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KEPPEL PACIFIC OAK US REIT

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS & DISTRIBUTION ANNOUNCEMENT

FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2021

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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 2021, the portfolio of Keppel Pacific Oak US REIT comprises 15 office properties ("the Properties") in the United States across 9 key growth markets, with an aggregate NLA of 5,095,182 sq. ft. and approximately US$1.46 billion in value, as follows:

The Plaza Buildings	
Bellevue Technology Center	
The Westpark Portfolio	
Great Hills Plaza	
Westech 360	
Westmoor Center	
105 Edgeview	(acquisition completed on 20 August 2021)
Bridge Crossing	(acquisition completed on 20 August 2021)
1800 West Loop South	
Bellaire Park	
125 John Carpenter ("One Twenty Five")	
Maitland Promenade I & II	
Iron Point	
Powers Ferry	
Northridge Center I & II	

SUMMARY OF KEPPEL PACIFIC OAK US REIT RESULTS FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2021

	Group					
	2H 2021	2H 2020	+/(-)	FY 2021	FY 2020	+/(-)
	US$'000	US$'000	%	US$'000	US$'000	%
Gross Revenue	72,874	69,090	5.5	141,257	139,590	1.2
Property Expenses	(30,779)	(27,979)	10.0	(58,575)	(56,607)	3.5
Net Property Income (NPI)	42,095	41,111	2.4	82,682	82,983	(0.4)
Adjusted NPI (excludes non-cash straight-line rent, lease incentives and amortisation of leasing commissions) (1)	42,684	40,411	5.6	83,552	80,642	3.6
Net Income for the period (2)	47,033	42,994	9.4	77,350	56,387	37.2
Income available for distribution to Unitholders (3)	32,480	29,519	10.0	62,417	58,628	6.5
Distribution per Unit (DPU) (US cents) (4)	3.18	3.13	1.6	6.34	6.23	1.8
Annualised distribution yield (%) (5)				7.90%	9.00%	(110bps)

Notes:

(1) Adjusted net property income which excludes non-cash straight-line rent, lease incentives and amortisation of leasing commission, was up 3.6% 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 3.18 US cents for 2H 2021 comprise Advance distribution of 0.64 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 for the period from 6 August 2021 to 31 December 2021, calculated over a unit base of 1,040,052,040 issued units, while DPU of 3.13 for 2H 2020 was calculated based on 943,055,659 issued units as at 31 December 2020.

(5) Distribution yields for FY 2021 and FY 2020 are based on market closing prices of US$0.800 and US$0.690 per Unit as at last trading day of the respective periods.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2021

	Note	Group						
		2H 2021	**2H 2020**	**+/(-)%**	**FY 2021**	**FY 2020**	**+/(-)%**	
		US$'000	**US$'000**		**US$'000**	**US$'000**		
Rental income		53,816	51,781	3.9	105,194	103,186	1.9	
Recoveries income		17,602	16,058	9.6	33,384	33,055	1.0	
Other operating income		1,456	1,251	16.4	2,679	3,349	(20.0)	
Gross Revenue		**72,874**	**69,090**	**5.5**	**141,257**	**139,590**	**1.2**	
Utilities		(4,500)	(4,123)	9.1	(8,251)	(7,899)	4.5	
Repairs and maintenance		(3,662)	(3,220)	13.7	(6,738)	(6,376)	5.7	
Property management fees		(3,740)	(3,585)	4.3	(7,136)	(7,063)	1.0	
Property taxes		(8,823)	(7,697)	14.6	(17,178)	(16,715)	2.8	
Other property expenses		(10,054)	(9,354)	7.5	(19,272)	(18,554)	3.9	
Property expenses		**(30,779)**	**(27,979)**	**10.0**	**(58,575)**	**(56,607)**	**3.5**	
Net Property Income		**42,095**	**41,111**	**2.4**	**82,682**	**82,983**	**(0.4)**	
Finance income		36	19	89.5	74	46	60.9	
Finance expenses	3	(7,596)	(7,772)	(2.3)	(14,680)	(15,857)	(7.4)	
Manager's base fee		(3,258)	(3,020)	7.9	(6,252)	(5,931)	5.4	(i)
Manager's performance fee		(98)	(681)	(85.6)	(98)	(681)	(85.6)	(ii)
Trustee's fee		(90)	(86)	4.7	(180)	(200)	(10.0)	
Fair value change in derivatives		6,620	2,976	>100	11,805	(8,594)	NM	(iii)
Other trust expenses		(635)	(206)	>100	(2,248)	(2,125)	5.8	(iv)
Net income for the period before tax and fair value change in investment properties		**37,074**	**32,341**	**14.6**	**71,103**	**49,641**	**43.2**	
Net fair value change in investment properties		19,208	19,731	(2.7)	19,208	19,731	(2.7)	(v)
Net income for the period before tax		**56,282**	**52,072**	**8.1**	**90,311**	**69,372**	30.2	
Tax expense		(9,249)	(9,078)	1.9	(12,961)	(12,985)	(0.2)	(vi)
Net income for the period		**47,033**	**42,994**	**9.4**	**77,350**	**56,387**	**37.2**	
Earnings per Unit (US cents)		4.61	4.57		7.86	6.00		(xi)

