

KEPPEL PACIFIC OAK US REIT**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS & DISTRIBUTION
ANNOUNCEMENT****FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2022****TABLE OF CONTENTS**

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INTRODUCTION

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 31 December 2022, 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 4,753,887 sq. ft. and approximately US\$1.42 billion in value, as follows:

The Plaza Buildings

Bellevue Technology Center

The Westpark Portfolio

Great Hills Plaza

Westech 360

Westmoor Center

105 Edgeview

(acquired on 20 August 2021)

Bridge Crossing

(acquired on 20 August 2021)

1800 West Loop South

Bellaire Park

125 John Carpenter ("One Twenty Five")

Maitland Promenade I & II

Iron Point

Keppel Pacific Oak US REIT completed the divestments of Northridge Center I & II in Atlanta, Georgia on 28 July 2022 at a gross divestment price of US\$22.1 million and Powers Ferry in Atlanta, Georgia on 22 December 2022 at a gross divestment price of US\$16.1 million.

**SUMMARY OF KEPPEL PACIFIC OAK US REIT RESULTS
FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2022**

	Group					
	2H 2022	2H 2021	+/(-)	FY 2022	FY 2021	+/(-)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Gross Revenue	73,867	72,874	1.4	147,976	141,257	4.8
Property Expenses	(32,593)	(30,779)	5.9	(63,701)	(58,575)	8.8
Net Property Income (NPI)	41,274	42,095	(2.0)	84,275	82,682	1.9
Adjusted NPI (excludes non-cash straight-line rent, lease incentives and amortisation of leasing commissions) ⁽¹⁾	41,972	42,684	(1.7)	85,493	83,552	2.3
Net Income for the period ⁽²⁾	5,581	47,033	(88.1)	48,485	77,350	(37.3)
Income available for distribution to Unitholders ⁽³⁾	29,036	32,480	(10.6)	60,578	62,417	(2.9)
Distribution per Unit (DPU) (US cents) ⁽⁴⁾	2.78	3.18	(12.6)	5.80	6.34	(8.5)
Annualised distribution yield ⁽⁵⁾				12.60%	7.90%	470 bps
Adjusted Income available for distribution to Unitholders ^{(3) (6)}	29,036	29,223	(0.6)	60,578	57,659	5.1
Adjusted DPU (US cents) ^{(4) (6)}	2.78	2.86	(2.8)	5.80	5.86	(1.0)
Adjusted Distribution Yield ^{(5) (6)}				12.60%	7.33%	527 bps

Notes:

- (1) Adjusted net property income which excludes non-cash straight-line rent, lease incentives and amortisation of leasing commission, was up 2.3% year-on-year mainly arising from the contributions from 105 Edgeview and Bridge Crossing that was acquired in August 2021. For more details, please refer to Other information: Paragraph C – Review of Performance.
- (2) For information on the variance for net income, please refer to Condensed Consolidated Statement of Comprehensive Income and Condensed Consolidated Distribution Statement as well as Other information: Paragraph C – 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 2.78 US cents for 2H 2022 was calculated based on 1,044,450,254 issued Units as at 31 December 2022, while DPU and adjusted DPU of 3.18 US cents and 2.86 US cents for 2H 2021 comprise Advance distribution of 0.64 US cents and 0.58 US cents for the period from 1 July 2021 to 5 August 2021, calculated over a unit base of 947,366,724 issued Units and a distribution of 2.54 US cents and 2.28 US cents for the period from 6 August 2021 to 31 December 2021, calculated over a unit base of 1,040,052,040 and 1,036,042,724 issued Units respectively.
- (5) Distribution yields for FY 2022 and FY 2021 are based on market closing prices of US\$0.460 and US\$0.800 per Unit as at last trading day of the respective periods.
- (6) The Manager has elected to receive 100% of its base fee for 1Q 2022 amounting to US\$1,657,009 in the form of Units and 100% of its base fee for 2Q 2022, 3Q 2022 and 4Q 2022 amounting to US\$4,902,138 in cash. Accordingly, 2H 2021 and FY 2021 adjusted income available for distribution to Unitholders, adjusted DPU and adjusted distribution yield have been restated to assume 2Q 2021, 3Q 2021 and 4Q 2021 base fees of US\$4,758,043 were paid in cash to provide a like-for like comparison to 2H 2022 and FY 2022 actual results.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2022**

	Note	Group					+/(-)%
		2H 2022 US\$'000	2H 2021 US\$'000	+/(-)%	FY 2022 US\$'000	FY 2021 US\$'000	
Rental income		53,507	53,816	(0.6)	107,056	105,194	1.8
Recoveries income		18,577	17,602	5.5	37,635	33,384	12.7
Other operating income		1,783	1,456	22.5	3,285	2,679	22.6
Gross Revenue		73,867	72,874	1.4	147,976	141,257	4.8
Utilities		(5,038)	(4,500)	12.0	(9,424)	(8,251)	14.2
Repairs and maintenance		(3,888)	(3,662)	6.2	(7,315)	(6,738)	8.6
Property management fees		(4,018)	(3,740)	7.4	(7,683)	(7,136)	7.7
Property taxes		(8,816)	(8,823)	(0.1)	(18,109)	(17,178)	5.4
Other property expenses		(10,833)	(10,054)	7.7	(21,170)	(19,272)	9.8
Property expenses		(32,593)	(30,779)	5.9	(63,701)	(58,575)	8.8
Net Property Income		41,274	42,095	(2.0)	84,275	82,682	1.9
Finance income		118	36	>100	152	74	>100
Finance expenses	3	(10,426)	(7,596)	37.3	(18,658)	(14,680)	27.1
Manager's base fee		(3,238)	(3,258)	(0.6)	(6,559)	(6,252)	4.9 (i)
Manager's performance fee		-	(98)	(100.0)	-	(98)	(100.0) (ii)
Trustee's fee		(96)	(90)	6.7	(190)	(180)	5.6
Fair value change in derivatives		14,375	6,620	>100	31,321	11,805	>100 (iii)
Other trust expenses		(1,960)	(635)	>100	(3,314)	(2,248)	47.4 (iv)
Net income for the period before gain on divestment of investment properties and net fair value change in investment properties		40,047	37,074	8.0	87,027	71,103	22.4
Gain on divestment of investment properties		185	-	NM	185	-	NM (v)
Net fair value change in investment properties		(39,179)	19,208	NM	(39,179)	19,208	NM (vi)
Net income for the period before tax		1,053	56,282	(98.1)	48,033	90,311	(46.8)
Tax expense		4,528	(9,249)	NM	452	(12,961)	NM (vii)
Net income for the period		5,581	47,033	(88.1)	48,485	77,350	(37.3)
Earnings per Unit (US cents)		0.53	4.61		4.65	7.86	(xii)

