

**KEPPEL-KBS US REIT  
FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT  
UNAUDITED RESULTS FOR THE PERIOD FROM  
9 NOVEMBER 2017 (LISTING DATE) TO 30 JUNE 2018**

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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. Accordingly, Keppel-KBS US REIT will be announcing its first full year results for the period from 9 November 2017 (“Listing Date”) to 31 December 2018.

**SUMMARY OF KEPPEL-KBS US REIT RESULTS  
FOR THE PERIOD FROM 9 NOVEMBER 2017 (LISTING DATE) TO 30 June 2018**

|  | Group                  |                         |         |   |                         |         |
|--|------------------------|-------------------------|---------|---|-------------------------|---------|
|  | 2Q 2018 <sup>(1)</sup> |                         |         | Listing Date to 30 June 2018 <sup>(1)</sup> |                         |         |
|  | Actual                 | Forecast <sup>(2)</sup> | + / (-) | Actual                                      | Forecast <sup>(2)</sup> | + / (-) |
|  | US\$'000               | US\$'000                | %       | US\$'000                                    | US\$'000                | %       |
| Gross Revenue  | 22,641                 | 23,127                  | (2.1)   | 58,743                                      | 58,646                  | 0.2     |
| Property Expenses  | (8,847)                | (9,534)                 | (7.2)   | (22,621)                                    | (23,832)                | (5.1)   |
| Net Property Income <sup>(3)</sup>   | 13,794                 | 13,593                  | 1.5     | 36,122                                      | 34,814                  | 3.8     |
| Net Income for the period <sup>(4)</sup>                                       | 10,049                 | 7,986                   | 25.8    | 29,190                                      | 21,633                  | 34.9    |
| Income available for distribution to Unitholders <sup>(5)</sup>                | 9,453                  | 9,447                   | 0.1     | 24,069                                      | 24,054                  | 0.1     |
| Available distribution per Unit (DPU) (US cents) for the period <sup>(5)</sup> | 1.50                   | 1.49                    | 0.7     | 3.82  | 3.80                    | 0.5     |
| Annualised available for distribution yield (%) <sup>(6)</sup>                 |                        |                         |         | 6.77%                                       | 6.74%                   | 3 bps   |

**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.

2Q 2018 refer to the second quarter of 91 days from 1 April 2018 to 30 June 2018 and Listing Date to 30 June 2018 refers to the financial period of 234 days from 9 November 2017 to 30 June 2018.

- (2) Forecast for 2Q 2018 was derived from one quarter of the 2018 forecast.

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 30 June 2018 comprise actual figures from Listing Date to 31 December 2017 and one half of the 2018 forecast.

The forecast figures were derived from the Forecast Year 2018 as disclosed in the Prospectus.

- (3) Net property income of US\$13.8 million for 2Q 2018 and US\$36.1 million for Listing Date to 30 June 2018 was higher than forecast by 1.5% and 3.8% respectively. For more details, please refer to Paragraph 9 – Variance from Forecast Statement.
- (4) Included in net income are derivative gains of US\$1.4 million and US\$6.2 million due to the change in fair value of the interest rate swaps for 2Q 2018 and for the period from Listing Date to 30 June 2018 respectively.

- (5) The income available for distribution to Unitholders is based on 100% of the taxable income available for distribution to Unitholders.

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 first half of 2018 are:

|  | <b>Group</b>                          |                 | <b>+ / (-) %</b> |
|--|---------------------------------------|-----------------|------------------|
|  | <b>1 January 2018 to 30 June 2018</b> |                 |                  |
|  | <b>Actual</b>                         | <b>Forecast</b> |                  |
|  | <b>US\$'000</b>                       | <b>US\$'000</b> |                  |
| Income available for distribution to Unitholders | 18,907                                | 18,892          | 0.1              |
| DPU (US cents)                                   | 3.00                                  | 2.98            | 0.7              |

- (6) The annualised available for distribution yield for Listing Date to 30 June 2018 is on a pro-rata basis of 234 days following the Listing Date and is based on the IPO and market closing price as at the last trading day of 2Q 2018 of US\$0.880.

