

KEPPEL PACIFIC OAK US REIT**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2023****TABLE OF CONTENTS**

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INTRODUCTION

Keppel Pacific Oak US REIT ("KORE") 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"). KORE'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 2023, the portfolio of KORE comprises 13 office properties ("the Properties") in the United States across eight key growth markets, with an aggregate NLA of 4,784,800 sq. ft. and approximately US\$1.33 billion in value, as follows:

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

Recapitalisation Options

Several options were evaluated to recapitalise KORE's balance sheet including divestments, equity fund raising (EFR) and reduction of distributions. KORE is unable to divest any properties at this point at a price that would be beneficial to KORE and its Unitholders because of the difficult U.S. real estate market. Based on discussions with various banks, an EFR is unlikely to raise enough equity capital in the present market environment to solve leverage concerns on a long-term basis and would likely require KORE to seek additional capital from Unitholders again in the near future. In relation to the suspension of distributions, the drop in valuation of KORE's assets announced on 30 January 2024 creates a loss situation in which any distribution would be in excess of the combination of profits and the US\$75 million loans due for refinancing by 4Q 2024¹. However, suspending distributions would impact unitholders who rely on them.

Decision To Suspend Distributions

The Manager determined the best option for KORE and its Unitholders is to suspend distributions beginning 2H 2023. KORE expects distributions will be suspended through the 2H 2025 distribution that would otherwise be paid in 1H 2026. This option is expected to provide significantly more capital over two years compared to what an EFR could raise today. If market conditions allow, distributions may re-commence at an earlier date than planned.

For more details, please refer to KORE's announcement dated 15 February 2024 on the suspension of distribution and the Media Release for the full year ended 31 December 2023.

¹ This takes into account paragraph 7.3 of Appendix 6 to the Code on Collective Investment Schemes ("Property Funds Appendix") which states that if "the manager declares a distribution that is in excess of profits, the manager should certify, in consultation with the trustee, that it is satisfied on reasonable grounds that, immediately after making the distribution, the property fund will be able to fulfil, from the deposited property of the property fund, the liabilities of the property fund as they fall due".

**SUMMARY OF KEPPEL PACIFIC OAK US REIT RESULTS
FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2023**

	Group					
	2H 2023	2H 2022	+/(−)	FY 2023	FY 2022	+/(−)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Gross Revenue	74,846	73,867	1.3	150,757	147,976	1.9
Property Expenses	(32,616)	(32,593)	0.1	(64,657)	(63,701)	1.5
Net Property Income (NPI)	42,230	41,274	2.3	86,100	84,275	2.2
Adjusted NPI (excludes non-cash straight-line rent, lease incentives and amortisation of leasing commissions) ⁽¹⁾	43,440	41,972	3.5	87,591	85,493	2.5
Net (Loss)/Income for the period ⁽²⁾	(91,847)	5,581	NM	(67,725)	48,485	NM
Income available for distribution to Unitholders	26,111	29,036	(10.1)	52,223	60,578	(13.8)
Amount distributed to Unitholders ⁽³⁾	-	29,036	(100.0)	26,112	60,578	(56.9)
Distribution per Unit (DPU) (US cents) ⁽⁴⁾	-	2.78	(100.0)	2.50	5.80	(56.9)
Adjusted Income available for distribution to Unitholders ⁽⁵⁾	-	-	-	52,223	58,921	(11.4)

Notes:

- (1) Adjusted net property income which excludes non-cash straight-line rent, lease incentives and amortisation of leasing commission, was up 2.5% year-on-year mainly arising from higher cash rental income from leasing completed in 2022 for the existing portfolio. This was partially offset by the divestments of the Atlanta assets in 2H 2022. For more details, please refer to Other information: Paragraph C – Review of Performance.
- (2) For information on the variance for net (loss)/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) No distribution declared for 2H 2023. For more details, please refer to Introduction on page 2.
- (4) No distribution declared for 2H 2023. DPU for 2H 2022 was calculated based on 1,044,450,254 issued Units as at 31 December 2022. For more details, please refer to Introduction on page 2.
- (5) The Manager has elected to receive 100% of its base fee for FY 2023 amounting to US\$5,802,619 in cash. Accordingly, FY 2022 adjusted income available for distribution to Unitholders have been restated to assume 1Q 2022 base fee of US\$1,657,009 were paid in cash instead of Units to provide a like-for-like comparison to FY 2023 actual results.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2023**

