

**KEPPEL-KBS US REIT
FINANCIAL STATEMENTS ANNOUNCEMENT
UNAUDITED RESULTS FOR THE QUARTER ENDED 31 MARCH 2019****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 is a distinctive office REIT listed on the main board of the Singapore Exchange Securities Trading Limited (SGX-ST) on 9 November 2017 ("Listing Date"). Keppel-KBS US REIT's investment strategy is to principally invest in a diversified portfolio of income-producing commercial assets and real estate-related assets in key growth markets of the United States (US) with favourable economic and office fundamentals that are above the national average, so as to provide sustainable distributions and strong total returns to Unitholders.

As at 31 March 2019, the portfolio of Keppel-KBS US REIT comprise 13 office properties in the United States, consisting of the initial IPO portfolio of 11 office properties, The Westpark Portfolio and Maitland Promenade I, with an aggregate NLA of 4,258,367 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

Northridge Center I & II

Maitland Promenade II

Maitland Promenade I

(acquisition completed on 16 January 2019)

On 16 January 2019, Keppel-KBS US REIT completed the acquisition of Maitland Promenade I in Orlando, Florida, from a third-party seller with a purchase consideration of US\$48.5 million.

**SUMMARY OF KEPPEL-KBS US REIT RESULTS
FOR THE QUARTER ENDED 31 MARCH 2019**

	Group					
	Actual 1Q 2019	Forecast ⁽¹⁾ 1Q 2019	+/(-)	Actual 1Q 2019	Actual 1Q 2018	+/(-)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Gross Revenue ⁽²⁾	29,444	24,100	22.2	29,444	23,710	24.2
Property Expenses	(11,256)	(10,039)	12.1	(11,256)	(9,011)	24.9
Net Property Income ⁽²⁾	18,188	14,061	29.4	18,188	14,699	23.7
Net Income for the period ⁽³⁾	6,918	8,100	(14.6)	6,918	13,479	(48.7)
Income available for distribution to Unitholders ⁽⁴⁾	12,354	10,054	22.9	12,354	9,454	30.7
Available distribution per Unit (DPU) (US cents) ⁽⁵⁾	1.50	1.58	(5.1)	1.50	1.50	-
Annualised available for distribution yield (%) ⁽⁶⁾	8.7%	7.3%	140 bps	8.7%	6.9%	180 bps
DPU (US cents) restated for Rights Issue ⁽⁷⁾	1.50	1.47 ⁽⁷⁾	2.0	1.50	1.40 ⁽⁷⁾	7.1
<i>For information only</i> Adjusted DPU (US cents) ⁽⁸⁾	1.50	1.22 ⁽⁸⁾	23.0	1.50	1.15 ⁽⁸⁾	30.4

Notes:

- (1) Forecast for 1Q 2019 was derived from one quarter of the Projection Year 2019 as disclosed in the Prospectus.
- (2) Gross revenue and net property income for 1Q 2019 were higher than the Forecast and year-on-year mainly from contributions by The Westpark Portfolio and Maitland Promenade I following their acquisitions on 30 November 2018 and 16 January 2019 respectively. For more details, please refer to Paragraph 8 – Review of Performance and Paragraph 9 – Variance from Forecast Statement.
- (3) Despite higher net property income, net income for 1Q 2019 was lower than Forecast and 1Q 2018 largely from fair value losses in derivatives (interest rate swaps). Fair value loss in derivatives was US\$3.8 million for 1Q 2019 as compared to nil assumed in Forecast and a net fair value gain of US\$3.8 million for 1Q 2018. Excluding the impact from the fair value changes in derivatives, net profit for 1Q 2019 would have been higher than Forecast and 1Q 2018 by US\$2.6 million and US\$1.0 million respectively.
- (4) The income available for distribution to Unitholders is based on 100% of the taxable income available for distribution to Unitholders. Keppel-KBS US REIT will be declaring distributions on a half-yearly basis. No distribution has been declared for 1Q 2019.
- (5) Actual DPU of 1.50 US cents for 1Q 2019 was lower than the Forecast and 1Q 2018 mainly from the Rights Issue completed on 26 November 2018, resulting in the enlarged number of units of 823,489,620 units as at 31 March 2019 (31 March 2018: 628,565,000 units), and partially offset by higher income available for distribution from the acquisitions of The Westpark Portfolio and Maitland Promenade I.
- (6) The annualised available for distribution yield is on a basis of 90 days and pro-rated to 365 days. Actual 1Q 2019 annualised distribution yield is based on market closing price of US\$0.70 per Unit as at last trading day of 1Q 2019. Forecast 1Q 2019 and Actual 1Q 2018 annualised distribution yields are based on the listing price and 1Q 2018 market closing price of US\$0.88 per Unit respectively.
- (7) Forecast DPU for 1Q 2019 and Actual DPU for 1Q 2018 were restated for the effects of the 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”.

