

Prime US REIT and its subsidiaries
(Constituted under a trust deed dated 7 September 2018
in the Republic of Singapore)

Unaudited Condensed Interim Consolidated Financial Statements
For the six months ended 30 June 2023

Prime US REIT and its subsidiaries

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Prime US REIT and its subsidiaries

Introduction

For the 6 months ended 30 June 2023

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 Prime US REIT 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 2023, the portfolio of PRIME comprises of 14 office properties (“the Properties”) in the United States, with an aggregate NLA of 4.4 million sq. ft with approximately US\$1.6 billion in value, as follows:

1. Tower I at Emeryville
2. 222 Main
3. Village Center Station I
4. Village Center Station II
5. 101 South Hanley
6. Tower 909
7. Promenade I & II
8. CrossPoint
9. One Washingtonian Center
10. Reston Square
11. 171 17th Street
12. Park Tower
13. One Town Center
14. Sorrento Towers

Summary of Results

	Group		
	6 months ended 30 June 2023	6 months ended 30 June 2022	+/- %
Gross revenue (US\$'000)	79,467	81,804	(2.9)
Net property income (US\$'000)	47,167	50,820	(7.2)
Income available for distribution to Unitholders (US\$'000) ⁽¹⁾	29,226	41,327	(29.3)
DPU (US cents) ⁽¹⁾	2.46	3.52	(30.1)

⁽¹⁾ With effect from 1 January 2023, the Manager has elected to receive 100.0% of its base fee in cash (2022: 20.0% of the base fee in cash and 80.0% in the form of Units). For the 6 months ended June 2022, income available for distribution to Unitholders and DPU would have been US\$38.0 million and 3.23 US cents respectively if the Manager had elected to receive 100% of its base fee in cash.

Prime US REIT and its subsidiaries

Unaudited Condensed Interim Statements of Financial Position
As at 30 June 2023

	Note	Group			Trust		
		30 June 2023	31 December 2022	+/-	30 June 2023	31 December 2022	+/-
		US\$'000	US\$'000	%	US\$'000	US\$'000	%
		(Unaudited)	(Audited)		(Unaudited)	(Audited)	
Current assets							
Cash and cash equivalents		15,502	11,581	33.9 (i)	3,766	2,127	77.1
Trade and other receivables		3,505	3,859	(9.2)	9	101	(91.1) (ii)
Prepaid expenses		2,533	1,462	73.2 (iii)	1	78	(98.7)
		21,540	16,902	27.4	3,776	2,306	63.7
Non-current assets							
Investment properties	5	1,552,805	1,542,200	0.7	–	–	N.M.
Derivative assets		28,370	29,954	(5.3)	–	–	N.M.
Investment in subsidiaries		–	–	N.M.	878,014	892,217	(1.6)
		1,581,175	1,572,154	0.6	878,014	892,217	(1.6)
Total assets		1,602,715	1,589,056	0.9	881,790	894,523	(1.4)
Current liabilities							
Trade and other payables		21,104	18,126	16.4 (iv)	677	904	(25.1)
Amounts due to related parties		373	361	3.3	368	361	1.9
Rental security deposits		480	482	(0.4)	–	–	N.M.
Rent received in advance		7,401	6,777	9.2	–	–	N.M.
		29,358	25,746	14.0 (v)	1,045	1,265	(17.4)

n.m: not meaningful

Prime US REIT and its subsidiaries

Unaudited Condensed Interim Statements of Financial Position
As at 30 June 2023

	Note	30 June 2023 US\$'000 (Unaudited)	Group 31 December 2022 US\$'000 (Audited)	+/- %	30 June 2023 US\$'000 (Unaudited)	Trust 31 December 2022 US\$'000 (Audited)	+/- %
Non-current liabilities							
Loans and borrowings	6	683,344	665,572	2.7	–	–	N.M.
Rental security deposits		3,965	3,820	3.8	–	–	N.M.
Derivative liabilities		–	–	N.M.	–	–	N.M.
Preferred shares		125	125	–	–	–	N.M.
Deferred tax liabilities – net	7	–	–	N.M.	–	–	N.M.
		687,434	669,517	2.7	–	–	N.M.
Total liabilities		716,792	695,263	3.1	1,045	1,265	(17.4)
Net assets attributable to Unitholders		885,923	893,793	(0.9)	880,745	893,258	(1.4)
Represented by:							
Unitholders' funds		885,923	893,793	(0.9)	880,745	893,258	(1.4)
Units in issue and to be issued ('000)	8	1,187,150	1,186,252	0.1	1,187,150	1,186,252	0.1
Net asset value per Unit (US\$) attributable to Unitholders	9	0.75	0.75	–	0.74	0.75	(1.3)

Prime US REIT and its subsidiaries

Unaudited Condensed Interim Statements of Financial Position As at 30 June 2023

Explanatory Notes

- (i) Cash and cash equivalents – Increase due to the timing of payments or cash receipts. For detailed movement, refer to Unaudited Condensed Consolidated Statement of Cash Flows.
- (ii) Trade and other receivables – Decrease primarily due to difference in timing of receipts.
- (iii) Prepaid expenses – Increase mainly due to insurance prepaid in January 2023. Prepaid insurance is subsequently amortised over the year.
- (iv) Trade and other payables – Increase primarily due to difference in timing of payment of property tax payables and building and tenancy improvement payables. Other payables also include interest payables and accrued expenses. Payables are settled in accordance with relevant commercial terms varying from within 30 days to over 90 days from 30 June 2023 and are not past due. Counterparties for the outstanding amounts include third parties and government agencies and do not include related parties.
- (v) Current liabilities – Notwithstanding the net current liabilities position, based on the Group's existing financial resources and available undrawn credit facilities of US\$179 million, the Group believes it is able to meet its current obligations as and when they fall due. Management plans to commence negotiations for refinancing of facilities maturing in July 2024 in the coming months.

The accompanying notes form an integral part of the unaudited condensed interim consolidated financial statements.

