



PRIME US REIT

UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 JUNE 2020

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DBS Bank Ltd. was the sole financial adviser and issue manager for the initial public offering ("IPO") of Prime US REIT.

INTRODUCTION

Overview

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

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

As at 30 June 2020, the portfolio of PRIME comprises of 12 office properties (“the Properties”) in the United States, with an aggregate NLA of 3.9 million sq. ft with approximately US\$1.4 billion in value, as follows:

Tower I at Emeryville

222 Main

Village Center Station I

Village Center Station II

101 South Hanley

Tower 909

Promenade I & II

CrossPoint

One Washingtonian Center

Reston Square

171 17th Street

Park Tower (as announced on 24 February 2020, the Group completed the acquisition of Park Tower located at 980 9th St and 1010 8th St Sacramento, California.)

Financial Statements Presentation

PRIME is announcing its financial results for the half year (“1H 2020”) ended 30 June 2020. No comparative periods have been presented as PRIME was dormant from its date of constitution (7 September 2018) to the Listing Date.

Any differences in the tables included in this announcement between the listed amounts and the totals thereof are due to rounding.

Distribution Policy

PRIME makes distributions to Unitholders on a semi-annual basis. The current distribution will be for the period from 21 February 2020 to 30 June 2020 and will be paid on 23 September 2020. An advance distribution of US 0.96 cents per Unit for the period from 1 January 2020 to 20 February 2020 was paid on 30 March 2020.

PRIME’s distribution policy is to distribute 100.0% of distributable income for the period from the Listing Date to 31 December 2019 and for the financial year from 1 January 2020 to 31 December 2020. Thereafter, PRIME will distribute at least 90% of its annual distributable income for each financial year. The actual level of distribution will be determined at the Manager’s discretion.

SUMMARY OF PRIME'S RESULTS

	Group		
	1H 2020		
	Actual	Forecast ⁽¹⁾	+ / (-) ⁽²⁾
	US\$'000	US\$'000	%
Gross Revenue	71,197	67,362	5.7
Net Property Income	47,450	44,089	7.6
Income available for distribution to Unitholders	35,878	31,185	15.0
Available DPU (US cents)	3.52	3.35	5.1

(1) The forecast figures were derived from the apportionment of Forecast for Projection Year 2020's financials as disclosed in the Prospectus.

(2) Refer to the section "Variance Between Actual and Forecast Results" for the reasons behind the variance.

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

	Note	<u>Group</u> <u>1H 2020 ⁽¹⁾</u> <u>US\$'000</u>
<u>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</u>		
Gross revenue	a	71,197
Property operating expenses	b	(23,747)
Net property income		47,450
Manager's base fee	c	(3,661)
Trustee's fee		(90)
Other trust expenses	d	(899)
Net change in fair value of derivatives	e	(19,037)
Finance expenses	f	(7,706)
Finance income		3
Net income before tax and fair value change in investment properties		16,060
Net fair value change in investment properties		-
Net income before tax		16,060
Tax expense	g	(4,012)
Net income attributable to Unitholders		12,048
<u>DISTRIBUTION STATEMENT</u>		
Net Income attributable to unitholders		12,048
Distribution adjustments	h	23,830
Income available for distribution to Unitholders		35,878

Footnote:

- (1) No comparative period has been presented as PRIME was dormant from its date of constitution (7 September 2018) to the Listing Date.

Notes to the Consolidated Statement of Comprehensive Income and Distribution Statement

a) Gross revenue

	Group
	1H 2020
	US\$'000
Rental income	57,840
Recoveries income ⁽¹⁾	9,306
Other operating income	4,051
Gross revenue	71,197

Footnote:

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

b) Property operating expenses

	Group
	1H 2020
	US\$'000
Utilities	2,864
Repair and maintenance expenses	2,869
Property management fees	2,816
Property taxes	9,150
Other property operating expenses	6,048
Property operating expenses	23,747

c) Manager's base fee

The Manager's base fee is calculated as 10.0% of income available for distribution to unitholders before accounting for the Manager's base fee. The Manager has elected to receive 80.0% of its base fee in the form of Units for the period from 1 January 2020 to 30 June 2020.