- (8) Adjusted DPU for Forecast 1Q 2019 and Actual 1Q 2018 was calculated based on the actual number of units as at 31 March 2019 of 823,489,620 for comparison purpose.

The increase in adjusted DPU relates mainly to the contributions from the acquisitions of The Westpark Portfolio and Maitland Promenade I.

- (9) For purpose of comparing the IPO Portfolio's actual financial figures against its Forecasted figures for Forecast 1Q 2019 and Actual 1Q 2018.

	IPO Portfolio					
	Actual ^(a) 1Q 2019	Forecast 1Q 2019	+ / (-)	Actual ^(a) 1Q 2019	Actual 1Q 2018	+ / (-)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Gross Revenue	23,800	24,100	(1.2)	23,800	23,710	0.4
Net Property Income	14,198	14,061	1.0	14,198	14,699	(3.4)
Income available for distribution to Unitholders	10,065	10,054	0.1	10,065	9,454	6.5
DPU (US cents)	1.22	1.58	(22.8)	1.22	1.50	(18.7)
<u>For information only</u> Adjusted DPU (US Cents)	1.22	1.22 ^(b)	-	1.22	1.15 ^(b)	6.1

(a) Actual 1Q 2019 figures excluding the contributions from both The Westpark Portfolio and Maitland Promenade I which were acquired on 26 November 2018 and 16 January 2019 respectively.

(b) To illustrate the performance of the IPO Portfolio on a like-for-like basis, adjusted DPU for Forecast 1Q 2019 and Actual 1Q 2018 was calculated using the enlarged unit base as at 31 March 2019 of 823,489,620.

1 UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2019

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 quarter ended 31 March 2019:

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

Performance between Actual and Forecast results ⁽ⁱ⁾

	Note	Actual 1Q 2019 US\$'000	Forecast 1Q 2019 US\$'000	+/(-)%
<u>Consolidated Statement of Comprehensive Income</u>				
Rental income		21,957	17,601	24.7
Recoveries income		6,455	5,496	17.4
Other operating income		1,032	1,003	2.9
Gross Revenue		29,444	24,100	22.2
Utilities		(1,798)	(1,883)	(4.5)
Repairs and maintenance		(1,255)	(1,073)	17.0
Property management fees		(1,391)	(1,285)	8.2
Property taxes		(3,299)	(2,790)	18.2
Other property expenses		(3,513)	(3,008)	16.8
Property expenses		(11,256)	(10,039)	12.1
Net Property Income		18,188	14,061	29.4
Finance income		13	-	NM
Finance expenses	1	(3,897)	(2,726)	43.0
Manager's base fee		(1,235)	(1,030)	19.9
Trustee's fee		(29)	(42)	(31.0)
Fair value change in derivatives		(3,819)	-	NM
Other trust expenses		(554)	(681)	(18.6)
Net income for the period before tax		8,667	9,582	(9.5)
Tax expense		(1,749)	(1,482)	18.0
Net income for the period		6,918	8,100	(14.6)
<u>Distribution Statement</u>				
Net income for the period		6,918	8,100	(14.6)
Distribution adjustments	2	5,436	1,954	>100
Income available for distribution to Unitholders ⁽ⁱⁱ⁾		12,354	10,054	22.9
DPU (US cents) ⁽ⁱⁱ⁾		1.50	1.58	(5.1)
DPU (US cents) restated for Rights Issue		1.50	1.47	2.0

NM – Not meaningful

Notes:

- (i) Details of Manager's base fee, fair value change in derivatives, other trust expenses and tax expense can be found in **1 (A)(i)(ii) Consolidated Statement of Comprehensive Income and Distribution Statement – Performance between Actual 2019 and 2018 results**. For review of performance against the Forecast, it can be found in **Paragraph 9 – Variance from Forecast**.
- (ii) The income available for distribution and DPU to Unitholders is based on 100% of the taxable income available for distribution to Unitholders. Keppel-KBS US REIT declares distribution on a half-yearly basis. No distribution has been declared for the period under review.
- (1) Finance expenses comprise the following:

	Actual 1Q 2019 US\$'000	Forecast 1Q 2019 US\$'000	+/(-)%
Interest expense on borrowings	3,649	2,522	44.7
Amortisation of upfront debt-related transaction costs ^(a)	208	145	43.4
Dividends on preferred units	10	50	(80.0)
Commitment fees	30	9	>100
	<hr/> 3,897	<hr/> 2,726	<hr/> 43.0

- a) Upfront debt-related transaction costs are amortised over the life of the borrowings.

The higher interest expense on borrowings was largely due to US\$1.2 million of interest expense incurred from additional loans taken up to finance the acquisitions of The Westpark Portfolio and Maitland Promenade I.

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

	Actual 1Q 2019 US\$'000	Forecast 1Q 2019 US\$'000	+/(-)%
Property related non-cash items ^(a)	(1,208)	(390)	>100
Manager's base fee paid/payable in units	1,235	773	59.8
Trustee's fee	29	42	(31.0)
Amortisation of upfront debt-related transaction costs ^(b)	208	145	43.4
Net deferred tax expense	1,545	1,384	11.6
Fair value change in derivatives	3,819	-	NM
Others ^(c)	(192)	-	NM
Net distribution adjustments	<hr/> 5,436	<hr/> 1,954	<hr/> >100

- 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.

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

Statement of total return and distribution statement, together with a comparative statement for the corresponding period of the immediately preceding financial year

Performance between Actual 2019 and 2018 results

	Note	Actual 1Q 2019 US\$'000	Actual 1Q 2018 US\$'000	+/(-)%
<u>Consolidated Statement of Comprehensive Income</u>				
Rental income		21,957	18,322	19.8
Recoveries income		6,455	4,478	44.1
Other operating income		1,032	910	13.4
Gross Revenue		29,444	23,710	24.2
Utilities		(1,798)	(1,674)	7.4
Repairs and maintenance		(1,255)	(1,033)	21.5
Property management fees		(1,391)	(1,071)	29.9
Property taxes		(3,299)	(2,823)	16.9
Other property expenses		(3,513)	(2,410)	45.8
Property expenses		(11,256)	(9,011)	24.9
Net Property Income		18,188	14,699	23.7
Finance income		13	12	8.3
Finance expenses	1	(3,897)	(2,460)	58.4
Manager's base fee	2	(1,235)	(945)	30.7
Trustee's fee		(29)	(33)	(12.1)
Fair value change in derivatives	3	(3,819)	3,810	NM
Other trust expenses	4	(554)	(670)	(17.3)
Net income for the period before tax		8,667	14,413	(39.9)
Tax expense	5	(1,749)	(934)	87.3
Net income for the period		6,918	13,479	(48.7)
<u>Distribution Statement</u>				
Net income for the period		6,918	13,479	(48.7)
Distribution adjustments	6	5,436	(4,025)	NM
Income available for distribution to Unitholders	7	12,354	9,454	30.7
DPU (US cents)	7	1.50	1.50	-
DPU (US cents) restated for Rights Issue	7	1.50	1.40	7.1

NM – Not meaningful

Notes:

- (1) Finance expenses comprise the following:

	Actual 1Q 2019 US\$'000	Actual 1Q 2018 US\$'000	+/(-)%
Interest expense on borrowings	3,649	2,278	60.2
Amortisation of upfront debt-related transaction costs ^(a)	208	152	36.8
Dividends on preferred units	10	10	-
Commitment fees	30	20	50.0
	<u>3,897</u>	<u>2,460</u>	<u>58.4</u>

- a) Upfront debt-related transaction costs are amortised over the life of the borrowings.

The increase in interest expense was largely due to US\$1.2 million of interest expense incurred from additional loans taken up to finance the acquisitions of The Westpark Portfolio and Maitland Promenade I.

- (2) The Manager has elected to receive 100% of its base fee in the form of units for 1Q 2019.
- (3) This relates to fair value (losses) / gains on the floating to fixed interest rate swaps entered into by the Group for hedging purpose due to movement in interest rates for the respective periods.
- (4) Other trust expenses comprise audit, tax compliance and other corporate expenses.
- (5) Tax expense comprise withholding, current and net deferred tax expenses. Current tax expense comprises 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.

