

KEPPEL REIT
FIRST QUARTER 2018 FINANCIAL STATEMENTS ANNOUNCEMENT
UNAUDITED RESULTS FOR THE QUARTER ENDED 31 MARCH 2018

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INTRODUCTION

Keppel REIT was listed by way of an introduction on 28 April 2006. Keppel REIT is one of Asia's leading REITs with the youngest and largest portfolio of premium Grade A commercial assets in Singapore's prime business and financial districts.

Keppel REIT's objective is to generate stable income and long-term growth for Unitholders by owning and investing in a portfolio of quality income-producing commercial real estate and real estate-related assets in Singapore and pan-Asia.

As at 31 March 2018, Keppel REIT had assets under management of approximately \$8.5 billion¹ comprising interests in nine premium office assets (completed and under development) strategically located in the central business districts of Singapore, as well as key Australian cities of Sydney, Melbourne, Brisbane and Perth.

In Singapore, the assets are Ocean Financial Centre (99.9% interest), Marina Bay Financial Centre (office Towers 1, 2 and 3 and the subterranean mall, Marina Bay Link Mall) (one-third interest), One Raffles Quay (one-third interest) and Bugis Junction Towers (100% interest).

In Australia, the assets are 8 Chifley Square (50% interest) in Sydney, 8 Exhibition Street in Melbourne (50% interest in the office building and 100% interest in another three retail units), 275 George Street in Brisbane (50% interest), as well as the David Malcolm Justice Centre in Perth (50% interest). Keppel REIT also has a 50% stake in a premium office tower which is under construction at 311 Spencer Street in Melbourne.

Keppel REIT is sponsored by Keppel Land Limited, one of Asia's leading property companies. It is managed by Keppel REIT Management Limited, a wholly-owned subsidiary of Keppel Capital Holdings Pte. Ltd. (Keppel Capital). Keppel Capital is a premier asset manager in Asia with a diversified portfolio in real estate, infrastructure and data centre properties in key global markets.

SUMMARY OF KEPPEL REIT RESULTS FOR THE QUARTER ENDED 31 MARCH 2018

	GROUP	
	1Q2018 \$'000	1Q2017 \$'000
Property income	39,734	39,856
Net property income	31,220	31,394
Share of results of associates	20,612	23,145
Share of results of joint ventures	7,839	8,316
Income available for distribution	48,232	48,121
Distribution to Unitholders ²	48,232	48,121
Distribution per Unit ("DPU") (cents) for the period	1.42	1.45
Annualised/Actual distribution yield (%)	4.7% ³	4.5% ⁴

Notes:

- (1) Includes 311 Spencer Street in Melbourne, which is under construction.
- (2) Keppel REIT has been distributing 100% of its taxable income available for distribution to Unitholders.
- (3) Based on the market closing price per Unit of \$1.21 as at 31 March 2018.
- (4) Based on the total DPU of 5.70 cents for FY2017 and the market closing price per Unit of \$1.26 as at 31 December 2017.

1. UNAUDITED RESULTS FOR THE QUARTER ENDED 31 MARCH 2018

The Directors of Keppel REIT Management Limited, as manager of Keppel REIT, announce the following unaudited results of Keppel REIT for the quarter ended 31 March 2018:

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

Statement of Total Return

		Group		
		1Q2018	1Q2017	+/(−)
	Note	\$'000	\$'000	%
Gross rent		38,128	37,965	0.4
Car park income		917	922	(0.5)
Other income		689	969	(28.9)
Property income		39,734	39,856	(0.3)
Property tax		(2,835)	(2,888)	(1.8)
Other property expenses	1	(4,508)	(4,445)	1.4
Property management fee		(1,016)	(974)	4.3
Maintenance and sinking fund contributions		(155)	(155)	-
Property expenses		(8,514)	(8,462)	0.6
Net property income		31,220	31,394	(0.6)
Rental support	2	2,154	3,541	(39.2)
Interest income	3	5,759	6,081	(5.3)
Share of results of associates	4	20,612	23,145	(10.9)
Share of results of joint ventures	5	7,839	8,316	(5.7)
Amortisation expense	6	(2,041)	(3,219)	(36.6)
Borrowing costs	7	(16,752)	(15,754)	6.3
Manager's management fees	8	(12,663)	(12,547)	0.9
Trust expenses		(594)	(1,902)	(68.8)
Net foreign exchange differences		786	(193)	NM
Net change in fair value of derivatives		748	3,173	(76.4)
Total return before tax		37,068	42,035	(11.8)
Income tax expense	9	(1,435)	(2,069)	(30.6)
Total return after tax		35,633	39,966	(10.8)
Attributable to:				
Unitholders		33,773	38,106	(11.4)
Perpetual securities holders	10	1,841	1,841	-
Non-controlling interest		19	19	-
		35,633	39,966	(10.8)

Distribution Statement

Total return for the period attributable to Unitholders		33,773	38,106	(11.4)
Net tax and other adjustments	11	14,459	10,015	44.4
Income available for distribution		48,232	48,121	0.2
Distribution to Unitholders	12	48,232	48,121	0.2
Distribution per Unit (cents) for the period		1.42	1.45	(2.1)
Annualised/Actual Distribution per Unit ¹ (cents)		5.68	5.70	(0.4)

(1) Actual Distribution per Unit was based on 1.45 cents, 1.42 cents, 1.40 cents and 1.43 cents reported in 1Q2017, 2Q2017, 3Q2017 and 4Q2017 respectively.