NM – Not meaningful

CONDENSED CONSOLIDATED DISTRIBUTION STATEMENT
FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2021

	Group						
	2H 2021	**2H 2020**	**+/(-)%**	**FY 2021**	**FY 2020**	**+/(-)%**	
	US$'000	**US$'000**		**US$'000**	**US$'000**		
Net income for the period	**47,033**	**42,994**	**9.4**	**77,350**	**56,387**	**37.2**	
Distribution adjustments							
Property related non-cash items	589	(700)	NM	870	(2,341)	NM	(vii)
Manager's base fee paid/payable in units	3,258	3,020	7.9	6,252	5,931	5.4	(i)
Trustee's fee	90	86	4.7	180	200	(10.0)	
Amortisation of upfront debt-related transaction costs	334	738	(54.7)	692	1,183	(41.5)	(viii)
Net deferred tax expense	9,242	9,108	1.5	12,958	12,557	3.2	(vi)
Fair value change in derivatives	(6,620)	(2,976)	>100	(11,805)	8,594	NM	(iii)
Fair value change in investment properties	(19,208)	(19,731)	(2.7)	(19,208)	(19,731)	(2.7)	(v)
Others	(2,238)	(3,020)	(25.9)	(4,872)	(4,152)	17.3	(ix)
Net distribution adjustments	(14,553)	(13,475)	8.0	(14,933)	2,241	NM	
Income available for distribution to Unitholders	**32,480**	**29,519**	**10.0**	**62,417**	**58,628**	**6.5**	(x)
DPU (US cents)	**3.18**	**3.13**	**1.6**	**6.34**	**6.23**	**1.8**	(xi)

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 units for 2H 2021.

(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.

(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 legal and professional fees.

(v) 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 fair value gain in investment properties relates to a net increased in the appraised fair value of investment properties, largely driven by fair value gains mainly from The Plaza Buildings, Westmoor Center, Maitland Promenade I & ll and One Twenty Five which more than offset the fair value loss mainly from 1800 West Loop South, The Westpark Portfolio, Bellevue Technology Center and Bellaire Park.

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

(vi) Tax expense comprises withholding, 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.

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

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

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

(x) 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.

(xi) Earnings per Unit (EPU) and Distribution per Unit (DPU)

	Group			
	2H 2021	**2H 2020**	**FY 2021**	**FY 2020**
EPU				
Weighted average number of Units (1)	1,020,889,719	941,377,542	983,533,218	939,017,169
Net income for the period (US$'000)	47,033	42,994	77,350	56,387
Basic and diluted EPU (US cents)	4.61	4.57	7.86	6.00
DPU				
Number of Units in issue at end of period	1,040,052,040	943,055,659	1,040,052,040	943,055,659
Income available for distribution to Unitholders (US$'000)	32,480	29,519	62,417	58,628
DPU (US cents) (2)	3.18	3.13	6.34	6.23

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 2021

	Note	Group			Trust			
		Actual 31-Dec-21 US$'000	Actual 31-Dec-20 US$'000	+/(-) %	Actual 31-Dec-21 US$'000	Actual 31-Dec-20 US$'000	+/(-) %	
Current assets								
Cash and cash equivalents		50,977	57,324	(11.1)	8,841	18,289	(51.7)	
Trade and other receivables		3,988	4,194	(4.9)	32,274	27,920	15.6	(i)
Prepaid expenses		215	236	(8.9)	33	106	(68.9)	
Total current assets		**55,180**	**61,754**	**(10.6)**	**41,148**	**46,315**	**(11.2)**	**(v)**
Non-current assets								
Derivative asset		2,558	98	>100	2,558	98	>100	(ii)
Investment properties	5	1,455,830	1,304,900	11.6	-	-	NM	(iii)
Investment in subsidiaries		-	-	NM	1,240,559	1,138,298	9.0	
Total non-current assets		**1,458,388**	**1,304,998**	**11.8**	**1,243,117**	**1,138,396**	**9.2**	
Total Assets		**1,513,568**	**1,366,752**	**10.7**	**1,284,265**	**1,184,711**	**8.4**	
Current liabilities								
Trade and other payables		24,092	20,038	20.2	2,915	3,592	(18.8)	(iv)
Loans and borrowings	4	123,175	41,000	>100	123,175	41,000	>100	
Rental security deposits		788	1,061	(25.7)	-	-	NM	
Rent received in advance		6,466	7,441	(13.1)	-	-	NM	
Total current liabilities		**154,521**	**69,540**	**>100**	**126,090**	**44,592**	**>100**	**(v)**
Non-current liabilities								
Loans and borrowings	4	438,429	462,872	(5.3)	438,429	462,872	(5.3)	
Rental security deposits		5,636	5,170	9.0	-	-	NM	
Derivative liability		5,805	15,150	(61.7)	5,805	15,150	(61.7)	(ii)
Preferred units	6	500	125	>100	-	-	NM	
Deferred tax liabilities		54,783	41,825	31.0	-	-	NM	(vi)
Total non-current liabilities		**505,153**	**525,142**	**(3.8)**	**444,234**	**478,022**	**(7.1)**	
Total liabilities		**659,674**	**594,682**	**10.9**	**570,324**	**522,614**	**9.1**	
Net assets		**853,894**	**772,070**	**10.6**	**713,941**	**662,097**	**7.8**	
Represented by:								
Unitholders' funds		**853,894**	**772,070**	**10.6**	**713,941**	**662,097**	**7.8**	
Net asset value per Unit (US$)		**0.82**	**0.82**	-	**0.69**	**0.70**	**(1.4)**	(vii)