NM – Not meaningful

**CONDENSED CONSOLIDATED DISTRIBUTION STATEMENT
FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2022**

	Group						
	2H 2022	2H 2021	+/(-)%	FY 2022	FY 2021	+/(-)%	
	US\$'000	US\$'000		US\$'000	US\$'000		
Net income for the period	5,581	47,033	(88.1)	48,485	77,350	(37.3)	
<u>Distribution adjustments</u>							
Property related non-cash items	698	589	18.5	1,218	870	40.0	(viii)
Manager's base fee paid/payable in units	-	3,258	(100.0)	1,657	6,252	(73.5)	(i)
Trustee's fee	96	90	6.7	190	180	5.6	
Amortisation of upfront debt-related transaction costs	554	334	65.9	1,057	692	52.7	(ix)
Net deferred tax expense	(4,527)	9,242	NM	(459)	12,958	NM	(vii)
Fair value change in derivatives	(14,375)	(6,620)	>100	(31,321)	(11,805)	>100	(iii)
Net fair value change in investment properties	39,179	(19,208)	NM	39,179	(19,208)	NM	(vi)
Gain on divestment of investment properties	(185)	-	NM	(185)	-	NM	(v)
Others	2,015	(2,238)	NM	757	(4,872)	NM	(x)
Net distribution adjustments	<u>23,455</u>	<u>(14,553)</u>	NM	<u>12,093</u>	<u>(14,933)</u>	NM	
Income available for distribution to Unitholders	<u>29,036</u>	<u>32,480</u>	(10.6)	<u>60,578</u>	<u>62,417</u>	(2.9)	(xi)
DPU (US cents)	2.78	3.18	(12.6)	5.80	6.34	(8.5)	(xii)

Notes for Condensed Consolidated Statement of Comprehensive Income and Condensed Consolidated Distribution Statement:

- (i) The Manager has elected to receive 100% of its base fee in the form of cash for 2H 2022. Management base fees for 1Q 2022 had been paid in units and cash for 2Q 2022.
- (ii) The Manager's performance fee is based on 25% of the difference in DPU in a financial year with the DPU in the preceding financial year (calculated before accounting for the 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 Manager has elected to receive 100% of its performance fee in cash for FY 2021. No performance fee was recorded for FY 2022.
- (iii) This relates to fair value changes 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. The net fair value change in derivatives has no impact on the distributable income to the Unitholders.
- (iv) Other trust expenses comprise audit, tax compliance and other corporate expenses. The increase in trust expenses was largely due to an increase in tax, legal and professional fees.
- (v) This relates to the gain on divestments of Northridge Center on 28 July 2022 and Powers Ferry on 22 December 2022, net of transaction and other related costs.

- (vi) Keppel Pacific Oak US REIT obtains independent appraisals on an annual basis and recognises change in fair value as gains / (losses) in the consolidated statement of comprehensive income. The net fair value loss in investment properties relates to a net decrease in the appraised fair value of investment properties after taking into consideration the capital expenditure and tenants improvement spent in FY 2022, mainly from 1800 West Loop South, Maitland Promenade I & II, Bellevue Technology Center, The Plaza Buildings, One Twenty Five, Bridge Crossing and Westech 360.

	US\$'000
Independent property valuation as at 31 December 2021	1,455,830
Disposal of investment properties	(35,693)
Capital expenditure for 2022	42,412
Book value before independent valuations	1,462,549
Independent property valuation as at 31 December 2022	1,423,370
Net fair value losses	39,179

For more information on the details of valuation techniques and inputs, please refer to Note 9(d) (Fair value measurement of investment properties).

- (vii) Tax expense comprises current and net deferred tax expenses.

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.

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

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

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

- (xi) 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 Other information: Paragraph G - Distributions for further information and breakdown.

- (xii) Earnings per Unit (EPU) and Distribution per Unit (DPU)

	Group			
	2H 2022	2H 2021	FY 2022	FY 2021
EPU				
Weighted average number of Units ⁽¹⁾	1,044,450,254	1,020,889,719	1,043,515,546	983,533,218
Net income for the period (US\$'000)	5,581	47,033	48,485	77,350
Basic and diluted EPU (US cents)	0.53	4.61	4.65	7.86
DPU				
Number of Units in issue at end of period	1,044,450,254	1,040,052,040	1,044,450,254	1,040,052,040
Income available for distribution to Unitholders (US\$'000)	29,036	32,480	60,578	62,417
DPU (US cents) ⁽²⁾	2.78	3.18	5.80	6.34

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 in issue entitled to distribution at the end of the period.