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

	Actual 1Q2019 US\$'000	Actual 1Q2018 US\$'000	+/(-)%
Property related non-cash items ^(a)	(1,208)	(847)	42.6
Manager's base fee paid/payable in units	1,235	945	30.7
Trustee's fee	29	33	(12.1)
Amortisation of upfront debt-related transaction costs ^(b)	208	152	36.8
Net deferred tax expense	1,545	824	87.5
Fair value change in derivatives	3,819	(3,810)	NM
Others ^(c)	(192)	(1,322)	(85.5)
Net distribution adjustments	<u>5,436</u>	<u>(4,025)</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.

- (7) 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.

1 (B)(i) STATEMENTS OF FINANCIAL POSITION

	Note	Group		Trust	
		Actual 31-Mar-2019 US\$'000	Actual 31-Dec-2018 US\$'000	Actual 31-Mar-2019 US\$'000	Actual 31-Dec-2018 US\$'000
Current assets					
Cash and cash equivalents		30,872	40,612	8,759	3,698
Trade and other receivables		4,287	3,069	4,777	32,857
Deposit		-	2,500	-	-
Prepaid expenses		1,566	644	55	136
Total current assets		36,725	46,825	13,591	36,691
Non-current assets					
Derivative asset	1	1,264	3,537	1,264	3,537
Investment properties	2	1,075,048	1,016,750	-	-
Investment in subsidiaries		-	-	1,021,758	971,797
Total non-current assets		1,076,312	1,020,287	1,023,022	975,334
Total Assets		1,113,037	1,067,112	1,036,613	1,012,025
Current liabilities					
Trade and other payables		19,369	16,382	6,226	5,331
Loans and borrowings		5,000	5,000	5,000	5,000
Rental security deposits		1,047	893	-	-
Rent received in advance		5,472	4,926	-	-
Total current liabilities		30,888	27,201	11,226	10,331
Non-current liabilities					
Loans and borrowings		416,590	366,632	416,590	366,632
Rental security deposits		5,004	4,247	-	-
Derivative liability	1	2,766	1,220	2,766	1,220
Preferred units		125	125	-	-
Deferred tax liabilities		11,256	9,711	-	-
Total non-current liabilities		435,741	381,935	419,356	367,852
Total liabilities		466,629	409,136	430,582	378,183
Net assets		646,408	657,976	606,031	633,842
Represented by:					
Unitholders' funds		646,408	657,976	606,031	633,842
Net asset value per Unit (US\$)		0.78	0.80	0.73	0.77

Notes:

- (1) This relates to fair value of the interest rate swaps entered into by the Group for hedging purpose.
- (2) Investment properties (except Maitland Promenade I) are stated at fair value, which has been determined based on valuations performed by Cushman and Wakefield, an independent valuer, as at 31 December 2018 and after capitalisation of capital expenditures, tenant improvements, leasing costs and straight-line rent recognised during 1Q 2019. Maitland Promenade I was acquired on 16 January 2019 and is stated based on purchase consideration, and capitalisation of acquisition costs, capital expenditures, tenant improvements, leasing costs and straight-line rent recognised since acquisition.

All the investment properties held are freehold.

Investment Properties	Carrying value US\$'000
The Plaza Buildings	256,319
Bellevue Technology Center	136,691
The Westpark Portfolio	179,263
Iron Point	37,246
Westmoor Center	127,099
Great Hills Plaza	37,333
Westech 360	46,860
1800 West Loop South	77,307
West Loop I & II	42,819
Powers Ferry Landing East	19,786
Northridge Center I & II	20,940
Maitland Promenade II	44,059
Maitland Promenade I	49,326
	1,075,048

Investment Properties	Carrying value US\$'000
As at 1 January 2019	1,016,750
Acquisition of Maitland Promenade I (including acquisition costs)	49,181
Capital expenditure and straight-line rent capitalised	9,117
As at 31 March 2019	1,075,048

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

	Group and Trust	
	As at 31 March 2019 US\$'000	As at 31 December 2018 US\$'000
<u>Unsecured loans and borrowings</u>		
Amount repayable within one year	5,000	5,000
Amount repayable after one year	419,440	369,440
Less: Unamortised upfront debt-related transaction costs	(2,850)	(2,808)
Total unsecured loans and borrowings	421,590	371,632

Notes:

As at 31 March 2019, the Group had gross borrowings comprising (i) non-current term loans of US\$419.4 million for acquisitions of the IPO Portfolio, The Westpark Portfolio and Maitland Promenade I (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 further unutilised facilities of US\$70.0 million to meet its future obligations. 76.8% 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 3.76%. Aggregate leverage, as defined in the Property Funds Appendix, is 38.1%.

