

**KEPPEL-KBS US REIT
FINANCIAL STATEMENTS ANNOUNCEMENT
UNAUDITED RESULTS FOR THE PERIOD FROM
9 NOVEMBER 2017 (LISTING DATE) TO 31 MARCH 2018****TABLE OF CONTENTS**

INTRODUCTION.....	2
SUMMARY OF KEPPEL-KBS US REIT RESULTS	3
1 (A)(i)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND DISTRIBUTION STATEMENT	5
1 (B)(i) STATEMENTS OF FINANCIAL POSITION.....	7
1 (B)(ii) AGGREGATE AMOUNT OF BORROWINGS AND DEBT SECURITIES	8
1 (C) CONSOLIDATED STATEMENT OF CASH FLOWS.....	9
1 (D)(i) STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS	10
1 (D)(ii) DETAILS OF ANY CHANGES IN UNITS	11
1 (D)(iii) TOTAL NUMBER OF ISSUED UNITS.....	11
1 (D)(iv) SALES, TRANSFER, DISPOSALS, CANCELLATION OR USE OF TREASURY UNITS	11
2. AUDIT.....	11
3. AUDITORS' REPORT	12
4. ACCOUNTING POLICIES	12
5. CHANGES IN ACCOUNTING POLICIES.....	12
6. CONSOLIDATED EARNINGS PER UNIT ("EPU") AND DISTRIBUTION PER UNIT ("DPU")	12
7. NET ASSET VALUE ("NAV") AND NET TANGIBLE ASSET ("NTA") PER UNIT	12
8. REVIEW OF PERFORMANCE.....	12
9. VARIANCE FROM FORECAST STATEMENT.....	13
10. PROSPECTS	13
11. RISK FACTORS AND RISK MANAGEMENT.....	14
12. DISTRIBUTIONS	15
13. DISTRIBUTION STATEMENT	15
14. INTERESTED PERSON TRANSACTIONS.....	15
15. CONFIRMATION PURSUANT TO RULE 720(1) OF THE LISTING MANUAL.....	15
CONFIRMATION BY THE BOARD	17

DBS Bank Ltd. is the sole financial adviser and issue manager for the initial public offering of Keppel-KBS US REIT (the "**Offering**"). DBS Bank Ltd., Citigroup Global Markets Singapore Pte. Ltd., Credit Suisse (Singapore) Limited and Merrill Lynch (Singapore) Pte. Ltd. were the Joint Bookrunners and Underwriters for the Offering (collectively, the "**Joint Bookrunners and Underwriters**").

INTRODUCTION

Keppel-KBS US REIT is a Singapore real estate investment trust constituted by the Trust Deed dated 22 September 2017 between Keppel-KBS US REIT Management Pte. Ltd., as the Manager of Keppel-KBS US REIT and Perpetual (Asia) Limited, as the Trustee of Keppel-KBS US REIT.

Keppel-KBS US REIT was listed on SGX-ST on 9 November 2017 (“Listing Date”) with the investment strategy of principally investing, directly or indirectly, in a diversified portfolio of income-producing commercial assets and real estate-related assets in the key growth markets of the United States.

Keppel-KBS US REIT’s key objectives are to provide Unitholders with attractive total returns primarily driven by regular and stable distributions, while maintaining an appropriate capital structure and striving for sustainable growth in distribution and net asset value per Unit.

The initial portfolio of Keppel-KBS US REIT (the “IPO Portfolio”) comprise 11 office properties in the United States, with an aggregate NLA of 3,225,739 sq ft. The IPO Portfolio consists of the following properties (the “Properties”):

West Coast

The Plaza Buildings

Bellevue Technology Center

Iron Point

Central

Westmoor Center

Great Hills Plaza

Westech 360

1800 West Loop South

West Loop I & II

East Coast

Powers Ferry Landing East

Northridge Center I & II

Maitland Promenade II

As disclosed in the Prospectus, SGX-ST granted Keppel-KBS US REIT a waiver from compliance with Rule 705(1) of the SGX-ST Listing Manual which requires the announcement of financial statements for the full financial year immediately after the figures are available. Instead, Keppel-KBS US REIT will be announcing its first quarter results for the period from 9 November 2017 (“Listing Date”) to 31 March 2018.