Prime US REIT and its subsidiaries

**Unaudited Condensed Interim Consolidated Statement of Comprehensive Income
For the 6 months ended 30 June 2023**

		Group			
	Note	6 months ended 30 June 2023 US\$'000 (Unaudited)	6 months ended 30 June 2022 US\$'000 (Unaudited)	+/(-) %	
Gross revenue	10	79,467	81,804	(2.9)	(i)
Property operating expenses	11	(32,300)	(30,984)	4.2	(ii)
Net property income		47,167	50,820	(7.2)	
Manager's base fee		(3,247)	(4,217)	(23.0)	(iii)
Trustee's fee		(100)	(100)	–	
Other trust expenses	13	(1,022)	(1,207)	(15.3)	(iv)
Net fair value change in derivatives		(1,584)	26,440	(106.00)	(v)
Finance expenses	12	(13,631)	(10,104)	34.9	(vi)
Finance income		31	1	N.M.	
Net income for the period before tax		27,614	61,633	(55.2)	
Tax expense	14	(34)	(4,449)	(99.2)	(vii)
Net income for the period attributable to Unitholders		27,580	57,184	(51.8)	
Earnings per Unit (US cents)					
Basic and diluted	15	2.33	4.88	(52.3)	

Explanatory Notes

- (i) Gross revenue – Decrease is mainly due to lower rental income owing to lower occupancies at certain properties, mitigated by higher parking income.
- (ii) Property operating expenses – Increase is mainly due to higher amortisation of lease commission of US\$914,000 recorded during the period compared to US\$487,000 recorded in the corresponding period last year. Other property operating expenses, including mainly utilities, also increased during the period owing to higher physical occupancies.
- (iii) Manager's base fee – Decrease is in line with lower income available for distribution to Unitholders. The Manager's base fee is 10.0% of income available for distribution to Unitholders (calculated before accounting for the Manager's base fee).
- (iv) Other trust expenses – Lower due to lower legal and tax compliance fees incurred.
- (v) Net fair value change in derivatives - Decrease in projected interest rates as at 30 June 2023 compared to projected interest rates as at 31 December 2022 resulted in a loss from the mark-to-market of the interest rate swaps.
- (vi) Finance expenses – Higher due to increase in interest rates and incremental drawdowns on debt facilities for capital expenditures.
- (vii) Tax expense – As total carrying values of properties are below the total tax written values of the properties, there was no deferred tax expense recorded during the period, as compared to deferred tax expense of US\$4,416,000 recorded in the corresponding period last year.

The accompanying notes form an integral part of the unaudited condensed interim consolidated financial statements.

Prime US REIT and its subsidiaries

**Unaudited Distribution Statement
For the 6 months ended 30 June 2023**

	Group	
	6 months ended 30 June 2023 US\$'000 (Unaudited)	6 months ended 30 June 2022 US\$'000 (Unaudited)
Income available for distribution to Unitholders at the beginning of period	35,861	39,348
Net income for the period	27,580	57,184
Distribution adjustments (Note A)	1,646	(15,857)
Income available for distribution to Unitholders for the period	29,226	41,327
Distribution to Unitholders		
- Distribution of US 3.36 cents per unit for the period from 6 July 2021 to 31 December 2021	–	(39,252)
- Distribution of US 3.03 cents per unit for the period from 1 July 2022 to 31 December 2022	(35,848)	–
Total Distribution to Unitholders	(35,848)	(39,252)
Income available for distribution to Unitholders at the end of the period	29,239	41,423

Note A - Distribution adjustments comprise:

	6 months ended 30 June 2023 US\$'000 (Unaudited)	6 months ended 30 June 2022 US\$'000 (Unaudited)
Property related non-cash items ⁽¹⁾	(831)	(1,309)
Manager's base fee paid/payable in Units	–	3,374
Trustee's fee	100	100
Amortisation of upfront debt-related transaction costs ⁽²⁾	771	1,013
Net change in fair value of derivatives	1,584	(26,440)
Deferred tax expense	–	4,416
Others ⁽³⁾	22	2,989
Net distribution adjustments	1,646	(15,857)

The Distribution Statement presents the distributions made to Unitholders during the period and the income available for distribution to Unitholders at the end of the period.

⁽¹⁾ Mainly comprise straight-line rent adjustments and amortisation of lease incentives.

⁽²⁾ Upfront debt-related transaction cost is amortised over the life of the borrowings.

⁽³⁾ This includes free rent reimbursements, adjustments related to lease termination income and other adjustments. Free rent reimbursements were related to free rent periods granted to certain tenants at One Town Center and Sorrento Towers. As part of the acquisition of these properties, the sellers reimbursed the Group for free rent under existing lease arrangements and free rent reimbursements are applied towards distributable income during these free rent periods. These free rent reimbursements were fully applied by the end of 2022. In 2022 and 2023, adjustments related to lease termination income reflect the add-back of lease termination income previously deferred.

The accompanying notes form an integral part of the unaudited condensed interim consolidated financial statements.

Prime US REIT and its subsidiaries

**Unaudited Condensed Interim Statements of Changes in Unitholders' Funds
For the financial period ended 30 June 2023**

	Attributable to Unitholders		
	Units in issue and to be issued US\$'000	Retained earnings US\$'000	Total US\$'000
Group			
At 1 January 2023	932,803	(39,010)	893,793
Net income for the period	–	27,580	27,580
Increase in net assets resulting from operations	–	27,580	27,580
Unitholders' transactions			
Issue of new units for Distribution Reinvestment Plan ⁽¹⁾	398	–	398
Distribution to Unitholders	(11,594)	(24,254)	(35,848)
Decrease in net assets resulting from Unitholders' transactions	(11,196)	(24,254)	(35,450)
At 30 June 2023 (Unaudited)	921,607	(35,684)	885,923
At 1 January 2022	955,481	35,603	991,084
Net income for the period	–	57,184	57,184
Increase in net assets resulting from operations	–	57,184	57,184
Unitholders' transactions			
Issue of new Units:			
- Manager's base fee paid/payable in Units	3,374	–	3,374
- Distribution Reinvestment Plan ⁽²⁾	2,472	–	2,472
Distribution to Unitholders	(15,070)	(24,182)	(39,252)
Decrease in net assets resulting from Unitholders' transactions	(9,224)	(24,182)	(33,406)
At 30 June 2022 (Unaudited)	946,257	68,605	1,014,862

⁽¹⁾ 897,509 new Units were issued on 31 March 2023 at the issue price of US\$0.444 per Unit for the period from 1 July 2022 to 31 December 2022.

⁽²⁾ 3,255,625 new Units were issued on 31 March 2022 at the issue price of US\$0.759 per Unit for the period from 6 July 2021 to 31 December 2021.

