

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

Condensed Interim Consolidated Financial Statements
For the six months ended 30 June 2021

Prime US REIT and its subsidiaries

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Prime US REIT and its subsidiaries

Introduction

For the 6 months ended 30 June 2021

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 2021, 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

Summary of Results

	Group		
	6 months ended 30 June 2021	6 months ended 30 June 2020	+/-
Gross revenue (US\$'000)	72,069	71,197	1.2
Net property income (US\$'000)	46,340	47,450	(2.3)
Income available for distribution to Unitholders (US\$'000)	35,425	35,878	(1.3)
DPU (US cents)	3.33	3.52	(5.4)

Prime US REIT and its subsidiaries

Condensed Interim Statements of Financial Position
As at 30 June 2021

	Note	Group			Trust		
		30 June 2021	31 December 2020	+/-	30 June 2021	31 December 2020	+/-
		US\$'000	US\$'000	%	US\$'000	US\$'000	%
Current assets							
Cash and cash equivalents		43,860	37,442	17.1	1,968	2,246	(12.4) (i)
Trade and other receivables		1,354	1,623	(16.6)	358	185	93.5 (ii)
Amounts due from subsidiaries		–	–	n.m	–	24,860	(100.0) (iii)
Prepaid expenses		2,551	2,584	(1.3)	1	9	(88.9)
		47,765	41,649	31.5	2,327	27,300	(91.5)
Non-current assets							
Investment properties	5	1,413,705	1,405,200	0.6	–	–	n.m
Investment in subsidiaries		–	–	n.m	894,502	879,988	1.6
Deposits		7,000	–	n.m	–	–	– (iv)
		1,420,705	1,405,200	12.7	894,502	879,988	1.6
Total assets		1,468,470	1,446,849	13.2	896,829	907,288	(1.2)
Current liabilities							
Trade and other payables		14,679	14,540	1.0	473	385	22.6
Amounts due to related parties		189	328	(42.4)	189	328	(42.4) (v)
Rental security deposits		641	532	20.5	–	–	n.m (vi)
Rent received in advance		6,629	6,493	2.1	–	–	n.m
		22,138	21,893	(1.4)	662	713	(7.3)

n.m: not meaningful

Prime US REIT and its subsidiaries

Condensed Interim Statements of Financial Position
As at 30 June 2021

	Note	30 June 2021 US\$'000	Group 31 December 2020 US\$'000	+/- %	30 June 2021 US\$'000	Trust 31 December 2020 US\$'000	+/- %
Non-current liabilities							
Loans and borrowings	6	500,905	480,352	4.3	–	–	n.m (i)
Rental security deposits		3,821	3,953	(3.3)	–	–	n.m (vi)
Derivative liabilities		14,965	23,476	(36.3)	–	–	n.m (vii)
Preferred shares		125	125	–	–	–	n.m
Deferred tax liabilities		13,157	9,258	42.1	–	–	n.m (viii)
		532,973	517,164	3.1	–	–	–
Total liabilities		555,111	539,057	3.0	662	713	(7.3)
Net assets attributable to Unitholders		913,359	907,792	0.6	896,167	906,575	(1.1)
Represented by:							
Unitholders' funds		913,359	907,792	0.6	896,167	906,575	(1.1)
Units in issue and to be issued ('000)	7	1,063,841	1,060,437	0.3	1,063,841	1,060,437	0.4
Net asset value per Unit (US\$) attributable to Unitholders	8	0.86	0.86	–	0.84	0.85	(1.5)

Prime US REIT and its subsidiaries

Condensed Interim Statements of Financial Position As at 30 June 2021

Explanatory Notes

- (i) Cash and cash equivalents & Loans and borrowings – Increase mainly due to proceeds from the drawdown of the expanded term loan facilities net of the repayment of previously utilized revolving credit facility.
- (ii) Trade and other receivables – Decrease primarily due to difference in timing of receipts.
- (iii) Amount due from subsidiaries – Amount as at 31 December 2020 relate to dividend receivables from PRIME's Singapore subsidiaries which have since been received.
- (iv) Deposits – Increase due to amounts placed with vendors for the acquisition of two properties completed in July 2021. Please see Note 20.
- (v) Amounts due to related parties – Decrease due to timing of repayments for amounts due to the Manager.
- (vi) Rental deposits – Increase in rental deposit (current) is due to reclassification from rental deposit (non-current).
- (vii) Derivative liabilities – Decrease due to a mark to market gain of US\$8.5 million. This is primarily due to the increase in projected interest rates as at 31 December 2020 compared to projected interest rates as at 30 June 2021, resulting in a gain from the mark-to-market of these swaps.
- (viii) Deferred tax liabilities – Increase due to widening of taxable temporary difference between book value and tax base of investment properties.