**SUMMARY OF KEPPEL-KBS US REIT RESULTS
FOR THE PERIOD FROM 9 NOVEMBER 2017 (LISTING DATE) TO 31 MARCH 2018**

	Group		+ / (-) %
	9 November 2017 to 31 March 2018 ⁽¹⁾		
	Actual	Forecast ⁽²⁾	
	US\$'000	US\$'000	
Gross Revenue	36,102	35,519	1.6
Property Expenses	(13,774)	(14,298)	(3.7)
Net Property Income ⁽³⁾	22,328	21,221	5.2
Net Income for the period ⁽⁴⁾	19,141	13,647	40.3
Income available for distribution to Unitholders ⁽⁵⁾	14,616	14,607	0.1
Available distribution per Unit (DPU) (US cents) for the period ⁽⁵⁾	2.32	2.31	0.4
Annualised available for distribution yield (%) ⁽⁵⁾⁽⁶⁾ - Based on IPO and 1Q2018 closing price of US\$0.880	6.73%	6.70%	3bps

Notes:

- (1) No comparative figures have been presented as Keppel-KBS US REIT was constituted on 22 September 2017 and dormant since its constitution to the Listing Date.
- (2) There was no forecast figure for the period from Listing Date to 31 December 2017. Hence, forecast results for the period from Listing Date to 31 March 2018 comprise actual figures from Listing Date to 31 December 2017 and one quarter of the 2018 forecast. The one quarter forecast figures were derived from the Forecast Year 2018 as disclosed in the Prospectus.
- (3) Net property income of US\$22.3 million was higher than forecast largely due to a one-off compensation income of US\$1.0 million from a tenant at Westmoor Center that was granted permission to terminate its lease on 28 February 2018, ahead of its lease expiry in mid-2019. This was in connection with a new lease commencing July 2018 for an existing tenant that desired to expand into the space. The one-off income was commercially negotiated to offset the anticipated drop in rental income and will be used to offset the anticipated drop in distribution from 2Q 2018 to 4Q 2018 in relation to the downtime and rent-free period for this space. The early lease termination follows the Manager's proactive engagement with both tenants to reconfigure and rationalise spaces to meet tenants' business needs. For more details, please see Paragraph 9 – Variance from Forecast Statement.
- (4) Included in net income for the period is a derivative gain of US\$4.8 million due to the change in fair value of the interest rate swaps for the period from Listing Date to 31 March 2018.

For the period from 1 January 2018 to 31 March 2018, derivative gain amounted to US\$3.8 million, which was not part of the forecast. Excluding the derivative gain of US\$3.8 million in 1Q 2018 and the one-off compensation income of US\$1.0 million mentioned above, actual net income for the period was higher than forecast by US\$0.6 million.

- (5) The income available for distribution to Unitholders is based on 100% of the taxable income available for distribution to Unitholders. No distribution has been declared for the period from the Listing Date to 31 March 2018. Keppel-KBS US REIT will be declaring distributions on a half-yearly basis. The first distribution for Keppel-KBS US REIT will be for the period from the Listing Date to 30 June 2018.

For the period from Listing Date to 31 December 2017, actual income available for distribution to Unitholders and available distribution per unit are US\$5.2 million and 0.82 US cents respectively.

Excluding the results for the period from Listing Date to 31 December 2017, actual income available for distribution to Unitholders and available distribution per Unit for 1Q2018 are:

	Group		+ / (-) %
	1 January 2018 to 31 March 2018		
	Actual	Forecast	
	US\$'000	US\$'000	
Income available for distribution to Unitholders	9,454	9,445	0.1
DPU (US cents)	1.50	1.49	0.7

- (6) The annualised available for distribution yield for Listing Date to 31 March 2018 is on a pro-rata basis of 143 days following the Listing Date.

1 UNAUDITED RESULTS FOR THE PERIOD FROM 9 NOVEMBER 2017 (LISTING DATE) TO 31 MARCH 2018

The Directors of Keppel-KBS US REIT Management Pte. Ltd., as the Manager of Keppel-KBS US REIT, advise the following unaudited results of the Group for the period from 9 November 2017 (Listing Date) to 31 March 2018:

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

	Note	9 November 2017 to 31 March 2018		+ / (-) %
		Actual	Forecast ⁽¹⁾	
<u>Consolidated Statement of Comprehensive Income</u>		US\$'000	US\$'000	
Rental income		28,058	27,240	3.0
Recoveries income		6,604	6,805	(3.0)
Other operating income		1,440	1,474	(2.3)
Gross Revenue		36,102	35,519	1.6
Utilities		(2,510)	(2,664)	(5.8)
Repairs and maintenance		(1,572)	(1,580)	(0.5)
Property management fees		(1,703)	(1,880)	(9.4)
Property taxes		(4,319)	(4,205)	2.7
Other property expenses		(3,670)	(3,969)	(7.5)
Property expenses		(13,774)	(14,298)	(3.7)
Net Property Income		22,328	21,221	5.2
Finance income		24	12	100.0
Finance expenses	2	(3,949)	(4,074)	(3.1)
Manager's base fee	3	(1,461)	(1,461)	-
Trustee's fee		(58)	(67)	(13.4)
Fair value change in derivatives	4	4,799	989	>100
Other trust expenses	5	(1,197)	(1,176)	1.8
Net income for the period before tax		20,486	15,444	32.6
Tax expense	6	(1,345)	(1,797)	(25.2)
Net income for the period		19,141	13,647	40.3
<u>Distribution Statement</u>				
Net income for the period		19,141	13,647	40.3
Distribution adjustments	7	(4,525)	960	NM
Income available for distribution to Unitholders	8	14,616	14,607	0.1
Available distribution per Unit (DPU) (US cents)	8	2.32	2.31	0.4

NM – Not meaningful

Notes:

- (1) There was no forecast figure for the period from Listing Date to 31 December 2017. Hence, forecast results for the period from Listing Date to 31 March 2018 comprise actual figures from Listing Date to 31 December 2017 and one quarter of the 2018 forecast. The one quarter forecast figures were derived from the Forecast Year 2018 as disclosed in the Prospectus.

- (2) Finance expenses comprise the following:

	9 November 2017 to 31 March 2018		
	Actual US\$'000	Forecast US\$'000	+/(-)%
Interest expense on borrowings	3,597	3,685	(2.4)
Amortisation of upfront debt-related transaction costs	246	239	2.9
Dividends on preferred units	67	108	(38.0)
Commitment fees	39	42	(7.1)
	3,949	4,074	(3.1)

- (3) The Manager has elected to receive 100% of its base fee in the form of units for the period from Listing Date to 31 December 2018.
- (4) This relates to fair value gain of the interest rate swaps entered into by the Group for hedging purpose. During the period from 1 January 2018 to 31 March 2018, derivative gain from mark-to-market of the interest rate swaps amounted to US\$3.8 million as interest rates increased during the period. For the period from Listing Date to 31 December 2017, derivative gain was US\$1.0 million.
- (5) Other trust expenses comprise audit, tax compliance and other corporate expenses.
- (6) Tax expense comprise current and deferred tax expenses. Current tax expense comprise mainly income tax expense on the Barbados entities, Keppel-KBS US REIT B1 SRL and Keppel-KBS US REIT B2 SRL.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Tax expense mostly related to deferred tax expense arising from capital allowances claimed on the investment properties.

- (7) Included in distribution adjustments are the following:

	9 November 2017 to 31 March 2018		
	Actual US\$'000	Forecast US\$'000	+/(-)%
Property related non-cash items ^(a)	(1,404)	(1,577)	(11.0)
Manager's base fee paid/payable in units	1,461	1,461	-
Trustee's fee	58	67	(13.4)
Amortisation of upfront debt-related transaction costs ^(b)	246	239	2.9
Deferred tax expense	1,235	1,759	(29.8)
Fair value change in derivatives	(4,799)	(989)	>100.0
Others ^(c)	(1,322)	-	NM
Net distribution adjustments	(4,525)	960	NM

- (a) Property related non-cash items mainly comprise straight-line rent and amortisation of lease incentives.
(b) Upfront debt-related transaction costs are amortised over the life of the borrowings.
(c) Included in others are other non-tax deductible items and other adjustments.

- (8) The income available for distribution and DPU to Unitholders is based on 100% of the taxable income available for distribution to Unitholders. Keppel-KBS US REIT declares distribution on a half-yearly basis. No distribution has been declared for the financial period under review.