Prime US REIT and its subsidiaries

Unaudited Condensed Interim Statements of Changes in Unitholders' Funds
For the financial period ended 30 June 2023

	Attributable to Unitholders		
	Units in issue and to be issued US\$'000	Retained earnings US\$'000	Total US\$'000
Trust			
At 1 January 2023	932,803	(39,545)	893,258
Net income for the period	–	22,937	22,937
Increase in net assets resulting from operations	–	22,937	22,937
Unitholders' transactions			
Issue of new units for Distribution Reinvestment Plan ⁽¹⁾	398	–	398
Distribution to Unitholders	(11,594)	(24,254)	(35,848)
Decrease in net assets resulting from Unitholders' transactions	(11,196)	(24,254)	(35,450)
At 30 June 2023 (Unaudited)	921,607	(40,862)	880,745
At 1 January 2022	955,481	6,793	962,274
Net income for the period	–	22,430	22,430
Increase in net assets resulting from operations	–	22,430	22,430
Unitholders' transactions			
Issue of new Units:			
- Manager's base fee paid/payable in Units	3,374	–	3,374
- Distribution Reinvestment Plan ⁽²⁾	2,472	–	2,472
Distribution to Unitholders	(15,070)	(24,182)	(39,252)
Decrease in net assets resulting from Unitholders' transactions	(9,224)	(24,182)	(33,406)
At 30 June 2022 (Unaudited)	946,257	5,041	951,298

⁽¹⁾ 897,509 new Units were issued on 31 March 2023 at the issue price of US\$0.444 per Unit for the period from 1 July 2022 to 31 December 2022.

⁽²⁾ 3,255,625 new Units were issued on 31 March 2022 at the issue price of US\$0.759 per Unit for the period from 6 July 2021 to 31 December 2021.

Prime US REIT and its subsidiaries

**Unaudited Condensed Interim Consolidated Statement of Cash Flows
For the 6 months ended 30 June 2023**

	Group	
	6 months ended 30 June 2023 US\$'000 (Unaudited)	6 months ended 30 June 2022 US\$'000 (Unaudited)
Operating activities		
Net income before tax	27,614	61,633
Adjustments for:		
Property related non-cash items	(832)	(1,309)
Manager's fee paid/payable in Units	–	3,374
(Reversal of)/Allowance for impairment loss on trade receivables, net	(122)	162
Net fair value change in derivatives	1,584	(26,440)
Foreign exchange (gains)/losses	(1)	34
Finance expenses	13,631	10,104
Finance income	(31)	(1)
Operating cash flow before working capital changes	41,843	47,557
Changes in working capital		
Trade and other receivables	810	(476)
Prepaid expenses	(1,071)	(206)
Trade and other payables	1,181	1,872
Amount due to related parties	12	6
Rental security deposits	144	(67)
Rent received in advance	624	(3,073)
Cash flow from operations	43,543	45,613
Taxes paid	(39)	(39)
Net cash generated from operating activities	43,504	45,574
Cash flows from investing activities		
Settlement of liabilities in relation to the acquisition of investment properties	–	(626)
Payment for capital expenditure relating to investment properties	(8,560)	(8,588)
Interest received	31	1
Net cash used in investing activities	(8,529)	(9,213)

Prime US REIT and its subsidiaries

**Unaudited Condensed Interim Consolidated Statement of Cash Flows
For the 6 months ended 30 June 2023**

	Group	
	6 months ended 30 June 2023 US\$'000 (Unaudited)	6 months ended 30 June 2022 US\$'000 (Unaudited)
Cash flows from financing activities		
Distribution to Unitholders	(35,449)	(36,780)
Dividends on preferred shares	(8)	(8)
Proceeds from loans and borrowings	81,000	56,500
Repayment of loans and borrowings	(64,000)	(48,000)
Interest paid on loans and borrowings	(12,598)	(8,963)
Net cash used in financing activities	(31,055)	(37,251)
Net increase/(decrease) in cash and cash equivalents	3,920	(890)
Cash and cash equivalents at beginning of the period	11,581	13,873
Effect of exchange rate fluctuations on cash held in foreign currency	1	(34)
Cash and cash equivalents at end of the period	15,502	12,949

The accompanying notes form an integral part of the unaudited condensed interim consolidated financial statements.

Prime US REIT and its subsidiaries

Unaudited Interim Consolidated Portfolio Statement
As at 30 June 2023

Description of property	Location	Tenure of land	Fair value as at	Percentage of total	Fair value as at	Percentage of total
			30 June 2023 US\$'000 (Unaudited)	net assets as at 30 June 2023 % (Unaudited)	31 December 2022 (Audited)	net assets as at 31 December 2022 (Audited)
Tower 1 at Emeryville	San Francisco Bay Area (Oakland)	Freehold	111,539	12.6	111,100	12.4
222 Main	Salt Lake City	Freehold	207,702	23.4	206,300	23.1
Village Center Station I	Denver	Freehold	71,213	8.0	71,200	8.0
Village Center Station II	Denver	Freehold	143,389	16.2	143,300	16.0
101 South Hanley	St. Louis	Freehold	73,129	8.3	71,200	8.0
Tower 909	Dallas	Freehold	76,907	8.7	76,000	8.5
Promenade I & II	San Antonio	Freehold	71,708	8.1	71,800	8.0
CrossPoint	Philadelphia	Freehold	102,848	11.6	101,600	11.4
One Washingtonian Center	Washington D.C. Area (Suburban Maryland)	Freehold	84,582	9.5	83,600	9.4
Reston Square	Washington D.C. Area (Suburban Virginia)	Freehold	31,485	3.6	30,100	3.4
171 17th Street	Atlanta	Freehold	191,164	21.6	190,400	21.3
Park Tower	Sacramento	Freehold	147,013	16.6	146,800	16.4
One Town Center	Boca Raton	Freehold	91,006	10.3	90,300	10.1
Sorrento Towers	San Diego	Freehold	149,120	16.8	148,500	16.6
Total investment properties			1,552,805	175.3	1,542,200	172.6
Other assets and liabilities (net)			(666,882)	(75.3)	(648,407)	(72.6)
Net assets			885,923	100.0	893,793	100.0

The accompanying notes form an integral part of the unaudited condensed interim consolidated financial statements.