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

Prime US REIT and its subsidiaries

Condensed Interim Consolidated Statement of Comprehensive Income
For the 6 months ended 30 June 2021

		Group			
	Note	6 months ended 30 June 2021 US\$'000	6 months ended 30 June 2020 US\$'000	+ / (-) %	
Gross revenue	9	72,069	71,197	1.2	(i)
Property operating expenses	10	(25,729)	(23,747)	8.3	(ii)
Net property income		46,340	47,450	(2.3)	(iii)
Manager's base fee		(3,615)	(3,661)	(1.3)	(iv)
Trustee's fee		(88)	(90)	(2.2)	
Other trust expenses	12	(835)	(899)	(7.1)	
Net fair value change in derivatives		8,510	(19,037)	n.m	(v)
Finance expenses	11	(7,535)	(7,706)	11	
Finance income		–	3	(100.0)	
Net income before tax and fair value change in investment properties		42,777	16,060	166.4	
Net fair value change in investment properties		–	–		
Net income for the period before tax		42,777	16,060	166.4	
Tax expense	13	(3,925)	(4,012)	(2.2)	
Net income for the period attributable to Unitholders		38,852	12,048	69.0	
Earnings per Unit (US cents)					
Basic and diluted	14	3.67	1.19	67.7	

Explanatory Notes (cont'd)

- (i) Gross revenue – Higher by 1.2% largely due to full half-year contributions from Park Tower which was acquired in February 2020, partially offset by impact from slight decline in occupancy rates and parking income.
- (ii) Property operating expenses – Higher by 8.3% largely due to full half-year contribution from Park Tower and increase in property taxes for 101 South Hanley.
- (iii) Net property income – Lower by 2.3% due to property expenses increasing to a larger extent relative to gross revenue.
- (iv) Manager's base fee – Lower by 1.3% 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).
- (v) Net fair value change in derivatives - A gain of US\$8.5 million (compared to a loss of US\$19.0 million in 1H 2020). This is primarily due to the increase in projected interest rates as at 30 June 2021 compared to projected interest rates as at 31 December 2020, resulting in a gain from the mark-to-market of these swaps.

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

Prime US REIT and its subsidiaries

**Distribution Statement
For the 6 months ended 30 June 2021**

	Group	
	6 months ended 30 June 2021 US\$'000	6 months ended 30 June 2020 US\$'000
Income available for distribution to Unitholders at the beginning of period	36,250	29,176
Net income for the period	38,852	12,048
Distribution adjustments (Note A)	(3,427)	23,830
Income available for distribution to Unitholders for the period	35,425	35,878
<u>Distribution to Unitholders</u>		
- Distribution of US 3.15 cents per unit for the period from 19 July 2019 to 31 December 2019	–	(29,138)
- Distribution of US 0.96 cents per unit for the period from 1 January 2020 to 20 February 2020	–	(8,880)
- Distribution of US 3.42 cents per unit for the period from 1 July 2020 to 31 December 2020	(36,177)	–
Total Distribution to Unitholders	(36,177)	(38,018)
Income available for distribution to Unitholders at the end of the period	35,498	27,036

Note A - Distribution adjustments comprise:

	6 months ended 30 June 2021 US\$'000	6 months ended 30 June 2020 US\$'000	+/- %
Property related non-cash items ⁽¹⁾	(1,859)	(3,342)	(44.4)
Manager's base fee paid/payable in Units	2,892	2,929	(1.3)
Trustee's fee	88	90	(2.2)
Amortisation of upfront debt-related transaction costs ⁽²⁾	580	556	4.3
Net change in fair value of derivatives	(8,510)	19,037	n.m
Deferred tax expense	3,899	4,012	(2.8)
Others ⁽³⁾	(517)	548	n.m
Net distribution adjustments	(3,427)	23,830	(114.4)

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 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 the Group for free rent under existing lease arrangements and free rent reimbursements are applied towards distributable income during these free rent periods through to September 2021.

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

Prime US REIT and its subsidiaries

Condensed Interim Statements of Changes in Unitholders' Funds
For the financial period ended 30 June 2021

	Attributable to Unitholders		
	Units in issue and to be issued US\$'000	Retained earnings US\$'000	Total US\$'000
Group			
At 1 January 2021	891,622	16,170	907,792
Net income for the period	–	38,852	38,852
Net increase in net assets resulting from operations	891,622	55,022	946,644
Unitholders' transactions			
Manager's base fee paid/payable in Units	2,892	–	2,892
Distribution to Unitholders	(10,895)	(25,282)	(36,177)
Net decrease in net assets resulting from Unitholders' transactions	(8,003)	(25,282)	(33,285)
At 30 June 2021	883,619	29,740	913,359
At 1 January 2020	791,606	33,704	825,310
Net income for the period	–	12,048	12,048
Net increase in net assets resulting from operations	791,606	45,752	837,358
Unitholders' transactions			
Issue of new Units:			
- Private Placement	120,000	–	120,000
- Manager's base fee paid/payable in Units	2,929	–	2,929
Issue costs	(2,502)	–	(2,502)
Distribution to Unitholders	(19,518)	(18,500)	(38,018)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	100,909	(18,500)	82,409
At 30 June 2020	892,515	27,252	919,767

