

KEPPEL REIT
FIRST QUARTER 2017 FINANCIAL STATEMENTS ANNOUNCEMENT
UNAUDITED RESULTS FOR THE QUARTER ENDED 31 MARCH 2017

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INTRODUCTION

Keppel REIT was listed by way of an introduction on 28 April 2006. Over the last decade, Keppel REIT has grown from strength-to-strength to become 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 pan-Asia.

As at 31 March 2017, Keppel REIT had assets under management of approximately \$8.4 billion comprising interests in eight premium office assets with 11 office towers strategically located in the central business districts of Singapore, as well as key cities of Sydney, Melbourne, Brisbane and Perth in Australia.

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

The assets in Australia are 8 Chifley Square (50% interest) in Sydney, 8 Exhibition Street in Melbourne (50% interest in the office building and two retail units, as well as a 100% interest in another three retail units), 275 George Street in Brisbane (50% interest), as well as the David Malcolm Justice Centre (50% interest).

Keppel REIT is sponsored by Keppel Land Limited ("Keppel Land"), one of Asia's leading property companies, and is managed by Keppel REIT Management Limited (the "Manager"), a wholly-owned subsidiary of Keppel Capital Holdings Pte Ltd ("Keppel Capital").

SUMMARY OF KEPPEL REIT RESULTS FOR THE QUARTER ENDED 31 MARCH 2017

	GROUP	
	1Q2017 \$'000	1Q2016 \$'000
Property income	39,856	41,167
Net property income	31,394	32,910
Share of results of associates	23,145	18,786
Share of results of joint ventures	8,316	6,807
Income available for distribution	48,121	54,438 ¹
Distribution to Unitholders ²	48,121	54,438
Distribution per Unit ("DPU") (cents) for the period	1.45 ³	1.68 ⁴
Annualised/Actual distribution yield (%)	5.5% ⁵	6.2% ⁶

Notes:

- (1) Income contribution from 77 King Street was from 1 January 2016 up to date of divestment on 29 January 2016.
- (2) Distribution to Unitholders was based on 100% of the taxable income available for distribution.
- (3) There is no distribution of other gains for the quarter ended 31 March 2017.
- (4) There was a distribution of other gains of 0.09 cents per Unit for the quarter ended 31 March 2016.
- (5) Based on the market closing price per Unit of \$1.05 as at the last trading day, 31 March 2017.
- (6) Based on the total DPU of 6.37 cents for FY2016 and the market closing price per Unit of \$1.02 as at the last trading day, 31 December 2016.

1. UNAUDITED RESULTS FOR THE QUARTER ENDED 31 MARCH 2017

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 2017:

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

	Note	Group		+/(−)
		1Q2017	1Q2016	
		\$'000	\$'000	%
Gross rent		37,965	39,639	(4.2)
Car park income		922	820	12.4
Other income		969	708	36.9
Property income		39,856	41,167	(3.2)
Property tax		(2,888)	(2,907)	(0.7)
Other property expenses	1	(4,445)	(4,138)	7.4
Property management fee		(974)	(1,058)	(7.9)
Maintenance and sinking fund contributions		(155)	(154)	0.6
Property expenses		(8,462)	(8,257)	2.5
Net property income		31,394	32,910	(4.6)
Rental support	2	3,541	4,199	(15.7)
Interest income	3	6,081	8,646	(29.7)
Share of results of associates	4	23,145	18,786	23.2
Share of results of joint ventures	5	8,316	6,807	22.2
Amortisation expense	6	(3,219)	(3,838)	(16.1)
Borrowing costs	7	(15,754)	(16,047)	(1.8)
Manager's management fees	8	(12,547)	(12,576)	(0.2)
Trust expenses		(2,095)	(2,331)	(10.1)
Net change in fair value of derivatives		3,173	-	100.0
Net income before gain on divestment of investment property		42,035	36,556	15.0
Gain on divestment of investment property	9	-	28,299	(100.0)
Total return before tax		42,035	64,855	(35.2)
Income tax expense	10	(2,069)	(6,968)	(70.3)
Total return after tax		39,966	57,887	(31.0)
Attributable to:				
Unitholders		38,106	56,007	(32.0)
Perpetual securities holders	11	1,841	1,862	(1.1)
Non-controlling interest		19	18	5.6
		39,966	57,887	(31.0)
<u>Distribution Statement</u>				
Total return for the period attributable to Unitholders		38,106	56,007	(32.0)
Net tax and other adjustments	12	10,015	(1,569)	NM
Income available for distribution		48,121	54,438	(11.6)
Distribution to Unitholders	13	48,121	54,438	(11.6)
Distribution per Unit (cents) for the period		1.45	1.68	(13.7)
Annualised/Actual Distribution ¹		5.80	6.37	(8.9)