d) Other trust expenses

	Group
	1H 2020
	US\$'000
Audit fees payable to auditors of the Group	371
Tax compliance fees	278
Valuation fees	79
Other expenses	171
Other trust expenses	899

e) Net change in fair value of derivatives

This relates to net fair value changes on the interest rate swaps held by the Group for hedging purposes. Interest rates were lower on 30 June 2020 compared to previous financial year ended 31 December 2019, resulting in losses for 1H 2020 from mark-to-market adjustments for these swaps. This is a non-cash item and therefore does not affect income available for distribution to Unitholders.

f) Finance expenses

	Group
	1H 2020
	US\$'000
Interest expense on loans and borrowings	7,051
Amortisation of upfront debt-related transaction costs ⁽¹⁾	556
Commitment fees	90
Dividends on preferred shares ⁽²⁾	9
Finance expenses	7,706

Footnote:

- (1) Upfront debt-related transaction costs are amortised over the life of the borrowings.
- (2) Include transaction cost related to dividends on preferred shares.

g) Tax expense

Tax expense comprise 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.

h) Distribution adjustments

	Group
	1H 2020
	US\$'000
Property related non-cash items ⁽¹⁾	(3,342)
Manager's base fee paid/payable in Units	2,929
Trustee's fee	90
Amortisation of upfront debt-related transaction costs ⁽²⁾	556
Net change in fair value of derivatives	19,037
Deferred tax expense	4,012
Others ⁽³⁾	548
Distribution adjustments	23,830

Footnotes:

- (1) Mainly comprise straight-line rent adjustments and amortisation of lease incentives.
- (2) Upfront debt-related transaction costs are amortised over the life of the borrowings.
- (3) This includes free rent reimbursements and other adjustments. The free rent reimbursements were related to free rent periods granted to certain tenants at Park Tower. As part of the acquisition of Park Tower, the seller reimbursed Prime for free rent under existing lease arrangements and free rent reimbursement are applied towards distributable income during these free rent periods.

1(B)(i) STATEMENTS OF FINANCIAL POSITION

Note	Group		Trust	
	As at 30 Jun 2020	As at 31 Dec 2019	As at 30 Jun 2020	As at 31 Dec 2019
	US\$'000	US\$'000	US\$'000	US\$'000
Current assets				
	33,843	37,862	352	1,170
Cash and cash equivalents				
Trade and other receivables	a	4,085	2,411	1,901
Amount due from subsidiaries		-	-	23,640
Prepaid expenses		2,059	2,200	1
Total current assets		39,987	42,473	25,894
Non-current assets				
Investment properties	b	1,427,246	1,254,700	-
Investment in subsidiaries	c	-	-	884,524
Total non-current assets		1,427,246	1,254,700	884,524
Total assets		1,467,233	1,297,173	910,418
Current liabilities				
Trade and other payables	a	20,531	16,646	533
Amount due to related parties		315	476	314
Rental security deposits		284	276	-
Rent received in advance	a	7,275	5,061	-
Total current liabilities		28,405	22,459	847
Non-current liabilities				
Loans and borrowings	a	478,799	432,824	-
Rental security deposits (non-current)		2,701	2,294	-
Derivative liability	d	26,156	6,895	-
Preferred shares		125	125	-
Deferred tax liabilities	e	11,280	7,268	-
Total non-current liabilities		519,061	449,405	-
Total liabilities		547,466	471,864	847
Net assets attributable to unitholders		919,767	825,310	909,571
Represented by:				
Unitholders' funds		919,767	825,310	909,571
Units in issue and to be issued ('000)		1,056,015	926,379	1,056,015
Net asset value per Unit (US\$)		0.87	0.89	0.86

Notes to the Statements of Financial Position

a) Trade and Other Receivables Trade and Other Payables Rent received in advance Loans and borrowings

Increase due primarily to acquisition of Park Tower completed in February 2020.