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

	Note	Group		+ / (-) %	Trust		+ / (-) %	
		Actual 31-Dec-22 US\$'000	Actual 31-Dec-21 US\$'000		Actual 31-Dec-22 US\$'000	Actual 31-Dec-21 US\$'000		
Current assets								
Cash and cash equivalents		63,436	50,977	24.4	10,605	8,841	20.0	
Trade and other receivables		3,898	3,988	(2.3)	33,314	32,274	3.2	(i)
Derivative asset		1,492	-	NM	1,492	-	NM	(ii)
Prepaid expenses		441	215	>100	312	33	>100	
Total current assets		69,267	55,180	25.5	45,723	41,148	11.1	
Non-current assets								
Derivative asset		26,865	2,558	>100	26,865	2,558	>100	(ii)
Investment properties	5	1,423,370	1,455,830	(2.2)	-	-	NM	(iii)
Investment in subsidiaries		-	-	NM	1,234,687	1,240,559	(0.5)	
Total non-current assets		1,450,235	1,458,388	(0.6)	1,261,552	1,243,117	1.5	
Total Assets		1,519,502	1,513,568	0.4	1,307,275	1,284,265	1.8	
Current liabilities								
Trade and other payables		27,368	24,092	13.6	5,008	2,915	71.8	(iv)
Loans and borrowings	4	10,220	123,175	(91.7)	10,220	123,175	(91.7)	
Rental security deposits		1,220	788	54.8	-	-	NM	
Rent received in advance		6,197	6,466	(4.2)	-	-	NM	
Total current liabilities		45,005	154,521	(70.9)	15,228	126,090	(87.9)	
Non-current liabilities								
Loans and borrowings	4	567,497	438,429	29.4	567,497	438,429	29.4	
Rental security deposits		4,942	5,636	(12.3)	-	-	NM	
Derivative liabilities		283	5,805	(95.1)	283	5,805	(95.1)	(ii)
Preferred units	6	1,374	500	>100	-	-	NM	
Deferred tax liabilities		54,324	54,783	(0.8)	-	-	NM	(v)
Total non-current liabilities		628,420	505,153	24.4	567,780	444,234	27.8	
Total liabilities		673,425	659,674	2.1	583,008	570,324	2.2	
Net assets		846,077	853,894	(0.9)	724,267	713,941	1.4	
Represented by:								
Unitholders' funds		846,077	853,894	(0.9)	724,267	713,941	1.4	
Net asset value per Unit (US\$)		0.81	0.82		0.69	0.69		(vi)

Notes:

- (i) Included in trade and other receivables were accrued rental revenue from the tenants. Trade and other receivables of the Trust increased from higher dividend receivable from subsidiaries.
- (ii) 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.
- (iii) The decrease in investment properties is due mainly to the divestment of Northridge Center I & II in Atlanta, Georgia on 28 July 2022 and Powers Ferry in Atlanta, Georgia on 22 December 2022.

All the investment properties held are freehold. For more information on the investment properties movement and details of valuation techniques and inputs, please refer to Note 5 Investment properties and Note 9(d) (Fair value measurement of investment properties).

- (iv) The increase in trade and other payables was largely due to higher outstanding accrued property tax, capital expenditure and tenant improvements.
- (v) The movement in deferred taxes were due to the tax depreciation and fair value changes on the investment properties.
- (vi) Net asset value (“NAV”) and Net tangible asset (“NTA”) per Unit

	Group		Trust	
	As at 31-Dec-22	As at 31-Dec-21	As at 31-Dec-22	As at 31-Dec-21
Number of Units in issue and to be issued	1,044,450,254	1,042,144,048	1,044,450,254	1,042,144,048
Net assets (US\$'000)	846,077	853,894	724,267	713,941
NAV and NTA per Unit ⁽¹⁾ (US\$)	0.81	0.82	0.69	0.69
Adjusted NAV and NTA per Unit ⁽¹⁾ (US\$)(excluding Distributable Income)	0.78	0.79	0.67	0.66

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.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2022**

	Group			
	2H 2022	2H 2021	FY 2022	FY 2021
	US\$'000	US\$'000	US\$'000	US\$'000
Operating activities				
Net income before tax	1,053	56,282	48,033	90,311
Adjustments for:				
Property related non-cash items	698	589	1,218	870
Manager's fee paid/payable in Units	-	3,258	1,657	6,252
Finance income	(118)	(36)	(152)	(74)
Provision/(reversal) for expected credit losses	200	(258)	(85)	167
Finance expenses	10,426	7,596	18,658	14,680
Fair value change in derivatives	(14,375)	(6,620)	(31,321)	(11,805)
Net fair value change in investment properties	39,179	(19,208)	39,179	(19,208)
Gain on divestment of investment properties	(185)	-	(185)	-
	36,878	41,603	77,002	81,193
Changes in working capital				
Trade and other receivables	(8)	336	(51)	123
Trade and other payables	15,874	8,937	2,961	2,631
Rental security deposits	(295)	141	(262)	31
Rent received in advance	(3,052)	398	(269)	(1,013)
Cash generated from operations	49,397	51,415	79,381	82,965
Tax credit /(paid)	1	(7)	(7)	(46)
Net cash generated from operations	49,398	51,408	79,374	82,919
Cash flows from investing activities				
Acquisition of investment properties and related assets and liabilities	-	(103,475)	-	(103,475)
Additions to investment properties	(23,443)	(19,545)	(43,630)	(27,490)
Proceeds from divestment of investment properties, net of transaction and other related costs	35,878	-	35,878	-
Interest received	118	36	152	74
Net cash generated from/ (used in) investing activities	12,553	(122,984)	(7,600)	(130,891)
Cash flows from financing activities				
Proceeds from issuance of units	-	65,000	-	65,000
Payment of transaction costs relating to issuance of units	-	(1,259)	-	(1,259)
Proceeds from issuance of preferred units	750	125	874	375
Repayment of loan	(180,000)	(75,800)	(264,720)	(75,800)
Proceeds from new loan	192,800	133,500	281,520	133,500
Payment of debt related transaction costs	(1,660)	(660)	(1,744)	(660)
Financing expense paid on loans and borrowings	(9,580)	(7,299)	(17,216)	(13,965)
Financing expense paid on preferred units	(39)	(24)	(70)	(47)
Distribution to Unitholders	(31,542)	(36,000)	(57,959)	(65,519)
Net cash (used in)/ generated from financing activities	(29,271)	77,583	(59,315)	41,625
Net increase/ (decrease) in cash and cash equivalents	32,680	6,007	12,459	(6,347)
Cash and cash equivalents at beginning of the period	30,756	44,970	50,977	57,324
Cash and cash equivalents at end of the period	63,436	50,977	63,436	50,977

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS
FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2022**