Prime US REIT and its subsidiaries

Condensed Interim Statements of Changes in Unitholders' Funds
For the financial period ended 30 June 2021

	Note	Attributable to Unitholders Units in issue and to be issued US\$'000	Retained earnings US\$'000	Total US\$'000
Trust				
At 1 January 2021		891,622	14,953	906,575
Net income for the period		–	22,877	22,877
Net increase in net assets resulting from operations		891,622	37,830	929,452
Unitholders' transactions				
- Manager's base fee paid/payable in Units		2,892	–	2,892
Distribution to Unitholders		(10,895)	(25,282)	(36,177)
Net decrease in net assets resulting from Unitholders' transactions		(8,003)	(25,282)	(33,285)
At 30 June 2021		883,619	12,548	896,167
At 1 January 2020		791,606	16,174	807,780
Net income for the period		–	19,382	19,382
Net increase in net assets resulting from operations		791,606	35,556	827,162
Unitholders' transactions				
Issue of new Units:				
- Private placement		120,000	–	120,000
- Manager's base fee paid/payable in Units		2,929	–	2,929
Issue costs		(2,502)	–	(2,502)
Distribution to Unitholders		(19,518)	(18,500)	(38,018)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		100,909	(18,500)	82,409
At 30 June 2020		892,515	17,056	909,571

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

Prime US REIT and its subsidiaries

Condensed Interim Consolidated Statement of Cash Flows
For the 6 months ended 30 June 2021

Note	Group	
	6 months ended 30 June 2021 US\$'000	6 months ended 30 June 2020 US\$'000
Operating activities		
Net income before tax	42,777	16,060
Adjustments for:		
Property related non-cash items	(1,859)	(3,342)
Manager's fee paid/payable in Units	2,892	2,929
Impairment loss on trade receivables	233	225
Net fair value change in derivatives	(8,510)	19,037
Foreign exchange gains	27	5
Finance expenses	7,535	7,706
Finance income	–	(3)
Operating cash flow before working capital changes	43,095	42,617
Changes in working capital		
Trade and other receivables	36	(1,898)
Prepaid expenses	33	141
Trade and other payables	1,748	2,541
Amount due to related parties	(138)	(161)
Rental security deposits	(22)	44
Rent received in advance	135	2,214
Cash flow from operations	44,887	45,498
Taxes paid	(26)	–
Net cash generated from operating activities	44,861	45,498
Cash flows from investing activities		
Acquisition of investment properties and related assets and liabilities	(a) –	(161,768)
Deposits paid for future acquisitions of investment properties	(7,000)	–
Settlement of liabilities in relation to the acquisition of investment properties	(45)	(505)
Payment for capital expenditure relating to investment properties	(8,301)	(5,129)
Interest received	–	3
Net cash used in investing activities	(15,346)	(167,399)

Prime US REIT and its subsidiaries

Condensed Interim Consolidated Statement of Cash Flows (cont'd)
For the 6 months ended 30 June 2021

Note	Group	
	6 months ended 30 June 2021 US\$'000	6 months ended 30 June 2020 US\$'000
Cash flows from financing activities		
Distribution to Unitholders	(36,177)	(38,018)
Proceeds from issuance of Units	–	120,000
Payment for transaction costs relating to issuance of Units	–	(2,502)
Transaction costs related to issuance of preferred shares	–	(1)
Dividends on preferred shares	(8)	(8)
Proceeds from loans and borrowings	134,000	105,500
Payment of transaction costs related to loans and borrowings	(430)	(581)
Repayment of loans and borrowings	(113,596)	(59,500)
Interest paid on loans and borrowings	(6,859)	(7,003)
Net cash (used in)/generated from financing activities	(23,070)	117,887
Net increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	37,442	37,862
Effect of exchange rate fluctuations on cash held in foreign currency	(27)	(5)
Cash and cash equivalents at end of the period	43,860	33,843

(a) Acquisition of investment properties and related assets and liabilities

	Group	
	6 months ended 30 June 2021 US\$'000	6 months ended 30 June 2020 US\$'000
Agreed purchase consideration for investment properties	–	165,500
Acquisition costs	–	1,880
Capital expenditure and leasing costs under seller's responsibility	–	(4,180)
Net cash consideration for investment properties	–	163,200
Accrued expenses and other payables	–	(1,061)
Rental security deposits	–	(371)
Acquisition of investment properties and related assets and liabilities	–	161,768