Prime US REIT and its subsidiaries

Notes to the Unaudited Condensed Interim Consolidated Financial Statements For the financial period ended 30 June 2023

1. General

Prime US REIT (the “Trust”) is a Singapore real estate investment trust constituted pursuant to the trust deed (the “Trust Deed”) dated 7 September 2018 (as amended and restated) between Prime US REIT Management Pte. Ltd. (the “Manager”) and DBS Trustee 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 and its subsidiaries are collectively referred to as the “Group”.

KBS Asia Partners Pte. Ltd. is the sponsor (the “Sponsor”) of the Trust.

The Trust was inactive from the date of its constitution to 19 July 2019 (the “Listing Date”). The Trust was admitted to the Official List of the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 19 July 2019.

The registered office and principal place of business of the Manager is located at 1 Raffles Place, #40-01 One Raffles Place, Singapore 048616.

The principal activity of the Trust is investment holding. The principal activities of the Trust's subsidiaries are to own and invest, directly or indirectly, in a portfolio of income-producing office real estate in major markets in the United States, as well as real estate-related assets. The Group's key objectives are to provide sustainable distribution and strong total returns for Unitholders.

2. Basis of preparation

2.1 Statement of compliance

The unaudited condensed interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with IAS 34 – *Interim Financial Reporting* 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 provisions of the Trust Deed.

The unaudited condensed interim financial statements do not include all the information required for a complete set of financial statements. 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 annual financial statements for the year ended 31 December 2022.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with International Financial Reporting Standards (“IFRS”), except for the adoption of new and amended standards as set out in Note 2.3 which are not expected to have a material impact on the interim financial statements.

The unaudited condensed interim financial statements are presented in United States dollars (“US\$”), which is the functional currency of the Trust. All financial information presented in United States dollars has been rounded to the nearest thousand (US\$'000), unless otherwise stated.

2. Basis of preparation (cont'd)

2.2 Significant accounting judgements and estimates

The preparation of the Group's unaudited condensed interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, and in any future periods affected.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2022.

Judgements made in applying accounting policies

There are no critical judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the unaudited condensed interim consolidated financial statements.

Key sources of estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the end of the reporting period are described as follows:

Valuation of investment properties

The Group carries its investment properties at fair value with changes in fair values being recognised in profit or loss. The fair values of investment properties are determined based on assumptions and estimates on parameters including inputs from independent real estate valuation experts where available using recognised valuation techniques. These techniques include the Discounted Cash Flow Method, Income Capitalisation Method and Direct Comparison Method. The key assumptions used to determine the fair value of these investment properties are provided in Note 5.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Prime US REIT and its subsidiaries

Notes to the Unaudited Condensed Interim Consolidated Financial Statements For the financial period ended 30 June 2023

2. Basis of preparation (cont'd)

2.3 New and amended standards adopted by the Group

A number of amendments to Standards have become applicable for the current reporting period. The adoption of those standards does not have any material impact on the Group's financial statements.

New standards issued but not yet effective

The Group has not adopted the following standards which are applicable to the Group that have been issued but not yet effective:

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to IAS 17: <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024

The adoption of the standards above will have no material impact on the financial statements in the year of initial application.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. The Group's investment properties are primarily commercial office properties and are located in the United States. Therefore, the directors consider that the Group operates within a single business segment and within a single geographical segment in the United States. Accordingly, no segment information has been presented in the unaudited condensed interim consolidated financial statements.

Prime US REIT and its subsidiaries

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the financial period ended 30 June 2023

5. Investment properties

	Group 30 June 2023 US\$'000 (Unaudited)	31 December 2022 US\$'000 (Audited)
Consolidated Statement of Financial Position		
At 1 January	1,542,200	1,653,000
Capital expenditure (including leasing commissions and incentives) and straight-line rent capitalised ⁽¹⁾	10,605	29,087
Fair value changes in investment properties	–	(139,887)
As at period end	1,552,805	1,542,200

⁽¹⁾ Includes net lease commissions and lease incentives of US\$607,000 (2022: US\$5,345,000).

Valuation of investment properties

The Group has performed an internal assessment of the fair value of the investment properties as at 30 June 2023, having taken into consideration occupancy rate, cash flows, capitalisation rate and discount rate. For the purpose of its financial statements, the Group's practice is to assess the fair value of investment properties for material changes during interim periods and engage external valuers to perform a full valuation of its investment properties at year-end.

The 31 December 2022 valuations were performed by JLL Valuation & Advisory Services, LLC, an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued.

The following table shows the Group's valuation techniques used in measuring the fair value of investment properties, as well as the key unobservable inputs used as at 31 December 2022:

Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
Discounted cash flow method	<ul style="list-style-type: none"> Discount rate of 7.00% to 9.00% Terminal capitalisation rate of 6.25% to 8.50% 	Higher discount rate and terminal capitalisation rate would result in a lower fair value, while lower rate would result in a higher fair value.
Income capitalisation method	<ul style="list-style-type: none"> Capitalisation rate of 5.75% to 8.25% 	Higher capitalisation rate would result in a lower fair value, while lower rate would result in a higher fair value.
Direct comparison method	<ul style="list-style-type: none"> Price per square foot of US\$189 to US\$500 	Higher price per square foot would result in a higher fair value, while lower rate would result in a lower fair value.

5. Investment properties (cont'd)

The carrying value of investment properties as at 30 June 2023 comprises the last appraised value adjusted for capital costs, including building capital expenditures, leasing commissions and incentives, recognized subsequent to the last independent appraisal.

Management has assessed and concluded that the carrying value of the investment properties as at 30 June 2023 approximate their fair values based on the key inputs and parameters as at 31 December 2022 as there have been no material unexpected developments within the portfolio during the period ended 30 June 2023 that would have a material change to the portfolio valuation. The Manager is of the view that the long-term cash generating potential of PRIME's properties has not materially changed due to the recent market uncertainties around return to office, inflation and interest rates.

The fair value of the Group's investment properties is determined based on significant unobservable inputs and is categorised under Level 3 of the fair value measurement hierarchy based on the inputs to the valuation techniques used.

Properties pledged as security

Three of the investment properties with carrying value of US\$447,828,000 (2022: US\$445,100,000) are mortgaged to secure loans (Note 6).