Group	Note	Units in issue and to be issued US\$'000	Retained earnings US\$'000	Total US\$'000
At 1 January 2022		721,468	132,426	853,894
Operations				
Net income for the period		-	42,904	42,904
Unitholders' transactions				
Management fees paid and payable in units		1,657	-	1,657
Distribution to Unitholders		(3,536)	(22,881)	(26,417)
Net decrease in net assets resulting from Unitholders' transactions		(1,879)	(22,881)	(24,760)
At 30 June 2022	7	719,589	152,449	872,038
Operations				
Net income for the period		-	5,581	5,581
Unitholders' transactions				
Distribution to Unitholders		(10,757)	(20,785)	(31,542)
Net decrease in net assets resulting from Unitholders' transactions		(10,757)	(20,785)	(31,542)
At 31 December 2022	7	708,832	137,245	846,077
Group				
At 1 January 2021		677,012	95,058	772,070
Operations				
Net income for the period		-	30,317	30,317
Unitholders' transactions				
Management fees paid and payable in units		2,994	-	2,994
Distribution to Unitholders		(9,431)	(20,088)	(29,519)
Net decrease in net assets resulting from Unitholders' transactions		(6,437)	(20,088)	(26,525)
At 30 June 2021	7	670,575	105,287	775,862
Operations				
Net income for the period		-	47,033	47,033
Unitholders' transactions				
Private placement ⁽¹⁾		65,000	-	65,000
Issue cost ⁽²⁾		(1,259)	-	(1,259)
Management fees paid and payable in units ⁽³⁾		3,258	-	3,258
Distribution to Unitholders		(16,106)	(19,894)	(36,000)
Net increase/ (decrease) in net assets resulting from Unitholders' transactions		50,893	(19,894)	30,999
At 31 December 2021	7	721,468	132,426	853,894

	Note	Units in issue and to be issued US\$'000	Retained earnings/ (Accumulated losses) US\$'000	Total US\$'000
Trust				
At 1 January 2022		721,468	(7,527)	713,941
Operations				
Net income for the period		-	35,493	35,493
Unitholders' transactions				
Management fees paid and payable in units		1,657	-	1,657
Distribution to Unitholders		(3,536)	(22,881)	(26,417)
Net decrease in net assets resulting from Unitholders' transactions		(1,879)	(22,881)	(24,760)
At 30 June 2022	7	719,589	5,085	724,674
Operations				
Net income for the period		-	31,135	31,135
Unitholders' transactions				
Distribution to Unitholders		(10,757)	(20,785)	(31,542)
Net decrease in net assets resulting from Unitholders' transactions		(10,757)	(20,785)	(31,542)
At 31 December 2022	7	708,832	15,435	724,267
Trust				
At 1 January 2021		677,012	(14,915)	662,097
Operations				
Net income for the period		-	21,362	21,362
Unitholders' transactions				
Management fees paid and payable in units		2,994	-	2,994
Distribution to Unitholders		(9,431)	(20,088)	(29,519)
Net decrease in net assets resulting from Unitholders' transactions		(6,437)	(20,088)	(26,525)
At 30 June 2021	7	670,575	(13,641)	656,934
Operations				
Net income for the period		-	26,008	26,008
Unitholders' transactions				
Private placement ⁽¹⁾		65,000	-	65,000
Issue costs ⁽²⁾		(1,259)	-	(1,259)
Management fees paid and payable in units ⁽³⁾		3,258	-	3,258
Distribution to Unitholders		(16,106)	(19,894)	(36,000)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		50,893	(19,894)	30,999
At 31 December 2021	7	721,468	(7,527)	713,941

Notes:

- (1) 88,676,000 units were issued on 6 August 2021 for the Private Placement to raise US\$65.0 million of proceeds for the acquisitions of 105 Edgeview and Bridge Crossing.
- (2) The issue costs relate mainly to the underwriting and professional fees for the Private Placement.
- (3) This comprise 2,064,592 units issued on 30 September 2021 as payment of management fees in units for 3Q 2021, based on the volume weighted average price for the last 10 business days up till 30 September 2021 as well as 2,092,008 units issued as payment of management fees in units for 4Q 2021 based on the volume weighted average price for the last 10 business days up till 31 December 2021.

**CONDENSED CONSOLIDATED PORTFOLIO STATEMENT
AS AT 31 DECEMBER 2022**

Description of property	Location	Tenure of land	Fair value as at 31-Dec-22 US\$'000	Fair value as at 31-Dec-21 US\$'000	Percentage of total net assets as at 31-Dec-22 %	Percentage of total net assets as at 31-Dec-21 %
The Plaza Buildings	Seattle, Washington, US	Freehold	340,000	339,000	40.2	39.7
Bellevue Technology Center	Seattle, Washington, US	Freehold	155,000	151,000	18.3	17.7
The Westpark Portfolio	Seattle, Washington, US	Freehold	230,000	224,000	27.2	26.2
Great Hills Plaza	Austin, Texas, US	Freehold	41,200	42,700	4.9	5.0
Westech 360	Austin, Texas, US	Freehold	47,300	48,300	5.5	5.7
Westmoor Center	Denver, Colorado, US	Freehold	130,220	130,000	15.4	15.2
105 Edgeview	Denver, Colorado, US	Freehold	59,950	60,030	7.1	7.0
Bridge Crossing	Nashville, Tennessee, US	Freehold	43,300	46,600	5.1	5.5
1800 West Loop South	Houston, Texas, US	Freehold	76,900	79,300	9.1	9.3
Bellaire Park	Houston, Texas, US	Freehold	51,300	51,500	6.0	6.0
One Twenty Five	Dallas, Texas, US	Freehold	105,600	106,600	12.5	12.5
Maitland Promenade I & II	Orlando, Florida, US	Freehold	93,800	97,300	11.1	11.4
Iron Point	Sacramento, California, US	Freehold	48,800	44,900	5.8	5.3
Subtotal excluding Powers Ferry ⁽¹⁾ and Northridge I & II ⁽¹⁾			1,423,370	1,421,230	168.2	166.5
Powers Ferry ⁽¹⁾	Atlanta, Georgia, US	Freehold	-	15,700	-	1.8
Northridge Center I & II ⁽¹⁾	Atlanta, Georgia, US	Freehold	-	18,900	-	2.2
Total investment properties			1,423,370	1,455,830	168.2	170.5
Other assets and liabilities (net)			(577,293)	(601,936)	(68.2)	(70.5)
Net assets			846,077	853,894	100.0	100.0

Notes:

(1) Northridge Center and Powers Ferry were divested on 28 July 2022 and 22 December 2022 respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2022

1. GENERAL

Keppel Pacific Oak US REIT (the "Trust") is a Singapore real estate investment trust constituted pursuant to the trust deed (the "Trust Deed") dated 22 September 2017 (as amended) between Keppel Pacific Oak US REIT Management Pte. Ltd. (the "Manager") and Perpetual (Asia) 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 was admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 9 November 2017.