	Note	Group					+/(-)%
		2H 2023 US\$'000	2H 2022 US\$'000	+/(-)%	FY 2023 US\$'000	FY 2022 US\$'000	
Rental income		53,407	53,507	(0.2)	105,916	107,056	(1.1)
Recoveries income		19,279	18,577	3.8	40,579	37,635	7.8
Other operating income		2,160	1,783	21.1	4,262	3,285	29.7
Gross Revenue		74,846	73,867	1.3	150,757	147,976	1.9
Utilities		(5,002)	(5,038)	(0.7)	(9,833)	(9,424)	4.3
Repairs and maintenance		(3,960)	(3,888)	1.9	(7,385)	(7,315)	1.0
Property management fees		(4,066)	(4,018)	1.2	(7,916)	(7,683)	3.0
Property taxes		(7,946)	(8,816)	(9.9)	(16,989)	(18,109)	(6.2)
Other property expenses		(11,642)	(10,833)	7.5	(22,534)	(21,170)	6.4
Property expenses		(32,616)	(32,593)	0.1	(64,657)	(63,701)	1.5
Net Property Income		42,230	41,274	2.3	86,100	84,275	2.2
Finance income		461	118	>100	818	152	>100
Finance expenses	3	(12,916)	(10,426)	23.9	(24,643)	(18,658)	32.1
Manager's base fee		(2,902)	(3,238)	(10.4)	(5,803)	(6,559)	(11.5) (i)
Trustee's fee		(95)	(96)	(1.0)	(191)	(190)	0.5
Fair value change in derivatives		(10,268)	14,375	NM	(9,441)	31,321	NM (ii)
Other trust expenses		(1,276)	(1,960)	(34.9)	(3,325)	(3,314)	0.3 (iii)
Net income for the period before gain on divestment of investment properties and net fair value change in investment properties		15,234	40,047	(62.0)	43,515	87,027	(50.0)
Gain on divestment of investment properties		-	185	(100.0)	-	185	(100.0) (iv)
Net fair value change in investment properties	5	(142,263)	(39,179)	>100	(142,263)	(39,179)	>100 (v)
Net (loss)/income for the period before tax		(127,029)	1,053	NM	(98,748)	48,033	NM
Tax income		35,182	4,528	>100	31,023	452	>100 (vi)
Net (loss)/income for the period		(91,847)	5,581	NM	(67,725)	48,485	NM
Earnings per Unit (US cents)		(8.79)	0.53		(6.48)	4.65	(x)

NM – Not meaningful

**CONDENSED CONSOLIDATED DISTRIBUTION STATEMENT
FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2023**

	2H 2023 US\$'000	2H 2022 US\$'000	Group		FY 2022 US\$'000	+/(-)%	
			+/(-)%	FY 2023 US\$'000			
Net (loss)/income for the period	(91,847)	5,581	NM	(67,725)	48,485	NM	
<u>Distribution adjustments</u>							
Property related non-cash items	1,210	698	73.4	1,491	1,218	22.4	(vii)
Manager's base fee paid/payable in units	-	-	NM	-	1,657	(100.0)	(i)
Trustee's fee	95	96	(1.0)	191	190	0.5	
Amortisation of upfront debt-related transaction costs	359	554	(35.2)	674	1,057	(36.2)	(viii)
Net deferred tax income	(35,183)	(4,527)	>100	(31,025)	(459)	>100	(vi)
Fair value change in derivatives	10,268	(14,375)	NM	9,441	(31,321)	NM	(ii)
Net fair value change in investment properties	142,263	39,179	>100	142,263	39,179	>100	(v)
Gain on divestment of investment properties	-	(185)	(100.0)	-	(185)	(100.0)	(iv)
Others	(1,054)	2,015	NM	(3,087)	757	NM	(ix)
Net distribution adjustments	<u>117,958</u>	<u>23,455</u>	<u>>100</u>	<u>119,948</u>	<u>12,093</u>	<u>>100</u>	
Income available for distribution to Unitholders	<u>26,111</u>	<u>29,036</u>	<u>(10.1)</u>	<u>52,223</u>	<u>60,578</u>	<u>(13.8)</u>	
DPU (US cents)	-	2.78	(100.0)	2.50	5.80	(56.9)	(x)

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 FY 2023. Management base fees for 1Q 2022 had been paid in units and in cash for 2Q 2022, 3Q 2022 and 4Q 2022.
- (ii) 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.
- (iii) Other trust expenses comprise audit, tax compliance and other corporate expenses. The increase in trust expenses was largely due to higher investor relation and tax fees.
- (iv) 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.
- (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 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 2023, mainly from The Plaza Buildings, Westmoor Center, Bellevue Technology Center and Iron Point .