NM – Not meaningful

Notes:

- (1) Included in other property expenses are the following:

	<u>Group</u>	
	1Q2018	1Q2017
	\$'000	\$'000
Marketing expenses	316	249
Utilities	852	822
Repair and maintenance	2,531	2,461
Property management reimbursements	500	509
Others	309	404
	4,508	4,445

- (2) This relates to the rental support top-up payments received by Keppel REIT for the one-third interest in Central Boulevard Development Pte. Ltd. ("CBDPL") which holds Marina Bay Financial Centre ("MBFC") Tower 3. In the prior period, this also included the rental support top-up payments received by Keppel REIT for the approximate 12.4% interest in Ocean Properties LLP ("OPLLP") which holds Ocean Financial Centre ("OFC"). The rental support drawn down for MBFC Tower 3 for the current period is \$2,154,000 (1Q17: \$966,000 and \$2,575,000 for OFC and MBFC Tower 3 respectively).

- (3) Interest income comprises the following:

	<u>Group</u>	
	1Q2018	1Q2017
	\$'000	\$'000
Interest income from fixed deposits and current accounts	519	1,057
Interest income from advances to One Raffles Quay Pte Ltd ("ORQPL") and BFC Development LLP ("BFCDLLP")	5,240	5,024
	5,759	6,081

- (4) Share of results of associates relates to Keppel REIT's one-third interests in (i) ORQPL's and CBDPL's respective net profit after tax before net change in fair value of investment properties, and (ii) BFCDLLP's partnership profit before net change in fair value of investment property.
- (5) Share of results of joint ventures relates to Keppel REIT's 50% interests in Mirvac 8 Chifley Trust's ("M8CT") and Mirvac (Old Treasury) Trust's ("MOTT") respective net profit after tax before net change in fair value of investment properties.
- (6) Amortisation expense represents the amortisation of intangible asset as explained in note 4 of paragraph 1(b)(i) (page 7).
- (7) Borrowing costs comprise the following:

	<u>Group</u>	
	1Q2018	1Q2017
	\$'000	\$'000
Interest expense on term loans	12,411	13,481
Interest expense on revolving loans	3,822	1,787
Amortisation of capitalised transaction costs	519	486
	16,752	15,754

- (8) The Manager has elected to receive 100% of its management fees earned in respect of all the properties in units of Keppel REIT.

(9) Income tax expense comprises (i) tax of 17% on the rental support top-up payments received by Keppel REIT for its one-third interest in CBDPL, net of deductible interest expense, and (ii) withholding tax expense in relation to the income from the Group's investments in Australia. In the prior period, this also included tax of 17% on the rental support top-up payments received by Keppel REIT for its approximate 12.4% interest in OPLLP, net of deductible interest expense.

(10) Please refer to note 9 of paragraph 1(b)(i) (page 7).

(11) Included in the net tax and other adjustments are the following:

	<u>Group</u>	
	1Q2018	1Q2017
	\$'000	\$'000
Management fees paid and/or payable in units	12,663	12,547
Trustee's fees	316	309
Amortisation of intangible asset and capitalised transaction costs	2,560	3,705
Temporary differences and other adjustments	(1,080)	(6,546)
	<u>14,459</u>	<u>10,015</u>

Included in temporary differences and other adjustments for the current and prior periods are share of results of associates and joint ventures, dividend and distribution income, effects of recognising rental income on a straight line basis over the lease terms, non-taxable income and non-deductible expenses.

(12) Keppel REIT has been distributing 100% of its taxable income available for distribution to Unitholders.

1(a)(ii) Statement of comprehensive income together with a comparative statement for the corresponding period of the immediately preceding financial year

Statement of Comprehensive Income

	<u>Group</u>		
	1Q2018	1Q2017	+ / (-)
	\$'000	\$'000	%
Total return after tax	35,633	39,966	(10.8)
Other comprehensive income:			
Foreign currency translation	9,953	5,065	96.5
<u>Cash flow hedges:</u>			
Net change in fair value of cash flow hedges	15,874	(4,581)	NM
Share of net change in fair value of cash flow hedges of associates	1,876	(422)	NM
Other comprehensive income for the period	27,703	62	>500
Total comprehensive income for the period	<u>63,336</u>	<u>40,028</u>	58.2
Attributable to:			
Unitholders	61,472	38,168	61.1
Perpetual securities holders	1,841	1,841	-
Non-controlling interest	23	19	21.1
	<u>63,336</u>	<u>40,028</u>	58.2

