Group as at 31 December 2022 and 31 December 2021:

Group	Carrying amount			Total carrying amount US\$'000
	Financial assets at amortised cost US\$'000	Financial liabilities carried at amortised cost US\$'000	Economic hedging instruments at fair value through profit or loss US\$'000	
31 December 2022				
Financial assets not measured at fair value				
Cash and cash equivalents	11,581	–	–	11,581
Trade and other receivables ⁽¹⁾	3,717	–	–	3,717
	15,298	–	–	15,298
Financial assets measured at fair value				
Derivative assets	–	–	29,954	29,954
	–	–	29,954	29,954
Financial liabilities not measured at fair value				
Trade and other payables	–	18,126	–	18,126
Amounts due to related parties	–	361	–	361
Rental security deposits	–	4,302	–	4,302
Loans and borrowings	–	665,572	–	665,572
Preferred shares	–	125	–	125
	–	688,486	–	688,486

(1) Excludes GST Receivables

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements
For the 6 months and full year ended 31 December 2022

18. Financial assets and financial liabilities (cont'd)

(a) Classification and fair value (cont'd)

Group	Carrying amount			Total carrying amount US\$'000
	Financial assets at amortised cost US\$'000	Financial liabilities carried at amortised cost US\$'000	Economic hedging instruments at fair value through profit or loss US\$'000	
31 December 2021				
Financial assets not measured at fair value				
Cash and cash equivalents	13,873	–	–	13,873
Trade and other receivables ⁽¹⁾	2,429	–	–	2,429
	16,302	–	–	16,302
Financial assets measured at fair value				
Derivative assets	–	–	1,580	1,580
	–	–	1,580	1,580
Financial liabilities not measured at fair value				
Trade and other payables	–	15,903	–	15,903
Amounts due to related parties	–	361	–	361
Rental security deposits	–	4,320	–	4,320
Loans and borrowings	–	628,973	–	628,973
Preferred shares	–	125	–	125
	–	649,682	–	649,682
Financial liabilities measured at fair value				
Derivative liabilities	–	–	8,908	8,908
	–	–	8,908	8,908

(1) Excludes GST Receivables

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements
For the 6 months and full year ended 31 December 2022

18. Financial assets and financial liabilities (cont'd)

(a) Classification and fair values (cont'd)

Trust	Carrying amount		
	Financial assets at amortised cost US\$'000	Financial liabilities carried at amortised cost US\$'000	Total carrying amount US\$'000
31 December 2022			
Financial assets not measured at fair value			
Cash and cash equivalents	2,127	–	2,127
	2,127	–	2,127
Financial liabilities not measured at fair value			
Trade and other payables	–	904	904
Amounts due to related parties	–	361	361
	–	1,265	1,265
31 December 2021			
Financial assets not measured at fair value			
Cash and cash equivalents	1,571	–	1,571
	1,571	–	1,571
Financial liabilities not measured at fair value			
Trade and other payables	–	868	868
Amounts due to related parties	–	361	361
	–	1,229	1,229

Prime US REIT and its subsidiaries

**Notes to the Condensed Consolidated Financial Statements
For the 6 months and full year ended 31 December 2022**

19. Financial ratios

	Group	
	31 December 2022	31 December 2021
	%	%
Ratio of expenses to weighted average net assets ⁽¹⁾		
- Including performance component of the Manager's management fees	1.07	1.03
- Excluding performance component of the Manager's management fees	1.07	1.03
Portfolio turnover rate ⁽²⁾	–	–

(1) The annualised ratio is computed in accordance with guidelines of the Investment Management Association of Singapore ("IMAS"). The expenses used in the computation relate to expenses at the Group level, excluding property related expenses, finance expenses, net foreign exchange differences and income tax expense. The Group did not incur any performance fee for 31 December 2022 and 31 December 2021.

(2) The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of weighted average net asset value in accordance with the formula stated in the CIS Code. There was no sale of properties for both years.

20. Subsequent events

Distribution

On 8 February 2023, the Manager announced a cumulative distribution per Unit of 3.03 US cents (comprising a tax-exempt income component of 2.05 US cents, and a capital component of 0.98 US cents) for the period from 1 July 2022 to 31 December 2022. This distribution will be paid on or around 31 March 2023.

Prime US REIT and its subsidiaries

Other Information required by Listing Rule Appendix 7.2

1. Review

The Condensed Consolidated Statements of Financial Position of Prime US REIT and its subsidiaries as at 31 December 2022 and the related Condensed Consolidated Statement of Comprehensive Income, Condensed Statements of Changes in Unitholders' Funds and Condensed Consolidated Statement of Cash Flows for the six-month period and full year ended and certain explanatory notes have not been audited or reviewed.

2. Review of performance of the Group

Review of 2H2022 vs 2H2021

Property operating expenses of US\$34.1 million was 12.5% or US\$3.8 million higher in 2H2022 largely due to higher physical occupancy.

Manager's base fee of US\$3.7 million was 10.8% or US\$0.4 million lower in 2H2022 which is in line with lower income available for distribution to Unitholders. The Manager's base fee is 10.0% of income available for distribution to Unitholders (calculated before accounting for the Manager's base fee).

