

**KEPPEL PACIFIC OAK US REIT
FINANCIAL STATEMENTS ANNOUNCEMENT
UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020**

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INTRODUCTION

Keppel Pacific Oak US REIT is a Singapore real estate investment trust constituted by the Trust Deed dated 22 September 2017 between Keppel Pacific Oak US REIT Management Pte. Ltd., as the Manager of Keppel Pacific Oak US REIT and Perpetual (Asia) Limited, as the Trustee of Keppel Pacific Oak US REIT.

Keppel Pacific Oak US REIT is a distinctive office REIT listed on the main board of the Singapore Exchange Securities Trading Limited (SGX-ST) on 9 November 2017 (“Listing Date”). Keppel Pacific Oak US REIT’s investment strategy is to principally invest in a diversified portfolio of income-producing commercial assets and real estate-related assets in key growth markets of the United States (US) with favourable economic and office fundamentals so as to provide sustainable distributions and strong total returns to Unitholders.

As at 30 June 2020, the portfolio of Keppel Pacific Oak US REIT comprises 13 office properties (“the Properties”) in the United States across 8 key growth markets, with an aggregate NLA of 4,703,684 sq. ft. with approximately US\$1.27 billion in value, as follows:

- The Plaza Buildings
- Bellevue Technology Center
- The Westpark Portfolio
- Iron Point
- Westmoor Center
- Great Hills Plaza
- Westech 360
- 1800 West Loop South
- Bellaire Park
- 125 John Carpenter (“One Twenty Five”)
- Powers Ferry
- Northridge Center I & II
- Maitland Promenade I & II

KORE was added into FTSE All World Small Cap Index on 20 March 2020 and MSCI Singapore Small Cap Index on 29 May 2020 which are important milestones for the REIT to increase its visibility among global investors and enhance its trading liquidity.

Following the amendments to Rule 705 of the Listing Manual of the Singapore Exchange Securities Trading Limited Listing Rules in relation to the introduction of half-yearly financial results reporting which were effective from 7 February 2020, Keppel Pacific Oak US REIT will adopt the half-yearly announcement of financial statements with effect from the financial year ending 31 December 2020 (“FY2020”).

**SUMMARY OF KEPPEL PACIFIC OAK US REIT RESULTS
FOR THE HALF YEAR ENDED 30 JUNE 2020**

	Group		
	Actual 1H 2020	Actual 1H 2019	+/(–)
	US\$'000	US\$'000	%
Gross Revenue	70,500	58,724	20.1
Property Expenses	(28,628)	(22,548)	27.0
Net Property Income ⁽¹⁾	41,872	36,176	15.7
Net Income for the period ⁽²⁾	13,393	11,578	15.7
Income available for distribution to Unitholders ⁽³⁾	29,109	24,758	17.6
Distribution per Unit (DPU) (US cents) ⁽⁴⁾	3.10	3.00	3.3
Annualised distribution yield (%) ⁽⁵⁾	8.9%	7.9%	100bps

Notes:

- (1) Net property income was higher than 2019 actuals due to contributions from One Twenty Five that was acquired in November 2019 and higher rental income from 2H 2019 leasing activities and built-in rental escalation. For more details, please refer to Paragraph 8 – Review of Performance.
- (2) For information on the variance for net income, please refer to Paragraph 1(A)(i)(ii) – Consolidated Statement of Comprehensive Income and Distribution Statement as well as Paragraph 8 – Review of Performance.
- (3) The income available for distribution to Unitholders is based on 100% of the taxable income available for distribution to Unitholders.
- (4) DPU of 3.10 US cents for 1H 2020 was calculated based on 938,974,890 issued units as at 30 June 2020, while DPU of 3.00 US cents for 1H 2019 was calculated based on 825,266,935 issued units as at 30 June 2019.
- (5) The annualised DPU yield for 1H 2020 is on a basis of 182 days and pro-rated to 366 days (1H 2019: 365 days). Distribution yields for 1H 2020 and 1H 2019 are based on market closing prices of US\$0.700 and US\$0.765 per Unit as at last trading day of the respective periods.