	US\$'000
Independent property valuation as at 31 December 2022	1,423,370
Capital expenditure for 2023	45,203
Book value before independent valuations	<u>1,468,573</u>
Independent property valuation as at 31 December 2023	<u>1,326,310</u>
Net fair value losses	<u>142,263</u>

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 income comprises current tax and net deferred tax.

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 income relate to deferred tax income 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) Earnings per Unit (EPU) and Distribution per Unit (DPU)

	Group			
	2H 2023	2H 2022	FY 2023	FY 2022
EPU				
Weighted average number of Units ⁽¹⁾	1,044,450,254	1,044,450,254	1,044,450,254	1,043,515,546
Net (loss)/income for the period (US\$'000)	(91,847)	5,581	(67,725)	48,485
Basic and diluted EPU (US cents)	(8.79)	0.53	(6.48)	4.65
DPU				
Number of Units in issue at end of period	1,044,450,254	1,044,450,254	1,044,450,254	1,044,450,254
Income available for distribution to Unitholders (US\$'000)	26,111	29,036	52,223	60,578
DPU (US cents) ⁽²⁾	-	2.78	2.50	5.80

Notes:

1) The weighted average number of units was based on the number of units in issue and issuable during the period.

2) No distribution declared for 2H 2023. For more details, please refer to Introduction on page 2.

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023**

	Note	Group			Trust			
		Actual 31-Dec-23 US\$'000	Actual 31-Dec-22 US\$'000	+ /(-) %	Actual 31-Dec-23 US\$'000	Actual 31-Dec-22 US\$'000	+ /(-) %	
Current assets								
Cash and cash equivalents		43,777	63,436	(31.0)	4,417	10,605	(58.3)	
Trade and other receivables		4,275	3,898	9.7	34,480	33,314	3.5	(i)
Prepaid expenses		343	441	(22.2)	262	312	(16.0)	
Derivative asset		687	1,492	(54.0)	687	1,492	(54.0)	(ii)
Total current assets		49,082	69,267	(29.1)	39,846	45,723	(12.9)	
Non-current assets								
Derivative asset		18,284	26,865	(31.9)	18,284	26,865	(31.9)	(ii)
Investment properties	5	1,326,310	1,423,370	(6.8)	-	-	NM	(iii)
Investment in subsidiaries		-	-	NM	1,238,559	1,234,687	0.3	
Total non-current assets		1,344,594	1,450,235	(7.3)	1,256,843	1,261,552	(0.4)	
Total Assets		1,393,676	1,519,502	(8.3)	1,296,689	1,307,275	(0.8)	
Current liabilities								
Trade and other payables		33,259	27,368	21.5	5,045	5,008	0.7	(iv)
Loans and borrowings	4	74,957	10,220	>100	74,957	10,220	>100	
Rental security deposits		1,105	1,220	(9.4)	-	-	NM	
Rent received in advance		6,720	6,197	8.4	-	-	NM	
Total current liabilities		116,041	45,005	>100	80,002	15,228	>100	
Non-current liabilities								
Loans and borrowings	4	524,610	567,497	(7.6)	524,610	567,497	(7.6)	
Rental security deposits		5,060	4,942	2.4	-	-	NM	
Derivative liabilities		338	283	19.4	338	283	19.4	(ii)
Preferred units	6	1,124	1,374	(18.2)	-	-	NM	
Deferred tax liabilities		23,299	54,324	(57.1)	-	-	NM	(v)
Total non-current liabilities		554,431	628,420	(11.8)	524,948	567,780	(7.5)	
Total liabilities		670,472	673,425	(0.4)	604,950	583,008	3.8	
Net assets		723,204	846,077	(14.5)	691,739	724,267	(4.5)	
Represented by:								
Unitholders' funds		723,204	846,077	(14.5)	691,739	724,267	(4.5)	
Net asset value per Unit (US\$)		0.69	0.81	(14.8)	0.66	0.69	(4.3)	(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) 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 lease incentives, 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-23	As at 31-Dec-22	As at 31-Dec-23	As at 31-Dec-22
Number of Units in issue and to be issued	1,044,450,254	1,044,450,254	1,044,450,254	1,044,450,254
Net assets (US\$'000)	723,204	846,077	691,739	724,267
NAV and NTA per Unit ⁽¹⁾ (US\$)	0.69	0.81	0.66	0.69
Adjusted NAV and NTA per Unit ^{(1) (2)} (US\$(excluding Distributable Income)	0.69	0.78	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.
- (2) No distribution declared for 2H 2023. For more details, please refer to Introduction on page 2.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2023**

