

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

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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.

As at 31 December 2018, the portfolio of Keppel-KBS US REIT comprise 12 office properties in the United States, consisting of the initial IPO portfolio of 11 office properties and The Westpark Portfolio, with an aggregate NLA of 4,007,705 sq ft.

### West Coast

The Plaza Buildings

Bellevue Technology Center

The Westpark Portfolio

(acquisition completed on 30 November 2018)

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.

On 27 November 2018, Keppel-KBS US REIT entered into a purchase and sale agreement by its indirect wholly-owned subsidiary, Keppel-KBS Maitland I, LLC with a third-party seller to acquire Maitland Promenade I, an office property located in the Maitland submarket of Orlando, Florida. Maitland Promenade I will be Keppel-KBS US REIT's second asset in Florida and is adjacent to Maitland Promenade II, which the REIT currently owns. The purchase consideration for the property is US\$48.5 million and was negotiated on a willing-buyer and willing-seller basis. On 16 January 2019, Keppel-KBS US REIT completed the acquisition of Maitland Promenade I.

Pursuant to the completion of the acquisition of Maitland Promenade I, Keppel-KBS US REIT currently has 13 office properties with an aggregate NLA of 4,238,076 sq ft.

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

The following summary is presented to provide an overview of the results of Keppel-KBS US REIT for the financial period from 9 November 2017 (Listing Date) to 31 December 2018. In addition to the actual “Available distribution per Unit” (“DPU”), the following information has been provided:

- “DPU (US cents) restated for Rights Issue” presented as required by and computed in accordance with Paragraph 46 of Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” (refer to note 8 below);
- “Forecast DPU (US cents) adjusted for the effects of Rights Issue” presented to illustrate the performance of the portfolio on a like-for-like basis by adjusting the Forecast 2H 2018 DPU by the full impact from the Rights Issue (refer to note 9 below); and
- “Actual DPU (US cents) adjusted to exclude the effects of the acquisition of the Westpark Portfolio and Rights Issue” presented to illustrate the performance of the IPO Portfolio on a like-for-like basis by adjusting the actual 2H 2018 DPU to exclude the impacts of the acquisition of the Westpark Portfolio as well as the Rights Issue (refer to note 10 below).

Please refer to the respective notes below for more detailed explanations of the above-mentioned adjustments.

In addition, note 11 provides the 12 months results for the financial year from 1 January 2018 to 31 December 2018 comprising separately the IPO Portfolio and the Westpark Portfolio.

|  | Group                  |                         |         |   |                         |          |
|--|------------------------|-------------------------|---------|---|-------------------------|----------|
|  | 4Q 2018 <sup>(1)</sup> |                         |         | Listing Date to 31 December 2018 <sup>(1)</sup> |                         |          |
|  | Actual                 | Forecast <sup>(2)</sup> | + / (-) | Actual  | Forecast <sup>(2)</sup> | + / (-)  |
|  | US\$'000               | US\$'000                | %       | US\$'000  | US\$'000                | %        |
| Gross Revenue <sup>(3)</sup>   | 24,502                 | 23,128                  | 5.9     | 105,917   | 104,902                 | 1.0      |
| Property Expenses  | (9,866)                | (9,536)                 | 3.5     | (41,565)  | (42,905)                | (3.1)    |
| Net Property Income <sup>(3)</sup>   | 14,636                 | 13,592                  | 7.7     | 64,352  | 61,997                  | 3.8      |
| Net Income for the period <sup>(4)</sup>   | 14,225                 | 415                     | >100    | 53,017  | 30,034                  | 76.5     |
| Income available for distribution to Unitholders <sup>(5)</sup>  | 10,258                 | 9,446                   | 8.6     | 43,796  | 42,947                  | 2.0      |
| Available distribution per Unit (DPU) (US cents)   | 1.25                   | 1.50                    | (16.7)  | 6.22 <sup>(6)</sup>                             | 6.79                    | (8.4)    |
| Annualised available for distribution yield (%) <sup>(7)</sup>   |                        |                         |         | 8.90%   | 9.72%                   | (82 bps) |
| DPU (US cents) restated for Rights Issue   | 1.25                   | 1.40 <sup>(8)</sup>     | (10.7)  | 6.22 <sup>(6)</sup>                             | 6.32 <sup>(8)</sup>     | (1.6)    |
| Restated annualised available for distribution yield (%) <sup>(7)</sup>  |                        |                         |         | 8.90%   | 9.05%                   | (15 bps) |
| <u>For information only</u><br>Forecast DPU (US cents) adjusted for the effects of Rights Issue  | 1.25                   | 1.15 <sup>(9)</sup>     | 8.7     | 6.22 <sup>(6)</sup>                             | 6.10 <sup>(9)</sup>     | 2.0      |
| <u>For information only</u><br>Actual DPU (US cents) adjusted to exclude the effects of the acquisition of The Westpark Portfolio and Rights Issue | 1.51 <sup>(10)</sup>   | 1.50                    | 0.7     | 6.83 <sup>(10)</sup>                            | 6.79                    | 0.6      |

**Notes:**

- (1) No comparative figures have been presented as Keppel-KBS US REIT was constituted on 22 September 2017 and dormant from its constitution to the Listing Date.

4Q 2018 refer to the fourth quarter of 92 days from 1 October 2018 to 31 December 2018 and Listing Date to 31 December 2018 refers to the financial period of 418 days from 9 November 2017 to 31 December 2018.

- (2) Forecast for 4Q 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 31 December 2018 comprise actual figures from Listing Date to 31 December 2017 and 2018 full year forecast.