1 (B)(i) STATEMENTS OF FINANCIAL POSITION

	Note	Group As at 31 March 2018 US\$'000	Trust As at 31 March 2018 US\$'000
Current assets			
Cash and cash equivalents		43,697	7,241
Trade and other receivables		2,402	1,014
Prepaid expenses		1,280	19
Total current assets		47,379	8,274
Non-current assets			
Derivative asset	1	4,799	4,799
Investment properties	2	808,873	-
Investment in subsidiaries		-	810,760
Total non-current assets		813,672	815,559
Total Assets		861,051	823,833
Current liabilities			
Trade and other payables		13,389	4,700
Rental security deposits		554	-
Rent received in advance		3,877	-
Total current liabilities		17,820	4,700
Non-current liabilities			
Borrowings		286,931	286,931
Rental security deposits		2,657	-
Preferred units		125	-
Deferred tax liabilities		1,235	-
Total non-current liabilities		290,948	286,931
Total liabilities		308,768	291,631
Net assets		552,283	532,202
Represented by:			
Unitholders' funds		552,283	532,202
Net asset value per Unit (US\$)		0.88	0.85

Notes:

- (1) This relates to fair value of the interest rate swaps entered into by the Group for hedging purpose.
- (2) All the investment properties held are freehold.

Investment Properties

	Carrying value US\$'000
The Plaza Buildings	240,833
Bellevue Technology Center	131,423
Iron Point	36,801
Westmoor Center	118,760
Great Hills Plaza	33,290
Westech 360	41,677
1800 West Loop South	79,928
West Loop I & II	46,090
Powers Ferry Landing East	18,900
Northridge Center I & II	20,781
Maitland Promenade II	40,390
	<hr/> 808,873 <hr/>

**Group
As at 31 March 2018
US\$'000**

As at 22 September 2017 (Date of constitution)	-
Acquisitions (including acquisition costs) ⁽¹⁾	796,894
Capital expenditure and straight-line rent capitalised	11,979
Investment properties	<hr/> 808,873 <hr/>

Notes:

- (1) The actual acquisition consideration was net of seller's portion of capital and leasing costs as at IPO date.

1 (B)(ii) AGGREGATE AMOUNT OF BORROWINGS AND DEBT SECURITIES

	Group As at 31 March 2018 US\$'000
<u>Unsecured borrowings</u>	
Amount repayable after one year	289,440
Less: Unamortised upfront debt-related transaction costs	(2,509)
Total unsecured loans and borrowings	<hr/> 286,931 <hr/>

Notes:

Keppel-KBS US REIT has obtained unsecured credit facilities comprising: (i) term loan facilities maturing four and five years amounting to US\$289.4 million and (ii) revolving credit facilities, amounting to a total of US\$50.0 million.

As at 31 March 2018, the Group had total gross borrowings of US\$289.4 million and unutilised US\$50.0 million of facilities to meet its future obligations. 75% of the term loans had been hedged using floating-for-fixed interest rate swaps. The year-to-date all-in average interest rate for borrowings, including upfront debt-related transaction costs, was 3.40%. Aggregate leverage, as defined in the Property Funds Appendix, is 33.6%.

1 (C) CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Group 9 November 2017 to 31 March 2018 US\$'000
Operating activities		
Net income before tax		20,486
Adjustments for:		
Property related non-cash items		(1,404)
Manager's fee paid/payable in Units		1,461
Finance expenses		3,949
Fair value change in derivative		(4,799)
		<u>19,693</u>
Changes in working capital		
Trade and other receivables		(3,326)
Trade and other payables		3,563
Rental security deposits		(14)
Rent received in advance		1,349
Net cash generated from operations		<u>21,265</u>
Cash flows from investing activities		
Acquisition of investment properties and related assets and liabilities	1	(784,600)
Additions to investment properties		(10,575)
Net cash used in investing activities		<u>(795,175)</u>
Cash flows from financing activities		
Proceeds from issuance of units	2	553,137
Payment for IPO related expenses		(19,995)
Proceeds from debt financing		289,440
Payment of debt related transaction costs		(2,755)
Proceeds from preferred units		1,625
Redemption of preferred units		(1,500)
Financing expense paid on loans and borrowings		(2,278)
Financing expense paid on preferred shares		(67)
Net cash generated from financing activities		<u>817,607</u>
Net increase in cash and cash equivalents		<u>43,697</u>
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at end of the period		<u>43,697</u>

Notes:

- (1) Acquisition of investment properties and related assets and liabilities based on the closing statement is set out below.