b) Investment properties

Property	Primary Market	Carrying Value
		US\$'000
Tower 1 at Emeryville	San Francisco Bay Area (Oakland)	127,900
222 Main	Salt Lake City	220,407
Village Center Station I	Denver	88,796
Village Center Station II	Denver	146,126
101 South Hanley	St. Louis	83,247
Tower 909	Dallas	83,432
Promenade I & II	San Antonio	75,526
CrossPoint	Philadelphia	99,656
One Washingtonian Center	Washington D.C. Area (Suburban Maryland)	106,566
Reston Square	Washington D.C. Area (Suburban Virginia)	49,624
171 17th Street	Atlanta	181,474
Park Tower	Sacramento	164,492
Investment properties		1,427,246
		Group
		1 January 2020 to 30
		June 2020
		US\$'000
As at 1 January 2020		1,254,700
Acquisitions (including acquisition costs) ⁽¹⁾		163,200
Capital expenditure, tenant improvements, straight-line rent, lease commission and other items capitalised		9,346
As at 30 June 2020		1,427,246

Footnote:

(1) The actual cash acquisition consideration was net of credits received at closing, for capital expenditure and leasing costs under seller's responsibility.

c) Investment in subsidiaries

The increase in investment of subsidiaries at the Trust level was due mainly to the incorporation of wholly-owned Singapore subsidiary Prime US REIT S3 Pte. Ltd. ("Sing Sub 3") and equity funding injected by PRIME from proceeds received from a private placement completed on 21 February 2020. PRIME injected US\$75,045,000 as share capital into Sing Sub 3. Sing Sub 3 used the equity funding from PRIME to subscribe for a Note issued by Prime US-Sub REIT, Inc., PRIME's wholly-owned U.S. subsidiary, to partially fund the acquisition of Park Tower. Net asset value Sing Sub 3 was US\$75,053,591 as at 30 June 2020.

d) Derivative liability

This relates to the interest rate swaps entered into by the Group for hedging purpose. Interest rates were lower on 31 December 2019 than when the interest rate swaps were entered into prior to the IPO, resulting in losses from mark-to-market of these swaps.

e) Deferred Tax Liabilities

Increase due to deferred tax provision during the period.

1(B)(ii) AGGREGATE AMOUNT OF LOANS AND BORROWINGS

	Group	
	As at 30 June 2020	As at 31 December 2019
	US\$'000	US\$'000
Secured loans and borrowings		
Amount repayable after one year	483,596	437,596
Less: Unamortised upfront debt-related transaction costs	(4,797)	(4,772)
Total secured loans and borrowings	478,799	432,824
Unsecured loans and borrowings	-	-
Total loans and borrowings	478,799	432,824

Details of loans and borrowings, and collaterals

	Maturity	As at 30 June 2020
		US\$'000
Non-current loans and borrowings		
Revolving credit facility ⁽¹⁾⁽²⁾	Jul-22 ⁽³⁾	58,596
Four-year term loan facility ⁽²⁾	Jul-23 ⁽⁴⁾	160,000
Five-year term loan facility ⁽²⁾	Jul-24	160,000
Ten-year term loan facility ⁽⁵⁾	Aug-29	105,000
Total non-current loans and borrowings		483,596
Less: Unamortised transaction costs		(4,797)
Total loans and borrowings		478,799

Footnotes:

- (1) The total amount available under this facility is US\$150.0 million.
- (2) The borrower is Prime US-Lower Tier, LLC, which has pledged its equity interest in each of the property-owning entities (apart from the entity owning the 222 Main property).
- (3) The facility has two one-year extension options.
- (4) The facility has a one-year extension option.
- (5) The borrower is Prime US-222 Main, LLC, and the facility is secured by the 222 Main property.