Prime US REIT and its subsidiaries

**Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the financial period ended 30 June 2023**

5. Investment properties (cont'd)

Fair value of the investment properties held by the Group:

<u>Property</u>	<u>Description and Location</u>	<u>Tenure</u>	<u>30 June 2023 US\$'000</u>	<u>31 December 2022 US\$'000</u>
Tower I at Emeryville	12-storey Class A office building located in Emeryville, California	Freehold	111,539	111,100
222 Main	21-storey Class A office building located in Salt Lake City, Utah	Freehold	207,702	206,300
Village Center Station I	9-storey Class A office building located in Greenwood Village, Colorado	Freehold	71,213	71,200
Village Center Station II	12-storey Class A office building located in Greenwood Village, Colorado	Freehold	143,389	143,300
101 South Hanley	19-storey Class A office building located in St. Louis, Missouri	Freehold	73,129	71,200
Tower 909	19-storey Class A office building located in Irving, Texas	Freehold	76,907	76,000
Promenade I & II	Two 4-storey Class A office buildings located in San Antonio, Texas	Freehold	71,708	71,800
CrossPoint	4-storey Class A office building located in Wayne, Pennsylvania	Freehold	102,848	101,600
One Washingtonian Center	14-storey Class A office building located in Gaithersburg, Maryland	Freehold	84,582	83,600
Reston Square	7-storey Class A office building located in Reston, Virginia	Freehold	31,485	30,100
171 17th Street	21-storey Class A office building located in Atlanta, Georgia	Freehold	191,164	190,400
Park Tower	24-storey Class A office building located in Sacramento, California.	Freehold	147,013	146,800
One Town Center	10-storey Class A office building located in Boca Raton, Florida.	Freehold	91,006	90,300
Sorrento Towers	7-storey Class A office building located in San Diego, California.	Freehold	149,120	148,500
			<u>1,552,805</u>	<u>1,542,200</u>

Prime US REIT and its subsidiaries

Notes to the Unaudited Condensed Interim Consolidated Financial Statements For the financial period ended 30 June 2023

6. Loans and borrowings

	Nominal interest rate % per annum	Maturity	30 June 2023 US\$'000 (Unaudited)	Group 31 December 2022 US\$'000 (Audited)
Non-current				
Revolving credit facility ⁽¹⁾⁽²⁾	SOFR + 1.30%	July 2023 ⁽⁴⁾	36,500	49,000
Four-year term loan facility ⁽²⁾	SOFR + 1.15%	July 2023 ⁽⁴⁾	200,000	200,000
Five-year term loan facility ⁽²⁾	SOFR + 1.15%	July 2024	200,000	200,000
Three-year term loan facility ⁽³⁾⁽⁵⁾	SOFR + 1.65%	July 2024	44,675	44,675
Revolving credit facility ⁽³⁾⁽⁵⁾	SOFR + 1.65%	July 2024	20,000	–
Three-year term loan facility ⁽³⁾⁽⁶⁾	SOFR + 1.65%	July 2024	69,900	69,900
Revolving credit facility ⁽³⁾⁽⁶⁾	SOFR + 1.65%	July 2024	9,500	–
Ten-year term loan facility ⁽⁷⁾	4.11%	August 2029	105,000	105,000
			685,575	668,575
Less: Unamortised transaction costs			(2,231)	(3,003)
			683,344	665,572
Total loans and borrowings			683,344	665,572

(1) The total facility amount as of 30 June 2023 is US\$200.0 million (31 December 2022: US\$200.0 million).

(2) The borrower is Prime US-Lower Tier, LLC, which has pledged its equity interest in each of the property-owning entities.

(3) The facility has two one-year extension options.

(4) The facility has a one-year extension option. The Group has the discretion to roll over the facility upon meeting certain conditions. Management has assessed that they are able to meet these conditions and plans to exercise its extension option for a year upon its maturity in July 2023. Accordingly, the Group continues to disclose this as non-current liability. In July 2023, the facility was extended to July 2024. No further extension options remain available under the loan.

(5) The borrower is Prime US-One Town Center, LLC, and the facility is secured by the One Town Center property.

(6) The borrower is Prime US-Sorrento Towers, LLC, and the facility is secured by the Sorrento Towers property.

(7) The borrower is Prime US-222 Main, LLC, and the facility is secured by the 222 Main property.

As at 30 June 2023, the Group had total gross loans and borrowings of US\$685.6 million (2022: US\$668.6 million) and US\$179.0 million (2022: US\$151.0 million) unutilised under the revolving credit facilities to meet its future obligations.

The interest rates on the four and five-year term loans aggregating US\$330 million in total have been hedged using floating-for-fixed interest rate swaps and the ten-year term loan has a fixed interest rate. Furthermore, term loans aggregating US\$114.6 million have been hedged using floating for fixed interest rate swaps to cover the aggregate outstanding amounts under the One Town Center and Sorrento Towers term loan facilities.

Prime US REIT and its subsidiaries

Notes to the Unaudited Condensed Interim Consolidated Financial Statements For the financial period ended 30 June 2023

6. Loans and borrowings (cont'd)

The weighted average interest rate (including amortisation of upfront debt-related transaction costs and commitment fees) on loans and borrowings from 1 January 2023 to 30 June 2023 was 3.9% (2022: 3.3%) per annum (taking into account the interest rate swaps). Aggregate leverage, as defined in the Property Funds Appendix, as at 30 June 2023 was 42.8% (2022: 42.1%). Interest coverage ratio as at 30 June 2023 was 3.5 times (2022: 4.1 times).

IBOR reform

During the period, the Group's floating interest rate borrowings that were previously at LIBOR, are replaced by the Secured Overnight Financing Rate ("SOFR") plus a SOFR adjustment of 10 basis points, and the Group's interest rate swaps that were previously at LIBOR, are replaced by SOFR with no adjustment. The following table contains details of all the financial instruments that the Group holds that are affected by IBOR reform:

	Group	
	Borrowings US\$'000	Derivatives (Notional amount) US\$'000
Transited to SOFR effective 1 March 2023	436,500	330,000
Transited to SOFR effective 1 June 2023	144,075	114,575
Gross carrying amount as at 30 June 2023	580,575	444,575

The transition of the financial instruments from LIBOR to SOFR had no material effect on the amounts reported in the financial statements.