	Group 9 November 2017 to 31 March 2018 US\$'000
Investment properties (see breakdown below)	796,894
Prepaid expenses and other receivables	356
Accrued expenses and other payables	(6,898)
Rental security deposits	(3,224)
Rent received in advance	(2,528)
Net assets acquired	<u>784,600</u>
Agreed purchase consideration for investment properties	804,000
Acquisition costs	622
Capital and leasing costs under seller's responsibility	(7,728)
Net cash consideration of investment properties	<u>796,894</u>

- (2) An aggregate of 628,565,000 units issued at US\$0.88 per unit and amounting to US\$553.1 million were issued on Listing Date.

The use of proceeds raised from the initial public offering, including proceeds from the IPO Loan Facilities, is in accordance with the stated uses as disclosed in the Prospectus, and is set out below.

	Actual	Per	Variance
	US\$'000	Prospectus	US\$'000
		US\$'000	US\$'000
Cash consideration of investment properties ^(a)	796,894	804,000	(7,106)
Transaction costs ^(b)	23,372	30,251	(6,879)
Working capital	9,951	9,951	-
	830,217	844,202	(13,985)

Notes:

- (a) Actual cash consideration was net of seller's portion of capital and leasing costs as at IPO date.
- (b) The favourable variances are mainly from lower than expected IPO related costs and GST refund on transaction costs. These savings will be used for general working capital purposes. The Manager will make the appropriate announcements on any material development on the use of proceeds in compliance with the listing requirement of the SGX-ST, as and when required.

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

22 September 2017 to 31 March 2018			
Group	Units in issue	Retained earnings	Total
	US\$'000	US\$'000	US\$'000
At 22 September 2017 (Date of Constitution) ⁽¹⁾	-	-	-
Operations			
Net income for the period	-	19,141	19,141
Unitholders' transactions			
Issue of new units			
- Initial Public Offering	553,137	-	553,137
Issue costs ⁽²⁾	(19,995)	-	(19,995)
Net increase in net assets resulting from Unitholders' transactions	533,142	-	533,142
At 31 March 2018	533,142	19,141	552,283

22 September 2017 to 31 March 2018		
Units in issue US\$'000	Retained earnings US\$'000	Total US\$'000
Trust		
At 22 September 2017 (Date of Constitution) ⁽¹⁾		
-	-	-
Operations		
Net loss for the period		
-	(940)	(940)
Unitholders' transactions		
Issue of new units		
- Initial Public Offering		
553,137	-	553,137
(19,995)	-	(19,995)
Net increase in net assets resulting from Unitholders' transactions		
533,142	-	533,142
At 31 March 2018		
533,142	(940)	532,202

Notes:

- (1) Less than US\$1,000
- (2) Issue costs comprise underwriting and selling commissions, professionals and other fees, and other issue expenses.

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

**22 September 2017 to 31
March 2018
Units**

Units in Issue:

At 22 September 2017 (Date of constitution) -

New Units issued:

- at Initial Public Offering

628,565,000

Total issued Units as at end of the period

628,565,000

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

Keppel-KBS US REIT does not hold any treasury units as at 31 March 2018.

	Actual As at 31 March 2018
Total number of issued units	628,565,000

1 (D)(iv) SALES, TRANSFER, DISPOSALS, CANCELLATION OR USE OF TREASURY UNITS

Not applicable.

2. AUDIT

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

3. AUDITORS' REPORT

Not applicable.

4. ACCOUNTING POLICIES

The Group has applied the same accounting policies and methods of computation as described in the Prospectus in the preparation of the consolidated financial statements for the current reporting period.

5. CHANGES IN ACCOUNTING POLICIES

Not applicable.

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

9 November 2017 to 31 March 2018	
EPU	
Weighted average number of Units in issue ⁽¹⁾	628,565,000
Net income for the period (US\$'000)	19,141
Basic and diluted EPU (US cents)	3.05
DPU	
Number of Units in issue at end of period	628,565,000
Income available for distribution to Unitholders (US\$'000)	14,616
DPU (US cents) ⁽²⁾	2.32

Notes:

- (1) The weighted average number of units was based on the number of units in issue during the period.
- (2) The DPU was computed and rounded based on the number of units entitled to distribution at the end of the period.

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

	As at 31 March 2018	
	Group	Trust
Number of Units in issue	628,565,000	628,565,000
Net assets (US\$'000)	552,283	532,202
NAV and NTA per Unit ⁽¹⁾ (US\$)	0.88	0.85

Notes:

- (1) The computation of NAV and NTA is based on number of units in issue at the end of the period. NAV and NTA is the same as there is no intangible asset as at the end of the period.