As at 30 June 2020, the Group had total gross loans and borrowings of US\$483.6 million and US\$91.4 million unutilised under the revolving credit facility to meet its future obligations. The interest rate on the four- and five-year term loans have been hedged using floating-for-fixed interest rate swaps and the ten-year term loan has a fixed interest rate. The weighted average interest rate (including amortisation of upfront debt-related transaction costs and commitment fees) on loans and borrowings from 1 January 2020 to 30 June 2020 was 3.38% per annum (taking into account the interest rate swaps). Aggregate leverage, as defined in the Property Funds Appendix, as at 30 June 2020 was 33.0%. Interest coverage ratio for the half year ended 30 June 2020 was 5.4 times.

1(C) CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Group 1H 2020 US\$'000
Cash flows from operating activities		
Net income before tax		16,060
Adjustments for:		
Property related non-cash items		(3,342)
Manager's fee paid/payable in Units		2,929
Net change in fair value of derivatives		19,037
Foreign exchange gains		5
Finance expenses		7,706
Finance income		(3)
Impairment loss on trade receivables		225
Operating income before working capital changes		42,617
Changes in working capital:		
Trade and other receivables		(1,898)
Prepaid expenses		141
Trade and other payables		2,541
Amount due to related parties		(161)
Rental security deposits		44
Rent received in advance		2,214
Net cash generated from operating activities		45,498
Cash flows from investing activities		
Acquisition of investment property and related assets and liabilities	a	(161,768)
Settlement of liabilities in relation to the acquisition of investment properties		(505)
Payment for capital expenditure relating to investment properties		(5,129)
Interest received		3
Net cash used in investing activities		(167,399)
Cash flows from financing activities		
Proceeds from issuance of Units	b	120,000
Payment of transaction costs relating to issuance of Units		(2,502)
Proceeds from loans and borrowings		105,500
Payment of transaction costs related to loans and borrowings		(581)
Repayment of loans and borrowings		(59,500)
Interest paid on loans and borrowings		(7,003)
Transaction costs related to preferred shares		(1)
Distribution to Unitholders		(38,018)
Dividends on preferred shares		(8)
Net cash generated from financing activities		117,887
Net decrease in cash and cash equivalents		
		(4,014)
Cash and cash equivalents at beginning of the period		37,862
Effect of exchange rate fluctuations on cash held in foreign currency		(5)
Cash and cash equivalents at end of the period		33,843

Notes to the Consolidated Statement of Cash Flows

a) Acquisition of investment property and related assets and liabilities

	Group
	1H 2020
	US\$'000
Agreed purchase consideration for investment property	165,500
Acquisition costs	1,880
Capital and leasing costs under seller's responsibility	(4,180)
Net cash consideration for investment property	<u>163,200</u>
Accrued expenses and other payables	(1,061)
Rental security deposits	(371)
Acquisition of investment property and related assets and liabilities	<u>161,768</u>

b) Proceeds from issuance of Units

An aggregate of 125,392,000 Units were issued at US\$0.957 per unit for gross proceeds of US\$120.0 million pursuant to a private placement completed on 21 February 2020.

The proceeds from the issue of Units and loan facilities drawn on were used for the following:

	Actual
	US\$'000
Acquisition of the property ⁽¹⁾	163,200
Transaction costs ⁽²⁾	2,930
Total	<u>166,130</u>

Footnotes:

- (1) Actual cash consideration was net of seller's portion of capital and leasing costs and includes acquisition costs.
- (2) Transaction costs include expenses incurred in relation to the issuance of Units and the Loan Facilities.

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

Group

	Units in issue and to be issued	Retained earnings	Total
	US\$'000	US\$'000	US\$'000
At 1 January 2020	791,606	33,704	825,310
Operations			
Net income for the period	-	12,048	12,048
Unitholders' transactions			
Issue of new units for private placement	120,000	-	120,000
Issue costs ⁽¹⁾	(2,502)	-	(2,502)
Manager's base fee paid and payable in Units	2,929	-	2,929
Distribution to Unitholders	(19,518)	(18,500)	(38,018)
Total Unitholders' transactions	100,909	(18,500)	82,409
Total Unitholders' funds as at 30 June 2020	892,515	27,252	919,767

Footnotes:

- (1) Issue costs comprise underwriting and selling commissions, professional and other fees, and other issue expenses in relation to the private placement.