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 increase in investment properties is due mainly to the acquisitions of 105 Edgeview and Bridge Crossing on 20 August 2021.

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

(vi) The movement in deferred taxes were due to the tax depreciation of the investment properties.

(vii) Net asset value ("NAV") and Net tangible asset ("NTA") per Unit

	Group		Trust	
	As at 31-Dec-21	**As at 31-Dec-20**	**As at 31-Dec-21**	**As at 31-Dec-20**
Number of Units in issue and to be issued	1,042,144,048	945,264,658	1,042,144,048	945,264,658
Net assets (US$'000)	853,894	772,070	713,941	662,097
NAV and NTA per Unit (1) (US$)	0.82	0.82	0.69	0.70
Adjusted NAV and NTA per Unit (1) (US$) (excluding Distributable Income)	0.79	0.79	0.66	0.67

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 2021

	Group				
	2H 2021	**2H 2020**	**FY 2021**	**FY 2020**	
	US$'000	**US$'000**	**US$'000**	**US$'000**	
Operating activities					
Net income before tax	56,282	52,072	90,311	69,372	
Adjustments for:					
Property related non-cash items	589	(700)	870	(2,341)	
Manager's fee paid/payable in Units	3,258	3,020	6,252	5,931	
Interest income	(36)	(19)	(74)	(46)	
Provision for expected credit losses	(258)	116	167	266	
Finance expenses	7,596	7,772	14,680	15,857	
Fair value change in derivatives	(6,620)	(2,976)	(11,805)	8,594	
Fair value change in investment properties	(19,208)	(19,731)	(19,208)	(19,731)	
	41,603	**39,554**	**81,193**	**77,902**	
Changes in working capital					
Trade and other receivables	336	1,184	123	831	
Trade and other payables	8,937	1,278	2,631	(2,886)	
Rental security deposits	141	(199)	31	(138)	
Rent received in advance	398	1,049	(1,013)	83	
Cash generated from operations	**51,415**	**42,866**	**82,965**	**75,792**	
Tax paid	(7)	(1,001)	(46)	(1,184)	
Net cash generated from operations	**51,408**	**41,865**	**82,919**	**74,608**	
Cash flows from investing activities					
Acquisition of investment properties and related assets and liabilities	(103,475)	-	(103,475)	-	(i)
Additions to investment properties	(19,545)	(11,533)	(27,490)	(26,328)	
Interest received	36	19	74	46	
Net cash used in investing activities	**(122,984)**	**(11,514)**	**(130,891)**	**(26,282)**	
Cash flows from financing activities					
Proceeds from issuance of units	65,000	-	65,000	-	(ii)
Payment of transaction costs relating to issuance of units	(1,259)	-	(1,259)	-	
Proceeds from issuance of preferred units	125	-	375	-	
Repayment of loan	(75,800)	(114,720)	(75,800)	(114,720)	
Proceeds from new loan	133,500	120,000	133,500	140,000	
Payment of debt related transaction costs	(660)	(575)	(660)	(575)	
Financing expense paid on loans and borrowings	(7,299)	(7,226)	(13,965)	(14,887)	
Financing expense paid on preferred units	(24)	(18)	(47)	(36)	
Distribution to Unitholders	(36,000)	(29,108)	(65,519)	(39,010)	
Net cash generated from/ (used in) financing activities	**77,583**	**(31,647)**	**41,625**	**(29,228)**	
Net increase/ (decrease) in cash and cash equivalents	**6,007**	**(1,296)**	**(6,347)**	**19,098**	
Cash and cash equivalents at beginning of the period	44,970	58,620	57,324	38,226	
Cash and cash equivalents at end of the period	**50,977**	**57,324**	**50,977**	**57,324**	