NM – Not meaningful

1(b)(i) Balance sheets, together with a comparative statement as at the end of the immediately preceding financial year

Balance Sheets

	Note	<u>Group</u>			<u>Trust</u>		
		31/3/2018	31/12/2017	+/(-)	31/3/2018	31/12/2017	+/(-)
		\$'000	\$'000	%	\$'000	\$'000	%
Non-current assets							
Investment properties	1	3,798,659	3,774,870	0.6	525,164	525,000	0.03
Investments in subsidiaries		-	-	-	1,837,110	1,837,110	-
Investments in associates	2	2,529,722	2,527,842	0.1	2,025,559	2,025,559	-
Advances to associates		613,122	613,122	-	613,122	613,122	-
Investments in joint ventures	3	471,278	465,096	1.3	-	-	-
Amounts owing by subsidiaries		-	-	-	900,091	877,973	2.5
Fixed assets		145	149	(2.7)	30	31	(3.2)
Intangible asset	4	8,671	10,712	(19.1)	8,671	10,712	(19.1)
Derivative financial instruments	5	10,311	4,190	146.1	8,420	4,190	101.0
Total non-current assets		7,431,908	7,395,981	0.5	5,918,167	5,893,697	0.4
Current assets							
Trade and other receivables	6	33,312	8,619	286.5	38,740	12,120	219.6
Prepaid expenses		285	333	(14.4)	68	11	>500
Cash and bank balances		149,233	198,158	(24.7)	107,041	155,823	(31.3)
Derivative financial instruments	5	96	1,197	(92.0)	96	1,175	(91.8)
Total current assets		182,926	208,307	(12.2)	145,945	169,129	(13.7)
Total assets		7,614,834	7,604,288	0.1	6,064,112	6,062,826	0.02
Current liabilities							
Trade and other payables		48,890	56,451	(13.4)	27,925	34,905	(20.0)
Income received in advance		5,320	4,209	26.4	87	-	100.0
Borrowings	7	489,073	425,039	15.1	99,979	99,967	0.01
Security deposits		3,493	3,159	10.6	235	116	102.6
Derivative financial instruments	5	898	1,748	(48.6)	608	1,134	(46.4)
Provision for taxation		1,877	2,259	(16.9)	1,877	2,138	(12.2)
Total current liabilities		549,551	492,865	11.5	130,711	138,260	(5.5)
Non-current liabilities							
Income received in advance		9,151	11,305	(19.1)	9,151	11,305	(19.1)
Borrowings		2,025,058	2,097,142	(3.4)	1,949,356	1,956,921	(0.4)
Derivative financial instruments	5	5,265	16,017	(67.1)	5,265	14,411	(63.5)
Security deposits		27,931	27,675	0.9	3,863	3,982	(3.0)
Deferred tax liabilities		44,026	44,026	-	-	-	-
Total non-current liabilities		2,111,431	2,196,165	(3.9)	1,967,635	1,986,619	(1.0)
Total liabilities		2,660,982	2,689,030	(1.0)	2,098,346	2,124,879	(1.2)
Net assets		4,953,852	4,915,258	0.8	3,965,766	3,937,947	0.7
Represented by:							
Unitholders' funds	8	4,800,173	4,763,424	0.8	3,814,224	3,788,246	0.7
Perpetual securities	9	151,542	149,701	1.2	151,542	149,701	1.2
Non-controlling interest		2,137	2,133	0.2	-	-	-
		4,953,852	4,915,258	0.8	3,965,766	3,937,947	0.7
Net asset value per unit (\$)							
		1.42	1.41		1.13	1.12	

Notes:

- (1) The increase in investment properties is mainly due to progress payments made on the premium office tower to be developed at 311 Spencer Street in Melbourne and translation differences arising from the Australian investment properties.
- (2) This relates to the one-third equity interests in ORQPL, BFCDLLP and CBDPL, and the Group's share of post-acquisition results of these associates. ORQPL holds One Raffles Quay, and BFCDLLP and CBDPL hold Marina Bay Financial Centre Towers 1, 2 and 3 and Marina Bay Link Mall.
- (3) This relates to the 50% interests in M8CT and Mirvac 8 Chifley Pty Limited, and 50% interests in MOTT and Mirvac (Old Treasury) Pty Limited. The properties held through M8CT and MOTT are 8 Chifley Square and the David Malcolm Justice Centre respectively.
- (4) As at 31 March 2018, this relates to the unamortised aggregate rental support top-up payments receivable by the Group for the one-third interest in CBDPL which holds MBFC Tower 3. As at 31 March 2017, this also included the unamortised aggregate rental support top-up payments receivable by the Group for the approximate 12.4% interest in OPLLP which holds OFC.
- (5) These relate to the fair value of the foreign currency forward contracts entered into in relation to the income from the Australian investments, and the fair value of interest rate and cross currency swaps entered into by the Group.
- (6) Included in the balances are dividend and distribution receivables from associates and joint ventures of \$22.8 million (31 December 2017: \$2.1 million).
- (7) These relate to gross borrowings of \$489.2 million due in FY2018 and 1Q2019. For the gross borrowings of \$425.2 million due in FY2018, the Manager has received commitments from financial institutions to refinance the borrowings when they fall due.
- (8) The Group has adopted the Singapore Financial Reporting Standards (International) ("SFRS(I)") on 1 January 2018. In adopting SFRS(I), the Group has elected the optional exemption to reset its foreign currency translation differences for all foreign operations to nil at the date of transition on 1 January 2017. As a result, the Group reclassified cumulative foreign currency translation differences from foreign currency translation reserve to accumulated profits on 1 January 2017.
- (9) On 2 November 2015, Keppel REIT issued \$150.0 million of subordinated perpetual securities at a fixed rate per annum. These perpetual securities are classified as equity instruments and recorded as equity in the Statements of Movement in Unitholders' funds.

1(b)(ii) Aggregate Amount of Borrowings and Debt Securities

	Group	
	As at 31/3/2018	As at 31/12/2017
	\$'000	\$'000
Secured borrowings		
Amount repayable within one year	-	-
Amount repayable after one year	196,000	196,000
Less: Unamortised portion of fees	(1,230)	(1,344)
	194,770	194,656
Unsecured borrowings		
Amount repayable within one year	489,210	425,210
Amount repayable after one year	1,835,228	1,906,922
Less: Unamortised portion of fees	(5,077)	(4,607)
	2,319,361	2,327,525
Total net borrowings	2,514,131	2,522,181

Details of Collaterals

The Group mortgaged Bugis Junction Towers as security for the 5-year revolving loan facility of \$350.0 million, of which \$196.0 million has been drawn.

As at 31 March 2018, the Group had total gross borrowings of approximately \$2,520.4 million and unutilised facilities of \$1,231.7 million available to meet its future obligations. The all-in interest rate was 2.75% per annum for the quarter ended 31 March 2018.

1(c) Consolidated Statement of Cash Flows

		<u>Group</u>	
	Note	1Q2018 \$'000	1Q2017 \$'000
Operating activities			
Total return before tax		37,068	42,035
Adjustments for:			
Interest income		(5,759)	(6,081)
Amortisation expense		2,041	3,219
Share of results of associates		(20,612)	(23,145)
Share of results of joint ventures		(7,839)	(8,316)
Borrowing costs		16,752	15,754
Management fees paid and/or payable in units		12,663	12,547
Net change in fair value of derivatives		(748)	(3,173)
Depreciation		10	11
Rental support income		(2,154)	(3,541)
Unrealised currency translation differences		(326)	33
Operating cash flows before changes in working capital		31,096	29,343
Increase in receivables		(4,094)	(2,927)
(Decrease)/Increase in payables		(220)	4,225
Increase in security deposits		590	303
Cash flows from operations		27,372	30,944
Income taxes paid		(1,820)	(1,768)
Net cash flows provided by operating activities		25,552	29,176
Investing activities			
Progress payments on investment property under development		(15,496)	-
Subsequent expenditure on investment properties		(1,804)	(976)
Purchase of fixed assets		(6)	-
Interest received		5,849	6,356
Rental support received		2,154	3,598
Distribution income received from joint ventures		6,687	6,715
Net cash flows (used in)/provided by investing activities		(2,616)	15,693
Financing activities			
Distribution to Unitholders (net of distribution in Units)	1	(44,325)	(40,761)
Loans drawdown		67,507	-
Repayment of loans		(76,976)	-
Payment of financing expenses/upfront debt arrangement costs		(875)	-
Partnership distribution to non-controlling interest		(19)	(18)
Interest paid		(15,780)	(15,332)
Net cash flows used in financing activities		(70,468)	(56,111)
Net decrease in cash and cash equivalents		(47,532)	(11,242)
Cash and cash equivalents at the beginning of period		186,462	253,219
Effect of exchange rate changes on cash and cash equivalents		748	802
Cash and cash equivalents at the end of period		139,678	242,779
Comprising:			
Cash and bank balances		149,233	264,669
Less: Rental support received in advance held in designated accounts	2	(9,555)	(21,890)
Cash and cash equivalents per Consolidated Statement of Cash Flows		139,678	242,779

Notes:

(1) Distribution paid to Unitholders in 1Q2018 was for the period of 1 October 2017 to 31 December 2017, paid on 28 February 2018.

Distribution paid to Unitholders in 1Q2017 was for the period of 1 October 2016 to 31 December 2016, paid on 28 February 2017.