Trust

	Units in issue and to be issued	Retained earnings	Total
	US\$'000	US\$'000	US\$'000
At 1 January 2020	791,606	16,174	807,780
Operations			
Net income for the period	-	19,382	19,382
Unitholders' transactions			
Issue of new units on the Listing Date	120,000	-	120,000
Issue costs ⁽¹⁾	(2,502)	-	(2,502)
Manager's base fee paid and payable in Units	2,929	-	2,929
Distribution to Unitholders	(19,518)	(18,500)	(38,018)
Total Unitholders' transactions	100,910	(18,500)	82,410
Total Unitholders' funds as at 30 June 2020	892,516	17,056	909,571

Footnotes:

- (1) Issue costs comprise underwriting and selling commissions, professional and other fees, and other issue expenses.

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

	<u>Group and Trust</u>
	<u>1H 2020</u>
Units in issue:	
At the beginning of the period	925,003,872
Private placement	125,392,000
Manager's base fee paid in Units	3,761,423
Total issued Units as at 30 June 2020	1,054,157,295
Units to be issued:	
Manager's base fee payable in Units ⁽¹⁾	1,858,008
Total units issued and to be issued as at the end of the period	1,056,015,303

Footnote:

- (1) The Manager has elected to receive 80.0% of the Manager's base fee in Units for period 1 April 2020 to 30 June 2020. The number of Units is calculated based on the volume weighted average traded price of the Units on the SGX-ST for the last 10 business days for the period ended 30 June 2020 of US\$0.803.

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

	<u>Group</u>	
	<u>As at 30 June 2020</u>	<u>As at 31 December 2019</u>
Total number of issued units	1,054,157,295	925,003,872

PRIME does not hold any treasury units as at 30 June 2020 and 31 December 2019.

1 (D)(iv) SALES, TRANSFERS, DISPOSALS, CANCELLATION AND/OR USE OF TREASURY UNITS

Not applicable.

2. AUDIT

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

3. AUDITORS' REPORT

Not applicable.

4. ACCOUNTING POLICIES

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation as described in its latest audited financial statements for the financial year ended 31 December 2019 in the preparation of the consolidated financial statements for the current reporting period.

5. CHANGES IN ACCOUNTING POLICIES

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

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

	<u>Group</u> <u>1H 2020</u>
<u>EPU</u>	
Net income for the period (US\$'000)	12,048
Weighted average number of Units in issue and to be issued ⁽¹⁾	1,016,619,045
Basic and diluted EPU (US cents)⁽²⁾	1.19
<u>DPU</u>	
Income available for distribution to Unitholders (US\$'000)	35,878
Number of Units in issue at the end of the period ⁽³⁾	1,054,157,295
DPU (US cents)	3.52⁽⁴⁾

Footnotes:

- (1) Based on the weighted average number of units in issue during the period and the units to be issued as part payment of the Manager's base fee incurred for the period from 1 April 2020 to 30 June 2020.
- (2) Diluted EPU is equivalent to basic EPU as there were no dilutive instruments in issue during the period.
- (3) Number of units in issue as at 30 June 2020
- (4) This comprises advance distribution of US 0.96 cents per unit for the period from 1 January 2020 to 20 February 2020, being the day immediately prior to the date on which the new units were issued and distribution recommended of US 2.56 cents for the period from 21 February 2020 to 30 June 2020.

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

	<u>As at 30 June 2020</u>	
	<u>Group</u>	<u>Trust</u>
Net assets (US\$'000)	919,767	909,571
Number of Units in issue and to be issued ⁽¹⁾	1,056,015,303	1,056,015,303
NAV and NTA per Unit⁽²⁾ (US\$)	0.87	0.86

Footnotes:

- (1) Based on the number of Units in issue during the period and the Units to be issued as part payment of the Manager's base fee.
- (2) NAV and NTA is the same as there are no intangible assets as at the end of the period.