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

Prime US REIT and its subsidiaries

Interim Consolidated Portfolio Statement
As at 30 June 2021

Description of property	Location	Tenure of land	Fair value as at 30 June 2021 US\$'000	Percentage of total net assets as at 30 June 2021 %	Fair value as at 31 December 2020	Percentage of total net assets as at 31 December 2020
Tower 1 at Emeryville	San Francisco Bay Area (Oakland)	Freehold	116,290	12.7	115,700	12.7
222 Main	Salt Lake City	Freehold	225,587	24.7	224,000	24.7
Village Center Station I	Denver	Freehold	86,984	9.5	86,400	9.5
Village Center Station II	Denver	Freehold	155,348	17.0	155,100	17.1
101 South Hanley	St. Louis	Freehold	80,768	8.8	80,000	8.8
Tower 909	Dallas	Freehold	81,681	8.9	80,900	8.9
Promenade I & II	San Antonio	Freehold	71,145	7.8	71,000	7.8
CrossPoint	Philadelphia	Freehold	99,343	10.9	99,000	10.9
One Washingtonian Center	Washington D.C. Area (Suburban Maryland)	Freehold	102,515	11.2	102,000	11.2
Reston Square	Washington D.C. Area (Suburban Virginia)	Freehold	47,051	5.2	46,900	5.2
171 17th Street	Atlanta	Freehold	182,650	20.0	180,700	19.9
Park Tower	Sacramento	Freehold	164,343	18.0	163,500	18.0
Total investment properties			1,413,705	154.7	1,405,200	154.7
Other assets and liabilities (net)			(500,346)	(54.7)	(497,408)	(54.7)
Net assets			913,359	100.0	907,792	100.0

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

Prime US REIT and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements For the financial period ended 30 June 2021

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 KBS US Prime Property 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 condensed interim financial statements for the six months ended 30 June 2021 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 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 2020.

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 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 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 2020.

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 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 Condensed Interim Consolidated Financial Statements For the financial period ended 30 June 2021

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 37: <i>Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to IFRS Standards 2018-2021	1 January 2022
Amendments to IAS 1: <i>Classification of Liabilities as Current or Non-Current</i>	1 January 2023
Amendments to IAS 8: Definition of Accounting Estimates	1 January 2023

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 condensed interim consolidated financial statements.

Prime US REIT and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements For the financial period ended 30 June 2021

5. Investment properties

	Group 30 June 2021 US\$'000	31 December 2020 US\$'000
Consolidated Statement of Financial Position		
At 1 January	1,405,200	1,254,700
Acquisitions (including acquisition costs)	–	163,200
Capital expenditure (including leasing commissions and incentives) and straight-line rent capitalised ¹	8,505	9,474
Fair value changes in investment properties	–	(22,174)
As at period/year end	<u>1,413,705</u>	<u>1,405,200</u>

⁽¹⁾ Includes net lease commissions of US\$869,000 (2020: US\$1,592,000) and lease incentives of US\$446,000 (2020: US\$167,000)

Valuation of investment properties

The Group has performed an internal assessment of the fair value of the investment properties as at 30 June 2021, having taken into consideration occupancy rate, cash flows, capitalisation rate and discount rate. For purposes of year-end reporting, it is the Group's practice to engage external valuers to perform a full valuation of its investment properties.

The 31 December 2020 valuations were performed by Cushman and Wakefield Western, Inc, 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 2020:

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 6.25% to 8.50% Terminal capitalisation rate of 5.75% to 7.75% 	Higher discount rate or terminal yield 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 4.25% to 7.50% 	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\$213 to US\$560 	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 2021 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 2021 approximate their fair values based on the key inputs and parameters as at 31 December 2020 as there have been no circumstances surrounding the property portfolio that would materially change the fair value of the properties since the last independent appraisal other than the subsequent capital expenditures incurred.

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.

Due to the COVID-19 pandemic, it is possible that values and incomes are likely to change more rapidly and significantly than during standard market conditions. Management will continue to monitor the ongoing developments and update the assumptions and inputs when material.

Property pledged as security

One of the investment properties with a carrying value of US\$225,587,000 (2020: US\$224,000,000) is mortgaged to secure a loan (Note 6).