The registered office and principal place of business of the Trustee is located at 8 Marina Boulevard, #05-02 Marina Bay Financial Centre, Singapore 018981 and 16 Collyer Quay, #07-01, Singapore 049318 respectively.

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.

The Manager has elected to receive 100% of its base fees for 1Q 2022 in the form of Units and 100% of its base fee for 2Q 2022, 3Q 2022 and 4Q 2022 in cash. For 2H 2021 and FY 2021, the manager has elected to receive 100% of its base fee in the form of Units.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

This condensed consolidated interim financial statements for the six months and full year ended 31 December 2022 have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") 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 relevant provisions of the Trust Deed. This condensed consolidated interim financial statements do not include all the disclosures included in the Group's financial report. 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 interim financial statements for the period ended 30 June 2022.

The condensed consolidated interim financial statements are presented in US Dollars (USD or US\$) and all values in the tables are rounded to the nearest thousand (\$'000), except when otherwise stated.

2.2 Changes in Accounting Policies

The accounting policies adopted by the Group in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's Annual Report for the financial year ended 31 December 2021.

The Group adopted the revised IFRS and interpretations that are effective for application for annual financial periods beginning on or after 1 January 2022. 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.

2.3 Interest Rate Benchmark Reform– Phase 2

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (“IBOR”) is replaced with an alternative nearly risk-free interest rate (“RFR”). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes requires by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Effect of IBOR reform

Following the global financial crisis, the reform and replacement IBOR has become a priority for global regulators. The Group’s risk exposure that is directly affected by the IBOR reform predominantly comprises its variable rate borrowings that are linked to the London Interbank Offered Rate (“LIBOR”). The interest rate risk of floating rate borrowings are managed using interest rate swaps, LIBOR will cease publication after 30 June 2023, and it is expected to be replaced by the Secured Overnight Financing Rate (“SOFR”). The Group has a variable rate borrowing which references to LIBOR and matures after 30 June 2023.

The following table contains details of all the financial instruments that the Group and Trust holds as at 31 December 2022:

	Group and Trust	
	Borrowings	Derivatives
	US\$’000	US\$’000
Gross carrying amount as at 1 January 2022	235,000	16,594
Not yet transited to SOFR	75,000	1,830
New borrowings/ derivatives entered during the period in SOFR	270,220	9,650
Gross carrying amount as at 31 December 2022	<u>580,220</u>	<u>28,074</u>

The expected transition from LIBOR to SOFR had no effect on the amounts reported for the current and prior financial period. For the financial instruments transited from LIBOR to SOFR during the period, the transition had no material effect on the amounts reported for the current and prior financial period.

2.4 Critical Accounting Judgments and Estimates

In the process of applying the Group's accounting policies, there is no instance of application of judgments with significant updates since the audited financial statements as at 31 December 2021 that is expected to have a significant effect on the amounts recognised in the condensed consolidated interim financial statements.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and with significant updates since the audited financial statements as at 31 December 2021 are disclosed in Note 9(d) (Fair value measurement of investment properties).

3. FINANCE EXPENSES

	Group			
	2H 2022 US\$'000	2H 2021 US\$'000	FY 2022 US\$'000	FY 2021 US\$'000
Interest expense on borrowings	9,805	7,175	17,440	13,815
Amortisation of upfront debt-related transaction costs	554	334	1,057	692
Dividends on preferred units	39	24	70	47
Commitment fees	28	63	91	126
	<u>10,426</u>	<u>7,596</u>	<u>18,658</u>	<u>14,680</u>

4. LOANS AND BORROWINGS

	Group and Trust	
	31-Dec-22 US\$'000	31-Dec-21 US\$'000
<u>Unsecured loans and borrowings</u>		
Amount repayable within one year	10,220	123,420
Amount repayable after one year	570,000	440,000
Less: Unamortised upfront debt-related transaction costs	<u>(2,503)</u>	<u>(1,816)</u>
Total unsecured loans and borrowings	<u>577,717</u>	<u>561,604</u>

As at 31 December 2022, the Group have gross borrowings comprising:

- (i) US\$525.0 million of non-current term loans to partially finance the Properties.
- (ii) US\$45.0 million of non-current loan drawn down from a committed revolving credit facility ("RCF") and US\$10.2 million current loan drawn down from an uncommitted RCF for funding of capital expenditures and tenant improvements.

As at 31 December 2022, the Group has unutilised facilities of US\$39.8 million to meet its future obligations. 77.9% 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 3.20%. Excluding upfront debt-related transaction costs, the year-to-date average interest rate is 3.02%. Aggregate leverage, as defined in the Property Funds Appendix, is 38.2%.

5. INVESTMENT PROPERTIES

Investment properties comprise commercial office properties which are leased to external tenants.

	Group	
	31-Dec-22	31-Dec-21
	US\$'000	US\$'000
As at 1 January	1,455,830	1,304,900
Acquisitions (including acquisition costs)	-	105,101
Divestment of Investment properties	(35,693)	-
Capital expenditure, leasing cost and straight-line rent capitalised	42,412	26,621
Net fair value changes in investment properties	(39,179)	19,208
	<hr/>	<hr/>
As at 31 December	1,423,370	1,455,830

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 Cushman and Wakefield for all properties. The independent valuers have the relevant professional qualification and recent experience in the location and category of the properties being valued. Details of valuation techniques and inputs are disclosed in Note 9(d).

Independent valuations for the prior year ended 31 December 2021 were performed by Cushman and Wakefield for all properties except for 105 Edgeview and Bridge Crossing, which was undertaken by Jones Lang LaSalle.

6. PREFERRED UNITS

	Group	
	31-Dec-22	31-Dec-21
	US\$'000	US\$'000
As at beginning of the financial period	500	125
Issuance of preferred units	874	375
	<hr/>	<hr/>
As at end of the financial period	1,374	500

The preferred units rank senior to all units of the indirect subsidiaries. Each holder of the preferred units is entitled to receive cumulative preferential cash dividends (recorded as finance expense) at a rate of 12.0%-12.5% (31 December 2021: 12.0%-12.5%) per annum on the subscription price of US\$1,000 per unit plus all accrued and unpaid dividends which is payable annually in arrears.