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements
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7. Deferred tax liabilities – net

Movements in deferred tax liabilities of the Group during the period/year are as follows:

	At 1 January 2023 US\$'000	Recognized in Statement of Comprehensive Income US\$'000	At 30 June 2023 US\$'000 (Unaudited)
Deferred tax assets			
Unutilised tax losses	(6,290)	332	(5,958)
Deferred tax liabilities			
Revaluation difference on derivatives	6,290	(332)	5,958
Deferred tax liabilities – net	–	–	–
	At 1 January 2022 US\$'000	Recognized in Statement of Comprehensive Income US\$'000	At 31 December 2022 US\$'000 (Audited)
Deferred tax assets			
Unutilised tax losses	–	(6,290)	(6,290)
Deferred tax liabilities			
Investment properties			
- Change in fair value of investment properties including net effect of straight-lining ⁽¹⁾	(2,735)	2,735	–
- Depreciation claimed for income tax purpose in United States	16,664	(16,664)	–
Revaluation difference on derivatives	–	6,290	6,290
	13,929	(7,639)	6,290
Deferred tax liabilities – net	13,929	(13,929)	–

⁽¹⁾ Due to accounting for rental income on a straight-line basis, the difference between revenue recognized and the contractual cash flow is included in the carrying value of the investment properties.

Prime US REIT and its subsidiaries

**Notes to the Unaudited Condensed Interim Consolidated Financial Statements
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8. Units in issue and to be issued

	Group and Trust			
	6 months ended 30 June 2023		12 months ended 31 December 2022	
	No. of Units '000	US\$'000 (Unaudited)	No. of Units '000	US\$'000 (Audited)
Units in issue				
As at beginning of period/year	1,183,035	931,448	1,168,192	953,836
Issue of new Units:				
- Distribution Reinvestment Plan	898	398	5,232	3,784
- Management fees paid in Units	3,217	1,355	9,611	6,588
- Issue costs	–	–	–	181
- Distribution to Unitholders	–	(11,594)	–	(32,941)
As at the end of the period/year	1,187,150	921,607	1,183,035	931,448
Units to be issued				
Management fee payable in Units	–	–	3,217	1,355
Total Units in issue and to be issued as at the end of the period/year	1,187,150	921,607	1,186,252	932,803

The Trust does not hold any Units in treasury since its constitution.

The Trust's subsidiaries do not hold any Units in the Trust as at 30 June 2023 and 31 December 2022.

Base fee

Pursuant to the Trust Deed, the Manager is entitled to a base fee at the rate of 10.0% per annum of the Trust's annual distributable income (calculated before accounting for the base fee and performance fee, if any). The base fee is payable in the form of cash and/or Units as the Manager may elect, in such proportions as may be determined by the Manager.

With effect from 1 January 2023, the Manager has elected to receive 100% (2022: 20%) of its base fee in cash.

Prime US REIT and its subsidiaries

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
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9. Net asset value per Unit

	Group		Trust	
	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Net asset value per Unit	0.75	0.75	0.74	0.75
Net asset value per Unit is based on:				
- Net assets (US\$'000)	885,923	893,793	880,745	893,258
- Total Units in issue and to be issued at period/year end ('000)	1,187,150	1,186,252	1,187,150	1,186,252

10. Gross revenue

	Group	
	6 months ended 30 June 2023 US\$'000 (Unaudited)	6 months ended 30 June 2022 US\$'000 (Unaudited)
Rental income	61,680	64,849
Recoveries income	13,202	12,837
Other operating income	4,585	4,118
	79,467	81,804

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

11. Property operating expenses

	Group	
	6 months ended 30 June 2023 US\$'000 (Unaudited)	6 months ended 30 June 2022 US\$'000 (Unaudited)
Property taxes	11,614	11,799
Utilities	4,299	3,917
Repair and maintenance expenses	3,898	3,762
Property management fees	3,086	2,980
Other property operating expenses	9,403	8,526
	32,300	30,984

Other property operating expenses comprise mainly of janitorial, security, insurance, and lot and landscaping costs.

Prime US REIT and its subsidiaries

Notes to the Unaudited Condensed Interim Consolidated Financial Statements For the financial period ended 30 June 2023

12. Finance expenses

	Group	
	6 months ended 30 June 2023	6 months ended 30 June 2022
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Interest expense on borrowings	12,660	8,902
Amortisation of upfront debt-related transaction costs	771	1,013
Commitment fees	182	171
Dividends on preferred shares	18	18
	13,631	10,104

Upfront debt-related transaction costs are amortised over the tenure of the borrowing.

13. Other trust expenses

Included in other trust expenses are the following:

	Group	
	6 months ended 30 June 2023	6 months ended 30 June 2022
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Audit and related fees paid/payable to auditors of the Group	312	287
Tax compliance fees	197	288
Valuation fees	61	–
Other expenses	452	632
	1,022	1,207

Other expenses include legal fees, investor relations and miscellaneous expenses.

Prime US REIT and its subsidiaries

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
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14. Tax expense

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the unaudited condensed interim consolidated statement of comprehensive income are:

	Group	
	6 months ended 30 June 2023	6 months ended 30 June 2022
	US\$'000 (Unaudited)	US\$'000 (Unaudited)
Current tax expense		
Income tax expense	34	33
Deferred tax expense		
Movement in temporary differences	–	4,416
	34	4,449

15. Consolidated Earnings per Unit (“EPU”) and Distribution per Unit (“DPU”)

	Group	
	6 months ended 30 June 2023	6 months ended 30 June 2022
	(Unaudited)	(Unaudited)
<u>EPU</u>		
Net income for the period (US\$'000)	27,580	57,184
Weighted average number of Units in issue	1,184,167	1,171,661
Basic and diluted EPU (US cents) ⁽¹⁾	2.33	4.88
<u>DPU</u>		
Income available for distribution to Unitholders (US\$'000)	29,226	41,327
Number of Units in issue at the end of the period ('000)	1,187,150	1,175,718
DPU (US cents)	2.46	3.52

⁽¹⁾ Diluted EPU is equivalent to basic EPU as there were no dilutive instruments in issue during the period.