Prime US REIT and its subsidiaries

**Notes to the Condensed Interim Consolidated Financial Statements
For the financial period ended 30 June 2021**

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 2021 US\$'000</u>	<u>31 December 2020 US\$'000</u>
Tower I at Emeryville	12-storey Class A office building located in Emeryville, California	Freehold	116,290	115,700
222 Main	21-storey Class A office building located in Salt Lake City, Utah	Freehold	225,587	224,000
Village Center Station I	9-storey Class A office building located in Greenwood Village, Colorado	Freehold	86,984	86,400
Village Center Station II	12-storey Class A office building located in Greenwood Village, Colorado	Freehold	155,348	155,100
101 South Hanley	19-storey Class A office building located in St. Louis, Missouri	Freehold	80,768	80,000
Tower 909	19-storey Class A office building located in Irving, Texas	Freehold	81,681	80,900
Promenade I & II	Two 4-storey Class A office buildings located in San Antonio, Texas	Freehold	71,145	71,000
CrossPoint	4-storey Class A office building located in Wayne, Pennsylvania	Freehold	99,343	99,000
One Washingtonian Center	14-storey Class A office building located in Gaithersburg, Maryland	Freehold	102,515	102,000
Reston Square	7-storey Class A office building located in Reston, Virginia	Freehold	47,051	46,900
171 17th Street	21-storey Class A office building located in Atlanta, Georgia	Freehold	182,650	180,700
Park Tower	24-storey Class A office building located in Sacramento, California.	Freehold	164,343	163,500
			<u>1,413,705</u>	<u>1,405,200</u>

Prime US REIT and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements For the financial period ended 30 June 2021

6. Loans and borrowings

	Nominal interest rate	Maturity	Group	
			30 June 2021 US\$'000	31 December 2020 US\$'000
Non-current	% per annum			
Revolving credit facility ⁽¹⁾	LIBOR + 1.30%	July 2022 ⁽³⁾	–	59,596
Four-year term loan facility ⁽²⁾	LIBOR + 1.15%	July 2023 ⁽⁴⁾	200,000	160,000
Five-year term loan facility ⁽²⁾	LIBOR + 1.15%	July 2024	200,000	160,000
Ten-year term loan facility ⁽⁵⁾	4.11%	August 2029	105,000	105,000
			505,000	484,596
Less: Unamortised transaction costs			(4,095)	(4,244)
Total loans and borrowings			500,905	480,352

(1) The total amount available under this facility as of 30 June 2021 is US\$200.0 million (31 Dec 2020: 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 2021, the Group had total gross loans and borrowings of US\$505.0 million (2020: US\$484.6 million) and US\$200.0 million (2020: US\$90.4 million) unutilised under the revolving credit facility to meet its future obligations.

The interest rate 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.

The weighted average interest rate (including amortisation of upfront debt-related transaction costs and commitment fees) on loans and borrowings from 1 January 2021 to 30 June 2021 was 3.17% per annum (2020: 3.21%) (taking into account the interest rate swaps). Aggregate leverage, as defined in the Property Funds Appendix, as at 30 June 2021 was 34.4% (2020: 33.5%). Interest coverage ratio for the 6 months ended 30 June 2021 was 5.8 times (2020: 5.8 times).

Prime US REIT and its subsidiaries

**Notes to the Condensed Interim Consolidated Financial Statements
For the financial period ended 30 June 2021**

7. Units in issue and to be issued

	Group and Trust			
	6 months ended 30 June 2021		12 months ended 31 December 2020	
	No. of Units '000	US\$'000	No. of Units '000	US\$'000
Units in issue				
As at beginning of period/year	1,057,791	889,513	925,004	790,268
Issue of new Units:				
- Private placement	–	–	125,392	120,000
- Management fees paid in Units	3,579	2,921	7,395	5,735
- Performance fees paid in Units	780	622		
- Issue costs	–	–	–	(2,229)
- Distribution to Unitholders	–	(10,895)	–	(24,261)
As at the end of the period/year	1,062,150	882,161	1,057,791	889,513
Units to be issued				
Management fee payable in Units	1,691	1,458	1,866	1,487
Performance fee payable in Units	–	–	780	622
Total Units in issue and to be issued as at the end of the period/year	1,063,841	883,619	1,060,437	891,622

The Trust did not hold any units in treasury as at 30 June 2021. There is no sales, transfers disposals, cancellation and/or use of treasury units.

The Trust's subsidiaries do not hold any units in the Trust as at 30 June 2021 and 31 December 2020.

Distribution Reinvestment Plan ("DRP")

As announced on 21 June 2021, PRIME has established a DRP. Consequently, for the cumulative distribution to be paid on 20 August 2021, Unitholders may elect to receive new Units in PRIME at the issue price of US\$0.832 per Unit for the upcoming cumulative distribution for the period from 1 January 2021 to 5 July 2021.

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.

The Manager has elected to receive 80.0% (2020: 80.0%) of its base fee in the form of Units for the period ended 30 June 2021.

Prime US REIT and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements
For the financial period ended 30 June 2021

8. Net asset value per Unit

	Note	Group		Trust	
		30 June 2021	31 December 2020	30 June 2021	31 December 2020
Net asset value per Unit		0.86	0.86	0.84	0.85
Net asset value per Unit is based on:					
- Net assets (US\$'000)		913,359	907,792	896,167	906,575
- Total Units in issue and to be issued at period/year end ('000)	7	1,063,841	1,060,437	1,063,841	1,060,437

9. Gross revenue

	Group	
	6 months ended 30 June 2021 US\$'000	6 months ended 30 June 2020 US\$'000
Rental income	59,364	57,840
Recoveries income	9,505	9,306
Other operating income	3,200	4,051
Gross revenue	72,069	71,197

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.