## 1 UNAUDITED RESULTS FOR THE PERIOD FROM 9 NOVEMBER 2017 (LISTING DATE) TO 30 JUNE 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 30 June 2018:

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

|   | Note | 2Q 2018 <sup>(1)</sup> |                         |              | Listing Date to 30 June 2018 <sup>(1)</sup> |                         |              |
|---|------|------------------------|-------------------------|--------------|---|-------------------------|--------------|
|   |      | Actual                 | Forecast <sup>(2)</sup> | +/(-)%       | Actual                                      | Forecast <sup>(2)</sup> | +/(-)%       |
| <u>Consolidated Statement of Comprehensive Income</u>   |      | US\$'000               | US\$'000                |              | US\$'000                                    | US\$'000                |              |
| Rental income   |      | 17,236                 | 17,504                  | (1.5)        | 45,294                                      | 44,744                  | 1.2          |
| Recoveries income                                       |      | 4,406                  | 4,679                   | (5.8)        | 11,010                                      | 11,484                  | (4.1)        |
| Other operating income                                  |      | 999                    | 944                     | 5.8          | 2,439                                       | 2,418                   | 0.9          |
| <b>Gross Revenue</b>                                    |      | <b>22,641</b>          | <b>23,127</b>           | <b>(2.1)</b> | <b>58,743</b>                               | <b>58,646</b>           | <b>0.2</b>   |
| Utilities   |      | (1,497)                | (1,828)                 | (18.1)       | (4,007)                                     | (4,492)                 | (10.8)       |
| Repairs and maintenance                                 |      | (1,001)                | (1,041)                 | (3.8)        | (2,573)                                     | (2,621)                 | (1.8)        |
| Property management fees                                |      | (1,123)                | (1,248)                 | (10.0)       | (2,826)                                     | (3,128)                 | (9.7)        |
| Property taxes  |      | (2,798)                | (2,708)                 | 3.3          | (7,117)                                     | (6,913)                 | 3.0          |
| Other property expenses                                 |      | (2,428)                | (2,709)                 | (10.4)       | (6,098)                                     | (6,678)                 | (8.7)        |
| <b>Property expenses</b>                                |      | <b>(8,847)</b>         | <b>(9,534)</b>          | <b>(7.2)</b> | <b>(22,621)</b>                             | <b>(23,832)</b>         | <b>(5.1)</b> |
| <b>Net Property Income</b>                              |      | <b>13,794</b>          | <b>13,593</b>           | <b>1.5</b>   | <b>36,122</b>                               | <b>34,814</b>           | <b>3.8</b>   |
| Finance income  |      | 17                     | -                       | NM           | 41  | 12                      | >100         |
| Finance expenses  | 3    | (2,525)                | (2,585)                 | (2.3)        | (6,474)                                     | (6,659)                 | (2.8)        |
| Manager's base fee                                      | 4    | (945)                  | (945)                   | -            | (2,406)                                     | (2,406)                 | -            |
| Trustee's fee   |      | (32)                   | (42)                    | (23.8)       | (90)  | (109)                   | (17.4)       |
| Fair value change in derivatives                        | 5    | 1,369                  | -                       | NM           | 6,168                                       | 989                     | >100         |
| Other trust expenses                                    | 6    | (624)                  | (649)                   | (3.9)        | (1,821)                                     | (1,825)                 | (0.2)        |
| <b>Net income for the period before tax</b>             |      | <b>11,054</b>          | <b>9,372</b>            | <b>17.9</b>  | <b>31,540</b>                               | <b>24,816</b>           | <b>27.1</b>  |
| Tax expense   | 7    | (1,005)                | (1,386)                 | (27.5)       | (2,350)                                     | (3,183)                 | (26.2)       |
| <b>Net income for the period</b>                        |      | <b>10,049</b>          | <b>7,986</b>            | <b>25.8</b>  | <b>29,190</b>                               | <b>21,633</b>           | <b>34.9</b>  |
| <b><u>Distribution Statement</u></b>                    |      |                        |                         |              |   |                         |              |
| Net income for the period                               |      | <b>10,049</b>          | <b>7,986</b>            | <b>25.8</b>  | <b>29,190</b>                               | <b>21,633</b>           | <b>34.9</b>  |
| Distribution adjustments                                | 8    | (596)                  | 1,461                   | NM           | (5,121)                                     | 2,421                   | NM           |
| <b>Income available for distribution to Unitholders</b> | 9    | <b>9,453</b>           | <b>9,447</b>            | <b>0.1</b>   | <b>24,069</b>                               | <b>24,054</b>           | <b>0.1</b>   |
| <b>Available distribution per Unit (DPU) (US cents)</b> | 9    | <b>1.50</b>            | <b>1.49</b>             | <b>0.7</b>   | <b>3.82</b>                                 | <b>3.80</b>             | <b>0.5</b>   |