1 UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020

The Directors of Keppel Pacific Oak US REIT Management Pte. Ltd., as the Manager of Keppel Pacific Oak US REIT, advise the following unaudited results of the Group for the half year ended 30 June 2020:

1 (A)(i)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND DISTRIBUTION STATEMENT

Statement of total return and distribution statement, together with a comparative statement for the corresponding period of the immediately preceding financial year

Performance between Actual 1H 2020 and 1H 2019 results

	Note	Actual 1H 2020	Actual 1H 2019	+/(-)%
<u>Consolidated Statement of Comprehensive Income</u>		US\$'000	US\$'000	
Rental income		51,405	43,876	17.2
Recoveries income		16,997	12,639	34.5
Other operating income		2,098	2,209	(5.0)
Gross Revenue		70,500	58,724	20.1
Utilities		(3,776)	(3,603)	4.8
Repairs and maintenance		(3,156)	(2,570)	22.8
Property management fees		(3,478)	(2,750)	26.5
Property taxes		(9,018)	(6,614)	36.3
Other property expenses		(9,200)	(7,011)	31.2
Property expenses		(28,628)	(22,548)	27.0
Net Property Income		41,872	36,176	15.7
Finance income		27	36	(25.0)
Finance expenses	1	(8,085)	(7,907)	2.3
Manager's base fee	2	(2,911)	(2,476)	17.6
Trustee's fee	3	(114)	(60)	90.0
Fair value change in derivatives	4	(11,570)	(9,388)	23.2
Other trust expenses	5	(1,919)	(1,226)	56.5
Net income for the period before tax		17,300	15,155	14.2
Tax expense	6	(3,907)	(3,577)	9.2
Net income for the period		13,393	11,578	15.7
<u>Distribution Statement</u>				
Net income for the period		13,393	11,578	15.7
Distribution adjustments	7	15,716	13,180	19.2
Income available for distribution to Unitholders	8	29,109	24,758	17.6
DPU (US cents)	8	3.10	3.00	3.3

NM – Not meaningful

Notes:

- (1) Finance expenses comprise the following:

	Actual	Actual	+/(-)%
	1H 2020	1H 2019	
	US\$'000	US\$'000	
Interest expense on borrowings	7,558	7,417	1.9
Amortisation of upfront debt-related transaction costs ^(a)	445	420	6.0
Dividends on preferred units	18	18	-
Commitment fees	64	52	23.1
	8,085	7,907	2.3

- (a) Upfront debt-related transaction costs are amortised over the life of the borrowings.

The increase in interest expense was largely due to interest expense incurred on the additional loan taken up to partially finance the acquisition of One Twenty Five.

- (2) The Manager has elected to receive 100% of its base fee in the form of units for 1H 2020.
- (3) The increase in Trustee's fee was due to a higher deposited property and under provision of prior year fees.
- (4) This relates to fair value losses on the floating to fixed interest rate swaps entered into by the Group for hedging purpose due to movement in interest rates for the respective periods.
- (5) Other trust expenses comprise audit, tax compliance and other corporate expenses. The increase in trust expenses were largely due to one off legal and professional fees relating to restructuring as well as reversal of over accrued 2018 tax fees in 1H 2019.
- (6) Tax expense comprises withholding, current and net deferred tax expenses. Current tax expense comprises mainly income tax expense on the Barbados entities, Keppel-KBS US REIT B1 SRL and Keppel-KBS US REIT B2 SRL.

On 7 April 2020, the United States Department of the Treasury released the final regulations under Section 267A (the "Final Regulations"). Pursuant to the Final Regulations, the Manager had completed the restructuring of the Group on 16 April 2020 to revert to a structure which does not involve the Barbados entities, largely following the structure which Keppel Pacific Oak US REIT used when it was initially listed, and which was disclosed in its Prospectus dated 2 November 2017. Henceforth, provision for Barbados income tax had ceased after the completion of the restructuring with effect from 16 April 2020.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Tax expense relate to deferred tax expense arising from capital allowances claimed on the investment properties and fair value changes in investment properties, if applicable.

(7) Included in distribution adjustments are the following:

	Actual	Actual	+/(-)%
	1H 2020	1H 2019	
	US\$'000	US\$'000	
Property related non-cash items ^(a)	(1,641)	(2,467)	(33.5)
Manager's base fee paid/payable in units	2,911	2,476	17.6
Trustee's fee	114	60	90.0
Amortisation of upfront debt-related transaction costs ^(b)	445	420	6.0
Net deferred tax expense	3,449	3,017	14.3
Fair value change in derivatives	11,570	9,388	23.2
Others ^(c)	(1,132)	286	NM
Net distribution adjustments	<u>15,716</u>	<u>13,180</u>	<u>19.2</u>

(a) Property related non-cash items mainly comprise straight-line rent and amortisation of lease incentives.

(b) Upfront debt-related transaction costs are amortised over the life of the borrowings.