10. Property operating expenses

	Group	
	6 months ended 30 June 2021 US\$'000	6 months ended 30 June 2020 US\$'000
Property taxes	9,796	9,150
Utilities	2,993	2,864
Repair and maintenance expenses	3,451	2,869
Property management fees	2,803	2,816
Other property operating expenses	6,686	6,048
Property operating expenses	25,729	23,747

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

Prime US REIT and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements
For the financial period ended 30 June 2021

11. Finance expenses

	Group	
	6 months ended 30 June 2021 US\$'000	6 months ended 30 June 2020 US\$'000
Interest expense on borrowings	6,803	7,051
Amortisation of upfront debt-related transaction costs	580	556
Commitment fees	134	90
Dividends on preferred shares	18	9
Finance expenses	7,535	7,706

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

12. Other trust expenses

Included in other trust expenses are the following:

	Group	
	6 months ended 30 June 2021 US\$'000	6 months ended 30 June 2020 US\$'000
Audit and related fees paid/payable to auditors of the Group	378	371
Tax compliance fees	192	278
Other expenses	265	250
Other trust expenses	835	899

13. 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 condensed interim consolidated statement of comprehensive income are:

	Group	
	6 months ended 30 June 2021 US\$'000	6 months ended 30 June 2020 US\$'000
Current tax expense		
- Current year	26	-
Deferred tax expense		
Movement in temporary differences	3,899	4,012
Tax expense	3,925	4,012

Prime US REIT and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements
For the financial period ended 30 June 2021

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

	Group	
	6 months ended 30 June 2021	6 months ended 30 June 2020
<u>EPU</u>		
Net income for the period (US\$’000)	38,852	12,048
Weighted average number of Units in issue and to be issued (US\$’000) ⁽¹⁾	1,059,904	1,016,619
Basic and diluted EPU (US cents) ⁽²⁾	3.67	1.19
<u>DPU</u>		
Income available for distribution to Unitholders (US\$’000)	35,425	35,878
Number of Units in issue at the end of the period (US\$’000) ⁽³⁾	1,062,150	1,054,157
DPU (US cents)	3.33	3.52

(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 January 2021 to 30 June 2021.

(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 2021

15. 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 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 2021 US\$’000	6 months ended 30 June 2020 US\$’000
Manager’s base fees paid/payable	3,615	3,661
Manager’s acquisition fees paid	–	1,650
Reimbursement to the Manager	84	491
Reimbursement to a related party	5	84
Trustee fees paid/payable	88	90

Prime US REIT and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements
For the financial period ended 30 June 2021

16. 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:

	Group 30 June 2021 US\$'000			
	Fair value measured at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
– recurring				
Non-financial assets				
Investment properties				
- <i>Commercial</i>	–	–	1,413,705	1,413,705
Total non-financial assets	–	–	1,413,705	1,413,705
Liabilities measured at fair value - recurring				
Financial liabilities				
Derivative liabilities				
- <i>Interest rate swaps</i>	–	14,965	–	14,965
Total financial liabilities	–	14,965	–	14,965

Prime US REIT and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements
For the financial period ended 30 June 2021

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

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

	Group 31 December 2020 US\$'000			
	Fair value measured at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
- recurring				
Non-financial assets				
Investment properties				
- <i>Commercial</i>	-	-	1,405,200	1,405,200
Total non-financial assets	-	-	1,405,200	1,405,200
Liabilities measured at fair value - recurring				
Financial liabilities				
Derivative liabilities				
- <i>Interest rate swaps</i>	-	23,476	-	23,476
Total financial liabilities	-	23,476	-	23,476

Prime US REIT and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements
For the financial period ended 30 June 2021

17. 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 2021 and 31 December 2020:

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 2021				
Financial assets not measured at fair value				
Cash and cash equivalents	43,860	–	–	43,860
Trade and other receivables ¹	993	–	–	993
	44,853	–	–	44,853
Financial liabilities not measured at fair value				
Trade and other payables	–	14,679	–	14,679
Amounts due to related parties	–	189	–	189
Rental security deposits	–	4,462	–	4,462
Loans and borrowings	–	500,905	–	500,905
Preferred shares	–	125	–	125
	–	520,360	–	520,360
Financial liabilities measured at fair value				
Derivative liabilities	–	–	14,965	14,965
	–	–	14,965	14,965

(1) Excludes GST Receivables

Prime US REIT and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements
For the financial period ended 30 June 2021