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

- (3) The Westpark Portfolio contributed US\$1.4 million of gross revenue in 4Q 2018 with the completion of the acquisition on 30 November 2018. Excluding the contribution from The Westpark Portfolio, gross revenue for 4Q 2018 and for the period from Listing Date to 31 December 2018 is in line with forecast. Net property income for 4Q 2018 and for the period from Listing Date to 31 December 2018 was higher than forecast largely due to the net property income contribution from The Westpark Portfolio of US\$1.1 million. For more details, please refer to Paragraph 9 – Variance from Forecast Statement.
- (4) Included in net income are derivative losses of US\$4.8 million for 4Q 2018 but net derivative gains of US\$2.3 million for the period from Listing Date to 31 December 2018 due to the change in fair value of the interest rate swaps for the respective periods. Also included in net income for both periods is a fair value gain in investment properties of US\$11.1 million, net of deferred tax.
- (5) The income available for distribution to Unitholders is based on 100% of the taxable income available for distribution to Unitholders.
- (6) Actual DPU for the period from Listing Date to 31 December 2018 of 6.22 US cents comprise 3.82 US cents paid for the period from Listing Date to 30 June 2018, calculated based on 631,309,231 units and 2.40 US cents for the period from 1 July 2018 to 31 December 2018, calculated based on 821,731,379 units. Accordingly, the DPU of 1.50 US cents previously included in the results announcement for 3Q 2018, calculated based on 631,309,231 units, has been revised to 1.15 US cents, calculated based on 821,731,379 units.
- (7) The annualised available for distribution yield for Listing Date to 31 December 2018 is on a basis of 418 days and pro-rated to 365 days following the Listing Date and is based on the market closing price as at the last trading day of 4Q 2018 of US\$0.61.
- (8) Forecast DPU for 4Q 2018 and for the period from Listing Date to 31 December 2018 were restated for the 295-for-1000 rights issue completed on 26 November 2018, to raise gross proceeds of about US\$93.1 million, through the issuance of 186,236,224 new units (“Rights Issue”). The computation of the restatement is in accordance with Paragraph 46 of Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts”.
- (9) Forecast DPU for the period from 1 July 2018 to 31 December 2018 adjusted as if the Rights Issue was completed on 1 July 2018.

For comparison purpose, Forecast DPU were adjusted for the effects of the enlarged number of units in issue of 821,731,379 for the period from 1 July 2018 to 31 December 2018 arising from the Rights Issue and acquisition fees units taken in relation to The Westpark Portfolio. Hence, Forecast DPU for the period from IPO to 31 December 2018 of 6.10 US cents comprise DPU of 3.80 US cents for the period from Listing Date to 30 June 2018 based on the pre-Rights Issue number of units as announced in 2Q 2018 results, and adjusted Forecast DPU of 2.30 US cents for the period from 1 July 2018 to 31 December 2018. The increase in DPU relates mainly to the contribution of The Westpark Portfolio.

- (10) For purpose of comparing the IPO Portfolio’s actual financial figures against its forecasted figures for Forecast Year 2018 excluding the effects of The Westpark Portfolio acquisition and the Rights Issue.

To illustrate the performance of the initial IPO Portfolio of properties, the income available for distribution from The Westpark Portfolio of US\$0.7 million and the effects of the new units issued for the Rights Issue and acquisition fee units of 186,236,224 and 2,996,271 respectively have been excluded from the DPU calculation. Excluding the effects of the above, DPU for 4Q 2018 and for the period from Listing Date to 31 December 2018 for the IPO Portfolio would have been 1.51 US cents and 6.83 US cents respectively, which is higher than forecast.

(11) For the period from Listing Date to 31 December 2017, actual income available for distribution to Unitholders and actual DPU 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 results for the 12 months of 2018, comprising the initial IPO Portfolio and The Westpark Portfolio, are:

|  | Contribution from IPO Portfolio    |                     |         | Contribution from The Westpark Portfolio                           |              |         | Total                              |                     |         |
|--|------------------------------------|---------------------|---------|--|--------------|---------|------------------------------------|---------------------|---------|
|  | 1 January 2018 to 31 December 2018 |                     |         | 30 November 2018 (acquisition completion date) to 31 December 2018 |              |         | 1 January 2018 to 31 December 2018 |                     |         |
|  | Actual                             | Forecast (a)        | + / (-) | Actual   | Proforma (b) | + / (-) | Actual                             | Forecast (c)        | + / (-) |
|  | US\$'000                           | US\$'000            | %       | US\$'000   | US\$'000     | %       | US\$'000                           | US\$'000            | %       |
| Gross Revenue  | 92,111                             | 92,510              | (0.4)   | 1,414  | 1,327        | 6.6     | 93,525                             | 93,837              | (0.3)   |
| Net Property Income  | 55,653                             | 54,368              | 2.4     | 1,070  | 967          | 10.7    | 56,723                             | 55,335              | 2.5     |
| Income available for distribution to Unitholders   | 37,927                             | 37,785              | 0.4     | 707  | 660          | 7.1     | 38,634                             | 38,445              | 0.5     |
| <u>For information only</u><br>Forecast DPU (US cents) adjusted for the effects of Rights Issue  | 5.31                               | 5.28 <sup>(d)</sup> | 0.6     | 0.09   | NA           | NA      | 5.40 <sup>(e)</sup>                | 5.28 <sup>(d)</sup> | 2.3     |
| <u>For information only</u><br>Actual DPU (US cents) adjusted to exclude the effects of the acquisition of The Westpark Portfolio and Rights Issue | 6.01 <sup>(f)</sup>                | 5.97                | 0.7     | NA   | NA           | NA      | 6.01 <sup>(f)</sup>                | 5.97                | 0.7     |

NA – Not applicable

- (a) Refers to IPO Portfolio's forecast figures for Forecast Year 2018 as disclosed in the Prospectus.
- (b) Refers to The Westpark Portfolio's standalone unaudited financial figures included in the proforma financial information contained in the Offering Information Statement dated 30 October 2018, prorated to the period from 30 November 2018 to 31 December 2018.
- (c) Includes the IPO Portfolio's figures for Forecast Year 2018 as disclosed in the Prospectus and The Westpark Portfolio prorated proforma financial figures for the period from 30 November 2018 to 31 December 2018 (as per note (b) above).
- (d) Forecast DPU for the period from 1 July 2018 to 31 December 2018 adjusted as if the Rights Issue was completed on 1 July 2018.
- (e) Actual DPU for the period from 1 January 2018 to 31 December 2018 of 5.40 US cents comprise 3.00 US cents for the period from 1 January 2018 to 30 June 2018, calculated based on 631,309,231 units and 2.40 US cents for the period from 1 July 2018 to 31 December 2018, calculated based on 821,731,379 units. The DPU of 1.50 US cents previously included in the results announcement for 3Q 2018, calculated based on 631,309,231 has been revised to 1.15 US cents, calculated based on 821,731,379 units.
- (f) For purpose of comparing the IPO Portfolio's actual financial figures against its forecasted figures for Forecast Year 2018 excluding the effects of The Westpark Portfolio acquisition and the Rights Issue.