1 (C) CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Group	
		Actual 1Q 2019	Actual 1Q 2018
		US\$'000	US\$'000
Operating activities			
Net income before tax		8,667	14,413
Adjustments for:			
Property related non-cash items		(1,208)	(847)
Manager's fee paid/payable in Units		1,235	945
Interest income		(13)	-
Finance expenses		3,897	2,460
Fair value change in derivatives		3,819	(3,810)
		16,397	13,161
Changes in working capital			
Trade and other receivables		(2,053)	(1,359)
Trade and other payables		2,633	(5,384)
Rental security deposits		579	(18)
Rent received in advance		247	758
Net cash generated from operations		17,803	7,158
Cash flows from investing activities			
Acquisition of investment properties and related assets and liabilities	1	(45,129)	-
Additions to investment properties		(7,909)	(5,805)
Interest received		13	-
Net cash used in investing activities		(53,025)	(5,805)
Cash flows from financing activities			
Repayment of loan	2	(5,000)	-
Proceeds from new loans		55,000	-
Payment of debt related transaction costs		(250)	-
Financing expense paid on loans and borrowings		(4,537)	(2,278)
Financing expense paid on preferred shares		(10)	(67)
Distribution to Unitholders		(19,721)	-
Net cash generated from/ (used in) financing activities		25,482	(2,345)
Net decrease in cash and cash equivalents		(9,740)	(992)
Cash and cash equivalents at beginning of the period		40,612	44,689
Cash and cash equivalents at end of the period		30,872	43,697

Notes:

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

	Group 1Q 2019 US\$'000
<u>Acquisition of Maitland Promenade I</u>	
Investment property (includes acquisition costs)	49,181
Prepaid expenses and other receivables	87
Accrued expenses and other payables	(1,008)
Rental security deposits	(332)
Rent received in advance	(299)
Less: deposit previously paid	(2,500)
Net assets acquired	<u>45,129</u>

- (2) The use of proceeds from the 26 November 2018 Rights Issue is in accordance to its stated use with no material change since last disclosed in the financial statements and distribution announcement of the unaudited financial results for the period from 9 November 2017 to 31 December 2018 on 24 January 2019.

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

Group	Units in issue and to be issued US\$'000	Retained earnings US\$'000	Total US\$'000
At 1 January 2019	623,739	34,237	657,976
Operations			
Net income for the period	-	6,918	6,918
Unitholders' transactions			
Management fees paid/payable in units	1,235	-	1,235
Distribution to Unitholders	(5,423)	(14,298)	(19,721)
Net decrease in net assets resulting from Unitholders' transactions	(4,188)	(14,298)	(18,486)
At 31 March 2019	619,551	26,857	646,408

Group	Units in issue and to be issued US\$'000	Retained earnings US\$'000	Total US\$'000
At 1 January 2018	533,142	5,662	538,804
Operations			
Net income for the period	-	13,479	13,479
At 31 March 2018	533,142	19,141	552,283

Trust**At 1 January 2019****Operations**

Net income for the period

Unitholders' transactions

Management fees paid/payable in units

Distribution to Unitholders

Net decrease in net assets resulting from Unitholders' transactions**At 31 March 2019**

Units in issue and to be issued US\$'000	Retained earnings/ Accumulated losses US\$'000	Total US\$'000
623,739	10,103	633,842
-	(9,325)	(9,325)
1,235	-	1,235
(5,423)	(14,298)	(19,721)
(4,188)	(14,298)	(18,486)
619,551	(13,520)	606,031

Trust**At 1 January 2018****Operations**

Net income for the period

At 31 March 2018

Units in issue and to be issued US\$'000	Retained earnings/ Accumulated losses US\$'000	Total US\$'000
533,142	(1,083)	532,059
-	143	143
533,142	(940)	532,202

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

Units in Issue:	Group and Trust	
	2019 Units	2018 Units
At 1 January	821,731,379	628,565,000
New Units issued:		
- issue of Management base fees in units	1,758,241	-
Total issued Units as at 31 March	823,489,620	628,565,000
New Units to be issued:		
- Management base fees in units to be issued ⁽¹⁾	1,777,315	1,655,767
Total Units issued and to be issued as at 31 March	825,266,935	630,220,767

(1) 1,777,315 units to be issued as payment of management fees in units for 1Q 2019 based on the volume weighted average price for the last 10 business days up till 31 March 2019.