(c) Included in others are other non tax-deductible items and other adjustments.

(8) The income available for distribution and DPU to Unitholders is based on 100% of the taxable income available for distribution to Unitholders. Keppel Pacific Oak US REIT declares distribution on a half-yearly basis. Please refer to Paragraph 11 - Distributions for further information and breakdown.

1 (B)(i) STATEMENTS OF FINANCIAL POSITION

	Note	Group		+ / (-) %	Trust		+ / (-) %
		Actual 30-Jun-20 US\$'000	Actual 31-Dec-19 US\$'000		Actual 30-Jun-20 US\$'000	Actual 31-Dec-19 US\$'000	
Current assets							
Cash and cash equivalents		58,620	38,226	53.4	21,091	11,587	82.0
Trade and other receivables	1	4,560	5,295	(13.9)	28,483	10,920	>100
Prepaid expenses		1,170	232	>100	116	54	>100
Total current assets		64,350	43,753	47.1	49,690	22,561	>100
Non-current assets							
Derivative asset	2	109	362	(69.9)	109	362	(69.9)
Investment properties	3	1,272,936	1,256,500	1.3	-	-	NM
Investment in subsidiaries		-	-	NM	1,139,947	1,138,584	0.1
Total non-current assets		1,273,045	1,256,862	1.3	1,140,056	1,138,946	0.1
Total Assets		1,337,395	1,300,615	2.8	1,189,746	1,161,507	2.4
Current liabilities							
Trade and other payables	4	20,000	24,140	(17.1)	4,455	4,239	5.1
Loans and borrowings	5	41,000	21,000	95.2	41,000	21,000	95.2
Rental security deposits		895	787	13.7	-	-	NM
Rent received in advance		6,392	7,358	(13.1)	-	-	NM
Total current liabilities		68,287	53,285	28.2	45,455	25,239	80.1
Non-current liabilities							
Loans and borrowings	5	457,429	456,984	0.1	457,429	456,984	0.1
Rental security deposits		5,535	5,582	(0.8)	-	-	NM
Derivative liability	2	18,137	6,820	>100	18,137	6,820	>100
Preferred units		125	125	-	-	-	NM
Deferred tax liabilities	6	32,718	29,268	11.8	-	-	NM
Total non-current liabilities		513,944	498,779	3.0	475,566	463,804	2.5
Total liabilities		582,231	552,064	5.5	521,021	489,043	6.5
Net assets		755,164	748,551	0.9	668,725	672,464	(0.6)
Represented by:							
Unitholders' funds		755,164	748,551	0.9	668,725	672,464	(0.6)
Net asset value per Unit (US\$)		0.80	0.80	-	0.71	0.72	(1.4)

Notes:

- (1) Included in trade and other receivables were accrued rental revenue from the tenants. The decrease in trade and other receivables for the Group are from higher repayment from tenants in 1H 2020.

Trade and other receivables of the Trust increased from higher dividend receivable from subsidiaries.

- (2) These relate to fair value of the interest rate swaps entered into by the Group for hedging purpose and the variance was due to movement in interest rates during the period.
- (3) Investment properties are stated at fair value, which has been determined based on valuations performed by an independent valuer, JLL Valuation and Advisory, as at 31 December 2019 and after capitalisation of capital expenditures, tenant improvements, leasing costs and straight-line rent recognised during 1H 2020.

All the investment properties held are freehold.

Investment Properties

	Carrying value US\$'000
The Plaza Buildings	276,012
Bellevue Technology Center	144,456
The Westpark Portfolio	203,986
Iron Point	39,620
Westmoor Center	134,310
Great Hills Plaza	42,472
Westech 360	49,556
1800 West Loop South	83,733
Bellaire Park	55,057
One Twenty Five	102,586
Powers Ferry Landing East	20,628
Northridge Center I & II	23,087
Maitland Promenade I and II	97,433
	<hr/> 1,272,936 <hr/>

- (4) The decrease in trade and other payables was largely due to lower outstanding accrued capital expenditure and tenant improvements.
- (5) The higher amount of loans and borrowings were for the funding of capital expenditure and tenant improvements.
- (6) The movement in deferred taxes were due to the tax depreciation of the investment properties.