8. REVIEW OF PERFORMANCE

Please refer to section 9 on the review of the actual results for the period from Listing Date to 31 March 2018 against the forecast as disclosed in the Prospectus.

9. VARIANCE FROM FORECAST STATEMENT

The gross revenue of US\$36.1 million was 1.6% or US\$0.6 million above forecast largely due to a one-off compensation income of US\$1.0 million from a tenant at Westmoor Center that was granted permission to terminate its lease on 28 February 2018, ahead of its lease expiry in mid-2019. This was in connection with a new lease commencing July 2018 for an existing tenant that desired to expand into the space. The one-off income was commercially negotiated to offset the anticipated drop in rental income and will be used to offset the anticipated drop in distribution from 2Q 2018 to 4Q 2018 in relation to the downtime and rent-free period for this space. The early lease termination follows the Manager's proactive engagement with both tenants to reconfigure and rationalise spaces to meet tenants' business needs. The compensation income was offset by lower rental from the vacated space mentioned above as well as lower rental from the rest of the portfolio as the straight lined forecast factored in rental escalation and higher occupancy which are projected to occur in later part of the year.

Property expenses were lower than forecast by 3.7% or \$0.5 million, arising from lower net property management fees of \$0.2 million and lower actual property expenses as forecast straight lined higher expenses such as utilities and other property expenses which are projected to increase later in the year.

Accordingly, net property income of US\$22.3 million was higher than forecast by US\$1.1 million or 5.2%.

During the period from 1 January 2018 to 31 March 2018, derivative gain from mark-to-market of interest rate swaps amounted to US\$3.8 million as interest rates increased during the period. Derivative gain for the period from 9 November 2017 to 31 December 2017 was US\$1.0 million.

Finance expenses of US\$3.9 million were 3.1% lower than forecast as the revolving credit facilities had yet to be drawn down. The remaining other trust expenses were generally in line with forecast.

Consequently, profit before tax of US\$20.5 million was above forecast by 32.6%.

Tax expense of US\$1.3 million, mainly relating to deferred tax expenses, was below forecast as the US corporate tax rate in relation to distribution of capital gains was reduced from 35% to 21%. This was partially offset by higher current tax expense from tax provision for the Barbados entities as a result of the tax restructuring.

Due to the net effects of the above, net income for the period from 9 November 2017 to 31 March 2018 of US\$19.1 million was higher than forecast by 40.3%.

Overall, income available for distribution to Unitholders of US\$14.6 million was higher than forecast by 0.1%.

10. PROSPECTS

The International Monetary Fund is projecting 2.7% GDP growth for the US in 2018, an increase from their previous projection of 2.3%. The upward revision was due to stronger than expected economic activity in 2017, higher projected external demand, and the positive impact of the tax cuts enacted in December 2017. Additionally, US nonfarm payrolls expanded for the 90th consecutive month in March 2018, the longest growth streak on record; wage growth also continues to be robust, with hourly earnings increasing by 2.7% year-to-date.

According to CoStar, net absorption for the last 12 months¹ was 54.6 million sf. Deliveries for the same period were 68.4 million sf, with majority of supply in gateway cities like New York, the Bay Area and Chicago. This resulted in a national average occupancy rate of 89.7% as at March 2018. Overall rent growth projection for 2018 is 1.5%. Property consultants expect the technology sector to continue to be the main driver for leasing demand, consistent with 2017. Other expansionary drivers of demand include co-working spaces and the life sciences sector.

The Manager remains committed to deliver sustainable distributions and strong total returns to Unitholders, driven by its portfolio of assets located in growth markets that exhibit strong economic fundamentals. Office demand in these markets is underpinned by strong and defensive sectors such as technology, IT, education and healthcare, as well as an employment base significantly made up of an educated workforce seeking a "Live, Work, Play" environment.

At the same time, the Manager continues to actively market the available space in its portfolio to improve net property income. To capture further upside from improving office market conditions, the Manager will also seek acquisition opportunities in key growth markets it currently has a presence in, as well as other US cities with similar growth characteristics.

¹ Refers to the period from April 2017 to March 2018.