	Group			
	2H 2023	2H 2022	FY 2023	FY 2022
	US\$'000	US\$'000	US\$'000	US\$'000
Operating activities				
Net (loss)/income before tax	(127,029)	1,053	(98,748)	48,033
Adjustments for:				
Property related non-cash items	1,210	698	1,491	1,218
Manager's fee paid/payable in Units	-	-	-	1,657
Interest income	(461)	(118)	(818)	(152)
(Reversal)/ Provision for expected credit losses	(31)	200	(350)	(85)
Finance expenses	12,916	10,426	24,643	18,658
Fair value change in derivatives	10,268	(14,375)	9,441	(31,321)
Net fair value change in investment properties	142,263	39,179	142,263	39,179
Gain on divestment of investment properties	-	(185)	-	(185)
	39,136	36,878	77,922	77,002
Changes in working capital				
Trade and other receivables	1,052	(8)	71	(51)
Trade and other payables	9,989	15,874	5,719	2,961
Rental security deposits	17	(295)	3	(262)
Rent received in advance	295	(3,052)	523	(269)
Cash generated from operations	50,489	49,397	84,238	79,381
Tax credit /(paid)	-	1	(2)	(7)
Net cash generated from operations	50,489	49,398	84,236	79,374
Cash flows from investing activities				
Additions to investment properties	(26,383)	(23,443)	(46,694)	(43,630)
Proceeds from divestment of investment properties, net of transaction and other related costs	-	35,878	-	35,878
Interest received	461	118	818	152
Net cash (used in)/ generated from investing activities	(25,922)	12,553	(45,876)	(7,600)
Cash flows from financing activities				
Proceeds from issuance of preferred units	-	750	-	874
Redemption of preferred units	-	-	(250)	-
Repayment of loan	(10,220)	(180,000)	(10,220)	(264,720)
Proceeds from new loan	29,720	192,800	31,920	281,520
Payment of debt related transaction costs	-	(1,660)	(524)	(1,744)
Financing expense paid on loans and borrowings	(12,360)	(9,580)	(23,654)	(17,216)
Financing expense paid on preferred units	(68)	(39)	(143)	(70)
Distribution to Unitholders	(26,112)	(31,542)	(55,148)	(57,959)
Net cash used in financing activities	(19,040)	(29,271)	(58,019)	(59,315)
Net increase/ (decrease) in cash and cash equivalents	5,527	32,680	(19,659)	12,459
Cash and cash equivalents at beginning of the period	38,250	30,756	63,436	50,977
Cash and cash equivalents at end of the period	43,777	63,436	43,777	63,436

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS
FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2023**

Group	Note	Units in issue and to be issued US\$'000	Retained earnings US\$'000	Total US\$'000
At 1 January 2023		708,832	137,245	846,077
Operations				
Net income for the period		-	24,122	24,122
Unitholders' transactions				
Distribution to Unitholders		(11,907)	(17,129)	(29,036)
Net decrease in net assets resulting from Unitholders' transactions		(11,907)	(17,129)	(29,036)
At 30 June 2023	7	696,925	144,238	841,163
Operations				
Net loss for the period		-	(91,847)	(91,847)
Unitholders' transactions				
Distribution to Unitholders		(9,923)	(16,189)	(26,112)
Net decrease in net assets resulting from Unitholders' transactions		(9,923)	(16,189)	(26,112)
At 31 December 2023	7	687,002	36,202	723,204
Group				
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⁾		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

	Note	Units in issue and to be issued US\$'000	Retained earnings/ (Accumulated losses) US\$'000	Total US\$'000
Trust				
At 1 January 2023		708,832	15,435	724,267
Operations				
Net income for the period		-	16,763	16,763
Unitholders' transactions				
Distribution to Unitholders		(11,907)	(17,129)	(29,036)
Net decrease in net assets resulting from Unitholders' transactions		(11,907)	(17,129)	(29,036)
At 30 June 2023	7	696,925	15,069	711,994
Operations				
Net income for the period		-	5,857	5,857
Unitholders' transactions				
Distribution to Unitholders		(9,923)	(16,189)	(26,112)
Net decrease in net assets resulting from Unitholders' transactions		(9,923)	(16,189)	(26,112)
At 31 December 2023	7	687,002	4,737	691,739
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⁾		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

Notes:

- (1) This comprises 2,306,205 Units issued on 29 April 2022 as payment of management fees in Units for 1Q 2022, based on the volume weighted average price for the last 10 business days up till 31 March 2022.

