

## **KEPPEL REIT SECOND QUARTER 2014 FINANCIAL STATEMENTS ANNOUNCEMENT**

### **UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2014**

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**SUMMARY OF KEPPEL REIT RESULTS  
FOR THE HALF YEAR ENDED 30 JUNE 2014**

	GROUP			
	2Q2014 \$'000	1H2014 \$'000	1H2013 \$'000	+/(-) %
Property Income	47,346	94,128	82,599	14.0
Net Property Income	39,191	78,659	66,667	18.0
Share of Results of Associates	14,244	30,229	30,371	(0.5)
Total Return before Tax	40,027	82,900	75,265	10.1
Income Available for Distribution	53,220	108,267	105,070	3.0
Distribution to Unitholders <sup>1</sup>	53,220	108,267	105,070	3.0
<b>Distribution per Unit ("DPU") (cents)</b>				
<b>For the Period</b>	<b>1.90</b>	<b>3.87</b>	<b>3.94</b>	(1.8)
<b>Annualised</b>	<b>7.62</b>	<b>7.80</b>	<b>7.95</b>	(1.9)
Distribution Yield %	6.0% <sup>2</sup>	6.1% <sup>2</sup>	6.1% <sup>3</sup>	

**Notes:**

- (1) Distribution to Unitholders is based on 100% of the taxable income available for distribution.
- (2) The yield is based on the market closing price per unit of \$1.280 as at the last trading day, 30 June 2014.
- (3) The yield is based on the market closing price per unit of \$1.295 as at the last trading day, 28 June 2013.

Distribution	1 April 2014 to 30 June 2014
Distribution Type	(a) Taxable income (b) Tax-exempt income (c) Capital distribution
Distribution Rate	(a) Taxable income distribution - 1.12 cents per unit (b) Tax-exempt income distribution - 0.68 cents per unit (c) Capital distribution - 0.10 cents per unit
Books Closure Date	30 July 2014
Payment Date	28 August 2014

## INTRODUCTION

Listed by way of an introduction on 28 April 2006, K-REIT Asia was renamed Keppel REIT on 15 October 2012. Keppel REIT is currently one of the largest real estate investment trusts listed on the Singapore Exchange Securities Trading Limited.

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 30 June 2014, Keppel REIT has an asset size of more than \$7.2 billion comprising ten premium commercial assets strategically located in the central business districts of Singapore, and Sydney, Melbourne, Brisbane and Perth in Australia.

In Singapore, Keppel REIT owns a 99.9% interest in Ocean Financial Centre, a one-third interest in Marina Bay Financial Centre Phase One (comprising Towers 1 and 2 and Marina Bay Link Mall), a one-third interest in One Raffles Quay, a 92.8% interest in Prudential Tower, and 100% of Bugis Junction Towers.

On 15 May 2014, Keppel REIT announced the divestment of its 92.8% interest in Prudential Tower for \$512.0 million. The divestment is expected to be completed on 26 September 2014.

In Australia, Keppel REIT owns five premium commercial assets, which comprises a 50% interest in 8 Chifley Square and 77 King Street Office Tower in Sydney, a 50% interest in the office building at 8 Exhibition Street in Melbourne, a 50% interest in 275 George Street in Brisbane as well as a 50% interest in the new office tower to be built on the Old Treasury Building site in Perth.

Keppel REIT is sponsored by Keppel Land Limited ("Keppel Land"), one of Asia's leading property developers, and is managed by Keppel REIT Management Limited, a wholly-owned subsidiary of Keppel Land.

## 1. UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2014

The Directors of Keppel REIT Management Limited, as manager of Keppel REIT, announce the following unaudited results of Keppel REIT for the half year ended 30 June 2014:

### 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					
		2Q2014	2Q2013	+/(-) %	1H2014	1H2013	+/(-) %
		\$'000	\$'000	%	\$'000	\$'000	%
Gross rent		45,925	40,391	13.7	91,042	81,076	12.3
Car park income		822	352	133.5	1,592	699	127.8
Other income		599	424	41.3	1,494	824	81.3
<b>Property income</b>		<b>47,346</b>	<b>41,167</b>	<b>15.0</b>	<b>94,128</b>	<b>82,599</b>	<b>14.0</b>
Property tax		(2,737)	(2,529)	8.2	(4,229)	(4,075)	3.8
Other property expenses	1	(3,982)	(4,644)	(14.3)	(8,000)	(8,399)	(4.8)
Property management fee		(1,161)	(1,097)	5.8	(2,306)	(2,161)	6.7
Maintenance and sinking fund contributions		(275)	(648)	(57.6)	(934)	(1,297)	(28.0)
<b>Property expenses</b>		<b>(8,155)</b>	<b>(8,918)</b>	<b>(8.6)</b>	<b>(15,469)</b>	<b>(15,932)</b>	<b>(2.9)</b>
<b>Net property income</b>		<b>39,191</b>	<b>32,249</b>	<b>21.5</b>	<b>78,659</b>	<b>66,667</b>	<b>18.0</b>
Rental support	2	12,250	19,092	(35.8)	25,295	36,417	(30.5)
Interest income	3	10,299	9,517	8.2	20,102	17,419	15.4
Share of results of associates	4	14,244	16,173	(11.9)	30,229	30,371	(0.5)
Share of results of joint ventures	5	920	705	30.5	1,751	713	145.6
Amortisation expenses	6	(9,388)	(13,037)	(28.0)	(18,426)	(26,257)	(29.8)
Borrowing costs	7	(15,167)	(13,679)	10.9	(29,706)	(26,574)	11.8
Manager's management fees	8	(11,305)	(10,497)	7.7	(22,803)	(20,726)	10.0
Trust expenses		(1,017)	(1,357)	(25.1)	(2,201)	(2,765)	(20.4)
<b>Total return before tax</b>		<b>40,027</b>	<b>39,166</b>	<b>2.2</b>	<b>82,900</b>	<b>75,265</b>	<b>10.1</b>
Income tax expense	9	(2,414)	(2,740)	(11.9)	(5,436)	(5,665)	(4.0)
<b>Total return after tax</b>		<b>37,613</b>	<b>36,426</b>	<b>3.3</b>	<b>77,464</b>	<b>69,600</b>	<b>11.3</b>
<b>Attributable to:</b>							
Unitholders		37,595	36,410	3.3	77,426	69,567	11.3
Non-controlling interest		18	16	12.5	38	33	15.2
		<b>37,613</b>	<b>36,426</b>	<b>3.3</b>	<b>77,464</b>	<b>69,600</b>	<b>11.3</b>
<b>Distribution Statement</b>							
<b>Total return for the period attributable to Unitholders</b>		<b>37,595</b>	<b>36,410</b>	<b>3.3</b>	<b>77,426</b>	<b>69,567</b>	<b>11.3</b>
Net tax adjustments	10	15,625	16,418	(4.8)	30,841	35,503	(13.1)
<b>Income available for distribution</b>		<b>53,220</b>	<b>52,828</b>	<b>0.7</b>	<b>108,267</b>	<b>105,070</b>	<b>3.0</b>
<b>Distribution to Unitholders</b>	11	<b>53,220</b>	<b>52,828</b>	<b>0.7</b>	<b>108,267</b>	<b>105,070</b>	<b>3.0</b>
<b>Distribution per Unit (cents)</b>							
For the period		1.90	1.97	(3.6)	3.87	3.94	(1.8)
Annualised		7.62	7.90	(3.5)	7.80	7.95	(1.9)

**Notes:**

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

	<u>Group</u>			
	2Q2014	2Q2013	1H2014	1H2013
	\$'000	\$'000	\$'000	\$'000
Marketing expenses	8	945	83	984
Utilities	855	1,320	1,632	2,664
Repair and maintenance	2,558	1,704	4,867	3,263
Property management reimbursements	219	316	720	921
Other property expenses	342	359	698	567
	<u>3,982</u>	<u>4,644</u>	<u>8,000</u>	<u>8,399</u>

- (2) For 2Q2014, this relates to the rental support top-up payments received by Keppel REIT for 77 King Street Office Tower, Sydney, and the approximate 99.9% interest in Ocean Properties LLP ("OPLLP") which holds Ocean Financial Centre ("OFC"). For 1H2014, this relates to the rental support top-up payments received by Keppel REIT for the additional 29% interest in Prudential Tower acquired on 2 November 2009, the one-third interest in BFC Development LLP ("BFCDLLP") which holds Marina Bay Financial Centre Towers 1 and 2 and Marina Bay Link Mall, 77 King Street Office Tower, Sydney, and the approximate 99.9% interest in OPLLP which holds OFC. In the prior periods, the rental support top-up payments received by Keppel REIT also included its additional 19.4% interests in Prudential Tower acquired on 3 May 2011.