8. REVIEW OF PERFORMANCE

Please refer to “9. Variance Between Actual and Forecast Results” for a review of the actual results for the period from 1 January 2020 to 30 June 2020 against the forecast as disclosed in the Prospectus.

9. VARIANCE BETWEEN ACTUAL AND FORECAST RESULTS

<u>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</u>	1H 2020		
	Actual	Forecast ⁽¹⁾	Change
	US\$'000	US\$'000	%
Gross Revenue	71,197	67,362	5.7
Property operating expenses	(23,747)	(23,273)	2.0
Net Property Income	47,450	44,089	7.6
Manager's base fee	(3,661)	(3,182)	15.1
Trustee's fee	(90)	(122)	(26.2)
Other trust expenses	(899)	(1,750)	(48.6)
Net change in fair value of derivatives	(19,037)	-	n.m.
Finance expenses	(7,706)	(8,213)	(6.2)
Finance income	3	-	n.m.
Net income before tax and fair value change in investment properties	16,060	30,822	(47.9)
Net income before tax	16,060	30,822	(47.9)
Tax expense	(4,012)	(2,887)	39.0
Net income attributable to Unitholders	12,048	27,935	(56.9)
<u>DISTRIBUTION STATEMENT</u>			
Net Income attributable to unitholders	12,048	27,935	(56.9)
Distribution adjustments	23,830	3,250	n.m.
Income available for distribution to Unitholders	35,878	31,185	15.0

Footnotes:

- (1) The forecast figures were derived from the apportionment of Forecast for Projection Year 2020's financials as disclosed in the Prospectus.
- (2) n.m.: not meaningful

Actual vs Forecast for 1H 2020

Gross revenue of US\$71.2 million was 5.7% or US\$3.8 million above forecast largely due to contributions from Park Tower, which was acquired in February 2020.

Net property income of US\$47.5 million was 7.6% or US\$3.4 million higher than forecast primarily due to the contribution from Park Tower.

Manager's base fee of US\$3.7 million was 15.1% or US\$0.5 million higher than forecast in line with higher income available for distribution to Unitholders. Manager's base fee is 10.0% of income available for distribution to Unitholders (calculated before accounting for the Manager's base fee).

Other trust expenses of US\$0.9 million were 48.6% or US\$0.9 million lower than forecast largely due to lower than forecast tax compliance fees, investor relations costs and miscellaneous expenses.

Net change in fair value of derivatives resulted in a loss of US\$19.0 million primarily due to decrease in interest rates from 31 December 2019 to 30 June 2020, resulting in a loss from mark-to-market of these swaps. The forecast did not assume any changes in interest rates. This is a non-cash item and therefore does not affect income available for distribution to Unitholders.

Tax expense of US\$4.0 million was 39.0% or US\$1.1 million higher than forecast. This was primarily due to higher tax depreciation as a result of the acquisition of Park Tower.

Overall, income available for distribution to Unitholders of US\$35.9 million was 15.0% or US\$4.7 million higher than forecast.

10. PROSPECTS

The U.S. office market remained relatively resilient during 1st half of 2020, losing only 4 million office-using jobs according to Oxford Economics compared to the 40 million plus jobless claims filed since Mid-March, and June marked the largest single-month payroll gain in the U.S. history with 4.8 million jobs added and was the second month in a row that far exceeded expectations according to Green Street Advisors. On an industry basis, leasing was essentially tied between finance and technology tenants, with some larger deals stemming from government, health, health insurance as well as noted by JLL.

The US had strong fundamental in terms of vacancy rate, absorption, leasing and restrained supply levels heading into the ongoing COVID-19 pandemic. Weekly leasing activity had been strong until we entered mid-March which was followed by a steady deceleration as many states began to implement shelter-in-place orders. Combined with net absorption turning negative for the first time in a decade, the national vacancy rate pushed past 10%, a threshold last reached at the end of 2017. The current vacancy rate is still below the historical average of approximately 11% and well below the 13% plus levels following the Great Recession according to CoStar.