1 (B)(ii) AGGREGATE AMOUNT OF BORROWINGS AND DEBT SECURITIES

	Group and Trust	
	As at 30-Jun-20	As at 31-Dec-19
	US\$'000	US\$'000
<u>Unsecured loans and borrowings</u>		
Amount repayable within one year	41,000	21,000
Amount repayable after one year	459,440	459,440
Less: Unamortised upfront debt-related transaction costs	(2,011)	(2,456)
Total unsecured loans and borrowings	498,429	477,984

Notes:

As at 30 June 2020, the Group have gross borrowings comprising:

- (i) US\$449.4 million of non-current term loans to partially finance the Properties
- (ii) US\$10.0 million of non-current loan drawn down from a committed revolving credit facility ("RCF") and US\$41.0 million current loan drawn down from an uncommitted RCF for funding of capital expenditures and tenant improvements.

The Group has further unutilised facilities of US\$64.0 million to meet its future obligations. 84.3% of the non-current term loans had been hedged using floating-for-fixed interest rate swaps. The year-to-date all-in average interest rate for borrowings, including upfront debt-related transaction costs, was 3.34%. Aggregate leverage, as defined in the Property Funds Appendix, is 37.4%.

1 (C) CONSOLIDATED STATEMENT OF CASH FLOWS

Note	Group	
	Actual 1H 2020	Actual 1H 2019
	US\$'000	US\$'000
Operating activities		
Net income before tax	17,300	15,155
Adjustments for:		
Property related non-cash items	(1,641)	(2,467)
Manager's fee paid/payable in Units	2,911	2,476
Interest income	(27)	(36)
Finance expenses	8,085	7,907
Fair value change in derivatives	11,570	9,388
	38,198	32,423
Changes in working capital		
Trade and other receivables	(203)	(398)
Trade and other payables	(4,164)	1,429
Rental security deposits	61	530
Rent received in advance	(966)	1,098
Cash generated from operations	32,926	35,082
Tax paid	(183)	(15)
Net cash generated from operations	32,743	35,067
Cash flows from investing activities		
Acquisition of investment properties and related assets and liabilities	-	(45,129)
Additions to investment properties	(14,795)	(17,628)
Interest received	27	36
Net cash used in investing activities	(14,768)	(62,721)
Cash flows from financing activities		
Proceeds from loan	20,000	55,000
Repayment of loan	-	(5,000)
Payment of debt related transaction costs	-	(250)
Financing expense paid on loans and borrowings	(7,661)	(7,363)
Financing expense paid on preferred shares	(18)	(18)
Distribution to Unitholders	(9,902)	(19,721)
Net cash generated from financing activities	2,419	22,648
Net increase/ (decrease) in cash and cash equivalents	20,394	(5,006)
Cash and cash equivalents at beginning of the period	38,226	40,612
Cash and cash equivalents at end of the period	58,620	35,606

Notes:Update on Use of Proceeds from the 29 October 2019 Private Placement

Further to the announcements dated 21 January 2020 and 17 October 2019 titled “Unaudited Results of Keppel Pacific Oak US REIT for the Fourth Quarter and Full Year Ended 31 December 2019” and “Launch of Private Placement” respectively, the Manager wishes to update the use of proceeds which is in accordance to its stated use, as follows:

	Intended use of proceeds	Reallocation of the use of net proceeds ^(b)	Actual use of proceeds	Balance of proceeds
	US\$'000	US\$'000	US\$'000	US\$'000
Partial funding of cash consideration for One Twenty Five ^(a)	71,500	-	71,500	-
Transaction costs	2,700	(778) ^(b)	1,922	-
Capital expenditure and working capital ^(c)	1,407	778	2,185 ^(c)	-
	75,607	-	75,607	-

- (a) Agreed purchase consideration for One Twenty Five was US\$101.5 million with US\$71.5 million funded by the proceeds from the private placement and the remaining amount financed by external borrowings.
- (b) The lower actual transaction cost, as compared to the intended use of proceeds, was largely due to lower actual professional fees and out of pocket expenses incurred. The balance of net proceeds intended for transactions costs have been reallocated to capital expenditure and working capital.
- (c) Please refer to the following for the breakdown on the use of proceeds for capital expenditure and working capital after reallocation from transaction cost.