The preferred units are not convertible or exchangeable for any other property or securities of the subsidiaries. The Board of Directors of the subsidiaries may, in its sole and absolute discretion, cause the subsidiaries to redeem units of the preferred units at US\$1,000 per unit plus all accrued and unpaid dividends.

The preferred units have been classified as financial liabilities in accordance with IFRS 9.

7. UNITS IN ISSUE AND TO BE ISSUED

a) Details of any changes in Units for the six months and full year ended 31 December

Units in issue:	2022 Units	2021 Units
At 1 January	1,040,052,040	943,055,659
New Units issued:		
- Issue of Management base fees in units	4,398,214	4,311,065
Total Units issued as at 30 June	1,044,450,254	947,366,724
New Units issued:		
- Private Placement	-	88,676,000
- Issue of Management base fees in units	-	4,009,316
Total Units issued as at 31 December	1,044,450,254	1,040,052,040
New Units to be issued:		
- Management base fees in units to be issued ⁽¹⁾	-	2,092,008
Total Units issued and to be issued as at 31 December	1,044,450,254	1,042,144,048

(1) 2,092,008 units to be issued as payment of management fees in units for 4Q 2021 based on the volume weighted average price for the last 10 business days up till 31 December 2021.

b) Total number of issued Units

Keppel Pacific Oak US REIT does not hold any treasury units as at 31 December 2022 and 31 December 2021.

	As at 31 December 2022	As at 31 December 2021
Total number of issued units	1,044,450,254	1,040,052,040

c) Sales, transfers, disposal, cancellation or use of treasury units

Not applicable.

8. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the direct and indirect ability to control the party, jointly control or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common significant influence. Related parties may be individuals or other entities.

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

	Group	
	FY 2022	FY 2021
	US\$'000	US\$'000
Manager's base fees paid/payable to the Manager	6,559	6,252
Manager's performance fees paid/payable to the Manager	-	98
Acquisition fees paid to the Manager	-	1,051
Divestment fees payable to the Manager	194	-
Trustee fees paid/payable	190	180

9. 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:

	31-Dec-2022 US\$'000			Total
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	
Group				
Assets measured at fair value				
Financial assets				
Derivative assets				
- <i>Interest rate swap</i>	-	28,357	-	28,357
Total financial assets	-	28,357	-	28,357
Non-financial assets				
Investment properties				
- <i>Commercial</i>	-	-	1,423,370	1,423,370
Total non-financial assets	-	-	1,423,370	1,423,370
Liabilities measured at fair value				
Financial liabilities				
Derivative liabilities				
- <i>Interest rate swap</i>	-	283	-	283
Total financial liabilities	-	283	-	283

31-Dec-2021
US\$'000

Group	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				
Financial assets				
Derivative assets				
- <i>Interest rate swap</i>	-	2,558	-	2,558
Total financial assets	-	2,558	-	2,558
Non-financial assets				
Investment properties				
- <i>Commercial</i>	-	-	1,455,830	1,455,830
Total non-financial assets	-	-	1,455,830	1,455,830
Liabilities measured at fair value				
Financial liabilities				
Derivative liabilities				
- <i>Interest rate swap</i>	-	5,805	-	5,805
Total financial liabilities	-	5,805	-	5,805

	31-Dec-2022 US\$'000			
	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
Trust				
Assets measured at fair value				
Financial assets				
Derivative assets				
- <i>Interest rate swap</i>	-	28,357	-	28,357
Total financial assets	-	28,357	-	28,357
Liabilities measured at fair value				
Financial liabilities				
Derivative liabilities				
- <i>Interest rate swap</i>	-	283	-	283
Total financial liabilities	-	283	-	283

	31-Dec-2021 US\$'000			
	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
Trust				
Assets measured at fair value				
Financial assets				
Derivative assets				
- <i>Interest rate swap</i>	-	2,558	-	2,558
Total financial assets	-	2,558	-	2,558
Liabilities measured at fair value				
Financial liabilities				
Derivative liabilities				
- <i>Interest rate swap</i>	-	5,805	-	5,805
Total financial liabilities	-	5,805	-	5,805

c) Level 2 fair value measurements

The fair value of interest rate swaps are based on valuations provided by the financial institutions that are the counterparties of the transactions. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the reporting date

d) Level 3 fair value measurements

The following table presents the valuation techniques and key inputs that were used to determine the fair value of investment properties categorised under Level 3 of the fair value hierarchy as at 31 December 2022.

Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
Discounted cash flow approach	<ul style="list-style-type: none"> Rental rates per square foot per year of US\$13.00 to US\$43.00 (2021: US\$16.00 to US\$42.00) 	Higher rental rate would result in a higher fair value, while lower rate would result in a lower fair value.
	<ul style="list-style-type: none"> Discount rate of 7.25% to 9.25% (2021: 6.75% to 9.00%) 	Higher discount rate or terminal yield would result in a lower fair value, while lower rate would result in a higher fair value.
	<ul style="list-style-type: none"> Terminal yield of 6.00% to 8.50% (2021: 6.00% to 8.00%) 	
Direct capitalisation method	<ul style="list-style-type: none"> Rental rates per square foot per year of US\$13.00 to US\$43.00 (2021: US\$16.00 to US\$42.00) 	Higher rental rate would result in a higher fair value, while lower rate would result in a lower fair value.
	<ul style="list-style-type: none"> Capitalisation rate of 5.25% to 8.25% (2021: 5.00% to 8.00%) 	Higher capitalisation rate would result in a lower fair value, while lower rate would result in a higher fair value.
Market or Direct comparison approach	<ul style="list-style-type: none"> Price per square foot of US\$158.03 to US\$639.52 (2021: US\$107.44 to US\$649.70) 	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 account, 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 direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the investment properties. The capitalisation approach capitalises an income stream into a present value using a market-corroborated capitalisation rate. The discounted cash flows method involves the estimation of an income stream over a period and discounting the income stream with an expected internal rate of return and terminal yield.

The fair value of investment properties of the Group was US\$1,423.4 million as at 31 December 2022 (2021: US\$1,455.8 million).

Given the volatile macroeconomic environments as well as the operational risks at property level, there is a material uncertainty in the estimation to the valuations of the investment properties as compared to a standard market condition.

The above fair value has been classified as a Level 3 fair value based on the inputs to the valuation techniques used.