NM – Not meaningful

**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 30 June 2018 comprise actual figures from Listing Date to 31 December 2017 and one half of the 2018 forecast. The forecast figures were derived from the Forecast Year 2018 as disclosed in the Prospectus.

- (3) Finance expenses comprise the following:

|  | 2Q 2018            |                      |              | Listing Date to 30 June 2018 |                      |              |
|--|--------------------|----------------------|--------------|------------------------------|----------------------|--------------|
|  | Actual<br>US\$'000 | Forecast<br>US\$'000 | +/(-)%       | Actual<br>US\$'000           | Forecast<br>US\$'000 | +/(-)%       |
| Interest expense on borrowings                         | 2,343              | 2,369                | (1.1)        | 5,940                        | 6,054                | (1.9)        |
| Amortisation of upfront debt-related transaction costs | 154                | 145                  | 6.2          | 400                          | 384                  | 4.2          |
| Dividends on preferred units                           | 8                  | 51                   | (84.3)       | 75                           | 159                  | (52.8)       |
| Commitment fees  | 20                 | 20                   | -            | 59                           | 62                   | (4.8)        |
|  | <u>2,525</u>       | <u>2,585</u>         | <u>(2.3)</u> | <u>6,474</u>                 | <u>6,659</u>         | <u>(2.8)</u> |

- (4) 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.
- (5) 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 30 June 2018, derivative gain from mark-to-market of the interest rate swaps amounted to US\$5.2 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.
- (6) Other trust expenses comprise audit, tax compliance and other corporate expenses.
- (7) 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.

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

|   | 2Q 2018            |                      |           | Listing Date to 30 June 2018 |                      |           |
|---|--------------------|----------------------|-----------|------------------------------|----------------------|-----------|
|   | Actual<br>US\$'000 | Forecast<br>US\$'000 | +/(-)%    | Actual<br>US\$'000           | Forecast<br>US\$'000 | +/(-)%    |
| Property related non-cash items <sup>(a)</sup>                        | (701)              | (1,020)              | (31.3)    | (2,105)                      | (2,597)              | (18.9)    |
| Manager's base fee paid/payable in units                              | 945                | 945                  | -         | 2,406                        | 2,406                | -         |
| Trustee's fee   | 32                 | 42                   | (23.8)    | 90                           | 109                  | (17.4)    |
| Amortisation of upfront debt-related transaction costs <sup>(b)</sup> | 154                | 145                  | 6.2       | 400                          | 384                  | 4.2       |
| Deferred tax expense  | 882                | 1,349                | (34.6)    | 2,117                        | 3,108                | (31.9)    |
| Fair value change in derivatives                                      | (1,369)            | -                    | NM        | (6,168)                      | (989)                | >100.0    |
| Others <sup>(c)</sup>   | (539)              | -                    | NM        | (1,861)                      | -                    | NM        |
| Net distribution adjustments  | <u>(596)</u>       | <u>1,461</u>         | <u>NM</u> | <u>(5,121)</u>               | <u>2,421</u>         | <u>NM</u> |

- (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.

- (9) 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. Please refer to Paragraph 12 – Distribution for the distributions declared for the financial period from Listing Date to 30 June 2018.