- (3) Interest income comprises the following:

	<u>Group</u>			
	2Q2014	2Q2013	1H2014	1H2013
	\$'000	\$'000	\$'000	\$'000
Interest income from fixed deposits and current accounts	282	170	541	360
Interest income from shareholder's loans to One Raffles Quay Pte Ltd ("ORQPL") and BFCDLLP	5,354	5,300	10,603	10,723
Interest income from convertible notes in Mirvac 8 Chifley Trust and Mirvac (Old Treasury) Trust	4,663	4,047	8,958	6,336
	<u>10,299</u>	<u>9,517</u>	<u>20,102</u>	<u>17,419</u>

- (4) Share of results of associates for the current period relates to Keppel REIT's one-third interests in (i) ORQPL's net profit after tax, and (ii) BFCDLLP's partnership profit.
- (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") net profit after tax.
- (6) Please refer to paragraph 1(b)(i), note 4.
- (7) Borrowing costs comprise the following:

	<u>Group</u>			
	2Q2014	2Q2013	1H2014	1H2013
	\$'000	\$'000	\$'000	\$'000
Interest expense on term loans	14,095	11,330	27,359	21,774
Interest expense on revolving loans	393	1,776	816	3,684
Amortisation of capitalised transaction costs	679	573	1,531	1,116
	<u>15,167</u>	<u>13,679</u>	<u>29,706</u>	<u>26,574</u>

- (8) The Manager has elected to receive 100% of its management fees earned in respect of the approximate 87.5% interest in OPLLP and the 50% interest in 8 Exhibition Street as well as 50% of its management fee earned for the approximate 12.4% interest in OPLLP and the rest of the properties in units of Keppel REIT for FY2014 and FY2013.
- (9) Income tax expense comprises (i) tax of 17% (2013: 17%) on the rental support top-up payments received by Keppel REIT for its interests in BFCDLLP and OPLLP, net of deductible interest expense, and (ii) withholding tax expense in relation to the income from the Group's investments in Australia.
- (10) Included in the net tax adjustments are the following:

	<u>Group</u>			
	2Q2014	2Q2013	1H2014	1H2013
	\$'000	\$'000	\$'000	\$'000
Management fees paid and/or payable in units	7,597	6,951	15,273	13,754
Trustee's fees	273	248	540	490
Amortisation of intangible asset and capitalised transaction costs	10,067	13,610	19,957	27,373
Temporary differences and other tax adjustments	(2,312)	(4,391)	(4,929)	(6,114)
	15,625	16,418	30,841	35,503

Included in temporary differences and other tax adjustments were share of results of associates and joint ventures, dividend and distributions income, effect of recognising rental income on a straight line basis over the lease terms, non-taxable income and non-deductible expenses.

- (11) 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>					
	2Q2014	2Q2013	+ / (-)	1H2014	1H2013	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
<b>Total return after tax</b>	<b>37,613</b>	<b>36,426</b>	<b>3.3</b>	<b>77,464</b>	<b>69,600</b>	<b>11.3</b>
<b>Other comprehensive income:</b>						
Foreign currency translation	22,350	(51,985)	NM	24,156	(41,428)	NM
<u>Cashflow hedges:</u>						
Net change in fair value of cash flow hedges	7,420	2,432	205.1	5,151	4,869	5.8
Share of net change in fair value of cash flow hedges of an associate	333	761	(56.2)	550	794	(30.7)
<b>Other comprehensive income for the period</b>	<b>30,103</b>	<b>(48,792)</b>	<b>NM</b>	<b>29,857</b>	<b>(35,765)</b>	<b>NM</b>
<b>Total comprehensive income for the period</b>	<b>67,716</b>	<b>(12,366)</b>	<b>NM</b>	<b>107,321</b>	<b>33,835</b>	<b>217.2</b>
<b>Attributable to:</b>						
Unitholders	67,698	(12,382)	NM	107,284	33,802	217.4
Non-controlling interest	18	16	12.5	37	33	12.1
	<b>67,716</b>	<b>(12,366)</b>	<b>NM</b>	<b>107,321</b>	<b>33,835</b>	<b>217.2</b>