(1) Actual distribution was based on 1.68 cents, 1.61 cents, 1.60 cents and 1.48 cents reported in 1Q2016, 2Q2016, 3Q2016 and 4Q2016 respectively.

NM – Not meaningful

Notes:

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

	<u>Group</u>	
	1Q2017	1Q2016
	\$'000	\$'000
Marketing expenses	249	192
Utilities	822	828
Repair and maintenance	2,461	2,262
Property management reimbursements	509	467
Others	404	389
	4,445	4,138

- (2) This relates to 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") and the one-third interest in Central Boulevard Development Pte. Ltd. ("CBDPL") which holds Marina Bay Financial Centre ("MBFC") Tower 3. The rental support drawn down for OFC and MBFC Tower 3 for the current period are \$966,000 and \$2,575,000 respectively.

- (3) Interest income comprises the following:

	<u>Group</u>	
	1Q2017	1Q2016
	\$'000	\$'000
Interest income from fixed deposits and current accounts	1,057	1,068
Interest income from advances to One Raffles Quay Pte Ltd ("ORQPL") and BFC Development LLP ("BFCDLLP")	5,024	7,578
	6,081	8,646

- (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 and 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 paragraph 1(b)(i), note 4.

- (7) Borrowing costs comprise the following:

	<u>Group</u>	
	1Q2017	1Q2016
	\$'000	\$'000
Interest expense on term loans	13,481	15,345
Interest expense on revolving loans	1,787	-
Amortisation of capitalised transaction costs	486	702
	15,754	16,047

- (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) This relates to the gain on divestment of Keppel REIT's 100% interest in 77 King Street in Sydney.

- (10) 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 and the approximate 12.4% interest in OPLLP, net of deductible interest expense, and (ii) withholding tax expense in relation to the income from the Group's investments in Australia.

- (11) Please refer to paragraph 1(b)(i), note 7.

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

	<u>Group</u>	
	1Q2017	1Q2016
	\$'000	\$'000
Management fees paid and/or payable in units	12,547	12,576
Trustee's fees	309	310
Amortisation of intangible asset and capitalised transaction costs	3,705	4,540
Temporary differences and other adjustments	(6,546)	(21,995)
Other gains distribution	-	3,000
	10,015	(1,569)

Included in temporary differences and other adjustments for the current and prior periods were share of results of associates and joint ventures, dividend and distribution income, effect of recognising rental income on a straight line basis over the lease terms, non-taxable income and non-deductible expenses. For 1Q2016, temporary differences and other adjustments also included the gain on divestment of investment property.

Other gains distribution relates to distribution of gains from Keppel REIT's divested properties.

(13) Keppel REIT has been distributing 100% of its taxable income available for distribution to Unitholders. The distribution to Unitholders is based on 100% of the 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>		
	1Q2017	1Q2016	+ / (-)
	\$'000	\$'000	%
Total return after tax	39,966	57,887	(31.0)
Other comprehensive income:			
Foreign currency translation	5,065	15,780	(67.9)
<u>Cash flow hedges:</u>			
Net change in fair value of cash flow hedges	(4,581)	(13,969)	(67.2)
Share of net change in fair value of cash flow hedges of associates	(422)	(2,008)	(79.0)
Other comprehensive income for the period	62	(197)	NM
Total comprehensive income for the period	40,028	57,690	(30.6)
Attributable to:			
Unitholders	38,168	55,811	(31.6)
Perpetual securities holders	1,841	1,862	(1.1)
Non-controlling interest	19	17	11.8
	40,028	57,690	(30.6)