## 1 (B)(i) STATEMENTS OF FINANCIAL POSITION

|  | Note | Group<br>As at 30 June 2018<br>US\$'000 | Trust<br>As at 30 June 2018<br>US\$'000 |
|--|------|---|---|
| <b>Current assets</b>                  |      |   |   |
| Cash and cash equivalents              |      | 50,082                                  | 4,055                                   |
| Trade and other receivables            | 1    | 2,317                                   | 25,205                                  |
| Prepaid expenses                       |      | 815                                     | 67                                      |
| <b>Total current assets</b>            |      | <b>53,214</b>                           | <b>29,327</b>                           |
| <b>Non-current assets</b>              |      |   |   |
| Derivative asset                       | 2    | 6,168                                   | 6,168                                   |
| Investment properties                  | 3    | 816,107                                 | -                                       |
| Investment in subsidiaries             |      | -                                       | 810,760                                 |
| <b>Total non-current assets</b>        |      | <b>822,275</b>                          | <b>816,928</b>                          |
| <b>Total Assets</b>                    |      | <b>875,489</b>                          | <b>846,255</b>                          |
| <b>Current liabilities</b>             |      |   |   |
| Trade and other payables               |      | 15,041                                  | 3,853                                   |
| Rental security deposits               |      | 577                                     | -                                       |
| Rent received in advance               |      | 3,907                                   | -                                       |
| <b>Total current liabilities</b>       |      | <b>19,525</b>                           | <b>3,853</b>                            |
| <b>Non-current liabilities</b>         |      |   |   |
| Borrowings                             |      | 287,085                                 | 287,085                                 |
| Rental security deposits               |      | 2,844                                   | -                                       |
| Preferred units                        |      | 125                                     | -                                       |
| Deferred tax liabilities               |      | 2,116                                   | -                                       |
| <b>Total non-current liabilities</b>   |      | <b>292,170</b>                          | <b>287,085</b>                          |
| <b>Total liabilities</b>               |      | <b>311,695</b>                          | <b>290,938</b>                          |
| <b>Net assets</b>                      |      | <b>563,794</b>                          | <b>555,317</b>                          |
| <b>Represented by:</b>                 |      |   |   |
| Unitholders' funds                     |      | <b>563,794</b>                          | <b>555,317</b>                          |
| <b>Net asset value per Unit (US\$)</b> |      | <b>0.89</b>                             | <b>0.88</b>                             |

**Notes:**

- (1) Trust balance includes a receivable due from a subsidiary of US\$24.0 million.
- (2) This relates to fair value of the interest rate swaps entered into by the Group for hedging purpose.
- (3) All the investment properties held are freehold.

**Investment Properties**

|                            | <b>Carrying value<br/>US\$'000</b> |
|----------------------------|------------------------------------|
| The Plaza Buildings        | 242,302                            |
| Bellevue Technology Center | 131,774                            |
| Iron Point                 | 37,128                             |
| Westmoor Center            | 121,663                            |
| Great Hills Plaza          | 33,359                             |
| Westech 360                | 42,249                             |
| 1800 West Loop South       | 80,556                             |
| West Loop I & II           | 46,519                             |
| Powers Ferry Landing East  | 18,938                             |
| Northridge Center I & II   | 21,114                             |
| Maitland Promenade II      | 40,505                             |
|                            | <b>816,107</b>                     |

**Group  
As at 30 June 2018  
US\$'000**

|   |                |
|---|----------------|
| As at 22 September 2017 (Date of constitution)            | -              |
| Acquisitions (including acquisition costs) <sup>(1)</sup> | 796,894        |
| Capital expenditure and straight-line rent capitalised    | 19,213         |
| <b>Investment properties</b>                              | <b>816,107</b> |

**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**

|  | <b>Group<br/>As at 30 June 2018<br/>US\$'000</b> |
|--|--|
| <u>Unsecured borrowings</u>                              |  |
| Amount repayable after one year                          | 289,440  |
| Less: Unamortised upfront debt-related transaction costs | (2,355)  |
| <b>Total unsecured loans and borrowings</b>              | <b>287,085</b>                                   |

**Notes:**

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

As at 30 June 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 3.43%. Aggregate leverage, as defined in the Property Funds Appendix, is 33.1%.