**1 UNAUDITED RESULTS FOR THE PERIOD FROM 9 NOVEMBER 2017 (LISTING DATE) TO 31 DECEMBER 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 December 2018:

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

|  | Note | 4Q 2018 <sup>(1)</sup> |                         |                | Listing Date to 31 December 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  |      | 18,258                 | 17,505                  | 4.3            | 80,736  | 79,754                  | 1.2          |
| Recoveries income  |      | 5,217                  | 4,679                   | 11.5           | 20,781  | 20,841                  | (0.3)        |
| Other operating income   |      | 1,027                  | 944                     | 8.8            | 4,400   | 4,307                   | 2.2          |
| <b>Gross Revenue</b>   |      | <b>24,502</b>          | <b>23,128</b>           | <b>5.9</b>     | <b>105,917</b>                                  | <b>104,902</b>          | <b>1.0</b>   |
| Utilities  |      | (1,609)                | (1,828)                 | (12.0)         | (7,420)   | (8,149)                 | (8.9)        |
| Repairs and maintenance  |      | (1,255)                | (1,041)                 | 20.6           | (4,847)   | (4,704)                 | 3.0          |
| Property management fees   |      | (1,210)                | (1,248)                 | (3.0)          | (5,011)   | (5,624)                 | (10.9)       |
| Property taxes   |      | (2,997)                | (2,708)                 | 10.7           | (12,709)  | (12,329)                | 3.1          |
| Other property expenses  |      | (2,795)                | (2,711)                 | 3.1            | (11,578)  | (12,099)                | (4.3)        |
| <b>Property expenses</b>   |      | <b>(9,866)</b>         | <b>(9,536)</b>          | <b>3.5</b>     | <b>(41,565)</b>                                 | <b>(42,905)</b>         | <b>(3.1)</b> |
| <b>Net Property Income</b>   |      | <b>14,636</b>          | <b>13,592</b>           | <b>7.7</b>     | <b>64,352</b>                                   | <b>61,997</b>           | <b>3.8</b>   |
| Finance income   |      | 28                     | -                       | NM             | 94  | 12                      | >100         |
| Finance expenses   | 3    | (2,955)                | (2,585)                 | 14.3           | (12,040)  | (11,828)                | 1.8          |
| Manager's base fee   | 4    | (1,025)                | (944)                   | 8.6            | (4,379)   | (4,294)                 | 2.0          |
| Trustee's fee  |      | (34)                   | (42)                    | (19.0)         | (154)   | (193)                   | (20.2)       |
| Fair value change in derivatives   | 5    | (4,814)                | -                       | NM             | 2,317   | 989                     | >100         |
| Other trust expenses   | 6    | (105)                  | (649)                   | (83.8)         | (2,421)   | (3,123)                 | (22.5)       |
| <b>Net income for the period before tax and fair value change in investment properties</b> |      | <b>5,731</b>           | <b>9,372</b>            | <b>(38.8)</b>  | <b>47,769</b>                                   | <b>43,560</b>           | <b>9.7</b>   |
| Net fair value change in investment properties   | 7    | 15,354                 | (7,571)                 | NM             | 15,354  | (7,571)                 | NM           |
| <b>Net income for the period before tax</b>  |      | <b>21,085</b>          | <b>1,801</b>            | <b>&gt;100</b> | <b>63,123</b>                                   | <b>35,989</b>           | <b>75.4</b>  |
| Tax expense  | 8    | (6,860)                | (1,386)                 | >100           | (10,106)  | (5,955)                 | 69.7         |
| <b>Net income for the period</b>   |      | <b>14,225</b>          | <b>415</b>              | <b>&gt;100</b> | <b>53,017</b>                                   | <b>30,034</b>           | <b>76.5</b>  |
| <b><u>Distribution Statement</u></b>   |      |                        |                         |                |   |                         |              |
| Net income for the period  |      | 14,225                 | 415                     | >100           | 53,017  | 30,034                  | 76.5         |
| Distribution adjustments   | 9    | (3,967)                | 9,031                   | NM             | (9,221)   | 12,913                  | NM           |
| <b>Income available for distribution to Unitholders</b>                                    | 10   | <b>10,258</b>          | <b>9,446</b>            | <b>8.6</b>     | <b>43,796</b>                                   | <b>42,947</b>           | <b>2.0</b>   |
| <b>DPU (US cents)</b>  | 10   | <b>1.25</b>            | <b>1.50</b>             | <b>(16.7)</b>  | <b>6.22</b>                                     | <b>6.79</b>             | <b>(8.4)</b> |
| <b>DPU (US cents) restated for Rights Issue</b>  | 10   | <b>1.25</b>            | <b>1.40</b>             | <b>(10.7)</b>  | <b>6.22</b>                                     | <b>6.32</b>             | <b>(1.6)</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 from 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 December 2018 comprise actual figures from Listing Date to 31 December 2017 and 2018 full year forecast. The forecast figures were derived from the Forecast Year 2018 as disclosed in the Prospectus.
- (3) Finance expenses comprise the following:

|  | 4Q 2018            |                      |             | Listing Date<br>to 31 December 2018 |                      |            |
|--|--------------------|----------------------|-------------|-------------------------------------|----------------------|------------|
|  | Actual<br>US\$'000 | Forecast<br>US\$'000 | +/(-)%      | Actual<br>US\$'000                  | Forecast<br>US\$'000 | +/(-)%     |
| Interest expense on borrowings                         | 2,690              | 2,356                | 14.2        | 11,066                              | 10,779               | 2.7        |
| Amortisation of upfront debt-related transaction costs | 192                | 145                  | 32.4        | 747                                 | 673                  | 11.0       |
| Dividends on preferred units                           | 8                  | 51                   | (84.3)      | 83                                  | 261                  | (68.2)     |
| Commitment fees  | 65                 | 33                   | 97.0        | 144                                 | 115                  | 25.2       |
|  | <u>2,955</u>       | <u>2,585</u>         | <u>14.3</u> | <u>12,040</u>                       | <u>11,828</u>        | <u>1.8</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 gains / (losses) of the interest rate swaps entered into by the Group for hedging purpose. During the period from 1 January 2018 to 31 December 2018, net derivative gain from mark-to-market of the interest rate swaps amounted to US\$1.3 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) Keppel-KBS US REIT obtains independent appraisals on an annual basis and recognises change in fair value as gains / (losses) in the consolidated statement of comprehensive income. The fair value gain in investment properties relates to increases in the appraised fair values of investment properties.
- (8) Tax expense comprise withholding, current and net 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.