Notes:

(i) Acquisition of investment properties and related assets and liabilities based on the closing statement is set out below:

	FY 2021 US$'000
Acquisition of 105 Edgeview	
Investment property (includes acquisition costs)	59,959
Prepaid expenses and other receivables	51
Accrued expenses and other payables	(1,257)
Rent received in advance	(6)
Rental security deposits	(162)
Net assets acquired	58,585
Acquisition of Bridge Crossing	
Investment property (includes acquisition costs)	45,142
Prepaid expenses and other receivables	12
Accrued expenses and other payables	(233)
Rent received in advance	(31)
Net assets acquired	44,890
Total	103,475

(ii) On 6 August 2021, an aggregate of 88,676,000 units were issued at US$0.733 per unit which amounted to US$65.0 million from the Private Placement. The use of proceeds raised from the Private Placement is in accordance with the stated uses as disclosed in the launch of Private Placement announcement dated 28 July 2021 and completion of acquisition announcement dated 20 August 2021, and the latest available update on the use of proceeds is as set out below:

	Intended use of proceeds	Actual use of proceeds	Balance of proceeds
	US'000	**US'000**	**US'000**
Partial funding of cash consideration for 105 Edgeview and Bridge Crossing [1]	62,300	62,300	-
Transaction costs	2,700	2,700	-
Total	65,000	65,000	-

Notes:

(1) Agreed purchase consideration for 105 Edgeview and Bridge Crossing was US105.1 million with US$62.3 million funded by the proceeds from the private placement and the remaining amount financed by external borrowings.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2021

Group	Note	Units in issue and to be issued US$'000	Retained earnings US$'000	Total US$'000
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**

Group	Note	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(4)		211	-	211
Management fees paid and payable in units		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	7	**684,884**	**70,280**	**755,164**
Operations				
Net income for the period		-	**42,994**	**42,994**
Unitholders' transactions				
Management fees paid and payable in units		3,020	-	3,020
Distribution to Unitholders		(10,892)	(18,216)	(29,108)
Net decrease in net assets resulting from Unitholders' transactions		**(7,872)**	**(18,216)**	**(26,088)**
At 31 December 2020	7	**677,012**	**95,058**	**772,070**

Trust	Note	Units in issue and to be issued US$'000	Retained earnings/ (Accumulated losses) US$'000	Total US$'000
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**

Trust	Note	Units in issue and to be issued US$'000	Retained earnings/ (Accumulated losses) US$'000	Total US$'000
At 1 January 2020		**685,218**	**(12,754)**	**672,464**
Operations				
Net income for the period		**-**	**3,041**	**3,041**
Unitholders' transactions				
Reversal of issue costs previously taken into equity[(4)]		211	-	211
Management fees paid and payable in units		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	7	**684,884**	**(16,159)**	**668,725**
Operations				
Net income for the period		-	**19,460**	**19,460**
Unitholders' transactions				
Management fees paid and payable in units		3,020	-	3,020
Distribution to Unitholders		(10,892)	(18,216)	(29,108)
Net decrease in net assets resulting from Unitholders' transactions		**(7,872)**	**(18,216)**	**(26,088)**
At 31 December 2020	7	**677,012**	**(14,915)**	**662,097**

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 acquisition 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 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.

(4) 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.

CONDENSED CONSOLIDATED PORTFOLIO STATEMENT
AS AT 31 DECEMBER 2021

Description of property	Location	Tenure of land	Fair value as at 31 December 2021 US$'000	Fair value as at 31 December 2020 US$'000	Percentage of total net assets as at 31-Dec-2021 %	Percentage of total net assets as at 31-Dec-2020 %
The Plaza Buildings	Seattle, Washington, US	Freehold	339,000	312,000	39.7	40.4
Bellevue Technology Center	Seattle, Washington, US	Freehold	151,000	152,400	17.7	19.7
The Westpark Portfolio	Seattle, Washington, US	Freehold	224,000	224,000	26.2	29.0
Great Hills Plaza	Austin, Texas, US	Freehold	42,700	42,100	5.0	5.5
Westech 360	Austin, Texas, US	Freehold	48,300	49,200	5.7	6.4
Westmoor Center	Denver, Colorado, US	Freehold	130,000	121,400	15.2	15.7
105 Edgeview	Denver, Colorado, US	Freehold	60,030	-	7.0	-
Bridge Crossing	Nashville, Tennessee, US	Freehold	46,600	-	5.5	-
1800 West Loop South	Houston, Texas, US	Freehold	79,300	79,900	9.3	10.3
Bellaire Park	Houston, Texas, US	Freehold	51,500	52,900	6.0	6.9
One Twenty Five	Dallas, Texas, US	Freehold	106,600	102,000	12.5	13.2
Maitland Promenade I & II	Orlando, Florida, US	Freehold	97,300	92,300	11.4	12.0
Iron Point	Sacramento, California, US	Freehold	44,900	42,300	5.3	5.5
Powers Ferry	Atlanta, Georgia, US	Freehold	15,700	16,400	1.8	2.1
Northridge Center I & II	Atlanta, Georgia, US	Freehold	18,900	18,000	2.2	2.3
Total investment properties			1,455,830	1,304,900	170.5	169.0
Other assets and liabilities (net)			(601,936)	(532,830)	(70.5)	(69.0)
Net assets			853,894	772,070	100.0	100.0