## 1 (C) CONSOLIDATED STATEMENT OF CASH FLOWS

|   | Note | Group                           |                                 |
|---|------|---------------------------------|---------------------------------|
|   |      | 1 April 2018 to<br>30 June 2018 | Listing Date to<br>30 June 2018 |
|   |      | US\$'000                        | US\$'000                        |
| <b>Operating activities</b>   |      |                                 |                                 |
| Net income before tax   |      | 11,054                          | 31,540                          |
| Adjustments for:  |      |                                 |                                 |
| Property related non-cash items   |      | (701)                           | (2,105)                         |
| Manager's fee paid/payable in Units                                     |      | 945                             | 2,406                           |
| Interest income   |      | (17)                            | (41)                            |
| Finance expenses  |      | 2,525                           | 6,474                           |
| Fair value change in derivative   |      | (1,369)                         | (6,168)                         |
|   |      | <b>12,437</b>                   | <b>32,106</b>                   |
| <b>Changes in working capital</b>                                       |      |                                 |                                 |
| Trade and other receivables   |      | 550                             | (2,776)                         |
| Trade and other payables  |      | 2,059                           | 5,622                           |
| Rental security deposits  |      | 210                             | 196                             |
| Rent received in advance  |      | 30                              | 1,379                           |
| <b>Net cash generated from operations</b>                               |      | <b>15,286</b>                   | <b>36,527</b>                   |
| <b>Cash flows from investing activities</b>                             |      |                                 |                                 |
| Acquisition of investment properties and related assets and liabilities | 1    | -                               | (784,600)                       |
| Additions to investment properties                                      |      | (6,533)                         | (17,108)                        |
| Interest received   |      | 17                              | 41                              |
| <b>Net cash used in investing activities</b>                            |      | <b>(6,516)</b>                  | <b>(801,667)</b>                |
| <b>Cash flows from financing activities</b>                             |      |                                 |                                 |
| 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                          |      | (2,377)                         | (4,655)                         |
| Financing expense paid on preferred shares                              |      | (8)                             | (75)                            |
| <b>Net cash (used in) /generated from financing activities</b>          |      | <b>(2,385)</b>                  | <b>815,222</b>                  |
| <b>Net increase in cash and cash equivalents</b>                        |      | <b>6,385</b>                    | <b>50,082</b>                   |
| Cash and cash equivalents at beginning of the period                    |      | 43,697                          | -                               |
| <b>Cash and cash equivalents at end of the period</b>                   |      | <b>50,082</b>                   | <b>50,082</b>                   |

**Notes:**

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

|   | <b>Group<br/>Listing Date to<br/>30 June 2018<br/>US\$'000</b> |
|---|--|
| 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.

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

**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 capital and leasing costs under seller's responsibility 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

| Group  | Units in issue<br>US\$'000 | Retained<br>earnings<br>US\$'000 | Total<br>US\$'000 |
|--|----------------------------|----------------------------------|-------------------|
| <b>At 22 September 2017 (Date of Constitution) <sup>(1)</sup></b>          | -                          | -                                | -                 |
| <b>Operations</b>  |                            |                                  |                   |
| Net income for the period  | -                          | 19,141                           | 19,141            |
| <b>Unitholders' transactions</b>   |                            |                                  |                   |
| Issue of new units   |                            |                                  |                   |
| - Initial Public Offering  | 553,137                    | -                                | 553,137           |
| Issue costs <sup>(2)</sup>   | (19,995)                   | -                                | (19,995)          |
| <b>Net increase in net assets resulting from Unitholders' transactions</b> | <b>533,142</b>             | -                                | <b>533,142</b>    |
| <b>At 31 March 2018</b>  | <b>533,142</b>             | <b>19,141</b>                    | <b>552,283</b>    |
| <b>Operations</b>  |                            |                                  |                   |
| Net income for the period  | -                          | 10,049                           | 10,049            |
| <b>Unitholders' transactions</b>   |                            |                                  |                   |
| Issue of new units   |                            |                                  |                   |
| - Issue of Management fees in units <sup>(3)</sup>                         | 1,462                      | -                                | 1,462             |
| <b>Net increase in net assets resulting from Unitholders' transactions</b> | <b>1,462</b>               | -                                | <b>1,462</b>      |
| <b>At 30 June 2018</b>   | <b>534,604</b>             | <b>29,190</b>                    | <b>563,794</b>    |