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

Keppel-KBS US REIT does not hold any treasury units as at 31 March 2019 and 31 December 2018.

	As at 31 March 2019	As at 31 December 2018
Total number of issued units	823,489,620	821,731,379

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

Except as disclosed in paragraph 5, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial year compared with those of the audited financial statements as at 31 December 2018.

5. CHANGES IN ACCOUNTING POLICIES

The Group adopted the revised IFRS and interpretations that are effective for application for annual financial periods beginning on or after 1 January 2018 and 1 January 2019. The adoption of these revised IFRS and interpretations did not result in material changes to the Group's accounting policies and has no material effect on the amounts reported for the current financial period.

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

	Actual 1Q 2019	Actual 1Q 2018
EPU		
Weighted average number of Units ⁽¹⁾	822,923,288	628,565,000
Net income for the period (US\$'000)	6,918	13,479
Basic and diluted EPU (US cents)	0.84	2.14
Basic and diluted EPU (US cents) restated for Rights Issue ⁽²⁾	0.84	1.99
DPU		
Number of Units in issue at end of period	823,489,620	628,565,000
Income available for distribution to Unitholders (US\$'000)	12,354	9,454
DPU (US cents) ⁽³⁾	1.50	1.50
DPU (US cents) restated for Rights Issue ⁽²⁾	1.50	1.40

Notes:

- (1) The weighted average number of units was based on the number of units in issue and issuable during the period.
- (2) EPU and DPU for 1Q 2018 were restated for the effects of the 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".
- (3) 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

	Group		Trust	
	As at 31 March 2019	As at 31 December 2018	As at 31 March 2019	As at 31 December 2018
Number of Units in issue and to be issued	825,266,935	823,489,620	825,266,935	823,489,620
Net assets (US\$'000)	646,408	657,976	606,031	633,842
NAV and NTA per Unit ⁽¹⁾ (US\$)	0.78	0.80	0.73	0.77

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

Review of performance for 1Q 2019 vs 1Q 2018

Overall, income available for distribution to Unitholders of US\$12.4 million for 1Q 2019 was higher than 1Q 2018 by 30.7%.

Gross revenue of US\$29.4 million for 1Q 2019 was higher than 1Q 2018 by 24.2%. The gross revenue increase was largely due to the contributions from the acquisitions of The Westpark Portfolio in November 2018 and the newly acquired Maitland Promenade I, and partially offset by the absence of US\$1.0 million of compensation income recognised in 1Q 2018.

Property expenses of US\$11.3 million for 1Q 2019 were higher than 1Q 2018 by US\$2.2 million or 24.9% mainly due to the enlarged portfolio and higher other property expenses such as higher amortisation of lease commissions and additional expenses incurred for snow removal.

As a result, net property income of US\$18.2 million for 1Q 2019 was higher than 1Q 2018 by US\$3.5 million or 23.7%.

Finance expenses of US\$3.9 million for 1Q 2019 were 58.4% or US\$1.4 million higher than 1Q 2018. The increase in interest expense was largely due to US\$1.2 million of interest expense incurred from additional loans taken up to partially finance the acquisitions of The Westpark Portfolio and Maitland Promenade I.

Fair value loss in derivatives amounted to US\$3.8 million in 1Q 2019 as compared to a gain of US\$3.8 million in 1Q 2018 due to movement in interest rates on the fair value of interest rate swaps for the respective periods.

Consequently, 1Q 2019 net income before tax of US\$8.7 million was below 1Q 2018 by 39.9%.

Tax expense of US\$1.7 million, mainly relating to deferred tax expenses, was higher than 1Q 2018 due to higher deferred taxes recognised from tax depreciation of the investment properties.