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	Group			Trust		
		31/03/2017 \$'000	31/12/2016 \$'000	+ / (-) %	31/03/2017 \$'000	31/12/2016 \$'000	+ / (-) %
Non-current assets							
Investment properties	1	3,621,626	3,618,097	0.1	540,003	540,000	0.001
Investments in subsidiaries		-	-	-	1,837,110	1,837,110	-
Investments in associates	2	2,522,181	2,525,112	(0.1)	2,025,483	2,025,483	-
Advances to associates		610,922	610,922	-	610,922	610,922	-
Investments in joint ventures	3	459,342	450,284	2.0	-	-	-
Amounts owing by subsidiaries		-	-	-	857,585	852,650	0.6
Fixed assets		179	190	(5.8)	31	31	-
Intangible asset	4	19,292	22,511	(14.3)	18,031	20,471	(11.9)
Derivative financial instruments	5	11,516	18,016	(36.1)	10,412	16,354	(36.3)
Total non-current assets		7,245,058	7,245,132	(0.001)	5,899,577	5,903,021	(0.1)
Current assets							
Trade and other receivables	6	38,842	10,662	264.3	44,485	7,721	476.2
Prepaid expenses		747	604	23.7	38	11	245.5
Cash and bank balances		264,669	278,682	(5.0)	112,231	141,948	(20.9)
Derivative financial instruments	5	424	245	73.1	238	99	140.4
Total current assets		304,682	290,193	5.0	156,992	149,779	4.8
Total assets		7,549,740	7,535,325	0.2	6,056,569	6,052,800	0.1
Current liabilities							
Trade and other payables		48,606	51,828	(6.2)	27,474	34,640	(20.7)
Income received in advance		856	278	207.9	60	-	100.0
Security deposits		2,238	3,545	(36.9)	358	431	(16.9)
Derivative financial instruments	5	190	1,483	(87.2)	164	1,281	(87.2)
Provision for taxation		3,032	2,735	10.9	2,453	2,735	(10.3)
Total current liabilities		54,922	59,869	(8.3)	30,509	39,087	(21.9)
Non-current liabilities							
Income received in advance		21,555	25,152	(14.3)	21,555	25,152	(14.3)
Borrowings		2,482,987	2,481,754	0.05	2,017,542	2,015,901	0.1
Derivative financial instruments	5	8,741	7,315	19.5	7,812	6,287	24.3
Security deposits		29,479	27,869	5.8	3,446	2,976	15.8
Deferred tax liabilities		34,808	34,808	-	-	-	-
Total non-current liabilities		2,577,570	2,576,898	0.03	2,050,355	2,050,316	0.002
Total liabilities		2,632,492	2,636,767	(0.2)	2,080,864	2,089,403	(0.4)
Net assets		4,917,248	4,898,558	0.4	3,975,705	3,963,397	0.3
Represented by:							
Unitholders' funds		4,763,565	4,746,717	0.4	3,824,163	3,813,696	0.3
Perpetual securities	7	151,542	149,701	1.2	151,542	149,701	1.2
Non-controlling interest		2,141	2,140	0.05	-	-	-
		4,917,248	4,898,558	0.4	3,975,705	3,963,397	0.3
Net asset value per unit (\$)		1.44	1.44		1.15	1.16	

Notes:

- (1) The increase in investment properties is mainly due to 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) This relates to the unamortised aggregate rental support top-up payments receivable by the Group for the approximate 12.4% interest in OPLLP and the one-third interest in CBDPL which holds MBFC Tower 3.
- (5) This relates 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 \$27.8 million (31 December 2016: \$2.1 million) and receivables for rental support top-up payments of \$1.0 million (31 December 2016: \$1.0 million).
- (7) 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