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements For the financial period ended 30 June 2023

16. Significant related party transactions

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 unaudited condensed interim consolidated financial statements, the following significant related party transactions took place at terms agreed between the parties:

	Group	
	6 months ended 30 June 2023 US\$'000 (Unaudited)	6 months ended 30 June 2022 US\$'000 (Unaudited)
Manager's base fees paid/payable	3,247	4,217
Reimbursement to the Manager	94	121
Reimbursement to a related party	48	6
Trustee fees paid/payable	100	100

17. 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 at the end of the reporting period:

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17. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value (cont'd)

	US\$'000			Total
	Fair value measured at the end of the reporting period using			
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)	
30 June 2023 (Unaudited)				
Assets measured at fair value – recurring				
Non-financial assets				
Investment properties				
- <i>Commercial</i>	–	–	1,552,805	1,552,805
Total non-financial assets	–	–	1,552,805	1,552,805
Financial assets				
Derivative assets				
- <i>Interest rate swaps</i>	–	28,370	–	28,370
Total financial assets	–	28,370	–	28,370
31 December 2022 (Audited)				
Assets measured at fair value – recurring				
Non-financial assets				
Investment properties				
- <i>Commercial</i>	–	–	1,542,200	1,542,200
Total non-financial assets	–	–	1,542,200	1,542,200
Financial assets				
Derivative assets				
- <i>Interest rate swaps</i>	–	29,954	–	29,954
Total financial assets	–	29,954	–	29,954

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18. Financial assets and financial liabilities

(a) Classification and fair value

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2023 and 31 December 2022:

Group	Carrying amount			Total carrying amount US\$'000
	Financial assets at amortised cost US\$'000	Financial liabilities carried at amortised cost US\$'000	Fair value – Economic hedging instruments US\$'000	
30 June 2023 (Unaudited)				
Financial assets not measured at fair value				
Cash and cash equivalents	15,502	–	–	15,502
Trade and other receivables ⁽¹⁾	1,277	–	–	1,277
	16,779	–	–	16,779
Financial assets measured at fair value				
Derivative assets	–	–	28,370	28,370
	–	–	28,370	28,370
Financial liabilities not measured at fair value				
Trade and other payables	–	21,103	–	21,103
Amounts due to related parties	–	373	–	373
Rental security deposits	–	4,445	–	4,445
Loans and borrowings	–	683,343	–	683,343
Preferred shares	–	125	–	125
	–	709,389	–	709,389

⁽¹⁾ Excludes GST receivables

Prime US REIT and its subsidiaries

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18. Financial assets and financial liabilities (cont'd)

(a) Classification and fair value (cont'd)

Group	Carrying amount			Total carrying amount US\$'000
	Financial assets at amortised cost US\$'000	Financial liabilities carried at amortised cost US\$'000	Fair value – Economic hedging instruments US\$'000	
31 December 2022 (Audited)				
Financial assets not measured at fair value				
Cash and cash equivalents	11,581	–	–	11,581
Trade and other receivables ⁽¹⁾	3,756	–	–	3,756
	15,337	–	–	15,337
Financial assets measured at fair value				
Derivative assets	–	–	29,954	29,954
	–	–	29,954	29,954
Financial liabilities not measured at fair value				
Trade and other payables	–	18,126	–	18,126
Amounts due to related parties	–	361	–	361
Rental security deposits	–	4,302	–	4,302
Loans and borrowings	–	665,572	–	665,572
Preferred shares	–	125	–	125
	–	688,486	–	688,486

⁽¹⁾ Excludes GST receivables

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements
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18. Financial assets and financial liabilities (cont'd)

(a) Classification and fair values (cont'd)

Set out below is an overview of the financial assets and financial liabilities of the Trust as at 30 June 2023 and 31 December 2022:

	Carrying amount		
	Financial assets at amortised cost US\$'000	Financial liabilities carried at amortised cost US\$'000	Total carrying amount US\$'000
Trust			
30 June 2023(Unaudited)			
Financial assets not measured at fair value			
Cash and cash equivalents	3,766	–	3,766
	3,766	–	3,766
Financial liabilities not measured at fair value			
Trade and other payables	–	678	678
Amounts due to related parties	–	368	368
	–	1,046	1,046
31 December 2022 (Audited)			
Financial assets not measured at fair value			
Cash and cash equivalents	2,127	–	2,127
	2,127	–	2,127
Financial liabilities not measured at fair value			
Trade and other payables	–	904	904
Amounts due to related parties	–	361	361
	–	1,265	1,265

Prime US REIT and its subsidiaries

Notes to the Unaudited Condensed Interim Consolidated Financial Statements For the financial period ended 30 June 2023

19. Financial ratios

	Group	
	6 months ended 30 June 2023	6 months ended 30 June 2022
	% (Unaudited)	% (Unaudited)
Ratio of expenses to weighted average net assets ⁽¹⁾		
- Including performance component of the Manager's management fees	1.00	1.10
- Excluding performance component of the Manager's management fees	1.00	1.10
Portfolio turnover rate ⁽²⁾	—	—

(1) The annualised ratio is computed in accordance with guidelines of the Investment Management Association of Singapore ("IMAS"). The expenses used in the computation relate to expenses at the Group level, excluding property related expenses, finance expenses, net foreign exchange differences and income tax expense. The Group did not incur any performance fee in both periods.

(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. There were no sales of properties for both periods.

20. Subsequent events

(a) Distribution

On 8 August 2023, the Manager announced a cumulative distribution per Unit of 2.46 US cents (comprising a tax-exempt income component of 1.94 US cents, and a capital component of 0.52 US cents) for the period from 1 January 2023 to 30 June 2023. This distribution will be paid out on 28 September 2023.

(b) Exercise renewal option

In July 2023, the Group exercised one-year extension options on a revolving credit facility and a four-year term loan facility (Note 6). Accordingly, the maturity dates for both facilities have been extended from July 2023 to July 2024.

Prime US REIT and its subsidiaries

Other Information required by Listing Rule Appendix 7.2

1. **Review**

The unaudited condensed interim consolidated statement of financial position of Prime US REIT and its subsidiaries as at 30 June 2023 and the related unaudited condensed interim consolidated statement of comprehensive income, distribution statement, unaudited condensed interim statement of changes in Unitholders' funds and unaudited condensed interim consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2. **Review of performance of the Group**

Gross revenue of US\$79.5 million was 2.9% lower than 1H2022. This was mainly due to lower rental income which is in line with lower occupancy, mitigated by higher parking income.