**CONDENSED CONSOLIDATED PORTFOLIO STATEMENT
AS AT 31 DECEMBER 2023**

Description of property	Location	Tenure of land	Fair value as at 31-Dec-23 US\$'000	Fair value as at 31-Dec-22 US\$'000	Percentage of total net assets as at 31-Dec-23 %	Percentage of total net assets as at 31-Dec-22 %
The Plaza Buildings	Seattle, Washington, US	Freehold	307,700	340,000	42.6	40.2
Bellevue Technology Center	Seattle, Washington, US	Freehold	140,600	155,000	19.4	18.3
The Westpark Portfolio	Seattle, Washington, US	Freehold	224,000	230,000	31.0	27.2
Great Hills Plaza	Austin, Texas, US	Freehold	43,600	41,200	6.0	4.9
Westech 360	Austin, Texas, US	Freehold	47,100	47,300	6.5	5.5
Westmoor Center	Denver, Colorado, US	Freehold	105,700	130,220	14.6	15.4
105 Edgeview	Denver, Colorado, US	Freehold	56,710	59,950	7.8	7.1
Bridge Crossing	Nashville, Tennessee, US	Freehold	41,300	43,300	5.7	5.1
1800 West Loop South	Houston, Texas, US	Freehold	75,600	76,900	10.5	9.1
Bellaire Park	Houston, Texas, US	Freehold	47,300	51,300	6.5	6.0
One Twenty Five	Dallas, Texas, US	Freehold	107,000	105,600	14.8	12.5
Maitland Promenade I & II	Orlando, Florida, US	Freehold	91,500	93,800	12.7	11.1
Iron Point	Sacramento, California, US	Freehold	38,200	48,800	5.3	5.8
Total investment properties			1,326,310	1,423,370	183.4	168.2
Other assets and liabilities (net)			(603,106)	(577,293)	(83.4)	(68.2)
Net assets			723,204	846,077	100.0	100.0

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2023

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 fee for FY 2023 in cash. For FY 2022, 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.

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

This condensed consolidated interim financial statements for the six months and full year ended 31 December 2023 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 2023.

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.

As at 31 December 2023, the Group's current liabilities exceed its current assets by US\$67.0 million (2022: current assets exceed its current liabilities by US\$24.3 million) and the Trust's current liabilities exceed its current assets by US\$40.2 million (2022: current assets exceed its current liabilities by US\$30.5 million) respectively.

Notwithstanding the above, the financial statements have been prepared on a going concern basis. The suspension of distribution ensures that the Group maintains sufficient liquidity to meet its current obligations as and when they fall due within the next twelve months as well as maintaining a lower aggregate leverage thereby improving the likelihood of refinancing of the loans maturing in 2024.

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 2022.

The Group adopted the revised IFRS and interpretations that are effective for application for annual financial periods beginning on or after 1 January 2023. 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 has ceased publication after 30 June 2023, and it is replaced by the Secured Overnight Financing Rate ("SOFR").

The following table contains details of all the financial instruments that the Group and Trust holds as at 31 December 2023:

	Group and Trust	
	Borrowings	Derivatives
	US\$'000	US\$'000
Gross carrying amount as at 1 January 2023	505,220	17,115
Transited to SOFR during the period	75,000	688
Net borrowings/ derivatives entered during the period in SOFR	21,700	830
Gross carrying amount as at 31 December 2023	<u>601,920</u>	<u>18,633</u>

The 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 2022 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 2022 are disclosed in Note 9(d) (Fair value measurement of investment properties).

3. FINANCE EXPENSES

	Group			
	2H 2023 US\$'000	2H 2022 US\$'000	FY 2023 US\$'000	FY 2022 US\$'000
Interest expense on borrowings	12,432	9,805	23,769	17,440
Amortisation of upfront debt-related transaction costs	359	554	674	1,057
Dividends on preferred units	68	39	143	70
Commitment fees	57	28	57	91
	<u>12,916</u>	<u>10,426</u>	<u>24,643</u>	<u>18,658</u>

4. LOANS AND BORROWINGS

	Group and Trust	
	31-Dec-23 US\$'000	31-Dec-22 US\$'000
<u>Unsecured loans and borrowings</u>		
Amount repayable within one year	75,000	10,220
Amount repayable after one year	526,920	570,000
Less: Unamortised upfront debt-related transaction costs	<u>(2,353)</u>	<u>(2,503)</u>
Total unsecured loans and borrowings	<u>599,567</u>	<u>577,717</u>
Total borrowings as a percentage of the Group's net assets	82.9%	68.3%
Total borrowings as a percentage of the Trust's net assets	86.7%	79.8%

As at 31 December 2023, the Group have gross borrowings comprising:

- (i) US\$495.0 million of non-current term loans and US\$30.0 million of current term loan drawn down to partially finance the Properties. Term loan of US\$30.0 million that matures in 4Q 2024 was reclassified as current during the year.
- (ii) US\$45.0 million of current loan drawn down from a committed revolving credit facility ("RCF") to partially finance the Properties and US\$31.9 million of non-current loan drawn down from a committed RCF for funding of capital expenditures and tenant improvements.