10. FINANCIAL RATIOS

	Group	
	FY 2022	FY 2021
	%	%
Ratio of expenses to weighted average net assets ⁽¹⁾		
- Including performance component of the Manager's management fees	1.16	1.10
- Excluding performance component of the Manager's management fees	1.16	1.08
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. No performance fee was recorded for FY 2022 (FY 2021: US\$0.1 million).

⁽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.

11. SEGMENT ANALYSIS

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

12. SUBSEQUENT EVENTS

Distribution

On 1 February 2023, the Manager announced a distribution of 2.78 US cents per Unit for the period from 1 July 2022 to 31 December 2022.

OTHER INFORMATION FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2022

A. AUDIT

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

B. AUDITORS' REPORT

Not applicable.

C. REVIEW OF PERFORMANCE

Review of performance for 2H 2022 vs 2H 2021

Overall, income available for distribution to Unitholders of US\$29.0 million for 2H 2022 was lower than 2H 2021 by 10.6%. The manager has elected to receive 100% of its base fee for 2H 2022 amounting to US\$3.2 million in cash. For a like-for-like comparison, assuming 2H 2021 base fee of US\$3.3 million were received in cash rather than Units, the 2H 2021 adjusted income available for distribution would have been US\$29.2 million. Accordingly, 2H 2022 actual income available for distribution to Unitholders would have been 0.6% lower than that of the 2H 2021 adjusted income available for distribution.

Gross revenue of US\$73.9 million for 2H 2022 was higher than 2H 2021 by 1.4% largely due to the contributions from 105 Edgeview and Bridge Crossing which were acquired in August 2021, higher recoverable property expenses as well as higher car park income as more employees return to office. This was partially offset by the loss in revenue from the divestments of Northridge Center and Powers Ferry on 28 July 2022 and 22 December 2022, as well as lower rental income from the existing portfolio as there were some leases that were not renewed in late 2021 whereas some major leases signed in 2022 are still in their rent free period.

Property expenses of US\$32.6 million for 2H 2022 were higher than 2H 2021 by 5.9% mainly due to the enlarged portfolio, as well as higher year-on-year utilities, property management fees and repairs and maintenance for the existing portfolio as more employees return to office. This was partially offset by the lower expenses from the divestments of Northridge Center and Powers Ferry on 28 July 2022 and 22 December 2022.

As a result, net property income of US\$41.3 million for 2H 2022 was lower than 2H 2021 by 2.0%. Excluding the non-cash adjustments such as straight-line rent, lease incentives and amortisation of leasing commissions which has no impact on distributable income, adjusted net property income was 1.7% lower year-on-year.

Finance expenses of US\$10.4 million for 2H 2022 were 37.3% higher than 2H 2021, largely due to the higher interest rates on the unhedged portion of the loans as well as the early refinancing of loans amounting to US\$264.7 million at a higher rate. In addition, the increase was also due to the additional interest expense incurred on the loan taken up to partially finance the acquisitions of 105 Edgeview and Bridge Crossing as well as additional RCF drawn down during the year to finance capital expenditures and tenant improvements.

Fair value gain in derivatives of US\$14.4 million in 2H 2022 was higher than 2H 2021 of US\$6.6 million due to movement in interest rates for the respective periods.

Net fair value loss in investment properties for 2H 2022, after taking into consideration the capital expenditure and tenant improvements spent in FY2022, amounted to US\$39.2 million, mainly from 1800 West Loop South, Maitland Promenade I & II, Bellevue Technology Center, The Plaza Buildings, One Twenty Five, Bridge Crossing and Westech 360. This is in comparison to a net fair value gain of US\$19.2 million in 2H 2021.

Consequently, 2H 2022 net income before tax of US\$1.1 million was below 2H 2021 by 98.1%.

There is a tax credit of US\$4.5 million in 2H 2022 mainly due to the deferred tax asset recognised on the fair value loss in investment properties in FY2022. This was partially offset by the deferred taxes recognised from tax depreciation of the investment properties.

Due to the net effects of the above, net income for 2H 2022 was US\$5.6 million, lower than 2H 2021 of US\$47.0 million.

After factoring in the distribution adjustments, income available for distribution to Unitholders would be US\$29.0 million for 2H 2022. For more details on the distribution adjustments, please refer to the Condensed Consolidated Distribution Statement on Page 5.

Review of performance for FY 2022 vs FY 2021

Overall, income available for distribution to Unitholders of US\$60.6 million for FY 2022 was lower than FY 2021 by 2.9%. The Manager has elected to receive 100% of its base fee for 1Q 2022 amounting to US\$1.7 million in the form of Units and 100% of its base fee for 2Q 2022, 3Q 2022 and 4Q 2022 amounting to US\$4.9 million in cash. For a like-for-like comparison, assuming 2Q 2021, 3Q 2021 and 4Q 2021 base fee of US\$4.8 million were paid in cash rather than Units, the adjusted income available for distribution for FY 2021 would have been US\$57.7 million. Accordingly, FY 2022 actual income available for distribution to Unitholders would have been 5.1% higher than that of the FY 2021 adjusted income available for distribution.

Gross revenue of US\$148.0 million for FY 2022 was higher than FY 2021 by 4.8% largely due to the contributions from 105 Edgeview and Bridge Crossing which were acquired in August 2021, higher recoverable property expenses as well as higher car park income as more employees return to office. This was partially offset by the loss in revenue from the divestments of Northridge Center and Powers Ferry on 28 July 2022 and 22 December 2022, as well as lower rental income from the existing portfolio as there were some leases that were not renewed in late 2021 whereas some major leases signed in 2022 are still in their rent free period.

Property expenses of US\$63.7 million for FY 2022 were higher than FY 2021 by 8.8% mainly due to the enlarged portfolio, as well as higher year-on-year utilities, repairs and maintenance and other property expenses for the existing portfolio as more employees return to office. In addition, amortisation of leasing commission, which is a non-cash item and does not affect distribution, increased as a result of the leasing. This was partially offset by the lower expenses from the divestments of Northridge Center and Powers Ferry done in FY 2022.

As a result, net property income of US\$84.3 million for FY 2022 was higher than FY 2021 by 1.9%. Excluding the non-cash adjustments such as straight-line rent, lease incentives and amortisation of leasing commissions which has no impact on distributable income, adjusted net property income was 2.3% higher year-on-year.