Item	Amount (US\$'000)
Capital expenditure	283
Working capital: Repayment of finance expenses	1,902
Total	2,185

1 (D)(i) STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS

Group	Units in issue and to be issued US\$'000	Retained earnings US\$'000	Total US\$'000
At 1 January 2020	685,218	63,333	748,551
Operations			
Net income for the period	-	13,393	13,393
Unitholders' transactions			
Reversal of issue costs previously taken into equity ⁽¹⁾	211	-	211
Management fees paid in units ⁽²⁾	2,911	-	2,911
Distribution to Unitholders	(3,456)	(6,446)	(9,902)
Net decrease in net assets resulting from Unitholders' transactions	(334)	(6,446)	(6,780)
At 30 June 2020	684,884	70,280	755,164

Group	Units in issue and to be issued US\$'000	Retained earnings US\$'000	Total US\$'000
At 1 January 2019	623,739	34,237	657,976
Operations			
Net income for the period	-	11,578	11,578
Unitholders' transactions			
Management fees paid in units	2,476	-	2,476
Distribution to Unitholders	(5,423)	(14,298)	(19,721)
Net decrease in net assets resulting from Unitholders' transactions	(2,947)	(14,298)	(17,245)
At 30 June 2019	620,792	31,517	652,309

	Units in issue and to be issued US\$'000	Retained earnings/ (Accumulated losses) US\$'000	Total US\$'000
Trust			
At 1 January 2020	685,218	(12,754)	672,464
Operations			
Net profit for the period	-	3,041	3,041
Unitholders' transactions			
Reversal of issue costs previously taken into equity ⁽¹⁾	211	-	211
Management fees paid in units ⁽²⁾	2,911	-	2,911
Distribution to Unitholders	(3,456)	(6,446)	(9,902)
Net decrease in net assets resulting from Unitholders' transactions	(334)	(6,446)	(6,780)
At 30 June 2020	684,884	(16,159)	668,725

	Units in issue and to be issued US\$'000	Retained earnings/ (Accumulated losses) US\$'000	Total US\$'000
Trust			
At 1 January 2019	623,739	10,103	633,842
Operations			
Net income for the period	-	3,278	3,278
Unitholders' transactions			
Management fees paid in units	2,476	-	2,476
Distribution to Unitholders	(5,423)	(14,298)	(19,721)
Net decrease in net assets resulting from Unitholders' transactions	(2,947)	(14,298)	(17,245)
At 30 June 2019	620,792	(917)	619,875

Notes:

- (1) This relates to reversal of the transaction costs for the 29 October 2019 Private Placement that was previously taken into equity as the actual transaction costs were lower than accrued.
- (2) 2,077,165 units to be issued as payment of management fees in units for 2Q 2020 based on the volume weighted average price for the last 10 business days up till 30 June 2020.

1 (D)(ii) DETAILS OF ANY CHANGES IN UNITS

Units in Issue:	2020 Units	2019 Units
At 1 January	934,149,036	821,731,379
New Units issued:		
- issue of Management base fees in units	4,825,854	3,535,556
Total issued Units as at 30 June	938,974,890	825,266,935
New Units to be issued:		
- Management base fees in units to be issued ⁽¹⁾	2,077,165	1,623,991
Total Units issued and to be issued as at 30 June	941,052,055	826,890,926

(1) 2,077,165 units to be issued as payment of management fees in units for 2Q 2020 based on the volume weighted average price for the last 10 business days up till 30 June 2020.

1 (D)(iii) TOTAL NUMBER OF ISSUED UNITS

Keppel Pacific Oak US REIT does not hold any treasury units as at 30 June 2020 and 31 December 2019.

	As at 30 June 2020	As at 31 December 2019
Total number of issued units	938,974,890	934,149,036

1 (D)(iv) SALES, TRANSFER, DISPOSALS, CANCELLATION OR USE OF TREASURY UNITS

Not applicable.

2. AUDIT

The figures have neither been audited nor reviewed by the auditors.

3. AUDITORS' REPORT

Not applicable.

4. ACCOUNTING POLICIES

Except as disclosed in paragraph 5, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2019.

5. CHANGES IN ACCOUNTING POLICIES

The Group adopted the revised IFRS and interpretations that are effective for application for annual financial periods beginning on or after 1 January 2020. The adoption of these revised IFRS and interpretations did not result in material changes to the Group's accounting policies and has no material effect on the amounts reported for the current financial period.

6. CONSOLIDATED EARNINGS PER UNIT ("EPU") AND DISTRIBUTION PER UNIT ("DPU")

	Actual 1H 2020	Actual 1H 2019
EPU		
Weighted average number of Units ⁽¹⁾	936,642,271	824,100,738
Net income for the period (US\$'000)	13,393	11,578
Basic and diluted EPU (US cents)	1.43	1.40
DPU		
Number of Units in issue at end of period	938,974,890	825,266,935
Income available for distribution to Unitholders (US\$'000)	29,109	24,758
DPU (US cents) ⁽²⁾	3.10	3.00

Notes:

- (1) The weighted average number of units was based on the number of units in issue and issuable during the period.
- (2) The DPU was computed and rounded based on the number of units entitled to distribution at the end of the period.