|  | <b>Units in issue<br/>US\$'000</b> | <b>Retained<br/>earnings<br/>US\$'000</b> | <b>Total<br/>US\$'000</b> |
|--|------------------------------------|---|---------------------------|
| <b>Trust</b>   |                                    |   |                           |
| <b>At 22 September 2017 (Date of Constitution) <sup>(1)</sup></b>          | -                                  | -   | -                         |
| <b>Operations</b>  |                                    |   |                           |
| Net loss for the period  | -                                  | (940)                                     | (940)                     |
| <b>Unitholders' transactions</b>   |                                    |   |                           |
| Issue of new units   |                                    |   |                           |
| - Initial Public Offering  | 553,137                            | -   | 553,137                   |
| Issue costs <sup>(2)</sup>   | (19,995)                           | -   | (19,995)                  |
| <b>Net increase in net assets resulting from Unitholders' transactions</b> | <b>533,142</b>                     | <b>-</b>                                  | <b>533,142</b>            |
| <b>At 31 March 2018</b>  | <b>533,142</b>                     | <b>(940)</b>                              | <b>532,202</b>            |
| <b>Operations</b>  |                                    |   |                           |
| Net income for the period  | -                                  | 21,653                                    | 21,653                    |
| <b>Unitholders' transactions</b>   |                                    |   |                           |
| - Issue of management fees in units <sup>(3)</sup>                         | 1,462                              | -   | 1,462                     |
| <b>Net increase in net assets resulting from Unitholders' transactions</b> | <b>1,462</b>                       | <b>-</b>                                  | <b>1,462</b>              |
| <b>At 30 June 2018</b>   | <b>534,604</b>                     | <b>20,713</b>                             | <b>555,317</b>            |

**Notes:**

- (1) Less than US\$1,000
- (2) Issue costs comprise underwriting and selling commissions, professionals and other fees, and other issue expenses.
- (3) This represents 1,655,767 units issued in 2Q 2018 as payment of management fees in units.

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

|   | <b>Group and Trust</b> |
|---|------------------------|
|   | <b>Units</b>           |
| <b>Units in Issue:</b>                        |                        |
| At 22 September 2017 (Date of constitution)   | -                      |
| New Units issued:                             |                        |
| - at Initial Public Offering                  | 628,565,000            |
| <b>Total issued Units as at 31 March 2018</b> | <b>628,565,000</b>     |
| New Units issued:                             |                        |
| - issue of Management base fees in units      | 1,655,767              |
| <b>Total issued Units as at 30 June 2018</b>  | <b>630,220,767</b>     |

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

Keppel-KBS US REIT does not hold any treasury units as at 30 June 2018.

|                              | As at 30 June 2018 |
|------------------------------|--------------------|
| Total number of issued units | 630,220,767        |

### 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")

|   | 2Q 2018     | Listing Date to 30 June 2018 |
|---|-------------|------------------------------|
| <b>EPU</b>  |             |                              |
| Weighted average number of Units in issue <sup>(1)</sup>    | 629,693,105 | 629,003,707                  |
| Net income for the period (US\$'000)                        | 10,049      | 29,190                       |
| Basic and diluted EPU (US cents)                            | 1.60        | 4.64                         |
| <b>DPU</b>  |             |                              |
| Number of Units in issue at end of period                   | 630,220,767 | 630,220,767                  |
| Income available for distribution to Unitholders (US\$'000) | 9,453       | 24,069                       |
| DPU (US cents) <sup>(2)</sup>                               | 1.50        | 3.82                         |

#### 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 30 June 2018 |             |
|---|--------------------|-------------|
|   | Group              | Trust       |
| Number of Units in issue  | 630,220,767        | 630,220,767 |
| Net assets (US\$'000)   | 563,794            | 555,317     |
| NAV and NTA per Unit <sup>(1)</sup> (US\$)  | 0.89               | 0.88        |
| Adjusted NAV and NTA per Unit <sup>(1)</sup> (US\$)<br>(excluding Distributable Income) | 0.86               | 0.84        |

### 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 Paragraph 9 on the review of the actual results for 2Q 2018 and for the period from Listing Date to 30 June 2018 against the forecast as disclosed in the Prospectus.

## 9. VARIANCE FROM FORECAST STATEMENT

### Actual vs Forecast for the financial period from Listing Date to 30 June 2018

The gross revenue of US\$58.7 million was 0.2% or US\$0.1 million above forecast largely due to higher rental and compensation income but partially offset by lower recoveries income. Recoveries income is recognised from charging tenants for reimbursements of certain property expenses. Recoverable income was lower than forecast in line with the lower property expenses for the period.