(2) As at 31 March 2018, this relates to the rental support top-up payments received in advance by Keppel REIT held in designated accounts for the one-third interest in CBDPL which holds MBFC Tower 3.

As at 31 March 2017, this also included rental support top-up payments received in advance by Keppel REIT held in designated accounts for the approximate 12.4% interest in OPLLP which holds OFC.

1(d)(i) Statements of Movements in Unitholders' Funds

		<u>Units in Issue</u>	<u>Accumulated Profits</u>	<u>Foreign Currency Translation Reserve</u>	<u>Hedging Reserve</u>	<u>Discount on Acquisition of Non-Controlling Interest</u>	<u>Unitholders' Funds</u>	<u>Perpetual Securities</u>	<u>Non-Controlling Interest</u>	<u>Total</u>
<u>Group</u>	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2018		3,530,732	1,452,051	(202,110)	(20,471)	3,222	4,763,424	149,701	2,133	4,915,258
Adoption of SFRS (I)	1	-	(167,302)	167,302	-	-	-	-	-	-
At 1 January 2018 (restated)		3,530,732	1,284,749	(34,808)	(20,471)	3,222	4,763,424	149,701	2,133	4,915,258
Return for the period		-	33,773	-	-	-	33,773	1,841	19	35,633
Other comprehensive income	2	-	-	9,953	17,746	-	27,699	-	4	27,703
Total comprehensive income		-	33,773	9,953	17,746	-	61,472	1,841	23	63,336
Issue of units for payment of management fees	3	19,602	-	-	-	-	19,602	-	-	19,602
Distribution Reinvestment Plan		3,876	(3,876)	-	-	-	-	-	-	-
Distribution to Unitholders		(1,348)	(42,977)	-	-	-	(44,325)	-	-	(44,325)
Distribution of partnership profits to non-controlling interest		-	-	-	-	-	-	-	(19)	(19)
At 31 March 2018		3,552,862	1,271,669	(24,855)	(2,725)	3,222	4,800,173	151,542	2,137	4,953,852

		<u>Units in Issue</u>	<u>Accumulated Profits</u>	<u>Foreign Currency Translation Reserve</u>	<u>Hedging Reserve</u>	<u>Discount on Acquisition of Non-Controlling Interest</u>	<u>Unitholders' funds</u>	<u>Perpetual Securities</u>	<u>Non-Controlling Interest</u>	<u>Total</u>
<u>Group (restated)</u>	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2017		3,456,557	1,459,734	(167,302)	(5,494)	3,222	4,746,717	149,701	2,140	4,898,558
Adoption of SFRS (I)	1	-	(167,302)	167,302	-	-	-	-	-	-
At 1 January 2017 (restated)		3,456,557	1,292,432	-	(5,494)	3,222	4,746,717	149,701	2,140	4,898,558
Return for the period		-	38,106	-	-	-	38,106	1,841	19	39,966
Other comprehensive income	2	-	-	5,065	(5,003)	-	62	-	-	62
Total comprehensive income		-	38,106	5,065	(5,003)	-	38,168	1,841	19	40,028
Issue of units for payment of management fees	4	19,441	-	-	-	-	19,441	-	-	19,441
Distribution Reinvestment Plan		7,954	(7,954)	-	-	-	-	-	-	-
Distribution to Unitholders		(3,291)	(37,470)	-	-	-	(40,761)	-	-	(40,761)
Distribution of partnership profits to non-controlling interest		-	-	-	-	-	-	-	(18)	(18)
At 31 March 2017 (restated)		3,480,661	1,285,114	5,065	(10,497)	3,222	4,763,565	151,542	2,141	4,917,248

1(d)(i) Statements of Movements in Unitholders' Funds (cont'd)

Notes:

- (1) The Group has adopted the Singapore Financial Reporting Standards (International) ("SFRS(I)") on 1 January 2018. In adopting SFRS(I), the Group has elected the optional exemption to reset its foreign currency translation differences for all foreign operations to nil at the date of transition on 1 January 2017. As a result, the Group reclassified cumulative foreign currency translation differences from foreign currency translation reserve to accumulated profits as at 1 January 2017.
- (2) Other comprehensive income relates to the movement in foreign currency translation reserve arising from the translation of foreign entities and intercompany loans that form part of the Group's net investment in foreign entities, fair value changes of the cash flow hedges as a result of interest rate swaps and foreign currency forward contracts entered into by the Group and share of hedging reserves of associates.
- (3) This represents 15,680,593 units issued in 1Q2018 as payment of management fees in units.
- (4) This represents 19,149,650 units issued in 1Q2017 as payment of management fees in units.