	<u>Group</u>	
	As at 31/3/2017 \$'000	As at 31/12/2016 \$'000
Secured borrowings		
Amount repayable within one year	-	-
Amount repayable after one year	350,000	350,000
Less: Unamortised portion of fees	(1,685)	(1,799)
	348,315	348,201
Unsecured borrowings		
Amount repayable within one year	-	-
Amount repayable after one year	2,139,211	2,138,461
Less: Unamortised portion of fees	(4,539)	(4,908)
	2,134,672	2,133,553
Total net borrowings	2,482,987	2,481,754

Details of Collaterals

As security for the 5-year revolving loan facility of \$350.0 million, the Group mortgaged its Bugis Junction Towers.

As at 31 March 2017, the Group had total gross borrowings of approximately \$2,489.2 million and unutilised facilities of \$537.0 million available to meet its future obligations. The all-in interest rate was 2.57% for the quarter ended 31 March 2017.

1(c) Consolidated Statement of Cash Flows

	<u>Group</u>	
	1Q2017	1Q2016
Note	\$'000	\$'000
Operating activities		
Total return before tax	42,035	64,855
Adjustments for:		
Interest income	(6,081)	(8,646)
Amortisation expense	3,219	3,838
Share of results of associates	(23,145)	(18,786)
Share of results of joint ventures	(8,316)	(6,807)
Borrowing costs	15,754	16,047
Management fees paid and/or payable in units	12,547	12,576
Gain on divestment of investment property	-	(28,299)
Changes in fair value of derivatives	(3,173)	-
Depreciation	11	11
Rental support income	(3,541)	(4,199)
Unrealised currency translation differences	33	2,558
	29,343	33,148
Operating cash flows before changes in working capital		
(Increase)/Decrease in receivables	(2,927)	6,365
Increase/(Decrease) in payables	4,225	(4,073)
Increase/(Decrease) in security deposits	303	(174)
Cash flows from operations	30,944	35,266
Income taxes paid	(1,768)	(6,305)
Net cash flows provided by operating activities	29,176	28,961
Investing activities		
Subsequent expenditure on investment properties	(976)	(482)
Proceeds from divestment of investment property, net of divestment costs	-	157,233
Purchase of fixed assets	-	(1)
Interest received	6,356	7,930
Rental support received	3,598	4,608
Distribution income received from joint ventures	6,715	4,625
Net cash flows provided by investing activities	15,693	173,913
Financing activities		
Distribution to Unitholders (net of distribution in Units)	1 (40,761)	(44,870)
Repayment of loans	-	(20,000)
Partnership distribution to non-controlling interest	(18)	(12)
Interest paid	(15,332)	(14,190)
Issue expenses	-	(18)
Net cash flows used in financing activities	(56,111)	(79,090)
Net (decrease)/increase in cash and cash equivalents	(11,242)	123,784
Cash and cash equivalents at the beginning of period	253,219	98,764
Effect of exchange rate changes on cash and cash equivalents	802	371
Cash and cash equivalents at the end of period	242,779	222,919
Comprising:		
Cash and bank balances	264,669	263,794
Less: Rental support received in advance held in designated accounts	2 (21,890)	(40,875)
Cash and cash equivalents per Consolidated Statement of Cash Flows	242,779	222,919

Notes:

(1) Distribution for 1Q2017 is for the period of 1 October 2016 to 31 December 2016, paid on 28 February 2017.

Distribution for 1Q2016 is for the period of 1 October 2015 to 31 December 2015, paid on 26 February 2016.

(2) This relates to the rental support top-up payments received in advance by Keppel REIT held in designated accounts for the approximate 12.4% interest in OPLL and the one-third interest in MBFC Tower 3.