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2021

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.

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 2021 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 2021.

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.

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

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 2020.

The Group adopted the revised IFRS and interpretations that are effective for application for annual financial periods beginning on or after 1 January 2021. 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 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 2020 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 2020 are disclosed in Note 9(d) (Fair value measurement of investment properties).

3. FINANCE EXPENSES

	Group			
	2H 2021	**2H 2020**	**FY 2021**	**FY 2020**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Interest expense on borrowings	7,175	6,946	13,815	14,504
Amortisation of upfront debt-related transaction costs	334	738	692	1,183
Dividends on preferred units	24	18	47	36
Commitment fees	63	70	126	134
	7,596	7,772	14,680	15,857

4. LOANS AND BORROWINGS

	Group and Trust	
	31-Dec-21	**31-Dec-20**
	US$'000	**US$'000**
Unsecured loans and borrowings		
Amount repayable within one year	123,420	41,000
Amount repayable after one year	440,000	464,720
Less: Unamortised upfront debt-related transaction costs	(1,816)	(1,848)
Total unsecured loans and borrowings	561,604	503,872

The Group has drawn down an aggregate amount of US$57.7 million during the year to partially finance the acquisitions of 105 Edgeview and Bridge Crossing as well as to fund the capital expenditures and tenant improvements during the year.

Notes:
As at 31 December 2021, the Group have gross borrowings comprising:

(i) US$425.0 million of non-current and US$84.7 million of current term loans drawn down to partially finance the Properties. Term loan of US$84.7 million that matures in November 2022 was reclassified as current during the year.

Subsequent to the year ended 31 December 2021, the Group has obtained term loan facilities amounting to a total of US$80.0 million on 19 January 2022. Please refer to Note 12 Subsequent events for information on the term loan facility of US$80.0 million obtained by the Group on 19 January 2022.

(ii) US$15.0 million of non-current loan drawn down from a committed revolving credit facility ("RCF") and US$38.7 million current loan drawn down from an uncommitted RCF for funding of capital expenditures and tenant improvements.

As at 31 December 2021, the Group has unutilised facilities of US$61.3 million to meet its future obligations. Including the new term loan facilities of US$80.0 million obtained on 19 January 2022, the Group will have unutilised facilities of US$141.3 million to meet its future obligations of which US$80.0 million will be used to early refinance the debt due in November, by February 2022.

83.4% 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 2.80%. Aggregate leverage, as defined in the Property Funds Appendix, is 37.2%.

5. INVESTMENT PROPERTIES

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

	Group	
	31-Dec-21 US$'000	31-Dec-20 US$'000
Consolidated Statement of Financial Position		
As at beginning of the financial period	1,304,900	1,256,500
Acquisitions (including acquisition costs)	105,101	-
Capital expenditure, leasing cost and straight-line rent capitalised	26,621	28,669
Fair value changes in investment properties	19,208	19,731
As at end of the financial period	1,455,830	1,304,900

Investment properties are stated at fair value, which has been determined based on valuations performed as at 31 December 2021. The valuations were performed by Cushman and Wakefield for all properties except for 105 Edgeview and Bridge Crossing, which was undertaken by Jones Lang LaSalle. 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 2020 were all performed by Jones Lang LaSalle.

6. PREFERRED UNITS

	Group	
	31-Dec-21 US$'000	31-Dec-20 US$'000
As at beginning of the financial period	125	125
Issuance of preferred units	375	-
As at end of the financial period	500	125

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 2020: 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:	**2021 Units**	**2020 Units**
At 1 January	943,055,659	934,149,036
New Units issued:		
- Issue of Management base fees in units	4,311,065	4,825,854
Total Units issued as at 30 June	**947,366,724**	**938,974,890**
New Units issued:		
- Private Placement	88,676,000	-
- Issue of Management base fees in units	4,009,316	4,080,769
Total Units issued as at 31 December	**1,040,052,040**	**943,055,659**
New Units to be issued:		
- Management base fees in units to be issued (1)	2,092,008	2,208,999
Total Units issued and to be issued as at 31 December	**1,042,144,048**	**945,264,658**

(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 2021 and 31 December 2020.