As at 31 December 2023, the Group has an uncommitted unutilised facility of US\$50.0 million and a committed unutilised facility of US\$18.1 million to meet its future obligations. 73.8% of the 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 4.12%. Excluding upfront debt-related transaction costs, the year-to-date average interest rate is 4.00%. Aggregate leverage, as defined in the Property Funds Appendix, is 43.2%.

5. INVESTMENT PROPERTIES

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

	Group	
	31-Dec-23 US\$'000	31-Dec-22 US\$'000
As at beginning of the financial period	1,423,370	1,455,830
Divestment of Investment properties	-	(35,693)
Capital expenditure, leasing cost and straight-line rent capitalised	45,203	42,412
Net fair value changes in investment properties	(142,263)	(39,179)
As at end of the financial period	1,326,310	1,423,370

Investment properties are stated at fair value, which has been determined based on valuations performed as at 31 December 2023. The valuations were performed by Jones Lang La Salle 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 2022 were performed by Cushman and Wakefield for all properties.

6. PREFERRED UNITS

	Group	
	31-Dec-23 US\$'000	31-Dec-22 US\$'000
As at beginning of the financial period	1,374	500
(Redemption)/ Issuance of preferred units	(250)	874
As at end of the financial period	1,124	1,374

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 2022: 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:	2023 Units	2022 Units
At 1 January	1,044,450,254	1,040,052,040
New Units issued:		
- Issue of Management base fees in units	-	4,398,214
Total Units issued as at 30 June	1,044,450,254	1,044,450,254
New Units issued and to be issued:		
- Issue of Management base fees in units	-	-
Total Units issued and to be issued as at 31 December	1,044,450,254	1,044,450,254

b) Total number of issued Units

Keppel Pacific Oak US REIT does not hold any treasury units as at 31 December 2023 and 31 December 2022.

	As at 31 December 2023	As at 31 December 2022
Total number of issued units	1,044,450,254	1,044,450,254

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 2023 US\$'000	FY 2022 US\$'000
Manager's base fees paid/payable to the Manager	5,803	6,559
Divestment fees payable to the Manager	-	194
Trustee fees paid/payable	191	190

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:

Group	31-Dec-2023 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)	
Assets measured at fair value				
Financial assets				
Derivative assets				
- <i>Interest rate swap</i>	-	18,971	-	18,971
Total financial assets	-	18,971	-	18,971
Non-financial assets				
Investment properties				
- <i>Commercial</i>	-	-	1,326,310	1,326,310
Total non-financial assets	-	-	1,326,310	1,326,310
Liabilities measured at fair value				
Financial liabilities				
Derivative liabilities				
- <i>Interest rate swap</i>	-	338	-	338
Total financial liabilities	-	338	-	338

	31-Dec-2022 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>	-	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-2023 US\$'000			
Trust	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>	-	18,971	-	18,971
Total financial assets	-	18,971	-	18,971
Liabilities measured at fair value				
Financial liabilities				
Derivative liabilities				
- <i>Interest rate swap</i>	-	338	-	338
Total financial liabilities	-	338	-	338

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

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 2023.

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\$46.00 (2022: US\$13.00 to US\$43.00) 	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 7.50% to 9.50% (2022: 7.25% to 9.25%) 	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 7.00% to 8.00% (2022: 6.00% to 8.50%) 	
Direct capitalisation method	<ul style="list-style-type: none"> Rental rates per square foot per year of US\$13.00 to US\$46.00 (2022: US\$13.00 to US\$43.00) 	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 6.75% to 8.50% (2022: 5.25% to 8.25%) 	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\$151.34 to US\$570.40 (2022: US\$158.03 to US\$639.52) 	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\$1,326.3 million as at 31 December 2023 (2022: US\$1,423.4 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 2023	FY 2022
	%	%
Ratio of expenses to weighted average net assets ⁽¹⁾		
- Including performance component of the Manager's management fees	1.13	1.16
- Excluding performance component of the Manager's management fees	1.13	1.16
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 2023 (FY 2022: NIL).

(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.

OTHER INFORMATION FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2023

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 2023 vs 2H 2022

Gross revenue of US\$74.8 million for 2H 2023 was higher than 2H 2022 by 1.3%, mainly from higher one-off income of US\$1.3 million, higher recoverable property expenses and higher car park income as more employees return to office as well as from the usage by construction workers from neighbouring developments at The Plaza Buildings. 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 respectively.