Property expenses were lower than forecast by 5.1% or \$1.2 million, arising from lower net property management fees of \$0.3 million and lower actual property expenses such as forecast straight lined utilities and other property expenses. However, some expenses are projected to increase later in the year.

Accordingly, net property income of US\$36.1 million was higher than forecast by US\$1.3 million or 3.8%.

During the period from 1 January 2018 to 30 June 2018, derivative gain from mark-to-market of interest rate swaps amounted to US\$5.2 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\$6.5 million were 2.8% 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\$31.5 million was above forecast by 27.1%.

Tax expense of US\$2.4 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 30 June 2018 of US\$29.2 million was higher than forecast by 34.9%.

Overall, income available for distribution to Unitholders of US\$24.1 million was higher than forecast by 0.1%.

### Actual vs Forecast for 2Q 2018

During the quarter, gross revenue of US\$22.6 million was 2.1% or US\$0.5 million below forecast largely due to drop in rental from a tenant at Westmoor Center which vacated the premises ahead of its lease expiry and paid a compensation fee in 1Q 2018. The compensation income received will be used to offset the drop in rental income and maintain distribution from 2Q 2018 to 4Q 2018 until the replacement tenant start contributing cash rental income.

Property expenses were lower than forecast by 7.2% or \$0.7 million, arising from lower net property management fees of \$0.2 million, and lower actual property expenses such as forecast straight lined utilities and other property expenses. However, some expenses are projected to increase later in the year.

Accordingly, net property income of US\$13.8 million was higher than forecast by US\$0.2 million or 1.5%.

Derivative gain from mark-to-market of interest rate swaps amounted to US\$1.4 million as interest rates increased during the quarter.

Finance expenses of US\$2.5 million were 2.3% lower than forecast as the revolving credit facilities had yet to be drawn down.

Tax expense of US\$1.0 million was below forecast mainly due to lower deferred taxes recognised.

Due to the net effects of the above, net income for the quarter of US\$10.0 million was 25.8% higher than forecast.

Overall, income available for distribution to Unitholders of US\$9.5 million was higher than forecast by 0.1%.

## 10. PROSPECTS

The International Monetary Fund (IMF) has raised its US GDP growth projection for 2018 from 2.7% to 2.9%, citing strong near-term outlook and robust job creation, supported by fiscal stimulus, recovery of private investment, and favourable financial conditions. Risks remain that the expansion in the federal deficit could trigger a rise in inflation, and recent moves to impose tariffs on imports could increase market volatility.

The US office market remains healthy. According to CoStar, the 12-month<sup>1</sup> office net absorption was 50.2 million sf as at end-June 2018. Deliveries were 67.2 million sf in the same period, with the majority of new supply coming from major cities' CBD.

National average occupancy rate for the same period remained stable at 89.7%. The 12-month overall rent growth improved from 1.5% as at end-March 2018 to 1.6% as at end-June 2018, with Seattle, Sacramento and Atlanta amongst the markets with highest rent growth.

The REIT, with assets located in key growth markets in the West Coast, Central, and East Coast, is well-placed to benefit from organic growth, largely from improved occupancies and built-in rental escalations in its portfolio. Office demand in these markets is underpinned by strong and defensive sectors such as technology, education and healthcare.

To capture value and further upsides, the Manager is actively pursuing accretive acquisitions in key growth markets where the REIT has a presence in, as well as other US cities with similar growth characteristics. The Manager remains committed to deliver sustainable distributions and strong total returns to Unitholders.

## 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**

Changes in taxation legislation, administrative guidance or regulations, and/or any disagreement as to the interpretation thereof, may adversely affect Keppel-KBS US REIT and its Subsidiaries.

Any change in the tax status of Keppel-KBS US REIT and/or any of its direct and indirect subsidiaries (the "Group"), or change in taxation legislation, administrative guidance, or regulation (or any disagreement as to the interpretation thereof) that applies to the Group, could adversely affect the distribution paid by the Group.