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

<u>Group</u>	Note	<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>
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
Return for the period		-	38,106	-	-	-	38,106	1,841	19	39,966
Other comprehensive income	1	-	-	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	2	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		3,480,661	1,452,416	(162,237)	(10,497)	3,222	4,763,565	151,542	2,141	4,917,248

<u>Group</u>	Note	<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>
At 1 January 2016		3,394,832	1,409,983	(199,445)	17,429	3,222	4,626,021	149,719	2,108	4,777,848
Return for the period		-	56,007	-	-	-	56,007	1,862	18	57,887
Other comprehensive income	1	-	-	15,780	(15,976)	-	(196)	-	(1)	(197)
Total comprehensive income		-	56,007	15,780	(15,976)	-	55,811	1,862	17	57,690
Issue of units for payment of management fees	3	12,772	-	-	-	-	12,772	-	-	12,772
Issue expenses	4	-	-	-	-	-	-	(18)	-	(18)
Distribution Reinvestment Plan		9,160	(9,160)	-	-	-	-	-	-	-
Distribution to Unitholders		(3,216)	(41,654)	-	-	-	(44,870)	-	-	(44,870)
Distribution of partnership profits to non-controlling interest		-	-	-	-	-	-	-	(18)	(18)
At 31 March 2016		3,413,548	1,415,176	(183,665)	1,453	3,222	4,649,734	151,563	2,107	4,803,404

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

Notes:

- (1) 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.
- (2) This represents 19,149,650 units issued in 1Q2017 as payment of management fees in units.
- (3) This represents 13,720,004 units issued in 1Q2016 as payment of management fees in units.
- (4) The issue expenses were in relation to the issuance of \$150.0 million of subordinated perpetual securities at a fixed rate per annum on 2 November 2015.

<u>Trust</u>	Note	<u>Units in Issue</u>	<u>Accumulated Profits</u>	<u>Hedging Reserve</u>	<u>Unitholders' Funds</u>	<u>Perpetual Securities</u>	<u>Total</u>
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'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	2	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

<u>Trust</u>	Note	<u>Units in Issue</u>	<u>Accumulated Profits</u>	<u>Hedging Reserve</u>	<u>Unitholders' Funds</u>	<u>Perpetual Securities</u>	<u>Total</u>
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2016		3,394,832	375,859	9,594	3,780,285	149,719	3,930,004
Return for the period		-	68,398	-	68,398	1,862	70,260
Other comprehensive income	1	-	-	(10,894)	(10,894)	-	(10,894)
Total comprehensive income		-	68,398	(10,894)	57,504	1,862	59,366
Issue of units for payment of management fees	3	12,772	-	-	12,772	-	12,772
Issue expenses	4	-	-	-	-	(18)	(18)
Distribution Reinvestment Plan		9,160	(9,160)	-	-	-	-
Distribution to Unitholders		(3,216)	(41,654)	-	(44,870)	-	(44,870)
At 31 March 2016		3,413,548	393,443	(1,300)	3,805,691	151,563	3,957,254

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 19,149,650 units issued in 1Q2017 as payment of management fees in units.
- (3) This represents 13,720,004 units issued in 1Q2016 as payment of management fees in units.
- (4) The issue expenses were in relation to the issuance of \$150.0 million of subordinated perpetual securities at a fixed rate per annum on 2 November 2015.

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

	Group and Trust	
	2017 Units	2016 Units
Issued units as at 1 January	3,291,616,169	3,216,124,466
Issue of new units:		
- Payment of management fees	19,149,650	13,720,004
- Distribution Reinvestment Plan	7,935,402	10,517,383
Issued units as at 31 March	3,318,701,221	3,240,361,853

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 2017 and 31 December 2016.

Total number of issued units in Keppel REIT as at 31 March 2017 and 31 December 2016 are as disclosed in paragraph 1(d)(ii).

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

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS ("INT FRS") that are effective for annual period beginning on 1 January 2017.

5. CHANGES IN ACCOUNTING POLICIES

Not applicable.