(9) Included in distribution adjustments are the following:

|  | 4Q 2018            |                      |        | Listing Date<br>to 31 December 2018 |                      |        |
|--|--------------------|----------------------|--------|-------------------------------------|----------------------|--------|
|  | Actual<br>US\$'000 | Forecast<br>US\$'000 | +/(-)% | Actual<br>US\$'000                  | Forecast<br>US\$'000 | +/(-)% |
| Property related non-cash items<br>(a)                         | (1,093)            | (1,020)              | 7.2    | (4,499)                             | (4,635)              | (2.9)  |
| Manager's base fee<br>paid/payable in units                    | 1,025              | 944                  | 8.6    | 4,379                               | 4,294                | 2.0    |
| Trustee's fee  | 34                 | 42                   | (19.0) | 154                                 | 193                  | (20.2) |
| Amortisation of upfront debt-<br>related transaction costs (b) | 192                | 145                  | 32.4   | 747                                 | 673                  | 11.0   |
| Net deferred tax expense                                       | 6,813              | 1,349                | >100   | 9,711                               | 5,806                | 67.3   |
| Fair value change in derivatives                               | 4,814              | -                    | NM     | (2,317)                             | (989)                | >100   |
| Fair value change in investment<br>properties                  | (15,354)           | 7,571                | NM     | (15,354)                            | 7,571                | NM     |
| Others (c)   | (398)              | -                    | NM     | (2,042)                             | -                    | NM     |
| Net distribution adjustments                                   | (3,967)            | 9,031                | NM     | (9,221)                             | 12,913               | 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.

(10) 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 1 July 2018 to 31 December 2018.



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

|  | Note | Group<br>As at 31 December 2018<br>US\$'000 | Trust<br>As at 31 December 2018<br>US\$'000 |
|--|------|---|---|
| <b>Current assets</b>                  |      |   |   |
| Cash and cash equivalents              |      | 40,612                                      | 3,698                                       |
| Trade and other receivables            |      | 3,069                                       | 32,857                                      |
| Deposit                                | 1    | 2,500                                       | -   |
| Prepaid expenses                       |      | 644   | 136   |
| <b>Total current assets</b>            |      | <b>46,825</b>                               | <b>36,691</b>                               |
| <b>Non-current assets</b>              |      |   |   |
| Derivative asset                       | 2    | 3,537                                       | 3,537                                       |
| Investment properties                  | 3    | 1,016,750                                   | -   |
| Investment in subsidiaries             |      | -   | 971,797                                     |
| <b>Total non-current assets</b>        |      | <b>1,020,287</b>                            | <b>975,334</b>                              |
| <b>Total Assets</b>                    |      | <b>1,067,112</b>                            | <b>1,012,025</b>                            |
| <b>Current liabilities</b>             |      |   |   |
| Trade and other payables               |      | 13,181                                      | 5,331                                       |
| Loans and borrowings                   |      | 5,000                                       | 5,000                                       |
| Rental security deposits               |      | 893   | -   |
| Rent received in advance               |      | 8,127                                       | -   |
| <b>Total current liabilities</b>       |      | <b>27,201</b>                               | <b>10,331</b>                               |
| <b>Non-current liabilities</b>         |      |   |   |
| Loans and borrowings                   |      | 366,632                                     | 366,632                                     |
| Rental security deposits               |      | 4,247                                       | -   |
| Derivative liability                   | 2    | 1,220                                       | 1,220                                       |
| Preferred units                        |      | 125   | -   |
| Deferred tax liabilities               |      | 9,711                                       | -   |
| <b>Total non-current liabilities</b>   |      | <b>381,935</b>                              | <b>367,852</b>                              |
| <b>Total liabilities</b>               |      | <b>409,136</b>                              | <b>378,183</b>                              |
| <b>Net assets</b>                      |      | <b>657,976</b>                              | <b>632,842</b>                              |
| <b>Represented by:</b>                 |      |   |   |
| Unitholders' funds                     |      | 657,976                                     | 632,842                                     |
| <b>Net asset value per Unit (US\$)</b> |      | <b>0.80</b>                                 | <b>0.77</b>                                 |

### Notes:

- (1) On 27th November 2018, the Manager announced that the Group had entered into a purchase and sale agreement for the proposed acquisition of Maitland Promenade I for a consideration of US\$48.5 million. A deposit of US\$2.5 million had been placed with the third-party seller in accordance to the purchase and sale agreement as at 31 December 2018.

- (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

|  | Carrying value<br>US\$'000    |
|--|-------------------------------|
| The Plaza Buildings  | 253,500                       |
| Bellevue Technology Center   | 136,000                       |
| The Westpark Portfolio   | 178,000                       |
| Iron Point   | 37,000                        |
| Westmoor Center  | 126,400                       |
| Great Hills Plaza  | 37,300                        |
| Westech 360  | 46,600                        |
| 1800 West Loop South   | 75,500                        |
| West Loop I & II   | 42,200                        |
| Powers Ferry Landing East  | 19,750                        |
| Northridge Center I & II   | 20,900                        |
| Maitland Promenade II  | 43,600                        |
|  | <b>1,016,750</b>              |
|  | <b>Group</b>                  |
|  | <b>As at 31 December 2018</b> |
|  | <b>US\$'000</b>               |
| As at 22 September 2017 (Date of constitution)                                     | -                             |
| Acquisition of IPO Portfolio (including acquisition costs) <sup>(a)</sup>          | 796,894                       |
| Acquisition of The Westpark Portfolio (including acquisition costs) <sup>(a)</sup> | 168,952                       |
| Capital expenditure and straight-line rent capitalised                             | 35,550                        |
| Fair value change in investment properties   | 15,354                        |
| <b>Investment properties</b>   | <b>1,016,750</b>              |

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

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

|  | Group<br>As at 31 December 2018<br>US\$'000 |
|--|---|
| <u>Unsecured loans and borrowings</u>                    |   |
| Amount repayable within one year                         | 5,000                                       |
| Amount repayable after one year                          | 369,440                                     |
| Less: Unamortised upfront debt-related transaction costs | (2,808)                                     |
| <b>Total unsecured loans and borrowings</b>              | <b>371,632</b>                              |

#### Notes:

Keppel-KBS US REIT has obtained unsecured credit facilities comprising: (i) term loan facilities amounting to US\$369.4 million and (ii) revolving credit facilities, amounting to a total of US\$50.0 million.

As at 31 December 2018, the Group had gross borrowings comprising (i) non-current term loans of US\$289.4 million for acquisition of the IPO Portfolio and US\$80.0 million for the acquisition of The Westpark Portfolio and (ii) current loan of US\$5.0 million, drawn down from the revolving credit facilities, for funding of capital expenditures and tenant improvements. The Group has a further unutilised amount of US\$45.0 million of facilities to meet its future obligations. 80.4% of the non-current 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 3.53%. Aggregate leverage, as defined in the Property Funds Appendix, is 35.1%.