7. NET ASSET VALUE ("NAV") AND NET TANGIBLE ASSET ("NTA") PER UNIT

	Group		Trust	
	As at 30 June 2020	As at 30 June 2019	As at 30 June 2020	As at 30 June 2019
Number of Units in issue and to be issued	941,052,055	826,890,926	941,052,055	826,890,926
Net assets (US\$'000)	755,164	652,309	668,725	619,875
NAV and NTA per Unit ⁽¹⁾ (US\$)	0.80	0.79	0.71	0.75
Adjusted NAV and NTA per Unit ⁽¹⁾ (US\$) (excluding Distributable Income)	0.77	0.76	0.68	0.72

Notes:

- (1) The computation of NAV and NTA is based on number of units in issue and to be issued at the end of the period. NAV and NTA are the same as there is no intangible asset as at the end of the period.

8. REVIEW OF PERFORMANCE

Review of performance for 1H 2020 vs 1H 2019

Overall, income available for distribution to Unitholders of US\$29.1 million for 1H 2020 was higher than 1H 2019 by 17.6%.

Gross revenue of US\$70.5 million for 1H 2020 was higher than 1H 2019 by 20.1% largely due to contribution from One Twenty Five which was acquired in November 2019. At the same time, new leases across the rest of the portfolio and positive rental reversion from lease renewals signed in 2H 2019, as well as the built-in rental escalation in the portfolio also contributed to higher rental income. Furthermore, there were higher recoveries income as a result of higher recoverable property expenses.

Property expenses of US\$28.6 million for 1H 2020 were higher than 1H 2019 by 27.0% from the enlarged portfolio as well as higher year-on-year recoverable expenses such as repairs and maintenance, property management fees and property taxes for the existing portfolio. In addition, amortisation of leasing commission, which is a non-cash item and does not affect distribution, increase as a result of the leasing completed in prior years.

As a result, net property income of US\$41.9 million for 1H 2020 was higher than 1H 2019 by 15.7%.

Finance expenses of US\$8.1 million for 1H 2020 were 2.3% higher than 1H 2019. The increase in interest expense was largely due to the new loan taken up to partially finance the acquisition of One Twenty Five as well as additional RCF drawn down during the period to finance capital expenditures and tenant improvements, partially offset by lower interest rate on the unhedged portion of the borrowings.

Fair value loss in derivatives amounted to US\$11.6 million in 1H 2020 which increased 23.2% as compared to 1H 2019 due to movement in interest rates for the respective periods.

Consequently, 1H 2020 net income before tax of US\$17.3 million was above 1H 2019 by 14.2%.

Tax expense of US\$3.9 million, mainly relating to deferred tax expenses, was higher than 1H 2019 due to higher deferred taxes recognised from tax depreciation of the investment properties and partially offset by lower Barbados corporate taxes which ceased with effect from 16 April 2020 post the restructuring.

Due to the net effects of the above, net income for 1H 2020 of US\$13.4 million was higher than 1H 2019 of US\$11.6 million by 15.7%.

9. PROSPECTS

In 1Q 2020, the US economy contracted by 5.0% as a result of shutdowns to slow the spread of COVID-19¹. The unemployment rate declined by 2.2% to 11.1% in June 2020, reflecting a limited resumption of economic activity. Despite the month-on-month decrease, nonfarm unemployment in June was 7.6% above its February level², before shelter-in-place orders were enacted.

In view of the continued risks to the economic outlook over the medium term, the Federal Open Market Committee voted to keep the federal funds rate at the range of 0-0.25%³ during its June 2020 meeting, preserving the flow of credit and liquidity for strained businesses.

In its July 2020 Office National Report, CoStar reported 12-month average rent growth of 1.4% and average vacancy rate of 10.2%, below the historical average of 11.1%. Nonetheless, office dynamics and economic fundamentals in most of KORE's key growth markets remain sound with limited supply expected over the next few years. Seattle, which constitutes almost 39% of KORE's portfolio CRI, has 65% of its under construction inventory pre-leased and ranked first among all states in terms of 12-month absorption⁴.

As the COVID-19 pandemic continues to circulate throughout the world, it is challenging to estimate its full impact at this point, and the economic, social and political ramifications of the virus are expected to continue for some time.