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

	<u>Group</u>	
	1Q2017	1Q2016
EPU		
(based on weighted average number of units as at the end of the period)		
Based on total return before gain on divestment of investment property	1.15 cents	0.86 cents
Based on total return after gain on divestment of investment property	1.15 cents	1.73 cents
- Weighted average number of units as at the end of the period	3,306,565,757	3,229,668,077
DPU	1.45 cents	1.68 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	3,318,701,221	3,240,361,853

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 31/3/2017	As at 31/12/2016	As at 31/3/2017	As at 31/12/2016
NAV ¹ per unit (\$)	1.44	1.44	1.15	1.16
NTA ¹ per unit (\$)	1.43	1.44	1.15	1.15
based on issued units at the end of the period				
Adjusted NAV ¹ per unit (\$)	1.42	1.43	1.14	1.14
Adjusted NTA ¹ per unit (\$)	1.42	1.42	1.13	1.14
based on issued units at the end of the period (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)

	Group		
	1Q2017	1Q2016	+ / (-)
	\$'000	\$'000	%
Property			
Bugis Junction Towers	4,588	5,751	(20.2)
Ocean Financial Centre	25,951	26,100	(0.6)
275 George Street	5,085	4,649	9.4
77 King Street ¹	-	669	(100.0)
8 Exhibition Street ²	4,232	3,998	5.9
Total property income of directly held properties	39,856	41,167	(3.2)
(excluding property income contribution from associates and joint ventures)			

8(ii) Income Contribution of the Portfolio

	Group		
	1Q2017	1Q2016	+ / (-)
	\$'000	\$'000	%
Property			
Bugis Junction Towers	3,392	4,624	(26.6)
Ocean Financial Centre	21,215	21,134	0.4
275 George Street	4,097	3,780	8.4
77 King Street ¹	-	524	(100.0)
8 Exhibition Street ²	2,690	2,848	(5.5)
Total net property income of directly held properties	31,394	32,910	(4.6)
One-third interest in ORQPL ³:			
- Interest income	503	580	(13.3)
- Dividend income	8,414	6,346	32.6
Total income	8,917	6,926	28.7
One-third interests in BFCDLLP ⁴ and CBDPL ⁴:			
- Rental support	2,575	3,200	(19.5)
- Interest income	4,521	6,998	(35.4)
- Dividend and distribution income	17,240	13,196	30.6
Total income	24,336	23,394	4.0
50% interest in M8CT ⁵:			
- Distribution income	3,335	3,128	6.6
50% interest in MOTT ⁶:			
- Distribution income	3,543	2,450	44.6

Notes:

- (1) 77 King Street was divested on 29 January 2016.
- (2) Comprises 50% interest in the office building and two retail units, and a 100% interest in another three retail units.
- (3) Comprises one-third interest in ORQPL which holds One Raffles Quay.
- (4) Comprise one-third interests in BFCDLLP and CBDPL which hold Marina Bay Financial Centre Towers 1, 2 and 3 and Marina Bay Link Mall.
- (5) Comprises 50% interest in M8CT which holds 8 Chifley Square.
- (6) Comprises 50% interest in MOTT which holds the David Malcolm Justice Centre.

8. REVIEW OF PERFORMANCE (CONT'D)

Review of Performance for 1Q2017 vs 1Q2016

Property income and net property income for 1Q2017 were \$39.9 million and \$31.4 million respectively, compared to the property income and net property income of \$41.2 million and \$32.9 million respectively for 1Q2016. The variances were mainly attributable to the absence of income contribution from 77 King Street which was divested on 29 January 2016 and lower property income and net property income from Bugis Junction Towers.

The Group's total return before tax for 1Q2017 was \$42.0 million, compared to \$64.9 million for 1Q2016. The variance was mainly attributable to the absence of gain on divestment of 77 King Street which was recorded in 1Q2016, lower property and net property income from Bugis Junction Towers, absence of income contribution from 77 King Street, lower rental support and lower interest income. These were partially offset by higher share of results of associates and joint ventures, lower amortisation expense, lower borrowing costs, as well as changes in fair value of derivatives.

9. VARIANCE FROM FORECAST STATEMENT

Not applicable.

10. PROSPECTS

The Singapore economy grew 2.5% year-on-year (yoy) in 1Q2017 based on advance estimates by the Ministry of Trade and Industry (MTI). Full-year growth for 2017 is projected at between 1% and 3%.