## 1 (C) CONSOLIDATED STATEMENT OF CASH FLOWS

|   | Note | Group                                 |                                     |
|---|------|---------------------------------------|-------------------------------------|
|   |      | 1 October 2018 to<br>31 December 2018 | Listing Date to<br>31 December 2018 |
|   |      | US\$'000                              | US\$'000                            |
| <b>Operating activities</b>   |      |                                       |                                     |
| Net income before tax   |      | 21,085                                | 63,123                              |
| Adjustments for:  |      |                                       |                                     |
| Property related non-cash items   |      | (1,093)                               | (4,499)                             |
| Manager's fee paid/payable in Units                                     |      | 1,025                                 | 4,379                               |
| Interest income   |      | (28)                                  | (94)                                |
| Finance expenses  |      | 2,955                                 | 12,040                              |
| Fair value change in derivatives  |      | 4,814                                 | (2,317)                             |
| Fair value change in investment properties                              |      | (15,354)                              | (15,354)                            |
|   |      | <b>13,404</b>                         | <b>57,278</b>                       |
| <b>Changes in working capital</b>                                       |      |                                       |                                     |
| Trade and other receivables   |      | 160                                   | (3,234)                             |
| Trade and other payables  |      | (11,204)                              | 1,039                               |
| Rental security deposits  |      | 100                                   | 489                                 |
| Rent received in advance  |      | 4,263                                 | 5,306                               |
|   |      | <b>6,723</b>                          | <b>60,878</b>                       |
| <b>Cash generated from operations</b>                                   |      |                                       |                                     |
| Tax paid  |      | (23)                                  | (23)                                |
| <b>Net cash generated from operations</b>                               |      | <b>6,700</b>                          | <b>60,855</b>                       |
| <b>Cash flows from investing activities</b>                             |      |                                       |                                     |
| Acquisition of investment properties and related assets and liabilities | 1    | (163,997)                             | (948,597)                           |
| Additions to investment properties                                      |      | (3,503)                               | (29,356)                            |
| Deposit placed for acquisition of investment property                   |      | (2,500)                               | (2,500)                             |
| Interest received   |      | 28                                    | 94                                  |
|   |      | <b>(169,972)</b>                      | <b>(980,359)</b>                    |
| <b>Cash flows from financing activities</b>                             |      |                                       |                                     |
| Proceeds from issuance of units   | 2,3  | 93,118                                | 646,255                             |
| Payment of transaction costs relating to issuance of units              |      | (3,301)                               | (23,296)                            |
| Proceeds from debt financing  |      | 85,000                                | 374,440                             |
| Payment of debt related transaction costs                               |      | (800)                                 | (3,555)                             |
| Proceeds from preferred units   |      | -                                     | 1,625                               |
| Redemption of preferred units   |      | -                                     | (1,500)                             |
| Financing expense paid on loans and borrowings                          |      | (2,583)                               | (9,696)                             |
| Financing expense paid on preferred shares                              |      | (8)                                   | (83)                                |
| Distribution to Unitholders   |      | -                                     | (24,074)                            |
|   |      | <b>171,426</b>                        | <b>960,116</b>                      |
| <b>Net cash generated from financing activities</b>                     |      |                                       |                                     |
|   |      | <b>8,154</b>                          | <b>40,612</b>                       |
| <b>Net increase in cash and cash equivalents</b>                        |      |                                       |                                     |
| Cash and cash equivalents at beginning of the period                    |      | 32,458                                | -                                   |
| <b>Cash and cash equivalents at end of the period</b>                   |      | <b>40,612</b>                         | <b>40,612</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/>31 December 2018<br/>US\$'000</b> |
|---|--|
| <b>Acquisition of IPO Portfolio</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>   |
| <b>Acquisition of The Westpark Portfolio</b>                |  |
| Investment properties (see breakdown below)                 | 168,952  |
| Prepaid expenses and other receivables                      | 123  |
| Accrued expenses and other payables                         | (3,359)  |
| Rental security deposits                                    | (1,426)  |
| Rent received in advance                                    | (293)  |
| Net assets acquired   | <u>163,997</u>   |
| Agreed purchase consideration for investment properties     | 169,359  |
| Acquisition costs <sup>(a)</sup>                            | 2,465  |
| Net capital and leasing costs under seller's responsibility | (2,872)  |
| Net consideration for investment properties                 | <u>168,952</u>   |

(a) Includes US\$1.7 million of acquisition fees in units issued to the Manager.

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

- (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.
- (c) The balance of net proceeds intended for purchase of investment properties and transactions costs have been reallocated to working capital. Working capital use relates mainly to repayment of finance expenses for the term loans and other general and administrative expenses.

- (3) An aggregate of 186,236,224 units issued at US\$0.50 per unit and amounting to US\$93.1 million were issued on 26 November 2018 in connection with the Rights Issue.

The use of proceeds raised from the Rights Issue is set out below.

|   | <b>Actual</b>   | <b>Per Offer Information Statement</b> | <b>Variance</b> |
|---|-----------------|--|-----------------|
|   | <b>US\$'000</b> | <b>US\$'000</b>                        | <b>US\$'000</b> |
| Partial funding of cash consideration for The Westpark Portfolio <sup>(a)</sup> | 89,700          | 89,700                                 | -               |
| Transaction costs   | 3,301           | 3,400                                  | (99)            |
|   | <b>93,001</b>   | <b>93,100</b>                          | <b>(99)</b>     |

(a) Agreed purchase consideration for The Westpark Portfolio was \$169.4 million with the remaining amount to be financed by debt.

## 1 (D)(i) STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS

| <b>Group</b>  | <b>Units in issue<br/>US\$'000</b> | <b>Retained earnings<br/>US\$'000</b> | <b>Total<br/>US\$'000</b> |
|---|------------------------------------|---------------------------------------|---------------------------|
| <b>At 22 September 2017 (Date of Constitution) <sup>(1)</sup></b>                       | -                                  | -                                     | -                         |
| <b>Operations</b>   |                                    |                                       |                           |
| Net income for the period   | -                                  | <b>38,792</b>                         | <b>38,792</b>             |
| <b>Unitholders' transactions</b>  |                                    |                                       |                           |
| Issue of new units  |                                    |                                       |                           |
| - Initial Public Offering ("IPO")   | 553,137                            | -                                     | 553,137                   |
| - Payment of Management fees in units <sup>(2)</sup>                                    | 2,407                              | -                                     | 2,407                     |
| IPO issue costs <sup>(3)</sup>  | (19,995)                           | -                                     | (19,995)                  |
| Distribution to Unitholders   | (5,294)                            | (18,780)                              | (24,074)                  |
| <b>Net increase / (decrease) in net assets resulting from Unitholders' transactions</b> | <b>530,255</b>                     | <b>(18,780)</b>                       | <b>511,475</b>            |
| <b>At 30 September 2018</b>   | <b>530,255</b>                     | <b>20,012</b>                         | <b>550,267</b>            |
| <b>Operations</b>   |                                    |                                       |                           |
| Net income for the period   | -                                  | <b>14,225</b>                         | <b>14,225</b>             |
| <b>Unitholders' transactions</b>  |                                    |                                       |                           |
| Issue of new units  |                                    |                                       |                           |
| - Rights Issue <sup>(4)</sup>   | 93,118                             | -                                     | 93,118                    |
| - Management fees paid and payable in units <sup>(2)</sup>                              | 1,972                              | -                                     | 1,972                     |
| - Payment of acquisition fees to Manager <sup>(5)</sup>                                 | 1,695                              | -                                     | 1,695                     |
| Rights Issue costs <sup>(3)</sup>   | (3,301)                            | -                                     | (3,301)                   |
| <b>Net increase in net assets resulting from Unitholders' transactions</b>              | <b>93,484</b>                      | <b>-</b>                              | <b>93,484</b>             |
| <b>At 31 December 2018</b>  | <b>623,739</b>                     | <b>34,237</b>                         | <b>657,976</b>            |