Other trust expenses of US\$1.4 million was 37.1% higher or US\$0.4 million higher in 2H2022 largely due to dead deal costs in relation to properties not acquired and legal costs in relation to refinancing arrangements put on hold. These are added back as distribution adjustments and do not impact distributable income.

Net fair value change in derivatives resulted in a gain of US\$10.8m which was 42.0% or US\$3.2 million higher in 2H2022. This is primarily due to projected further increase in market interest rates as at 31 December 2022, resulting in a gain from the mark-to-market of these swaps.

Finance expenses of US\$11.5 million was 21.8% or US\$2.1 million higher in 2H2022 primarily due to increase in interest rates and incremental drawdowns on debt facilities for acquisitions in July 2021 and subsequently for capital expenditures

Net fair value change in investment properties resulted in a loss of US\$143.7 million which was 735.7% or US\$126.5 million higher than 2H2021. This is largely driven by fair value losses on 222 Main, Village Center Station I and II, Park Tower, One Town Center and 171 17th Street.

Tax credit resulted in a gain of US\$18.3 million (compared to tax expense of US\$0.8 million in 2H2021). This is due to a full reversal of deferred tax liabilities as a result of market value loss on real estate.

2. **Review of performance of the Group (cont'd)**

Review of FY2022 vs FY2021

Property operating expenses of US\$65.1 million was 16.1% or US\$9.0 million higher in 2022 largely due to contribution from One Town Center and Sorrento Tower and higher physical occupancy.

Other trust expenses of US\$2.6 million was 40.4% or US\$0.8 million higher in 2022 largely due to dead deal costs in relation to properties not acquired and legal costs in relation to refinancing arrangements put on hold. These are added back as distribution adjustments and do not impact distributable income.

Net fair value change in derivatives resulted in a gain of US\$37.3 million which was 130.9% or US\$21.1 million higher than 2021. This is primarily due to projected further increase in market interest rates as at 31 December 2022, resulting in a gain from the mark-to-market of these swaps.

Finance expenses of US\$21.6 million was higher by 27.2% or US\$4.6 million in 2022 primarily due to higher interest expenses owing to increase in interest rates.

Net fair value change in investment properties resulted in a loss of US\$143.7 million which was 735.7% or \$126.5 million higher than 2021. This is largely driven by fair value losses on 222 Main, Village Center Station I and II, Park Tower, One Town Center and 171 17th Street.

Tax credit resulted in a gain of US\$13.9 million (compared to tax expense of US\$4.7 million in 2H2021). This is due to a full reversal of deferred tax liabilities as a result of market value loss on real estate.

Overall, income available for distribution to Unitholders of US\$77.2 million was 2.0% or US\$1.5 million higher in 2022.

3. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

The Manager has not disclosed any financial forecast for the current period.

4. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next operating period and the next 12 months**

U.S. real GDP grew 2.9%¹ year-on-year (YoY) in the 4Q 2022 and 2.1% YoY for the full year 2022. Unemployment rate remains low at 3.5% in December 2022². U.S. inflation rate of 6.5% YoY in December 2022 continued to trend down since its peak of 9.1% in June 2022². The Fed increased interest rates by another 25bps on 1 February 2023, raising the new target fed rate to 4.50%-4.75%³.

High quality Class A and trophy offices continued to see positive absorption in 4Q 2022 in a heavily bifurcated US office market, defying negative absorption at the national level⁴. Rent growth continues to be positive albeit with increased lease incentives amid relative scarcity of high-quality direct space⁴. The leasing market remains active, and while 4Q 2022 volume was lower quarter-on-quarter, full year 2022 gross leasing was 15.1% higher YoY⁴. Office space deliveries have continued to slow, and 4Q2022 deliveries were the lowest since 1Q2015. New office construction was lowest in 2022 since 2014, and office construction activities are expected to decline for the next few years⁵.

Return-to-Office physical attendance has been increasing gradually in recent months, albeit unevenly across markets, and is anticipated to increase with several large employers' office reentry guidelines effective from 2023⁴. A moderation in the job market will help employers in their efforts to bring their employees back to office.

Portfolio occupancy remained resilient at 89.1% with a WALE of 4.1 years as of 31 December 2022. Leasing activities remain strong with 142.8k sq ft of leases (new, renewals and expansions) executed at a positive rental reversion of 20.2% in 4Q 2022. For all of 2022, 646.5k sq ft of leases were executed at a positive rental reversion of 11.4%. Amidst external headwinds, the Manager remains proactive and prudent in its leasing, asset management, and capital management strategies to maximize returns to Unitholders.

¹ U.S. Bureau of Economic Analysis Advance Estimate Q4 2022.