<u>Trust</u>	<u>Note</u>	<u>Units in Issue</u> \$'000	<u>Accumulated Profits</u> \$'000	<u>Hedging Reserve</u> \$'000	<u>Unitholders' Funds</u> \$'000	<u>Perpetual Securities</u> \$'000	<u>Total</u> \$'000
At 1 January 2018		3,530,732	270,068	(12,554)	3,788,246	149,701	3,937,947
Return for the period		-	38,626	-	38,626	1,841	40,467
Other comprehensive income	1	-	-	12,075	12,075	-	12,075
Total comprehensive income		-	38,626	12,075	50,701	1,841	52,542
Issue of units for payment of management fees	2	19,602	-	-	19,602	-	19,602
Distribution Reinvestment Plan		3,876	(3,876)	-	-	-	-
Distribution to Unitholders		(1,348)	(42,977)	-	(44,325)	-	(44,325)
At 31 March 2018		3,552,862	261,841	(479)	3,814,224	151,542	3,965,766

<u>Trust</u>	<u>Note</u>	<u>Units in Issue</u> \$'000	<u>Accumulated Profits</u> \$'000	<u>Hedging Reserve</u> \$'000	<u>Unitholders' Funds</u> \$'000	<u>Perpetual Securities</u> \$'000	<u>Total</u> \$'000
At 1 January 2017		3,456,557	357,271	(132)	3,813,696	149,701	3,963,397
Return for the period		-	36,127	-	36,127	1,841	37,968
Other comprehensive income	1	-	-	(4,340)	(4,340)	-	(4,340)
Total comprehensive income		-	36,127	(4,340)	31,787	1,841	33,628
Issue of units for payment of management fees	3	19,441	-	-	19,441	-	19,441
Distribution Reinvestment Plan		7,954	(7,954)	-	-	-	-
Distribution to Unitholders		(3,291)	(37,470)	-	(40,761)	-	(40,761)
At 31 March 2017		3,480,661	347,974	(4,472)	3,824,163	151,542	3,975,705

Notes:

- (1) This relates to fair value changes of the cash flow hedges as a result of interest rate swaps and foreign currency forward contracts entered into by the Trust.
- (2) This represents 15,680,593 units issued in 1Q2018 as payment of management fees in units.
- (3) This represents 19,149,650 units issued in 1Q2017 as payment of management fees in units.

1(d)(ii) Details of Changes in the Units

	<u>Group and Trust</u>	
	2018 Units	2017 Units
Issued units as at 1 January	3,370,734,208	3,291,616,169
Issue of new units:		
- Payment of management fees	15,680,593	19,149,650
- Distribution Reinvestment Plan	3,052,523	7,935,402
Issued units as at 31 March	3,389,467,324	3,318,701,221

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period, and as at the end of the immediately preceding year.

Keppel REIT did not hold any treasury units as at 31 March 2018 and 31 December 2017.

Total number of issued units in Keppel REIT as at 31 March 2018 and 31 December 2017 were 3,389,467,324 and 3,370,734,208 respectively.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

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 period compared with those of the audited financial statements as at 31 December 2017.

5. CHANGES IN ACCOUNTING POLICIES

The Accounting Standards Council (Singapore) has introduced a new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)"), that is identical to the International Financial Reporting Standards issued by the International Accounting Standards Board, for the financial year beginning on or after 1 January 2018. The Monetary Authority of Singapore has granted the Group a waiver from compliance with the requirement under Paragraph 4.3 of Appendix 6 to the Code on Collective Investment Schemes to prepare its financial statements in accordance with the Singapore Financial Reporting Standards.

The Group has adopted SFRS(I) on 1 January 2018 and as a result, the Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I).

In adopting SFRS(I), the Group has elected the optional exemption to reset its foreign currency translation differences for all foreign operations to nil at the date of transition on 1 January 2017. As a result, the Group reclassified cumulative foreign currency translation differences of \$167,302,000 from foreign currency translation reserve to accumulated profits on 1 January 2017.

Other than as disclosed above, the adoption of SFRS(I) will have no material impact on the Group's financial statements in this year of initial application.

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

	<u>Group</u>	
	1Q2018	1Q2017
EPU	1.00 cents	1.15 cents
(based on weighted average number of units as at the end of the period)		
- Weighted average number of units as at the end of the period	3,382,099,049	3,306,565,757
DPU	1.42 cents	1.45 cents
(based on the number of units as at the end of the period)		
- Number of units in issue as at the end of the period	3,389,467,324	3,318,701,221

The diluted EPU is the same as the basic EPU as there are no dilutive instruments in issue during the periods.

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

	<u>Group</u>		<u>Trust</u>	
	As at 31/3/2018	As at 31/12/2017	As at 31/3/2018	As at 31/12/2017
NAV ¹ per unit (\$)	1.42	1.41	1.13	1.12
NTA ¹ per unit (\$)	1.41	1.41	1.12	1.12
based on issued units at the end of the period/year				
Adjusted NAV ¹ per unit (\$)	1.40	1.40	1.11	1.11
Adjusted NTA ¹ per unit (\$)	1.40	1.40	1.11	1.11
based on issued units at the end of the period/year (excluding the distributable income)				

Note:

- (1) These excluded non-controlling interest's and perpetual securities holders' share of net asset value and net tangible asset.