10. RISK FACTORS AND RISK MANAGEMENT

The Manager ascribes importance to risk management and constantly takes initiatives to systematically review the risks it faces and mitigates them. Some of the key risks that the Manager has identified are as follows:

Tax risk

Changes in taxation legislation, administrative guidance or regulations, and/or any disagreement as to the interpretation thereof, may adversely affect Keppel Pacific Oak US REIT and its Subsidiaries.

Any change in the tax status of Keppel Pacific Oak US REIT and/or any of its direct and indirect subsidiaries (the "Group"), or change in taxation legislation, administrative guidance, or regulation (or any disagreement as to the interpretation thereof) that applies to the Group, could adversely affect the distribution paid by the Group.

In addition, any such tax changes could adversely affect the value of the Group's investments, and/or increase the U.S. and non-U.S. tax liabilities of the Group and/or affect the Group's ability to achieve its investment objectives. Such changes could have a significant negative impact on Keppel Pacific Oak US REIT and its unitholders.

For example, in late 2017, the enactment of Section 267A of the United States Internal Revenue Code potentially affected the deductibility of certain interest expenses for taxable years beginning 31 December 2017. As a result,

¹ U.S. Bureau of Economic Analysis, June 2020.

² U.S. Bureau of Labor Statistics, June 2020.

³ Federal Reserve FOMC Statement, June 2020.

⁴ CoStar July 2020 Office National Report.

Keppel Pacific Oak US REIT restructured certain subsidiaries (the “Barbados Restructuring”) to comply specifically with the interpretations of Section 267A enacted then.

On 7 April 2020, the United States Department of the Treasury released the final regulations under Section 267A (the “Final Regulations”). Pursuant to the Final Regulations, the Manager had completed the restructuring of the Group on 16 April 2020 to a structure which does not involve the Barbados entities, largely following the structure which Keppel Pacific Oak US REIT used when it was initially listed, and which was disclosed in its Prospectus dated 2 November 2017.

The Manager will continue to monitor future changes and clarifications and will make future announcements, if and when appropriate.

Interest rate risk

The Manager constantly monitors its exposure to changes in interest rates for its interest-bearing financial liabilities. Interest rate risk is managed on an on-going basis with the primary objective of limiting the extent to which net interest expense can be affected by adverse movements in interest rates through financial instruments or other suitable financial products.

Liquidity risk

The Manager monitors and maintains the Group’s cash flow position and working capital to ensure that there are adequate liquid reserves in terms of cash and credit facilities to meet short-term obligations. Steps have been taken to plan for capital and expense requirements so as to manage the cash position at any point of time.

Credit risk

Credit risk assessments of tenants are carried out by way of evaluation of information from corporate searches conducted prior to the signing of lease arrangements. Tenants are generally required to pay a security deposit as a multiple of monthly rents and maintain sufficient deposits in their accounts. In addition, the Manager also monitors the tenant mix.

Currency risk

Currency risk arises from future commercial transactions, recognised assets and liabilities and net investments denominated in foreign currencies. The Group’s business is not exposed to significant currency risk as the portfolio of properties is located in the United States and the cash flows from the operations of the properties are denominated in US\$. The Group also borrows in the same currency as the assets in order to manage the foreign currency risk. Keppel Pacific Oak US REIT will receive US\$ distributions from the investment properties which will be passed to the Unitholders, either in US\$ or converted to SG\$ at the spot foreign exchange rate at the time of distribution. Keppel Pacific Oak US REIT is exposed to fluctuations in the cross-currency rates of the US\$ and SG\$ for operating expenses incurred in Singapore, which are not material. If and when appropriate, based on the prevailing market conditions, the Group may adopt suitable hedging strategies to minimise any foreign exchange risk.

Operational risk

The Manager oversees an active asset management program that has been put in place to oversee leasing, capital projects and the operations at the properties, including managing expenses, monitoring rental payments from tenants and evaluating the Group’s counter-parties on an ongoing basis. Measures have been put in place to manage expenses, actively monitor rental payments from tenants and evaluate the Group’s counter-parties on an ongoing basis. The Manager also performs an annual review of the adequacy and appropriateness of insurance coverage, reviews disaster and pandemic business continuity plans, and updates and modifies them regularly.

11. DISTRIBUTIONS

(a) Current Financial Period reported on

Any distribution recommended for the current financial period reported on?

Yes.