Finance expenses of US\$18.7 million for FY 2022 were 27.1% higher than FY 2021, largely due to the higher interest rates on the unhedged portion of the loans as well as the early refinancing of loans amounting to US\$264.7 million at a higher rate. In addition, the increase was also due to the additional interest expense incurred on the loan taken up to partially finance the acquisitions of 105 Edgeview and Bridge Crossing as well as additional RCF drawn down during the year to finance capital expenditures and tenant improvements.

Fair value gain in derivatives of US\$31.3 million in FY 2022 was higher than FY 2021 of US\$11.8 million due to movement in interest rates for the respective periods.

Net fair value loss in investment properties for FY 2022, after taking into consideration the capital expenditure and tenant improvements spent in FY2022, amounted to US\$39.2 million, mainly from 1800 West Loop South, Maitland Promenade I & II, Bellevue Technology Center, The Plaza Buildings, One Twenty Five, Bridge Crossing and Westech 360. This is in comparison to a net fair value gain of US\$19.2 million in FY 2021.

Consequently, FY 2022 net income before tax of US\$48.0 million was below FY 2021 by 46.8%.

There is a tax credit of US\$0.5 million in FY 2022 mainly due to deferred tax asset recognised on the fair value loss in investment properties in FY 2022. This was partially offset by the deferred taxes recognised from tax depreciation of the investment properties.

Due to the net effects of the above, net income for FY 2022 was US\$48.5 million, lower than FY 2021 of US\$77.4 million.

After factoring in the distribution adjustments, income available for distribution to Unitholders would be US\$60.6 million. For more details on the distribution adjustments, please refer to the Condensed Consolidated Distribution Statement on Page 5.

D. VARIANCE FROM FORECAST STATEMENT

Not applicable.

E. PROSPECTS

The US economy grew by 2.9% in 4Q 2022¹, whilst the unemployment rate and labour force participation rate remained consistent at 3.5% and 62.3% respectively as at January 2023².

Amidst the ongoing war in Ukraine and rising interest rates environment, tech giants have started reconsidering their staffing needs, with several of them implementing hiring freezes and layoffs. Job security is likely to start taking precedence over job hopping as the current market environment gives workers a newfound appreciation for their jobs and provides employers with more confidence in setting return-to-office arrangements. In addition, overall employment has seen an uptick despite the tech layoffs as other industries that were struggling with labour shortages view the current situation as an opportunity for them to recruit quality talent. Globally, the office sector is evolving, but it is evident that workers have been returning to the office, and the workplace remains essential, though many companies are reducing their office footprints.

The annual inflation rate decreased further to 6.5% in December 2022, falling below 7.0% for the first time in over a year. This downward trajectory is encouraging and CBRE expects that inflation will end 2023 at 4.0%, with the Fed Funds Rate peaking at 4.75% to 5.0%².

For more details, please refer to Keppel Pacific Oak US REIT's Media Release for the full year ended 31 December 2022.

¹ U.S. Bureau of Economic Analysis, January 2023.

² CBRE, With Easing Inflation, Fewer Rate Hikes Expected This Year, January 2023.

F. 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, 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.

G. DISTRIBUTIONS

(a) Current Financial Period reported on

Any distribution recommended for the current financial period reported on?

Yes.

Name of Distribution	12 th Distribution for the period from 1 July 2022 to 31 December 2022
Distribution Type	a) Tax-exempt income distribution b) Capital distribution
Distribution Rate	a) Tax-exempt income distribution – 1.64 US cents per unit b) Capital distribution – 1.14 US cents per unit
Tax Rate	<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. <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.

(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	9 th Advance Distribution for the period from 1 July 2021 to 5 August 2021 10 th Distribution for the period from 6 August 2021 to 31 December 2021
Distribution Type	a) Tax-exempt income distribution b) Capital distribution
Distribution Rate	9 th Advance Distribution for the period from 1 July 2021 to 5 August 2021 a) Capital distribution – 0.64 US cents per unit 10 th Distribution for the period from 6 August 2021 to 31 December 2021 b) Tax-exempt income distribution – 2.20 US cents per unit c) Capital distribution – 0.34 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>
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(c) Record date

9 February 2023

(d) Date payable

30 March 2023

H. DISTRIBUTION STATEMENT

Other than as disclosed in Other information: Paragraph G - Distributions, no distribution has been declared/recommended.

I. 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 C above for the review of actual performance.

J. BREAKDOWN OF REVENUE

	FY 2022 US\$'000	FY 2021 US\$'000	+/(-) %
First half year			
Gross revenue reported	74,109	68,383	8.4
Net income reported	42,904	30,317	41.5
Second half year			
Gross revenue reported	73,867	72,874	1.4
Net income reported	5,581	47,033	(88.1)

K. BREAKDOWN OF ANNUAL TOTAL DISTRIBUTION

	FY 2022 US\$'000	FY2021 US\$'000
1 January 2021 to 30 June 2021 (paid)	-	29,937
1 July 2021 to 5 Aug 2021 (paid)	-	6,063
6 Aug to 31 December 2021 (paid)	-	26,417
1 January 2022 to 30 June 2022 (paid)	31,542	-
1 July 2022 to 31 December 2022 (to be paid)	29,036	-
	60,578	62,417

Notes:

(1) Please refer to Paragraph G(a) for details of the distribution to be paid.

L. INTERESTED PERSON TRANSACTIONS

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions of less than S\$100,000)	
	Actual FY 2022 US\$'000	Actual FY 2021 US\$'000
<u>Keppel Pacific Oak US REIT Management Pte. Ltd.</u>		
- Manager's management fees	6,559	6,252
- Manager's performance fees	-	98
- Acquisition fees	-	1,051
- Divestment fees	194	-
<u>Perpetual (Asia) Ltd</u>		
- Trustee fees	190	180

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

M. DISCLOSURE OF PERSON OCCUPYING A MANAGERIAL POSITION

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, we confirm that none of the persons occupying managerial positions in the Company or any of its principal subsidiaries is a relative of a director or chief executive officer or substantial shareholder of the Company.

N. 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

Darren Tan
Company Secretary
01 February 2023