	As at 31 December 2021	**As at 31 December 2020**
Total number of issued units	1,040,052,040	943,055,659

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 2021	**FY 2020**
	US$'000	**US$'000**
Manager's base fees paid/payable to the Manager	6,252	5,931
Manager's performance fees paid/payable to the Manager	98	681
Acquisition fees paid to the Manager	1,051	-
Trustee fees paid/payable	180	200

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-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**
Group				
Assets measured at fair value				
Financial assets				
Derivative assets				
- *Interest rate swap*	-	2,558	-	2,558
Total financial assets	-	2,558	-	2,558
Non-financial assets				
Investment properties				
- *Commercial*	-	-	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				
- *Interest rate swap*	-	5,805	-	5,805
Total financial liabilities	-	5,805	-	5,805

	31-Dec-2020 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**
Group				
Assets measured at fair value				
Financial assets				
Derivative assets				
- *Interest rate swap*	-	98	-	98
Total financial assets	-	98	-	98
Non-financial assets				
Investment properties				
- *Commercial*	-	-	1,304,900	1,304,900
Total non-financial assets	-	-	1,304,900	1,304,900
Liabilities measured at fair value				
Financial liabilities				
Derivative liabilities				
- *Interest rate swap*	-	15,150	-	15,150
Total financial liabilities	-	15,150	-	15,150

	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				
- *Interest rate swap*	-	2,558	-	2,558
Total financial assets	-	2,558	-	2,558
Liabilities measured at fair value				
Financial liabilities				
Derivative liabilities				
- *Interest rate swap*	-	5,805	-	5,805
Total financial liabilities	-	5,805	-	5,805

Trust	31-Dec-2020 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
Assets measured at fair value				
Financial assets				
Derivative assets				
- *Interest rate swap*	-	98	-	98
Total financial assets	-	98	-	98
Liabilities measured at fair value				
Financial liabilities				
Derivative liabilities				
- *Interest rate swap*	-	15,150	-	15,150
Total financial liabilities	-	15,150	-	15,150

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 2021.

Valuation technique	Key unobservable inputs	Inter–relationship between key unobservable inputs and fair value measurements
Discounted cash flow approach	• Rental rates per square foot per year of US$16.00 to US$42.00 (2020: US$17.00 to US$40.00)	Higher rental rate would result in a higher fair value, while lower rate would result in a lower fair value.
	• Discount rate of 6.75% to 9.00% (2020: 7.50% to 8.75%) • Terminal yield of 6.00% to 8.00% (2020: 6.25% to 8.00%)	Higher discount rate or terminal yield would result in a lower fair value, while lower rate would result in a higher fair value.
Direct capitalisation method	• Rental rates per square foot per year of US$16.00 to US$42.00 (2020: US$17.00 to US$40.00)	Higher rental rate would result in a higher fair value, while lower rate would result in a lower fair value.
	• Capitalisation rate of 5.00% to 8.00% (2020: 5.75% to 7.75%)	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	• Price per square foot of US$107.44 to US$649.70 (2020: US$106.40 to US$590.60)	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$1,455.8 million as at 31 December 2021 (2020: US$1,304.9 million).

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 2021	**FY 2020**
	%	**%**
Ratio of expenses to weighted average net assets (1)		
- Including performance component of the Manager’s management fees	1.10	1.18
- Excluding performance component of the Manager’s management fees	1.08	1.09
Portfolio turnover rate (2)	–	–

(1) The annualised ratio is computed in accordance with guidelines of the Investment Management Association of Singapore (“IMAS”). The expenses used in the computation relate to expenses at the Group level, excluding property related expenses, finance expenses, net foreign exchange differences and income tax expense. The Group incurred performance fee of US$0.1 million (2020: US$0.7 million) for the financial year ended 31 December 2021.

(2) The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of weighted average net asset value in accordance with the formula stated in the CIS Code.

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 26 January 2022, the Manager announced a distribution of 2.54 US cents per Unit for the period from 6 August 2021 to 31 December 2021.

New Loan Facility

On 19 January 2022, the Group entered into a facility agreement to obtain a term loan facility in an aggregate principal amount of US$80.0 million. The term loan facility comprise a three year term loan amounting to US$40.0 million and a four year term loan amounting to US$40.0 million.

OTHER INFORMATION
FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2021

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 2021 vs 2H 2020

Overall, income available for distribution to Unitholders of US$32.5 million for 2H 2021 was higher than 2H 2020 by 10.0%.