| <b>Units in issue</b> | <b>Retained earnings</b> | <b>Total</b> |
|-----------------------|--------------------------|--------------|
|-----------------------|--------------------------|--------------|

| Trust   | US\$'000       | US\$'000        | US\$'000       |
|---|----------------|-----------------|----------------|
| <b>At 22 September 2017 (Date of Constitution) <sup>(1)</sup></b>                       | -              | -               | -              |
| <b>Operations</b>   |                |                 |                |
| Net income for the period   | -              | 17,888          | 17,888         |
| <b>Unitholders' transactions</b>  |                |                 |                |
| Issue of new units  |                |                 |                |
| - Initial Public Offering   | 553,137        | -               | 553,137        |
| - Payment of Management fees in units <sup>(2)</sup>                                    | 2,407          | -               | 2,407          |
| IPO issue costs <sup>(3)</sup>  | (19,995)       | -               | (19,995)       |
| Distribution to Unitholders   | (5,294)        | (18,780)        | (24,074)       |
| <b>Net increase / (decrease) in net assets resulting from Unitholders' transactions</b> | <b>530,255</b> | <b>(18,780)</b> | <b>511,475</b> |
| <b>At 30 September 2018</b>   | <b>530,255</b> | <b>(892)</b>    | <b>529,363</b> |
| <b>Operations</b>   |                |                 |                |
| Net income for the period   | -              | 10,995          | 10,995         |
| <b>Unitholders' transactions</b>  |                |                 |                |
| Issue of new units  |                |                 |                |
| - Rights Issue <sup>(4)</sup>   | 93,118         | -               | 93,118         |
| - Management fees paid and payable in units <sup>(2)</sup>                              | 1,972          | -               | 1,972          |
| - Payment of acquisition fees to Manager <sup>(5)</sup>                                 | 1,695          | -               | 1,695          |
| Rights Issue costs <sup>(3)</sup>   | (3,301)        | -               | (3,301)        |
| <b>Net increase in net assets resulting from Unitholders' transactions</b>              | <b>93,484</b>  | <b>-</b>        | <b>93,484</b>  |
| <b>At 31 December 2018</b>  | <b>623,739</b> | <b>10,103</b>   | <b>633,842</b> |

**Notes:**

- (1) Less than US\$1,000
- (2) This represents 1,655,767, 1,088,464 and 1,189,653 units issued as payment for management fees in units for the first three reporting periods of 2018 and 1,758,241 units to be issued for 4Q 2018.
- (3) Issue costs comprise underwriting and selling commissions, professionals and other fees, and other equity fund raising related expenses relating to the IPO and Rights Issue.
- (4) 186,236,224 units were issued on 26 November 2018 for the Rights Issue to raise US\$93.1 million of proceeds for the acquisition of The Westpark Portfolio.
- (5) Keppel-KBS US REIT issued 2,996,271 of units as payment for the acquisition fee to the Manager in connection with the acquisition of The Westpark Portfolio. The acquisition fee is based on 1.0% of the acquisition price.

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

**Group and Trust**

|   | Units              |
|---|--------------------|
| <b>Units in Issue:</b>  |                    |
| New Units issued:   |                    |
| - at Initial Public Offering                                      | 628,565,000        |
| - issue of Management base fees in units                          | 2,744,231          |
| <b>Total issued Units as at 30 September 2018</b>                 | <b>631,309,231</b> |
| New Units issued:   |                    |
| - Rights Issue <sup>(1)</sup>                                     | 186,236,224        |
| - issue of Management base fees in units                          | 1,189,653          |
| - issue of acquisition fees in units <sup>(2)</sup>               | 2,996,271          |
| <b>Total issued Units as at 31 December 2018</b>                  | <b>821,731,379</b> |
| New Units to be issued:   |                    |
| - Management base fees in units to be issued <sup>(3)</sup>       | 1,758,241          |
| <b>Total Units issued and to be issued as at 31 December 2018</b> | <b>823,489,620</b> |

(1) 186,236,224 units were issued on 26 November 2018 for the Rights Issue to raise US\$93.1 million of proceeds.

(2) Keppel-KBS US REIT issued 2,996,271 of units as payment of the acquisition fee to the Manager in connection with the acquisition of The Westpark Portfolio.

(3) 1,758,241 units to be issued as payment of management fees in units for 4Q 2018 based on the volume weighted average price for the last 10 business days up till 31 December 2018.

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

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

|                                     | As at 31 December 2018 |
|-------------------------------------|------------------------|
| <b>Total number of issued units</b> | <b>821,731,379</b>     |

#### 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")

|   | 4Q 2018     | Listing Date to 31 December 2018 |
|---|-------------|----------------------------------|
| <b>EPU</b>  |             |                                  |
| Weighted average number of Units <sup>(1)</sup>             | 731,932,076 | 688,192,818                      |
| Net income for the period (US\$'000)                        | 14,225      | 53,017                           |
| Basic and diluted EPU (US cents)                            | 1.94        | 7.70                             |
| <b>DPU</b>  |             |                                  |
| Number of Units in issue at end of period                   | 821,731,379 | 821,731,379                      |
| Income available for distribution to Unitholders (US\$'000) | 10,258      | 43,796                           |
| DPU (US cents) <sup>(2)</sup>                               | 1.25        | 6.22                             |

### Notes:

- (1) The weighted average number of units was based on the number of units in issue and issuable 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. The DPU for the period from Listing Date to 31 December 2018 comprise DPU of 3.82 US cents for the period from Listing Date to 30 June 2018 and 2.40 US cents for the period from 1 July 2018 to 31 December 2018.