Due to the net effects of the above, net income for 1Q 2019 of US\$6.9 million was lower than 1Q 2018 by 48.7%.

9. VARIANCE FROM FORECAST STATEMENT

Review of performance for Actual vs Forecast for 1Q 2019

Overall, income available for distribution to Unitholders of US\$12.4 million for 1Q 2019 was higher than Forecast by 22.9%.

Gross revenue of US\$29.4 million for 1Q 2019 was higher than Forecast by 22.2%. The gross revenue increase was largely due to the contributions from the acquisitions of The Westpark Portfolio in November 2018 and the newly acquired Maitland Promenade I.

Property expenses of US\$11.3 million for 1Q 2019 were higher than Forecast by 12.1% mainly due to the enlarged portfolio.

As a result, net property income of US\$18.2 million for 1Q 2019 was higher than Forecast by US\$4.1 million or 29.4%.

Finance expenses of US\$3.9 million for 1Q 2019 were US\$1.2 million or 43.0% higher than Forecast. The increase in interest expense was largely due to the interest expense incurred from additional loans taken up to finance the acquisitions of The Westpark Portfolio and Maitland Promenade I.

Fair value loss in derivatives amounted to US\$3.8 million in 1Q 2019 due to movement in interest rates on the fair value of interest rate swaps which was not included in Forecast.

Consequently, 1Q 2019 net income before tax of US\$8.7 million was below Forecast by 9.5%.

Tax expense of US\$1.7 million, mainly relating to deferred tax expenses, was higher than Forecast due to higher deferred taxes recognised from tax depreciation of the enlarged portfolio of investment properties, partially offset by a lower actual US corporate tax rate of 21% against the 25% assumed in Forecast. There was also higher current tax expense from tax provision for the Barbados entities.

Due to the net effects of the above, net income for 1Q 2019 of US\$6.9 million was below Forecast by 14.6%.

10. PROSPECTS

Latest figures from the Bureau of Economic Analysis showed the US economy grew 2.9% in 2018. The US labour market continued to show solid strength with the unemployment rate holding steady at 3.8% in March 2019, with significant demand coming from the health care, professional services and technical services sectors. The Department of Labor also reported unemployment benefits fell to the lowest in 49 years. The Bureau of Labor Statistics reported average hourly earnings increased 3.2% year-on-year (y-o-y), above the 1.9% y-o-y increase in the consumer price index in March 2019.

In its latest announcement, the Federal Reserve indicated there would likely be no more rate hikes in 2019, deciding to hold its benchmark rate steady in a range of 2.25% to 2.5%. The combination of low unemployment, rising wages and low inflation, in addition to the Federal Reserve's more dovish stance and lower 10-year

Treasury yields, points to a favourable operating environment for REITS. This is further evidenced by the single digit US office vacancies recorded for the first time since the early 2000s¹.

The US office market continued to register positive rent growth in 2018. According to CoStar, Seattle, Sacramento, Austin, Atlanta and Denver, markets which represent 70% of KORE's portfolio Cash Rental Income, were amongst those with the highest growth. In its Office National Report, CoStar also expects traditional CBD locations to continue to come under pressure from these submarkets.

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").

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.

¹ CoStar Office National Report 4 April 2019

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?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Not applicable.

(c) Book closure date

Not applicable.

(d) Date payable

Not applicable.

13. DISTRIBUTION STATEMENT

No distribution has been declared / recommended.

14. 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)	
	Actual 1Q 2019 US\$'000	Actual 1Q 2018 US\$'000
<u>Keppel-KBS US REIT Management Pte. Ltd.</u>		
- Manager's management fees	1,235	945
- Acquisition fees	487	-
<u>Perpetual (Asia) Ltd</u>		
- Trustee fees	29	33

Keppel-KBS US REIT has not obtained a general mandate from Unitholders for Interested Person Transactions for the financial 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
16 April 2019

CONFIRMATION BY THE BOARD

We, PETER MCMILLAN and PAUL THAM, being two Directors of Keppel-KBS US REIT Management Pte. Ltd. (the "Company"), as Manager of Keppel-KBS US REIT, do hereby confirm on behalf of the Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial statements of Keppel-KBS US REIT for the financial period from 1 January 2019 to 31 March 2019 to be false or misleading in any material respect.

On behalf of the Board,



Peter McMillan
Director



Paul Tham
Director

16 April 2019