11. RISK FACTORS AND RISK MANAGEMENT

The Manager ascribes importance to risk management and constantly takes initiatives to systematically review the risks it faces and mitigates them. Some of the key risks that the Manager has identified are as follows:

Tax risk

There may exist uncertainties with respect to the complex tax regulations in the jurisdictions the Group operates in. While the Manager cannot predict when changes may occur and the impact of the changes on the Group, the Manager will continue to monitor future changes and clarifications. The Manager will make future announcements if and when appropriate.

Interest rate risk

The Manager constantly monitors its exposure to changes in interest rates for its interest-bearing financial liabilities. Interest rate risk is managed on an on-going basis with the primary objective of limiting the extent to which net interest expense can be affected by adverse movements in interest rates through financial instruments or other suitable financial products.

Liquidity risk

The Manager monitors and maintains the Group's cash flow position and working capital to ensure that there are adequate liquid reserves in terms of cash and credit facilities to meet short-term obligations. Steps have been taken to plan for capital and expense requirements so as to manage the cash position at any point of time.

Credit risk

Credit risk assessments of tenants are carried out by way of evaluation of information from corporate searches conducted prior to the signing of lease arrangements. Tenants are generally required to pay a security deposit as a multiple of monthly rents and maintain sufficient deposits in their accounts. In addition, the Manager also monitors the tenant mix.

Currency risk

Currency risk arises from future commercial transactions, recognised assets and liabilities and net investments denominated in foreign currencies. The Group's business is not exposed to significant currency risk as the portfolio of properties is located in the United States and the cash flows from the operations of the properties are denominated in US\$. The Group also borrows in the same currency as the assets in order to manage the foreign currency risk. Keppel-KBS US REIT will receive US\$ distributions from the investment properties which will be passed to the Unitholders, either in US\$ or converted to SG\$ at the spot foreign exchange rate at the time of distribution. Keppel-KBS US REIT is exposed to fluctuations in the cross currency rates of the US\$ and SG\$ for operating expenses incurred in Singapore, which are not material. If and when appropriate, based on the prevailing market conditions, the Group may adopt suitable hedging strategies to minimise any foreign exchange risk.

Operational risk

Measures have been put in place to manage expenses, actively monitor rental payments from tenants and evaluate the Group's counter-parties on an ongoing basis. The Manager also performs an annual review of the adequacy and appropriateness of insurance coverage, reviews disaster and pandemic business continuity plans, and updates and modifies regularly.

12. DISTRIBUTIONS

(a) Current Financial Period reported on

Any distribution recommended for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Not applicable.

(c) Date payable

The date of the distribution is payable:

Not applicable.

(d) Book closure date

Not applicable.

13. DISTRIBUTION STATEMENT

No distribution has been declared / recommended.

14. INTERESTED PERSON TRANSACTIONS

The Group does not have any IPT and no general IPT mandate has been obtained for the period under review.

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

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

The past performance of Keppel-KBS US REIT is not necessarily indicative of its future performance. Certain statements made in this presentation may not be based on historical information or facts and may be “forward-looking” statements due to a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes, and the continued availability of financing in the amounts and terms necessary to support future business.

Prospective investors and unitholder of Keppel-KBS US REIT (“**Unitholders**”) are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of Keppel-KBS US REIT Management Pte. Ltd., as Manager of Keppel-KBS US REIT (the “**Manager**”) on future events. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information, or opinions contained in this presentation. None of the Manager, the trustee of Keppel-KBS US REIT or any of their respective advisors, representative or agents shall have any responsibility or liability whatsoever (for negligence or otherwise) for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection with this presentation. The information set out herein may be subject to updating, completion, revision, verification and amendment and such information may change materially. The value of units in Keppel-KBS US REIT (“**Units**”) and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (“**SGXST**”). Listing of the Units on SGX-ST does not guarantee a liquid market for the Units.

By Order of the Board
Keppel-KBS US REIT Management Pte. Ltd.
(Company Registration Number: 201719652G)
As Manager of Keppel-KBS US REIT

CHUA HUA YEOW KELVIN
Company Secretary
17 April 2018

CONFIRMATION BY THE BOARD

We, PETER MCMILLAN and PAUL THAM, being two Directors of Keppel-KBS US REIT Management Pte. Ltd. (the "Company"), as Manager of Keppel-KBS US REIT, do hereby confirm on behalf of the Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial statements of Keppel-KBS US REIT for the financial period from 9 November 2017 to 31 March 2018 to be false or misleading in any material respect.

On behalf of the Board,



PETER MCMILLAN
Chairman

17 April 2018



PAUL THAM
Director