17. 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 2020				
Financial assets not measured at fair value				
Cash and cash equivalents	37,442	–	–	37,442
Trade and other receivables ¹	1,438	–	–	1,438
	38,880	–	–	38,880
Financial liabilities not measured at fair value				
Trade and other payables	–	14,540	–	14,540
Amounts due to related parties	–	328	–	328
Rental security deposits	–	4,485	–	4,485
Loans and borrowings	–	480,352	–	480,352
Preferred shares	–	125	–	125
	–	499,830	–	499,830
Financial liabilities measured at fair value				
Derivative liabilities	–	–	23,476	23,476
	–	–	23,476	23,476

(1) Excludes GST Receivables

Prime US REIT and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements
For the financial period ended 30 June 2021

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

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

Trust	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 2021				
Financial assets not measured at fair value				
Cash and cash equivalents	1,968	–	–	1,968
	1,968	–	–	1,968
Financial liabilities not measured at fair value				
Trade and other payables	–	473	–	473
Amounts due to related parties	–	189	–	189
	–	662	–	662

Trust	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 2020				
Financial assets not measured at fair value				
Cash and cash equivalents	2,246	–	–	2,246
Amounts due from subsidiaries	24,860	–	–	24,860
	27,106	–	–	27,106
Financial liabilities not measured at fair value				
Trade and other payables	–	385	–	385
Amounts due to related parties	–	328	–	328
	–	713	–	713

Prime US REIT and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements For the financial period ended 30 June 2021

18. Financial ratios

	Group	
	6 months ended 30 June 2021	6 months ended 30 June 2020
	%	%
Ratio of expenses to weighted average net assets ⁽¹⁾		
- Including performance component of the Manager's management fees	1.01	1.02
- Excluding performance component of the Manager's management fees	1.01	1.02
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.

19. Commitments

	Group	
	6 months ended 30 June 2021	6 months ended 30 June 2020
	US'000	US'000
Capital commitments in respect of investment properties	245,500 ¹	—

(1) Inclusive of US\$7 million deposit held as at 30 June 2021 that was applied against the purchase price at completion.

20. Subsequent events

(a) Acquisition of properties

On 24 June 2021, the Manager announced that the Group had entered into purchase agreements for the following properties from unrelated third-party vendors as follows:

- (i) Sorrento Towers located at 5355 & 5375 Mira Sorrento Place, San Diego, California from Sorrento Towers North LLC for US\$146.0 million; and
- (ii) One Town Center located at One Town Center, Boca Raton, Florida from CP OTC LLC for US\$99.5 million.

The total estimated aggregate purchase consideration (including acquisition fees and costs) is US\$247.7 million.

Both acquisitions were completed in July 2021.

(b) Distribution

On 7 July 2021, the Manager announced a cumulative distribution per Unit of 3.42 US cents (comprising a tax-exempt income component of 2.21 US cents, and a capital component of 1.21 US cents) for the period from 1 January 2021 to 5 July 2021. This distribution will be paid out on 20 August 2021.

As part of the DRP, Unitholders may elect to receive new Units in PRIME at the issue price of US\$0.832 per Unit for the upcoming cumulative distribution for the period from 1 January 2021 to 5 July 2021.

(c) Private placement

On 6 July 2021, the Trust issued 98,766,000 new Units at an issue price of US\$0.81 for a total of US\$80.0 million in proceeds. With the issue of new Units, the total number of Units in issue was 1,160,915,870.

Prime US REIT and its subsidiaries

Other Information required by Listing Rule Appendix 7.2

1. Review

The condensed consolidated statement of financial position of Prime US REIT and its subsidiaries as at 30 June 2021 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed 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\$72.1 million was 1.2% or US\$0.9 million higher in 1H2021 largely due to full half-year contributions from Park Tower which was acquired in February 2020.

Property operating expenses of US\$25.7 million was 8.3% or US\$2.0 million higher in 1H2021 largely due to full half-year contribution from Park Tower and increase in property taxes for 101 South Hanley.

Net property income of US\$46.3 million was 2.3% or US\$1.1 million lower in 1H2021 due to property expenses increasing to a larger extent relative to gross revenue.

Manager's base fee of US\$3.6 million was 1.3% or US\$0.04 million lower in 1H2021 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).

Net fair value change in derivatives resulted in a gain of US\$8.5 million in 1H2021 (compared to a loss of US\$19.0 million in the prior period). This is primarily due to the increase in projected interest rates as at 30 June 2021 compared to projected interest rates as at 31 December 2020, resulting in a gain from the mark-to-market of these swaps.

Tax expense of US\$3.9 million was 2.2% or US\$0.08 million lower in 1H2021. This was primarily due a decrease in straight-line rent recognized, which increases the carrying value of investment properties and results in temporary differences recognised on investment properties.

Overall, income available for distribution to Unitholders of US\$35.4 million was 1.3% or US\$0.5 million lower in 1H2021.

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 for the current period.