Property expenses of US\$32.6 million for 2H 2023 were relatively flat compared to 2H 2022. For the existing portfolio, higher utilities, property management fees, repairs and maintenance and other property expenses were partially offset by lower property tax as well as lower expenses from the divestments of Northridge Center and Powers Ferry.

As a result, net property income of US\$42.2 million for 2H 2023 was higher than 2H 2022 by 2.3%. 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 3.5% higher year-on-year.

Finance expenses of US\$12.9 million for 2H 2023 were higher than 2H 2022 by US\$2.5 million or 23.9%, 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\$180.0 million in 2H 2022 at higher rates. In addition, the increase was also due to additional RCF drawn down during the year to finance capital expenditures and tenant improvements.

Fair value loss in derivatives of US\$10.3 million in 2H 2023 as compared to a gain of US\$14.4 million in 2H 2022 due to movement in interest rates for the respective periods.

Based on independent valuations performed, the portfolio valuation for FY 2023 decreased by 6.8% or US\$97.1 million compared to FY 2022's valuation. However, after taking into consideration the capital expenditure and tenant improvements spent in FY 2023, a net fair value loss of US\$142.3 million was recognised for FY 2023 mainly from The Plaza Buildings, Westmoor Center, Bellevue Technology Center and Iron Point. The decline was largely due to the increase in capitalization rates and discount rates, as well as higher vacancy rate assumed for 2024.

There is a tax credit of US\$35.2 million in 2H 2023 mainly due to deferred tax asset recognised on the fair value loss in investment properties in FY 2023. This was partially offset by the deferred taxes recognised from tax depreciation of the investment properties.

Due to the net effects of the above, the Group has a net loss of US\$91.8 million for 2H 2023, compared to the net income of US\$5.6 million recorded for 2H 2022.

Overall, income available for distribution to Unitholders of US\$26.1 million for 2H 2023 was lower than 2H 2022 by 10.1% due to higher financing cost and divestment of the Atlanta assets in 2H 2022, partially offset by better performance from the existing portfolio. The manager has elected to receive 100% of its base fee for 2H 2023 and 2H 2022 amounting to US\$2.9 million and US\$3.2 million respectively in cash.

Review of performance for FY 2023 vs FY 2022

Gross revenue of US\$150.8 million for FY 2023 was higher than FY 2022 by 1.9%, mainly from higher rental income from leasing completed in 2022 and built-in-rental escalations for the existing portfolio, higher recoverable property expenses and higher car park income as more employees return to office as well as the usage by construction workers from neighbouring developments at The Plaza Buildings. 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 respectively.

Property expenses of US\$64.7 million for FY 2023 were higher than FY 2022 by 1.5% largely due to higher year-on-year utilities, property management fees, repairs and maintenance and other property expenses 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 in 2023. This was partially offset by the lower expenses from the divestments of Northridge Center and Powers.

As a result, net property income of US\$86.1 million for FY 2023 was higher than FY 2022 by 2.2%. 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 2.5% higher year-on-year.

Finance expenses of US\$24.6 million for FY 2023 were higher than FY 2022 by US\$6.0 million or 32.1%, 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 in 2022 at higher rates. In addition, the increase was also due to additional RCF drawn down during the year to finance capital expenditures and tenant improvements.

Fair value loss in derivatives of US\$9.4 million in FY 2023 as compared to a gain of US\$31.3 million in FY 2022 due to movement in interest rates for the respective periods.

Based on independent valuations performed, the portfolio valuation for FY 2023 decreased by 6.8% or US\$97.1 million compared to FY 2022's valuation. However, after taking into consideration the capital expenditure and tenant improvements spent in FY 2023, a net fair value loss of US\$142.3 million was recognised for FY 2023 mainly from The Plaza Buildings, Westmoor Center, Bellevue Technology Center and Iron Point. The decline was largely due to the increase in capitalization rates and discount rates, as well as higher vacancy rate assumed for 2024.

There is a tax credit of US\$31.0 million in FY 2023 mainly due to deferred tax asset recognised on the fair value loss in investment properties in FY 2023. This was partially offset by the deferred taxes recognised from tax depreciation of the investment properties.

Due to the net effects of the above, the Group recorded a net loss of US\$67.7 million for FY 2023, compared to the net income of US\$48.5 million recorded for FY 2022.