Gross revenue of US$72.9 million for 2H 2021 was higher than 2H 2020 by 5.5% largely due to contributions from 105 Edgeview and Bridge Crossing. 105 Edgeview and Bridge Crossing, acquired on 20 August 2021, contributed approximately four months result to 2H 2021. This is partially offset by lower non-cash straight-line rent and lease incentives from the existing portfolio. Excluding the non-cash income adjustments, cash rental income for 2H 2021 for the existing portfolio was similar to that of 2H 2020.

Property expenses of US$30.8 million for 2H 2021 were higher than 2H 2020 by 10.0% mainly due to the enlarged portfolio, as well as higher year-on-year property taxes and repairs and maintenance for the existing portfolio. In addition, amortisation of leasing commission, which is a non-cash item and does not affect distribution, increased as a result of the leasing completed.

As a result, net property income of US$42.1 million for 2H 2021 was higher than 2H 2020 by 2.4%. 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 5.6% higher year-on-year.

Finance expenses of US$7.6 million for 2H 2021 were 2.3% lower than 2H 2020, largely due to the early refinancing of a US$115.0 million long term loan completed back in August 2020 at a lower rate and lower interest rates on the unhedged portion of the loans, partially offset by 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 was US$6.6 million in 2H 2021 was higher than 2H 2020 of US$3.0 million due to movement in interest rates for the respective periods.

Net fair value gain in investment properties for 2H 2021 amounted to US$19.2 million, largely driven by fair value gains mainly from The Plaza Buildings, Westmoor Center, Maitland Promenade I & ll and One Twenty Five which more than offset the fair value loss mainly from 1800 West Loop South, The Westpark Portfolio, Bellevue Technology Center and Bellaire Park. This is in comparison to a net fair value gain of US$19.7 million in 2H 2020.

Consequently, 2H 2021 net income before tax of US$56.3 million was above 2H 2020 by 8.1%.

Tax expense of US$9.2 million was higher than 2H 2020 by 1.9%, mainly due to higher deferred taxes recognised from tax depreciation of the investment properties and partially offset by lower current tax, post the completion of the restructuring of the Barbados entities in April 2020.

Due to the net effects of the above, net income for 2H 2021 was US$47.0 million, higher than 2H 2020 of US$43.0 million.

Review of performance for FY 2021 vs FY 2020

Overall, income available for distribution to Unitholders of US$62.4 million for FY 2021 was higher than FY 2020 by 6.5%.

Gross revenue of US$141.3 million for FY 2021 was higher than FY 2020 by 1.2% largely due to contributions from 105 Edgeview and Bridge Crossing. 105 Edgeview and Bridge Crossing, acquired on 20 August 2021, contributed approximately four months result to FY 2021. The increase in rental and recoveries income were partially offset by lower non-cash straight-line rent and lease incentives and car park income as lesser leases were signed and fewer cars were parked in the premises respectively, due to the Covid-19 pandemic. Excluding the non-cash income adjustments, cash rental income for FY 2021 was higher than FY 2020 by 3.0% from contributions from the two new acquisitions in FY 2021 as well as built-in rental escalations and positive rental reversions across our portfolio, partially offset by lower year-on-year occupancy.

Property expenses of US$58.6 million for FY 2021 were higher than FY 2020 by 3.5% mainly due to the enlarged portfolio, as well as higher year-on-year recoverable expenses such as utilities and repairs and maintenance for the existing portfolio. In addition, amortisation of leasing commission, which is a non-cash item and does not affect distribution, increased as a result of the leasing. These expenses were partially offset by lower other property expenses for the existing portfolio.

As a result, net property income of US$82.7 million for FY 2021 was lower than FY 2020 by 0.4%. 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 3.6% higher year-on-year.

Finance expenses of US$14.7 million for FY 2021 were 7.4% lower than FY 2020, largely due to the early refinancing of a US$115.0 million long term loan completed back in August 2020 and lower interest rates on the unhedged portion of the loans, partially offset by additional interest expense incurred on the loan taken up to partially finance the acquisition 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 was US$11.8 million in FY 2021 as compared to a loss of US$8.6 million in FY 2020 due to movement in interest rates for the respective periods.

Net fair value gain in investment properties for FY 2021 amounted to US$19.2 million, largely driven by fair value gains mainly from The Plaza Buildings, Westmoor Center, Maitland Promenade I & ll and One Twenty Five which more than offset the fair value loss mainly from 1800 West Loop South, The Westpark Portfolio, Bellevue Technology Center and Bellaire Park. This is in comparison to a net fair value gain of US$19.7 million in FY 2020.

Consequently, FY 2021 net income before tax of US$90.3 million was above FY 2020 by 30.2%.

Tax expense of US$13.0 million for FY 2021 was slightly lower than FY 2020 by 0.2% due to lower deferred taxes recognised from the lower fair value gain of the investment properties and partially offset by higher tax depreciation of the investment properties.