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

|   | As at 31 December 2018 |             |
|---|------------------------|-------------|
|   | Group                  | Trust       |
| Number of Units in issue and to be issued   | 823,489,620            | 823,489,620 |
| Net assets (US\$'000)   | 657,976                | 633,842     |
| NAV and NTA per Unit <sup>(1)</sup> (US\$)  | 0.80                   | 0.77        |
| Adjusted NAV and NTA per Unit <sup>(1)</sup> (US\$)<br>(excluding Distributable Income) | 0.78                   | 0.75        |

### Notes:

- (1) The computation of NAV and NTA is based on number of units in issue and to be issued 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 4Q 2018 and for the period from Listing Date to 31 December 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 31 December 2018

Overall, income available for distribution to Unitholders of US\$43.8 million was higher than forecast by 2.0%.

The acquisition of The Westpark Portfolio was completed on 30 November 2018. The gross revenue of US\$105.9 million was 1.0% or US\$1.0 million higher than forecast largely due to the US\$1.4 million of gross revenue contributed from The Westpark Portfolio which was not in the forecast. Excluding the contribution from The Westpark Portfolio, gross revenue was below forecast mainly due to lower recoveries income. Recoveries income is recognised from charging tenants for reimbursements of certain property expenses. Recoveries income was lower than forecast in line with the lower property expenses and utilities for the period.



Property expenses were lower than forecast by 3.1% or US\$1.3 million, mainly from lower utilities and net property management fees offset by property expenses in relation to The Westpark Portfolio.

Accordingly, net property income of US\$64.4 million was higher than forecast by US\$2.4 million or 3.8%.

During the period from 1 January 2018 to 31 December 2018, net derivative gain from mark-to-market of interest rate swaps amounted to US\$1.3 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 which was included in both actual and forecast.

Finance expenses of US\$12.0 million were 1.8% or US\$0.2 million higher than forecast largely due to the interest incurred for the additional US\$80.0 million term loan for the acquisition of The Westpark Portfolio. Other trust expenses were lower than forecast by US\$0.7 million.

Consequently, net income before tax and fair value change in investment properties of US\$47.8 million was above forecast by 9.7%.

Net fair value gain in investment properties amounted to US\$15.4 million, largely due to fair value gains from The Westpark Portfolio and The Plaza Buildings. This is in comparison to a US\$7.6 million net fair value loss for investment properties assumed in the forecast in relation to acquisition expenses and straight-lined rent capitalised.

Tax expense of US\$10.1 million, mainly relating to deferred tax expenses, was higher than forecast due to deferred taxes from fair value gain of the investment properties, partially offset by lower deferred taxes in relation to distribution of capital gains as US corporate tax rate was reduced from 35% to 21%. There was also 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 December 2018 of US\$53.0 million was higher than forecast by 76.5%.

Please refer to Page 5 Note 11 for the performance of the IPO Portfolio for the financial year from 1 January 2018 to 31 December 2018.

#### Actual vs Forecast for 4Q 2018

Overall, income available for distribution to Unitholders of US\$10.3 million was higher than forecast by 8.6%.

The acquisition of The Westpark Portfolio was completed on 30 November 2018. During the quarter, gross revenue of US\$24.5 million was 5.9% or US\$1.4 million above forecast largely due to the US\$1.4 million of gross revenue contributed from Westpark which was not in the forecast. Excluding the contribution of The Westpark Portfolio, gross revenue is generally in line with forecast.

Property expenses were higher than forecast by 3.5% or US\$0.3 million, mainly from US\$0.3 million of property expenses from The Westpark Portfolio which was not in the forecast.

Accordingly, net property income of US\$14.6 million is about 7.7% or US\$1.0 million higher than forecast.

Finance expenses of US\$3.0 million were 14.3% or US\$0.4 million higher than forecast largely due to the interest incurred for the additional US\$80.0 million term loan taken to partially fund the acquisition of The Westpark Portfolio. Other trust expenses were lower by US\$0.5 million. Fair value loss on derivatives of US\$4.8 million, however, brought down the net profit before tax and fair value change in investment properties to US\$3.6 million below forecast as interest rates declined in December 2018.

Net fair value gain in investment properties amounted to US\$15.4 million, largely due to fair value gains from The Westpark Portfolio and The Plaza Buildings. This is in comparison to a US\$7.6 million net fair value loss for investment properties assumed in the forecast in relation to acquisition expenses and straight-lined rent capitalised.

Tax expense of US\$6.9 million was above forecast mainly due to deferred taxes recognised for the net fair value gain in investment properties for the period.

Due to the net effects of the above, net income for the quarter of US\$14.2 million was higher than forecast.

## 10. PROSPECTS

2018 ended with more volatility than usual in the financial markets. Nonetheless, US economic indicators remain strong. There is a general expectation of continued growth, albeit potentially at a slower pace. GDP<sup>1</sup> grew at an annualised rate of 3.4% in 3Q 2018 – its 18th consecutive quarter of positive growth, buoyed by a robust jobs market and strong consumer spending. At the same time, data from the US Labor Department showed payrolls climbed 312,000 in December 2018 as employers added the most workers in 10 months. Wage gains also accelerated to 3.2% year-on-year in December 2018, matching its fastest pace since 2009.

Central to the Federal Reserve's (Fed) debates on interest rate policy has been the strengthening jobs market and inflation concerns. At the December 2018 Federal Open Market Committee meeting, the Fed raised benchmark interest rates by 0.25% to 2.25-2.5%. The Fed also maintained its upbeat view of the US economy albeit softening its growth expectations at 2.3% and 2.0% for 2019 and 2020 respectively, recognising potential external downside risks from trade policies and foreign economic developments.

As the US economic recovery matures, a strong jobs market coupled with a constrained office supply cycle has contributed to a healthy leasing environment. Within the US office market, the technology sector continues to be the key source of demand in 3Q 2018, accounting for nearly 27% of the top leases. The financial services sector took second place with 17%<sup>2</sup>.

Solid leasing momentum saw the US end 2018 with 55.3 million sf of net absorption and a national vacancy rate of 9.9%, with rent growth holding steady at 1.8%. Low capitalisation rates in gateway markets however, are increasingly pushing investors into higher-yielding secondary markets such as Seattle, which ranked sixth for rent growth due to the booming technology sector. Across the key submarkets that KORE operates in, office fundamentals continue to be generally favourable with positive rent growth. Annual office transaction volume in 2018 exceeded US\$120 billion for the fourth consecutive year and will likely continue to do so in 2019, according to CoStar.

## 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.

For example, in late 2017, the enactment of Section 267A of the United States Internal Revenue Code potentially affected the deductibility of certain interest expenses for taxable years beginning 31 December 2017. As a result, Keppel-KBS US REIT restructured certain subsidiaries (the "Barbados Restructuring") to comply specifically with the interpretations of Section 267A enacted then.