Name of Distribution	6 th Distribution for the period from 1 January 2020 to 30 June 2020
Distribution Type	a) Tax-exempt income distribution b) Capital distribution
Distribution Rate	a) Tax-exempt income distribution – 1.94 US cents per unit b) Capital distribution – 1.16 US cents per unit
Tax Rate	<p><u>Tax-exempt income distribution</u> Tax-exempt income distribution is exempt from tax in the hands of all Unitholders. Tax-exempt income relates to net taxed income and one-tier dividend income received by Keppel Pacific Oak US REIT.</p> <p><u>Capital distribution</u> Capital distribution represents a return of capital to Unitholders for Singapore income tax purposes and is therefore not subject to income tax. For Unitholders who are liable to Singapore income tax on profits from sale of Keppel Pacific Oak US REIT units, the amount of capital distribution will be applied to reduce the cost base of their Keppel Pacific Oak US REIT units for Singapore income tax purposes.</p>

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Yes.

Name of Distribution	3 rd Distribution for the period from 1 January 2019 to 30 June 2019
Distribution Type	a) Tax-exempt income distribution b) Capital distribution
Distribution Rate	a) Tax-exempt income distribution – 1.90 US cents per unit b) Capital distribution – 1.10 US cents per unit
Tax Rate	<p><u>Tax-exempt income distribution</u> Tax-exempt income distribution is exempt from tax in the hands of all Unitholders. Tax-exempt income relates to net taxed income and one-tier dividend income received by Keppel Pacific Oak US REIT.</p> <p><u>Capital distribution</u> Capital distribution represents a return of capital to Unitholders for Singapore income tax purposes and is therefore not subject to income tax. For Unitholders who are liable to Singapore income tax on profits from sale of Keppel Pacific Oak US REIT units, the amount of capital distribution will be applied to reduce the cost base of their Keppel Pacific Oak US REIT units for Singapore income tax purposes.</p>

(c) Record date

30 July 2020

(d) Date payable

24 September 2020

12. DISTRIBUTION STATEMENT

Other than as disclosed in Paragraph 11(a), no distribution has been declared / recommended.

13. INTERESTED PERSON TRANSACTIONS

Name of Interested Person

Keppel Pacific Oak US REIT Management Pte. Ltd.

- Manager's management fees
- Acquisition fees

Perpetual (Asia) Ltd

- Trustee fees

Aggregate value of all interested person transactions during the financial period under review (excluding transactions of less than S\$100,000)	
Actual 1H 2020 US\$'000	Actual 1H 2019 US\$'000
2,911	2,476
-	487
114	60

Keppel Pacific Oak US REIT has not obtained a general mandate from Unitholders for Interested Person Transactions for the financial period under review.

14. CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL ITS DIRECTORS AND EXECUTIVE OFFICERS UNDER RULE 720(1)

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.

The past performance of Keppel Pacific Oak US REIT is not necessarily indicative of its future performance. Certain statements made in this presentation may not be based on historical information or facts and may be “forward-looking” statements due to 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, including employee wages, benefits and training, property expenses and governmental and public policy changes, and the continued availability of financing in the amounts and terms necessary to support future business.

Prospective investors and unitholder of Keppel Pacific Oak US REIT (“**Unitholders**”) are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of Keppel Pacific Oak US REIT Management Pte. Ltd., as Manager of Keppel Pacific Oak US REIT (the “**Manager**”) on future events. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information, or opinions contained in this presentation. None of the Manager, the trustee of Keppel Pacific Oak US REIT or any of their respective advisors, representative or agents shall have any responsibility or liability whatsoever (for negligence or otherwise) for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection with this presentation. The information set out herein may be subject to updating, completion, revision, verification and amendment and such information may change materially. The value of units in Keppel Pacific Oak US REIT (“**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 or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Manager to redeem 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 (“**SGXST**”). Listing of the Units on SGX-ST does not guarantee a liquid market for the Units.

By Order of the Board
Keppel Pacific Oak US REIT Management Pte. Ltd.
(Company Registration Number: 201719652G)
As Manager of Keppel Pacific Oak US REIT

Tan Weiqiang, Marc
Company Secretary
22 July 2020

CONFIRMATION BY THE BOARD

We, PETER MCMILLAN and PAUL THAM, being two Directors of Keppel Pacific Oak US REIT Management Pte. Ltd. (the "Company"), as Manager of Keppel Pacific Oak US REIT, do hereby confirm on behalf of the Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial statements of Keppel Pacific Oak US REIT for the financial period from 1 January 2020 to 30 June 2020 to be false or misleading in any material respect.

On behalf of the Board,



Peter McMillan
Director

22 July 2020



Paul Tham
Director