Overall, income available for distribution to Unitholders of US\$52.2 million for FY 2023 was lower than FY 2022 by 13.8%. The Manager has elected to receive 100% of its base fee for FY 2023 amounting to US\$5.8 million in cash. For FY 2022, the Manager has elected to receive 100% of its base fee in the form of Units for 1Q 2022 and 100% of its base fee in the form of cash for 2Q 2022 to 4Q 2022. For a like-for-like comparison, assuming 1Q 2022 base fee of US\$1.7 million were paid in cash rather than in Units, the FY 2022 adjusted income available for distribution to Unitholders would have been US\$58.9 million. Accordingly, FY 2023 actual income available for distribution to Unitholders would have been 11.4% lower than that of the FY 2022 adjusted income available for distribution to Unitholders mainly due to the higher financing costs and the divestments of the Atlanta assets in 2H 2022, partially offset by better performance from the existing portfolio.

D. VARIANCE FROM FORECAST STATEMENT

Not applicable.

E. PROSPECTS

Labour market remained resilient through the year with unemployment ending the year matching pre-pandemic lows of 3.7%². In comparison, despite the Federal Reserve raising interest rates 11 times since 2022 in attempts to combat inflation, the US economy continues to grow, at an annual rate of 3.3% in 4Q 2023³. Annual inflation rate in the US was 3.2% in December 2023⁴, slightly up from a five-month low of 3.1% in November. At a six-month annualized rate, core inflation was 1.9% in December, down from 4% in June⁵. Inflation has been on a downward trend after peaking at 9.1% in June 2022, which was the highest level since the early 1980s.

There continues to be disparity in the macroeconomic fundamentals of the US office market between gateway cities and the key growth cities where KORE operates, as demonstrated by diverging performance and demand, as well as in-migration trends. Furthermore, US companies across many industries are prioritising headquarter relocations as part of their corporate strategies. The past five years have been an active period for headquarter relocations, with 465 such moves identified since 2018⁶. With employers trying to attract talent back into the office amid a tight labour market, quality office spaces in the Sun Belt metros stand out as they generally provide more optimal work experiences and better work-life balance. A study from Moody's and Wall Street Journal looked at regions with at least one million in population and found that the best job markets were found in the South, where Sun Belt cities are located⁷. The location, quality, flexibility and amenities of offices will be more important than ever to attract tenants⁸.

For more details, please refer to Keppel Pacific Oak US REIT's Media Release for the full year ended 31 December 2023.

² U.S. Bureau of Economic Analysis, December 2023.

³ U.S. Bureau of Economic Analysis, January 2024.

⁴ <https://tradingeconomics.com/united-states/inflation-cpi>.

⁵ Wall Street Journal Powell Says Fed Has New Focus: When to Cut Rates, February 2024.

⁶ The Shifting Landscape of Headquarter Relocations: Trends and Outlook, CBRE, December 2023.

⁷ <https://www.bluelake-capital.com/post/sunbelt-cities-lead-the-best-job-markets-in-the-us>.

⁸ U.S. Real Estate Market Outlook 2024, CBRE, December 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.

Capital Management risk

The group's ability to secure financing is susceptible to factors such as the cyclical nature of the property market and risks associated with market disruptions, potentially impacting liquidity, interest rates and the overall availability of funding sources. While the Group may face challenges with its future borrowing capacity to fund working capital, capital expenditure and refinancing existing debt obligations, the Manager continues to adopt a prudent and proactive approach towards capital management.

G. DISTRIBUTIONS

(a) Current Financial Period reported on

Any distribution recommended for the current financial period reported on?

No distribution declared for 2H 2023. For more details, please refer to Introduction on page 2.

(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	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.

H. DISTRIBUTION STATEMENT

Other than as disclosed in Other information: Paragraph G - Distributions, no distribution 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 2023	FY 2022	
	US\$'000	US\$'000	+/(-) %
First half year			
Gross revenue reported	75,911	74,109	2.4
Net income reported	24,122	42,904	(43.8)
Second half year			
Gross revenue reported	74,846	73,867	1.3
Net (loss)/ income reported	(91,847)	5,581	NM

NM – Not meaningful

K. BREAKDOWN OF ANNUAL TOTAL DISTRIBUTION

	FY 2023	FY2022
	US\$'000	US\$'000
1 January 2022 to 30 June 2022 (paid)	-	31,542
1 July 2022 to 31 December 2022 (paid)	-	29,036
1 January 2023 to 30 June 2023 (paid)	26,112	-
	<u>26,112</u>	<u>60,578</u>

Notes:

(1) No distribution declared for the financial period from 1 July to 31 December 2023. For more details, please refer to Introduction on page 2.

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 2023 US\$'000	Actual FY 2022 US\$'000
<u>Keppel Pacific Oak US REIT Management Pte. Ltd.</u>		
- Manager's management fees	5,803	6,559
- Divestment fees	-	194
<u>Perpetual (Asia) Ltd</u>		
- Trustee fees	191	190

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
15 February 2024