CBRE opined that concerns around supply overhang from the new office projects are dissipating as soon-to-be completed developments are now reporting stronger pre-commitments. Leasing activities have increased, with demand from tenants in the banking and finance sector, as well as expansion in the technology and media sector. Overall occupancy for Singapore's core CBD office market was 95.6% in 1Q2017, down slightly from 95.8% in 4Q2016.

Meanwhile, average Grade A rent eased further to \$8.95 psf in 1Q2017, from \$9.10 psf in 4Q2016. CBRE believes that the office market may see a slight rebound by end-2017, followed by a more sustained market recovery in 2018. This recovery, however, is expected to be mixed, with Grade A offices expected to be the main beneficiary of any potential uplift in rents.

In Australia, the economy recorded a 2.4% growth for 2016, driven mainly by stronger household consumption. The Reserve Bank of Australia expects growth of between 2% and 3% for 2017, and between 2.5% and 3.5% for 2018. Jones Lang LaSalle reported that occupancy for Australia's national CBD office market remained steady at 88.1% as at end-December 2016. Leasing activities remained strong in the CBDs of Sydney and Melbourne, while the CBDs in Brisbane and Perth showed early signs of recovery.

Looking ahead, the Manager remains cognisant of the uncertain global economic environment and competitive office leasing landscape in Singapore. The Manager will continue its proactive and disciplined approach to renew leases so as to retain tenants and mitigate leasing risk.

Borrowing costs are likely to increase as a consequence of the anticipated US rate hikes. The Manager will continue its prudent capital management approach to mitigate financing, interest rate and foreign exchange risks.

The Manager remains committed to a portfolio optimisation strategy that ensures the REIT's portfolio remains relevant to tenants' changing business needs, while providing sustainable returns to Unitholders in the long term. The Manager will continue to seek selective acquisitions that offer stable income growth and capital appreciation over time. At the same time, the Manager is open to opportunistic divestments to unlock value for Unitholders.

11. RISK FACTORS AND RISK MANAGEMENT

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

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 and maintain sufficient deposits in their accounts. 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 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> 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> 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> 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>

12. DISTRIBUTIONS (CONT'D)

(b) Corresponding Period of the Immediately Preceding Financial Year

Name of Distribution	1 January 2016 to 31 March 2016
Distribution Type	(a) Taxable income (b) Tax-exempt income (c) Other gains distribution (d) Capital distribution
Distribution Rate	(a) Taxable income distribution - 1.23 cents per unit (b) Tax-exempt income distribution - 0.26 cents per unit (c) Other gains distribution - 0.09 cents per unit (d) Capital distribution - 0.10 cents per unit
Tax Rate	<p><u>Taxable income distribution</u> 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> 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>Other gains distribution</u> Other gains distribution is not taxable in the hands of all Unitholders.</p> <p><u>Capital distribution</u> 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

27 April 2017

(d) Date Payable

30 May 2017

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	Aggregate value of all interested person transactions during the financial year under review (excluding transactions of less than \$100,000)	
	1Q2017 \$'000	1Q2016 \$'000
<u>Keppel Corporation Limited and its subsidiaries or associates</u>		
- Manager's management fees	12,547	12,576
- Divestment fee	-	810
- Property management fees and reimbursable	1,459	1,469
- Leasing commissions	2,954	-
- Rental and service charge income ¹	-	36,041
- Rental support	2,575	3,200
<u>RBC Investor Services Trust Singapore Limited</u>		
- Trustee's fees	309	310

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

Note:

(1) The aggregate value of interested person transactions refers to the total contract sum entered into during the financial year.

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.

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
 19 April 2017

CONFIRMATION BY THE BOARD

We, CHIN WEI-LI AUDREY MARIE 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 2017 financial statements of Keppel REIT to be false or misleading in any material respect.

On Behalf of the Board

CHIN WEI-LI AUDREY MARIE
Chairman



TAN SWEE YIOW
Director

19 April 2017