² U.S. Bureau of Labor Statistics December 2022

³ U.S. Federal Open Market Committee: Press Release (1 February 2023)

⁴ JLL Research Office Outlook Q4 2022

⁵ C&W U.S. National MarketBeat Office Q4 2022

Prime US REIT and its subsidiaries

Other Information required by Listing Rule Appendix 7.2

5. Distributions

(a) Current Financial Period reported on

Any distribution recommended for the current financial period reported on? Yes

(i) 7th distribution of US 3.03 cents for the period from 1 July 2022 to 31 December 2022

Distribution period : 7th Distribution for the period from 1 July 2022 to 31 December 2022

Distribution type/rate : Distribution of US 3.03 cents per Unit comprising of:
a. Tax-exempt income: US 2.05 cents per Unit
b. Capital: US 0.98 cents per Unit

Tax rate : Tax-exempt income distribution is exempt from Singapore income tax in the hands of all Unitholders.

Capital distribution represents a return of capital to Unitholders for Singapore income tax purpose and is therefore not subject to income tax. For Unitholders who are liable to Singapore income tax on profits from sale of PRIME Units, the amount of capital distribution will be applied to reduce the cost base of PRIME Units for Singapore income tax purpose.

Unitholders who do not submit required U.S. tax forms completely and accurately by Friday, 10 March 2023 will be subject to 30% withholding taxes on the distribution.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any distribution declared for the corresponding period of the immediately preceding financial year?

Yes.

(i) 5th Distribution of US 3.42 cents for the period from 6 July 2021 to 31 December 2021

Distribution period : 5th Distribution for the period from 6 July 2021 to 31 December 2021

Distribution type/rate : Distribution of US 3.36 cents per Unit comprising of:
a. Tax-exempt income: US 2.07 cents per Unit
b. Capital: US 1.29 cents per Unit

Tax rate : Capital distribution represents a return of capital to Unitholders for Singapore income tax purpose and is therefore not subject to income tax. For Unitholders who are liable to Singapore income tax on profits from sale of PRIME Units, the amount of capital distribution will be applied to reduce the cost base of PRIME Units for Singapore income tax purpose.

Prime US REIT and its subsidiaries

Other Information required by Listing Rule Appendix 7.2

5. **Distributions (cont'd)**

(c) Book closure date

7th Distribution – 16 February 2023

(d) Date paid/payable

7th Distribution – 31 March 2023

6. **Distribution Statement**

Other than disclosed in Paragraph 5, no other distribution has been declared/recommended.

7. **Segmental Information**

Segment revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited financial statements, with comparative information for the immediately preceding year.

Not applicable. The Group operates within a single business segment and within a single geographical segment in the U.S

8. **Material changes in contribution by operating segments**

In the review of the performance, the factors leading to any material changes in contribution to turnover and earnings by the business or geographical segments.

Please refer to Paragraph 2 above for the review of performance

9. **General Mandate relating to Interested person transactions**

The Group has not obtained a general mandate from Unitholders for Interested Person Transactions.

Prime US REIT and its subsidiaries

Other Information required by Listing Rule Appendix 7.2

10. Breakdown of revenue

	FY2022 US'000	FY2021 US'000	Change %
First half year			
Gross Revenue	81,804	72,069	13.5
Net Property Income	50,820	46,340	9.7
Second Half Year			
Gross Revenue	81,208	84,672	(4.1)
Net Property Income	47,114	54,358	(13.3)

11. Breakdown of Annual Total Distribution

	FY2022 US'000	FY2021 US'000
1 July 2020 to 31 December 2020 (paid)	-	36,177
1 January 2021 to 5 July 2021 (paid)	-	36,326
6 July 2021 to 31 December 2021 (paid)	39,252	-
1 January 2022 to 30 June 2022 (paid)	41,385	-
1 July 2022 to 31 December 2022 (to be paid)	35,846	-
	116,483	72,503

12. Confirmation pursuant to Rule 720(1) of the Listing Manual

The Manager confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

13. Confirmation pursuant to Rule 704(13) of the Listing Manual

Pursuant to Rule Pursuant to Rule 704(13) of the Listing Manual, the Manager confirms that there is no person occupying a managerial position in the Manager who is a relative of a director, chief executive officer, substantial shareholder of the Manager or substantial unitholder of PRIME.

**On behalf of the Board
Prime US REIT Management Pte. Ltd. (formerly known as KBS US Prime Property
Management Pte. Ltd.)
(Company Registration Number: 201825461R)
As Manager of Prime US REIT**

**Professor Annie Koh
Chairman**

**John French
Director**

8 February 2023

This announcement may contain forward-looking statements that involve assumptions, risks and uncertainties. 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, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, governmental and public policy changes, and the continued availability of financing in the amounts and terms necessary to support future business.

Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of management on future events. The value of units in Prime US REIT (the "Units") and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager, DBS Trustee Limited (as trustee of Prime US REIT) or any of their affiliates.

An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. Holders of Units (the "Unitholder") have no right to request the Manager to redeem or purchase their Units while the Units are listed. It is intended that Unitholders 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.

This announcement is not to be distributed or circulated outside of Singapore. Any failure to comply with this restriction may constitute a violation of United State securities laws or the laws of any other jurisdiction.

The past performance of Prime US REIT is not necessarily indicative of its future performance

By Order of the Board
Prime US REIT Management Pte. Ltd. (formerly known as KBS US Prime Property
Management Pte. Ltd.)
(Company Registration Number: 201825461R)
As Manager of Prime US REIT

Lun Chee Leong
Company Secretary
8 February 2023