In addition, any such tax changes could adversely affect the value of the Group's investments, and/or increase the U.S. and non-U.S. tax liabilities of the Group and/or affect the Group's ability to achieve its investment objectives. Such changes could have a significant negative impact on Keppel-KBS US REIT and its unitholders.

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<sup>1</sup> Refers to the period from July 2017 to June 2018.

For example, the U.S. tax legislation modifying the IRC enacted in late 2017 (“2017 Tax Legislation”) impacted the deductibility of certain interest expense for taxable years beginning after 31 December 2017. As a result, Keppel-KBS US REIT restructured certain subsidiaries (the “Barbados Restructuring”), which resulted in certain costs being incurred. In this regard, although the Manager believes that the Barbados Restructuring is responsive to the relevant provisions in the 2017 Tax Legislation, the Manager cannot predict whether such restructuring will remain viable in either the near or long term. The IRS has indicated that certain guidance with respect to the international provisions of the 2017 Tax Legislation is imminent. The Manager cannot predict when such regulations or other administrative guidance will be released, whether any such regulations or administrative guidance will adversely affect the deductibility of interest by Keppel-KBS US REIT’s U.S. subsidiaries, or whether any such regulations or administrative guidance will have retroactive effect, although the IRS has indicated that retroactivity is likely.

If regulations or administrative guidance result in the non-deductibility of any interest payments by Keppel-KBS US REIT’s subsidiaries, the Group may face material U.S. and/or non-U.S. tax payments and other costs, and may be required to engage in further restructuring at significant additional costs (including costs incurred on an on-going basis). Such regulations and/or administrative guidance may also potentially render restructuring to preserve the deductibility of interest payments by Keppel-KBS US REIT’s subsidiaries impossible, resulting in significant economic impairment to the structure. All such additional tax and/or costs would potentially have a material adverse effect on the Group’s financial condition, cash flows and results of operations.

The Manager will continue to monitor future changes and clarifications and will make future announcements, if and when appropriate.

#### **Interest rate risk**

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

#### **Liquidity risk**

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

#### **Credit risk**

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

#### **Currency risk**

Currency risk arises from future commercial transactions, recognised assets and liabilities and net investments denominated in foreign currencies. The Group’s business is not exposed to significant currency risk as the portfolio of properties is located in the United States and the cash flows from the operations of the properties are denominated in US\$. The Group also borrows in the same currency as the assets in order to manage the foreign currency risk. Keppel-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?

Yes

|                      |  |
|----------------------|--|
| Name of Distribution | <u>1<sup>st</sup></u> Distribution<br>Distribution for the period from Listing Date to 30 June 2018  |
| Distribution Type    | a) Tax-exempt income distribution<br>b) Capital distribution   |
| Distribution Rate    | a) Tax-exempt income distribution – 2.98 US cents per unit<br>b) Capital distribution – 0.84 US cents per unit   |
| Tax Rate             | <u>Tax-exempt income distribution</u><br>Tax-exempt income distribution is exempt from tax in the hands of all Unitholders. Tax-exempt income relates to net taxed income and one-tier dividend income received by Keppel-KBS US REIT.<br><br><u>Capital distribution</u><br>Capital distribution represents a return of capital to Unitholders for Singapore income tax purposes and is therefore not subject to income tax. For Unitholders who are liable to Singapore income tax on profits from sale of Keppel-KBS US REIT units, the amount of capital distribution will be applied to reduce the cost base of their Keppel-KBS US REIT units for Singapore income tax purposes. |

### (a) Corresponding Period of the Immediately Preceding Financial Year

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

Not applicable.

### (b) Book closure date

27 July 2018

### (c) Date payable

25 September 2018

## 13. DISTRIBUTION STATEMENT

Other than as disclosed in Paragraph 12(a), no distribution has been declared / recommended.

## 14. INTERESTED PERSON TRANSACTIONS

If the Group has obtained general mandate from unit holders for IPT, the aggregate value of such transactions are required under Rule 920(1)(a)(ii). If no interested party transactions mandate has been obtained, a statement to that effect.

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 July 2018**

**CONFIRMATION BY THE BOARD**

We, SOONG HEE SANG 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 30 June 2018 to be false or misleading in any material respect.

**On behalf of the Board,**

  
Soong Hee Sang  
Director

17 July 2018

  
PAUL THAM  
Director