With the coronavirus outbreak continuing to unfold globally, we continue to monitor the situation closely on its impact on the global economy. Barring any unforeseen circumstances, we remain cautiously optimistic about the U.S. office market. Should physical distancing protocols remain in place for the foreseeable future, tenants may opt to keep their same footprint even if part of the staff works from home some days.

Urban environments are preferred locations for an incoming generation of office workers, and therefore attractive to employers given this access to a highly skilled workforce, robust transportation infrastructure and prevalent modern lifestyle amenities. PRIME's well-diversified portfolio is exposed to strategic markets that continue to attract large corporations, but have limited new office supply. The favourable locations of PRIME's highly amenitised assets within these markets positions it well over the medium term.

As of 30 June 2020, the portfolio occupancy of PRIME remained resilient at 93.0% with WALE of 4.8 years, and approximately 98% of leases with rental escalations. PRIME's diversified portfolio is supported by its favourable tenant exposure in the STEM/TAMI sectors. Notable companies such as Microsoft are expanding in higher profile submarkets such as Midtown Atlanta and Reston Virginia (Washington D.C.); both markets where PRIME's assets are located. The Manager maintains a proactive and prudent approach in its leasing and active asset management activities to maximise returns to Unitholders.

11. DISTRIBUTIONS

(a) Current Financial Period reported on

Any distribution recommended for the current financial period reported on?

Yes

(i) 1st Advance Distribution of US 0.96 cents for the period from 1 January 2020 to 20 February 2020

Distribution period : 1st Advanced Distribution for the period from 1 January 2020 to 20 February 2020

Distribution type/rate: Capital distribution of US 0.96 cents per Unit

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

Note:

In connection with the Private Placement launched on 21 February 2020, the Manager had declared an advance distribution of US 0.96 cents per Unit for the period from 1 January 2020 to 20 February 2020, being the day immediately prior to the date on which the new units were issued. This was to ensure that the total amount available for distribution, accrued by PRIME up to the day immediately prior to the date on which the new Units were issued, was only distributed to the Existing Unitholders, as a means to ensure fairness to these Unitholders.

(ii) 2nd distribution of US 2.56 cents for the period from 21 February 2020 to 30 June 2020

Distribution period : 2nd Distribution for the period from 21 February 2020 to 30 June 2020

Distribution type/rate: Distribution of US 2.56 cents per Unit comprising of:
a. Tax-exempt income: US 2.11 cents per Unit
b. Capital: US 0.45 cents per Unit

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

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

Unitholders who do not submit required U.S. tax forms completely and accurately by Tuesday, 1 September 2020 will be subject to 30% withholding taxes on the distribution.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Not applicable.

(c) Book closure date

1st Advance Distribution – 21 February 2020
2nd Distribution – 17 August 2020

(d) Date paid/payable

1st Advance Distribution – 30 March 2020
2nd Distribution – 23 September 2020

12. DISTRIBUTION STATEMENT

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

13. GENERAL MANDATE RELATING TO INTERESTED PERSON TRANSACTIONS

The Group has not obtained a general mandate from Unitholders for interested party transactions.

14. NEGATIVE CONFIRMATION PURSUANT TO RULE 705(5) OF THE LISTING MANUAL

The Board of Directors of KBS US Prime Property Management Pte. Ltd., as the Manager of PRIME (the “Manager”), hereby confirms that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Manager which may render the unaudited financial statements of PRIME for the period from 1 January 2020 to 30 June 2020 to be false or misleading in any material aspect.

15. CONFIRMATION PURSUANT TO RULE 720(1) OF THE LISTING MANUAL

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

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

**Mr. Charles J. Schreiber Jr.
Chairman**

**Professor Annie Koh
Director**

6 August 2020

This announcement may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, governmental and public policy changes, and the continued availability of financing in the amounts and terms necessary to support future business.

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

An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. Holders of Units (the "Unitholder") have no right to request the Manager to redeem or purchase their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (the "SGX-ST"). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

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

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

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

**Tan Lay Hong
Company Secretary
6 August 2020**