On 20 December 2018, the United States Department of the Treasury released proposed regulations under Section 267A (the "Proposed 267A Regulations"). Separately, on 20 November 2018, the Government of Barbados has announced that Barbados will converge its local and international tax rates. It was proposed that from 1 January 2019, domestic companies will pay the same tax rates as international companies, on a sliding scale of 5.5%, reducing to 1.0% as taxable income increases (the "Proposed Barbados Tax Rates").

<sup>1</sup> According to data released by the U.S. Bureau of Economic Analysis.

<sup>2</sup> According to an independent market review by Cushman & Wakefield.

The Proposed 267A Regulations together with the Barbados Tax Changes are not expected to necessitate any further changes to Keppel-KBS US REIT's structure (including Barbados entities set-up on 1 January 2018) in order to preserve the deductibility of interest paid on Keppel-KBS US REIT's intercompany financing arrangements. As such, the Manager currently expects that the Proposed 267A Regulations together with the Barbados Tax Changes will not have any material impact on the consolidated net tangible assets or distributions per unit of Keppel-KBS US REIT. Under the Proposed Barbados Tax Rates, the Manager expects the additional tax expense will not be more than 1% of the distributable income. The Manager will continue to review various tax planning alternatives to mitigate any future tax impact.

Keppel-KBS US REIT cautions that the Proposed 267A Regulations are still in proposed form. Final regulations under Section 267A, expected to be effective as of 1 January 2018, could differ materially from the Proposed 267A Regulations and could result in additional costs. The United States Department of the Treasury has stated that it expects final regulations under Section 267A to be promulgated by 22 June 2019. Further, additional guidance or negative application of relevant tax laws related to Section 267A could have a material impact on the consolidated net tangible assets or distributions per unit of Keppel-KBS US REIT.

The Manager will update unitholders of Keppel-KBS US REIT if there is any material impact on Keppel-KBS US REIT and/or its unitholders arising from the issuance of final regulations, additional guidance, or other application of tax laws in the tax jurisdictions that Keppel-KBS US REIT operates in.

### **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**

The Manager oversees an active asset management program that has been put in place to oversee leasing, capital projects and the operations at the properties, including managing expenses, monitoring rental payments from tenants and evaluating the Group's counter-parties on an ongoing basis. 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 them regularly.

## **12. DISTRIBUTIONS**

**(a) Current Financial Period reported on**

Any distribution recommended for the current financial period reported on?

Yes

|                      |  |
|----------------------|--|
| Name of Distribution | 2 <sup>nd</sup> Distribution for the period from 1 July 2018 to 31 December 2018   |
| Distribution Type    | a) Tax-exempt income distribution<br>b) Capital distribution   |
| Distribution Rate    | a) Tax-exempt income distribution – 1.74 US cents per unit<br>b) Capital distribution – 0.66 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. |

**(b) Corresponding Period of the Immediately Preceding Financial Year**

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

Not applicable.

**(c) Book closure date**

01 February 2019

**(d) Date payable**

26 March 2019

**13. DISTRIBUTION STATEMENT**

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

**14. SEGMENTAL INFORMATION**

Segment revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited financial statements, with comparative information for the immediately preceding year.

Not applicable. The Group operates within a single business segment and within a single geographical segment in the U.S.

**15. MATERIAL CHANGES IN CONTRIBUTION BY OPERATING SEGMENTS**

In the review of the performance, the factors leading to any material changes in contribution to turnover and earnings by the business or geographical segments.

Please refer to Paragraph 9 above for the review of actual performance.

## 16. BREAKDOWN OF REVENUE

|  | Actual<br>US\$'000 | Group<br>Forecast<br>US\$'000 | + / (-) % |
|--|--------------------|-------------------------------|-----------|
| <b>Listing Date to 30 June 2018</b>    |                    |                               |           |
| Gross revenue reported                 | 58,743             | 58,646                        | 0.2       |
| Net income reported <sup>(a)</sup>     | 29,190             | 21,633                        | 34.9      |
| <b>1 July 2018 to 31 December 2018</b> |                    |                               |           |
| Gross revenue reported                 | 47,174             | 46,256                        | 2.0       |
| Net income reported <sup>(b)</sup>     | 23,827             | 8,401                         | >100      |

### Notes:

- (a) Actual net income for the period from Listing Date to 30 June 2018 includes a derivative gain of US\$5.2 million which was not included in forecast.
- (b) Actual for the period from 1 July 2018 to 31 December 2018 includes a net fair value gain in investment properties of US\$11.1 million, net of tax, offset by a net derivative loss of US\$3.9 million as compared to a fair value loss in investment properties of US\$7.6 million and nil derivative loss for the forecast for the same period.

## 17. INTERESTED PERSON TRANSACTIONS

| Name of Interested Person                      | Aggregate value of all interested person transactions during the financial period under review (excluding transactions of less than S\$100,000)<br>Listing Date to 31 December 2018<br>US\$'000 |
|--|---|
| <u>KBS SOR Westpark Portfolio, LLC</u>         |   |
| - Acquisition of investment properties         | 169,359 <sup>(1)</sup>  |
| <u>Keppel-KBS US REIT Management Pte. Ltd.</u> |   |
| - Manager's management fees                    | 4,379   |
| - Acquisition fees                             | 1,695   |
| <u>Perpetual (Asia) Ltd</u>                    |   |
| - Trustee fees                                 | 154   |

Keppel-KBS US REIT has not obtained a general mandate from Unitholders for Interested Person Transactions for the financial period under review.

### Notes:

- (1) This is based on the agreed purchase price as set out in the Purchases and Sales Agreement.

## 18. BREAKDOWN OF ANNUAL TOTAL DISTRIBUTION

|   | <b>Group<br/>Listing Date to<br/>31 December 2018</b> |
|---|---|
| Listing Date to 30 June 2018 (paid)                         | 24,074  |
| 1 July 2018 to 31 December 2018 (to be paid) <sup>(1)</sup> | 19,722  |
|   | <hr/> <b>43,796</b> <hr/>                             |

### Notes:

(1) Please refer to Paragraph 12(a) for details of the distribution to be paid.

## 19. DISCLOSURE OF PERSON OCCUPYING A MANAGERIAL POSITION

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, we confirm that none of the persons occupying managerial positions in the Company or any of its principal subsidiaries is a relative of a director or chief executive officer or substantial shareholder of the Company.

## 20. CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL ITS DIRECTORS AND EXECUTIVE OFFICERS UNDER RULE 720(1)

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**  
**24 January 2019**