NM – Not meaningful

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

**Balance Sheets**

	Note	Group			Trust		
		30/06/2014 \$'000	31/12/2013 \$'000	+ / (-) %	30/06/2014 \$'000	31/12/2013 \$'000	+ / (-) %
<b>Non-current assets</b>							
Investment properties	1	3,541,018	4,015,094	(11.8)	505,258	994,760	(49.2)
Investment in subsidiaries		-	-	-	1,837,852	1,837,852	-
Investment in associates	2	2,268,032	2,269,185	(0.1)	1,979,167	1,979,167	-
Investment in joint ventures	3	386,432	315,310	22.6	-	-	-
Amount owing by subsidiaries		-	-	-	906,126	798,648	13.5
Fixed assets		160	23	>500	-	-	-
Intangible asset	4	28,949	47,356	(38.9)	-	1,094	(100.0)
Derivative financial instruments	5	1,855	2,738	(32.2)	-	-	-
<b>Total non-current assets</b>		<b>6,226,446</b>	<b>6,649,706</b>	<b>(6.4)</b>	<b>5,228,403</b>	<b>5,611,521</b>	<b>(6.8)</b>
<b>Current assets</b>							
Non-current asset held for divestment	6	490,000	-	100.0	490,000	-	100.0
Trade and other receivables	7	39,662	33,865	17.1	57,851	40,128	44.2
Prepaid expenses		987	1,010	(2.3)	162	22	636.4
Cash and bank balances		126,685	90,611	39.8	96,271	61,782	55.8
Derivative financial instruments		-	347	(100.0)	-	347	(100.0)
<b>Total current assets</b>		<b>657,334</b>	<b>125,833</b>	<b>422.4</b>	<b>644,284</b>	<b>102,279</b>	<b>529.9</b>
<b>Total assets</b>		<b>6,883,780</b>	<b>6,775,539</b>	<b>1.6</b>	<b>5,872,687</b>	<b>5,713,800</b>	<b>2.8</b>
<b>Current liabilities</b>							
Trade and other payables		117,390	94,258	24.5	96,750	43,095	124.5
Income received in advance		997	1,621	(38.5)	535	239	123.8
Short term borrowings	8	-	281,953	(100.0)	-	281,953	(100.0)
Current portion of security deposits		2,195	3,927	(44.1)	962	852	12.9
Derivative financial instruments	9	3,613	6,559	(44.9)	3,613	6,559	(44.9)
Provision for taxation		8,852	10,858	(18.5)	8,570	10,998	(22.1)
<b>Total current liabilities</b>		<b>133,047</b>	<b>399,176</b>	<b>(66.7)</b>	<b>110,430</b>	<b>343,696</b>	<b>(67.9)</b>
<b>Non-current liabilities</b>							
Income received in advance		15,109	19,585	(22.9)	14,092	17,907	(21.3)
Long term borrowings	8	2,768,583	2,400,905	15.3	2,312,074	1,944,642	18.9
Derivative financial instruments	9	18,531	21,966	(15.6)	16,222	20,332	(20.2)
Non-current portion of security deposits		31,828	30,183	5.5	8,938	9,281	(3.7)
Deferred tax liabilities		4,753	4,753	-	-	-	-
<b>Total non-current liabilities</b>		<b>2,838,804</b>	<b>2,477,392</b>	<b>14.6</b>	<b>2,351,326</b>	<b>1,992,162</b>	<b>18.0</b>
<b>Total liabilities</b>		<b>2,971,851</b>	<b>2,876,568</b>	<b>3.3</b>	<b>2,461,756</b>	<b>2,335,858</b>	<b>5.4</b>
<b>Net assets</b>		<b>3,911,929</b>	<b>3,898,971</b>	<b>0.3</b>	<b>3,410,931</b>	<b>3,377,942</b>	<b>1.0</b>
Represented by:							
<b>Unitholders' funds</b>		<b>3,909,952</b>	<b>3,896,993</b>	<b>0.3</b>	<b>3,410,931</b>	<b>3,377,942</b>	<b>1.0</b>
<b>Non-controlling interest</b>		<b>1,977</b>	<b>1,978</b>	<b>(0.1)</b>	<b>-</b>	<b>-</b>	<b>-</b>
		<b>3,911,929</b>	<b>3,898,971</b>	<b>0.3</b>	<b>3,410,931</b>	<b>3,377,942</b>	<b>1.0</b>
Net asset value per unit (\$)		1.40	1.40		1.22	1.21	
Gross borrowings / Value of deposited properties (%)	10	42.8	42.1				