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**

After losing roughly three million jobs in March and April 2020 at the onset of the pandemic, nearly 1.7 million jobs were replaced at the end of 2020 with an additional 389,000 office-using jobs created in the first half of 2021. Office-using employment still sits 2.7% below February 2020's peak, though the outlook remains strong highlighted by certain office-using sectors such as financial services already back to 99.2% of pre-pandemic levels. While uncertainty for many office users remains a concern, the 66.4 million square feet of leasing in 2Q 2021 represented a 15% increase quarter-over-quarter and the first time above 60 million square feet in five quarters¹. Confidence in leasing has also increased, with average lease terms up to 7.4 years – a 4.2% increase².

Flight to quality remains the overriding theme of the pandemic and is underscored as the recovery begins. Assets delivered since 2015 have seen 31.7 million square feet of net occupancy gains over the past five quarters, contrasting with losses of 174.9 million square feet across all other vintages². This is highlighted by the 15.3 million square feet of new office space that was delivered in Q2, bringing the trailing four-quarter total to 60.2 million square feet of new deliveries¹. In fact, more office space was delivered in each of the past three quarters than any other quarter in the past three years, except Q4 2019¹.

The result of new deliveries and a slowed leasing market resulted in negative 38.5 million square feet of net absorption in Q2. However, there are signs of optimism with quarterly growth in sublease activity at just 4.5% compared to 22.4% and 15.4% respectively in Q3 and Q4 of 2020. Since the end of March, more than 5.4 million square feet of sublease space has been taken off the market. Even more critically, 81.7% of this space came from tenants taking back space to meet dedensification requirements or reduced remote work expectations rather than being backfilled by other users².

The US vacancy rate remained elevated at 17.2%, compared to 13.7% a year ago. While vacancy rates remain high relative to the past ten years, rates held steady or dropped in 15 markets. Despite rising vacancy, national asking rents increased by 0.9% quarter-over-quarter¹. Concessions are also beginning to stabilize after rising more than 32% during the pandemic. Leasing activity rose by 28.7% in 2Q as tenants begin to finalize return to work plans². Activity continues to gain momentum with tour activity increasing by over 80% from January to May, according to VTS¹.

With the economy accelerating, vaccination rates rising and increased consumer activity, job growth is expected to continue in 2021. Real GDP is on track to reach pre-pandemic levels in the second quarter of this year, according to Cushman & Wakefield¹. Return to office continues to be a point of emphasis as many companies have indicated dates employees will be required to return through varying points of 2021. Companies such as Amazon, JP Morgan and Microsoft have indicated a September date for employees to regularly return, while about 25% of US companies have already opened their offices.

As of 30 June 2021, the portfolio occupancy of PRIME remained resilient at 91.7% with WALE of 4.1 years, and approximately 99% of leases have rental escalations. PRIME's diversified portfolio is supported by its favourable tenant exposure in the STEM/TAMI and financial services sectors. While non-gateway markets continue to provide a superior risk-adjusted return, this should bode well for PRIME's portfolio and continued success. The Manager maintains a proactive and prudent approach in its leasing and active asset management activities to maximise returns to Unitholders.

¹ Cushman & Wakefield Q2 2021 MarketBeat – US National Office

² JLL US Office Outlook Q2 2021

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) 4th distribution of US 3.33 cents for the period from 1 January 2021 to 30 June 2021

Distribution period : 4th Distribution for the period from 1 January 2021 to 30 June 2021

Distribution type/rate : Distribution of US 3.33 cents per Unit comprising of:
a. Tax-exempt income: US 2.21 cents per Unit
b. Capital: US 1.12 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.

(ii) 2nd Advanced distribution of US 0.09 cents for the period from 1 July 2021 to 5 July 2021

Distribution period : 2nd Advanced Distribution for the period from 1 July 2021 to 5 July 2021

Distribution type/rate : Distribution of US 0.09 cents per Unit comprising of:
a. Capital: US 0.09 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.

Note:

In connection with the Private Placement launched on 24 June 2021, the Manager had declared an advanced distribution of US 0.09 cents per Unit for the period from 1 July 2021 to 5 July 2021, 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 mean to ensure fairness to these Unitholders.

Unitholders who do not submit required U.S. tax forms completely and accurately by Tuesday, 27 July 2021 will be subject to 30% withholding taxes on the distribution.

Prime US REIT and its subsidiaries

Other Information required by Listing Rule Appendix 7.2

5. Distributions (cont'd)

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Yes.

(i) 1st Advanced 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 advanced 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.

Prime US REIT and its subsidiaries

Other Information required by Listing Rule Appendix 7.2

5. **Distributions (cont'd)**

(c) Book closure date

4th Distribution and 2nd Advanced Distribution – 5 July 2021

(d) Date paid/payable

4th Distribution and 2nd Advanced Distribution – 20 August 2021

6. **General Mandate relating to Interested person transactions**

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

7. **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 2021 to 30 June 2021 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
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**

3 August 2021

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

**Ngiam May Ling
Company Secretary
3 August 2021**