8. REVIEW OF PERFORMANCE

8(i) Property Income Contribution of Directly Held Properties

(excluding property income contribution from associates and joint ventures)

	<u>Group</u>		
	1Q2018	1Q2017	+/(−)
	\$'000	\$'000	%
<u>Property</u>			
Bugis Junction Towers	5,079	4,588	10.7
Ocean Financial Centre	26,113	25,951	0.6
275 George Street	3,739	5,085	(26.5)
8 Exhibition Street ¹	4,803	4,232	13.5
Total property income of directly held properties	39,734	39,856	(0.3)
(excluding property income contribution from associates and joint ventures)			

8(ii) Income Contribution of the Portfolio

	<u>Group</u>		
	1Q2018	1Q2017	+/(−)
	\$'000	\$'000	%
<u>Property</u>			
Bugis Junction Towers	3,735	3,392	10.1
Ocean Financial Centre	21,501	21,215	1.3
275 George Street	2,822	4,097	(31.1)
8 Exhibition Street ¹	3,162	2,690	17.5
Total net property income of directly held properties	31,220	31,394	(0.6)
Ocean Financial Centre :			
- Rental support	-	966	(100.0)
One-third interest in ORQPL ² :			
- Interest income	518	503	3.0
- Dividend income	6,410	8,414	(23.8)
Total income	6,928	8,917	(22.3)
One-third interests in BFCDLLP ³ and CBDPL ³ :			
- Rental support	2,154	2,575	(16.3)
- Interest income	4,722	4,521	4.4
- Dividend and distribution income	14,198	17,240	(17.6)
Total income	21,074	24,336	(13.4)
50% interest in M8CT ⁴ :			
- Distribution income	3,233	3,335	(3.1)
50% interest in MOTT ⁵ :			
- Distribution income	3,431	3,543	(3.2)
Total income contribution of the portfolio	65,886	72,491	(9.1)

Notes:

- (1) Comprises 50% interest in the office building and a 100% interest in another three retail units.
- (2) Comprises one-third interest in ORQPL which holds One Raffles Quay.
- (3) Comprise one-third interests in BFCDLLP and CBDPL which hold Marina Bay Financial Centre Towers 1, 2 and 3 and Marina Bay Link Mall.
- (4) Comprises 50% interest in M8CT which holds 8 Chifley Square.
- (5) Comprises 50% interest in MOTT which holds the David Malcolm Justice Centre.

8. REVIEW OF PERFORMANCE (CONT'D)

Review of Performance for 1Q2018 vs 1Q2017

Property income and net property income for 1Q2018 were \$39.7 million and \$31.2 million respectively, compared to property income and net property income of \$39.9 million and \$31.4 million respectively for 1Q2017. The variances were mainly attributable to lower property income and net property income from 275 George Street. These were partially offset by higher property income and net property income from Bugis Junction Towers, Ocean Financial Centre and 8 Exhibition Street.

The Group's total return before tax for 1Q2018 was \$37.1 million, compared to \$42.0 million for 1Q2017. The variance was mainly attributable to lower net property income from 275 George Street, lower rental support, lower interest income, lower share of results of associates and joint ventures, higher borrowing costs, as well as net change in fair value of derivatives. These were partially offset by higher net property income from Bugis Junction Towers, Ocean Financial Centre and 8 Exhibition Street, lower amortisation expense, lower trust expenses and net foreign exchange differences.

9. VARIANCE FROM FORECAST STATEMENT

Not applicable.

10. PROSPECTS

According to CBRE, office occupancy in Singapore's core CBD improved quarter-on-quarter (qoq) to 94.1% in 1Q2018, from 93.8% in 4Q2017. Demand from the insurance and TMT sectors, along with flexible space providers remained strong during the quarter. Average Grade A rents continued its upward trend, increasing qoq from \$9.40 psf pm in 4Q2017 to \$9.70 psf pm in 1Q2018.

CBRE remains upbeat on the Singapore office market and has observed improving confidence among the traditional finance, energy and professional services sectors, which will lend support to a recovering office market.

In Australia, JLL reported stronger leasing activities across Australian office markets. The national CBD office average occupancy improved slightly to 89.6% as at end December 2017, from 89.2% one quarter ago. JLL noted that the vacancy level is at its lowest since 2013, driven largely by employment growth.

Looking ahead, challenges remain amidst a volatile macro environment. The Manager will continue to drive stable portfolio performance through ongoing proactive tenant and lease management so as to deliver sustainable distributable income to Unitholders. A prudent capital management strategy will be maintained to optimise the REIT's performance in a rising interest rate environment.

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 mitigate them. Some of the key risks that the Manager has identified are as follows:

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 Keppel REIT'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 funding 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 agreements. Tenants are required to pay a security deposit as a multiple of monthly rents. In addition, the Manager also monitors the tenant mix.