Property operating expenses of US\$32.3 million was 4.2% higher than 1H2022. This was mainly due to higher amortisation of lease commission and increase in physical occupancy, including mainly increases in utilities.

Manager's base fee of US\$3.2 million was 23.0% lower than 1H2022 which is in line with lower income available for distribution to Unitholders. The 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\$1.0 million was 15.3% lower than 1H2022. This was mainly due to lower tax compliance and legal fees.

Net fair value change in derivatives resulted in a loss of US\$1.6 million as compared to a gain of US\$26.4 million in 1H2022. This was primarily due to the decrease in projected interest rates as at 30 June 2023 compared to projected interest rates as at 31 December 2022, resulting in a loss from the mark-to-market of these swaps.

Finance expenses of US\$13.6 million was 34.9% higher than 1H2022 primarily due to higher interest expenses owing to increase in interest rates.

Tax expense of less than US\$0.1 million was 99.2% lower than 1H2022. This was due to a full reversal of deferred tax liabilities as a result of market value loss on real estate at the end of 2022.

Overall, income available for distribution to Unitholders of US\$29.2 million was 29.3% lower than 1H2022.

3. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

The Manager has not disclosed any financial forecast.

Prime US REIT and its subsidiaries

Other Information required by Listing Rule Appendix 7.2

4. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next operating period and the next 12 months**

U.S. real GDP grew 2.4%¹ year-on-year (YoY) in 2Q2023. U.S. labor market remains tight in June 2023, with low unemployment rate of 3.6%² and labor participation holding constant. Notwithstanding the moderating of inflation rate to 3.0% YoY in June 2023², the Federal Open Market Committee continued to tighten its monetary policy on 26 July 2023, raising the new target fed rate by another 25bps, to the 5.25% to 5.50% range³.

U.S. office leasing volume rebounded in 2Q2023, following three consecutive quarters of decline, with leasing activities growing 11.6% quarter-over-quarter (QoQ). Amidst continued bifurcation across U.S. office markets, tentative green shoots have emerged with certain markets stronger than others. Large transactions are showing some early signs of recovery after declining to the lowest levels in recent years⁴.

Net absorption showed signs of an inflection point, with negative net absorption slowing 40% QoQ from 20 million sq ft in 1Q2023 to 12.5 million sq ft in 2Q2023. A slowing volume of deliveries, increased leasing activity, and accelerated demolitions and conversions of older vintage product are pointing to the increasing likelihood that U.S. office vacancy rates will peak over the near term, and begin to decline in 2024⁴.

According to JLL Research, office attendance rates as a share of pre-pandemic weekly average is trending 9% higher YoY. Company attendance policies among major employers are continuing to shift in favor of office attendance on a near-weekly basis. Prominent technology companies, insurance companies, law firms, banks, and telecom companies were among the multitude of employers who shifted their policies in favor of more office-centric attendance in 2Q2023. Significant shifts are also beginning and expected to continue for federal government agencies, who have been mandated to formalize office attendance policies by year-end⁴.

PRIME executed 66.9k sq ft of leases in 2Q2023, with a positive rental reversion of 9.5%. Leased occupancy was 85.6%, with a weighted average lease expiry (WALE) of 3.9 years as of 30 June 2023. While there are welcome notable leasing discussions at several of PRIME's assets, there are others where leasing activity is still slow pending a recovery of a broader return to office. In anticipation of a flight to quality post COVID, the Manager initiated on behalf of the REIT several capital, operating and ESG initiatives to enhance the attractiveness of PRIME's office buildings to existing and prospective tenants. These efforts are reviewed periodically and adjusted based on tenant dialog and feedback. Furthermore, as a credible Singapore-listed REIT with high-quality, well-located assets and available liquidity, PRIME's leasing efforts should benefit from an environment where several office landlords are challenged for liquidity and an increasing number of office assets entering special servicing by lenders.

In July 2023, PRIME exercised extension options on two tranches of its US\$ 600million syndicated credit facility, extending the maturity on US\$400 million of debt from July 2023 to July 2024. With the completion of these extensions, the entire syndicated credit facility will now mature in July 2024 and none of PRIME's credit facilities mature prior to that. In the coming months, PRIME's Manager will focus its attention on the refinancing of its debt, while continuing to remain proactive and prudent in its leasing, asset and capital management strategies with the goal of maximizing long-term portfolio value and to deliver sustainable returns to PRIME's Unitholders.

¹ U.S. Bureau of Economic Analysis Advance Estimate Q2 2023.

² U.S. Bureau of Labor Statistics June 2023

³ U.S. Federal Open Market Committee: Press Release

⁴ JLL Research: U.S. Office Outlook Q2 2023, Snapshots

Prime US REIT and its subsidiaries

Other Information required by Listing Rule Appendix 7.2

5. Distributions

(a) Current Financial Period reported on

Any distribution recommended for the current financial period reported on? Yes

(i) 8th distribution of US 2.46 cents for the period from 1 January 2023 to 30 June 2023

Distribution period : 8th Distribution for the period from 1 January 2023 to 30 June 2023

Distribution type/rate : Distribution of US 2.46 cents per Unit comprising of:
a. Tax-exempt income: US 1.94 cents per Unit
b. Capital: US 0.52 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 Monday, 4 September 2023 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?

Yes.

(c) Book closure date

8th Distribution – 17 August 2023

(d) Date paid/payable

8th Distribution – 28 September 2023

6. General Mandate relating to Interested person transactions

The Group has not obtained a general mandate from Unitholders for Interested Person Transactions.

Prime US REIT and its subsidiaries

Other Information required by Listing Rule Appendix 7.2

7. Negative confirmation pursuant to Rule 705(5) of the Listing Manual

The Board of Directors of Prime US REIT 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 2023 to 30 June 2023 to be false or misleading in any material aspect.

8. 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
Prime US REIT Management Pte. Ltd.
(Company Registration Number: 201825461R)
As Manager of Prime US REIT**

**Professor Annie Koh
Chair**

**John French
Director**

8 August 2023

Prime US REIT and its subsidiaries

Other Information required by Listing Rule Appendix 7.2

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
Prime US REIT Management Pte. Ltd.
(Company Registration Number: 201825461R)
As Manager of Prime US REIT**

**Lun Chee Leong
Company Secretary
8 August 2023**