Due to the net effects of the above, net income for FY 2021 was US$77.4 million, higher than FY 2020 of US$56.4 million.

D. VARIANCE FROM FORECAST STATEMENT

Not applicable.

E. PROSPECTS

In 3Q 2021, the US real GDP grew 2.3% quarter-on-quarter[1],and economists are expecting better performance in 4Q 2021, supported by stronger economic activities and heightened by consumer spending. The unemployment rate was 3.9% in December 2021, considerably down from the high of 14.8% in April 2020's recession[2]. In February 2020, prior to the pandemic, unemployment rate was 3.2%.

[1] U.S. Bureau of Economic Analysis, December 2021
[2] U.S. Bureau of Labor Statistics, November 2021

In its December 2021 Office National Report, CoStar reported average rental growth of 0.1% for the last 12 months. In comparison, the average rental growth for KORE's key growth markets have outperformed at 0.8%, while growth in the gateway cities was -0.9%.

Industry observers opined that leasing activities across the US have been improving as more employers look to bring their employees back to offices. In 3Q 2021, close to 100 million sf of office space was leased, demonstrating early indications of stabilisation[3] in the US office market.

In addition, tech giants accounted for a large bulk of leasing activities as the sector displays a large spectrum of perspectives on office use and space needs[4]. Tech firms accounted for 22% of US office leasing in April to September 2021, up from 17% in 2020[5], driven by increased hiring and demand for tech products and services.

Seattle – Bellevue/Redmond, which constitutes 43.8% of KORE's portfolio NPI, continues to experience an influx of migration, in addition to its positive leasing traction in 2H 2021. Seen as a tech boomtown, this city ranks second as the highest paying salary in the country[6] and continues to be an attractive city for employees to move into. Over the past decade, Amazon has grown more than tenfold in the Seattle – Bellevue area, from a mere 4,000 employees to over 45,000 employees[7]. Similarly, Facebook has continued with their expansion plans to secure a lease of almost 345,000 sf in Seattle – Bellevue, further increasing their headcount to 7,000 employees. This latest lease increases Facebook's space by 10% to 3.3 million sf, that can accommodate up to 18,800 employees[8].

For more details, please refer to Keppel Pacific Oak US REIT's Media Release for the full year ended 31 December 2021.

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.

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[3] CoStar Office National Report, 1 December 2021
[4] Cushman & Wakefield, US Office Sector, December 2021
[5] https://www.cbre.com/press-releases/tech-industry-expands-share-of-us-office-leasing-activity
[6] https://www.seattlepi.com/realestate/article/2021-changed-seattle-real-estate-maybe-forever-16720243.php
[7] https://www.noradarealestate.com/blog/seattle-real-estate-market/
[8] https://www.geekwire.com/2021/facebook-inks-another-lease-seattle-area-now-7k-employees-3-3m-square-feet/

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	9th Advance Distribution for the period from 1 July 2021 to 5 August 2021 paid on 28 September 2021 10th Distribution for the period from 6 August 2021 to 31 December 2021
Distribution Type	a) Tax-exempt income distribution b) Capital distribution

Distribution Rate	9th Advance Distribution for the period from 1 July 2021 to 5 August 2021 paid on 28 September 2021 a) Capital distribution – 0.64 US cents per unit 10th Distribution for the period from 6 August 2021 to 31 December 2021 a) Tax-exempt income distribution – 2.20 US cents per unit b) Capital distribution – 0.34 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	7th Distribution for the period from 1 July 2020 to 31 December 2020
Distribution Type	a) Tax-exempt income distribution b) Capital distribution
Distribution Rate	a) Tax-exempt income distribution – 2.13 US cents per unit b) Capital distribution – 1.00 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.

(c) Record date

7 February 2022

(d) Date payable

31 March 2022

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 2021 US$'000	FY 2020 US$'000	+/(-) %
First half year			
Gross revenue reported	68,383	70,500	(3.0)
Net income reported	30,317	13,393	>100
Second half year			
Gross revenue reported	72,874	69,090	5.5
Net income reported	47,033	42,994	9.4

K. BREAKDOWN OF ANNUAL TOTAL DISTRIBUTION

	FY 2021 US$'000	FY2020 US$'000
1 January 2020 to 30 June 2020 (paid)	-	29,109
1 July 2020 to 31 December 2020 (paid)	-	29,519
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 (to be paid)	26,417	-
	62,417	58,628

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$100,000) Actual FY 2021 US$'000	Actual FY 2020 US$'000
Keppel Pacific Oak US REIT Management Pte. Ltd.		
- Manager's management fees	6,252	5,931
- Manager's performance fees	98	681
- Acquisition fees	1,051	-
Perpetual (Asia) Ltd		
- Trustee fees	180	200

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
26 January 2022