Currency risk

The Group's foreign currency risk relates mainly to its exposure from its investments in Australia, and the regular distributable income and interest income from these investments. The Manager monitors the Group's foreign currency exposure on an on-going basis and will manage its exposure to adverse movements in foreign currency exchange rates through financial instruments or other suitable financial products.

Operational risk

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

12. DISTRIBUTIONS

(a) Current Financial Period Reported on

Name of Distribution	1 January 2018 to 31 March 2018
Distribution type	(a) Taxable income (b) Tax-exempt income
Distribution rate	(a) Taxable income distribution - 1.06 cents per unit (b) Tax-exempt income distribution - 0.36 cents per unit
Tax rate	<p><u>Taxable income distribution</u></p> <p>Individuals who receive such distribution as investment income will be exempted from tax.</p> <p>Qualifying Unitholders will receive pre-tax distributions and pay tax on the distributions at their own marginal rates subsequently.</p> <p>Investors using CPF funds and SRS funds will also receive pre-tax distributions. These distributions are tax-exempt.</p> <p>Subject to meeting certain conditions, foreign non-individual unitholders will receive their distributions after deduction of tax at the rate of 10%.</p> <p>All other investors will receive their distributions after deduction of tax at the rate of 17%.</p> <p><u>Tax-exempt income distribution</u></p> <p>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 REIT.</p>

12. DISTRIBUTIONS (CONT'D)

(b) Corresponding Period of the Immediately Preceding Financial Year

Name of Distribution	1 January 2017 to 31 March 2017
Distribution Type	(a) Taxable income (b) Tax-exempt income (c) Capital distribution
Distribution Rate	(a) Taxable income distribution - 1.05 cents per unit (b) Tax-exempt income distribution - 0.30 cents per unit (c) Capital distribution - 0.10 cents per unit
Tax Rate	<p><u>Taxable income distribution</u></p> <p>Individuals who receive such distribution as investment income will be exempted from tax.</p> <p>Qualifying Unitholders will receive pre-tax distributions and pay tax on the distributions at their own marginal rates subsequently.</p> <p>Investors using CPF funds and SRS funds will also receive pre-tax distributions. These distributions are tax-exempt.</p> <p>Subject to meeting certain conditions, foreign non-individual unitholders will receive their distributions after deduction of tax at the rate of 10%.</p> <p>All other investors will receive their distributions after deduction of tax at the rate of 17%.</p> <p><u>Tax-exempt income distribution</u></p> <p>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 REIT.</p> <p><u>Capital distribution</u></p> <p>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 REIT units, the amount of capital distribution will be applied to reduce the cost base of their Keppel REIT units for Singapore income tax purposes.</p>

(c) Books Closure Date

26 April 2018

(d) Date Payable

30 May 2018

13. DISTRIBUTION STATEMENT

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

14. INTERESTED PERSON TRANSACTIONS ("IPTs")

Name of Interested Person

Keppel Corporation Limited and its subsidiaries or associates

- Manager's management fees
- Property management fees and reimbursable
- Leasing commissions
- Rental support

RBC Investor Services Trust Singapore Limited

- Trustee's fees

Aggregate value of all interested person transactions during the financial period under review (excluding transactions of less than \$100,000)	
1Q2018 \$'000	1Q2017 \$'000
12,663	12,547
1,472	1,459
92	2,954
2,154	2,575
316	309

No IPT mandate has been obtained by Keppel REIT for the financial period under review.

15. CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL OF ITS DIRECTORS AND EXECUTIVE OFFICERS (IN THE FORMAT SET OUT IN APPENDIX 7.7) UNDER RULE 720(1)

The Company confirms that it has procured undertakings from all of its directors and executive officers in the format set out in Appendix 7.7 of the Listing Manual.

The past performance of Keppel 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 or 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 unitholders of Keppel REIT (“**Unitholders**”) are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of Keppel REIT Management Limited, as manager of Keppel 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 REIT or any of their respective advisors, representatives 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 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 (“**SGX-ST**”). Listing of the Units on SGX-ST does not guarantee a liquid market for the Units.

By Order of the Board
Keppel REIT Management Limited
(Company Registration Number: 200411357K)
As Manager of Keppel REIT

CHUA HUA YEOW KELVIN / TAN WEIQIANG MARC
Joint Company Secretaries
18 April 2018

CONFIRMATION BY THE BOARD

We, PENNY GOH and TAN SWEE YIOW, being two Directors of Keppel REIT Management Limited (the "Company"), as manager of Keppel REIT, do hereby confirm on behalf of the Directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the First Quarter 2018 financial statements of Keppel REIT to be false or misleading in any material respect.

On Behalf of the Board

A handwritten signature in black ink, appearing to read "Penny Goh".

PENNY GOH
Chairman

A handwritten signature in black ink, appearing to read "Tan Swee Yiow".

TAN SWEE YIOW
Director

18 April 2018