**Notes:**

- (1) *The decrease in investment properties is mainly due to the reclassification of Prudential Tower to non-current asset held for divestment, offset by translation differences arising from the Australian properties.*
- (2) *This relates to the one-third equity interests in ORQPL and BFCDLLP, advances to these associates and the Group's share of post-acquisition results of these associates.*
- (3) *This relates to the 50% interest in M8CT and Mirvac 8 Chifley Pty Limited, and 50% interest in MOTT and Mirvac (Old Treasury) Pty Limited. It also includes convertible notes held in MOTT. The properties held through M8CT and MOTT are 8 Chifley Square and the new office tower to be built on the Old Treasury Building site respectively.*
- (4) *This relates to the unamortised aggregate rental support top-up payments receivable by the Group for its 100% interest in the office tower at 77 King Street, Sydney, and the approximate 99.9% interest in OPLLP. In the prior year, the balance also included unamortised aggregate rental support top-up payments receivable by the Group for the additional 19.4% interest in Prudential Tower and its one-third interest in BFCDLLP which holds Marina Bay Financial Centre Towers 1 and 2 and Marina Bay Link Mall. The intangible asset is amortised over the remaining rental support periods for the respective properties.*
- (5) *This relates to the fair value of interest rate swaps entered into by the Group.*
- (6) *This relates to the divestment of Keppel REIT's 92.8% interest in Prudential Tower, which is expected to be completed on 26 September 2014.*
- (7) *Included in the balances are receivables for rental support top-up payments of \$12.1 million as at 30 June 2014 (31 December 2013: \$20.8 million).*
- (8) *This relates mainly to bank borrowings taken up to finance the acquisition of one-third equity interest in associates, ORQPL and BFCDLLP, the additional 19.4% interest in Prudential Tower, the 50% interest in M8CT, the approximate 99.9% interest in OPLLP, 50% interest in MOTT and 50% interest in 8 Exhibition Street. The Group's balance also includes OPLLP's bank borrowings.*
- (9) *This relates to the fair value of the foreign currency forward contracts entered into in relation to the investments in MOTT and income from the Australian properties, and fair value of interest rate swaps entered into by the Group.*
- (10) *This is based on the total amount of gross borrowings and valuation of deposited properties (held directly and indirectly) of \$7.3 billion as at 30 June 2014 (31 December 2013: \$7.2 billion).*



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

	<u>Group</u>	
	As at 30/06/14 \$'000	As at 31/12/13 \$'000
<b>Secured borrowings</b>		
Amount repayable after one year	886,954	886,954
Less: Unamortised portion of fees	(3,631)	(4,312)
	<b>883,323</b>	<b>882,642</b>
<b>Unsecured borrowings</b>		
Amount repayable within one year	-	282,039
Amount repayable after one year	1,890,293	1,522,884
Less: Unamortised portion of fees	(5,033)	(4,707)
	<b>1,885,260</b>	<b>1,800,216</b>
<b>Total borrowings</b>	<b>2,768,583</b>	<b>2,682,858</b>

**Details of Collaterals**

As a security for the 5-year term loan facilities of \$425 million, the Group mortgaged its Bugis Junction Towers and a 73.4% interest in Prudential Tower. In addition, Keppel REIT granted the lender the following:

- (i) an assignment of the rights, title and interest of the Trust and the insurances effected over Bugis Junction Towers;
- (ii) an assignment of all the rights, benefits, title and interest of the Trust in and to the property sale agreement and tenancy agreements relating to Bugis Junction Towers; and
- (iii) a debenture creating fixed and floating charges over all assets of the Trust relating to Bugis Junction Towers.

For the 5-year term loan facility of \$505 million, the Group granted the lenders securities of up to an aggregate principal amount of \$900 million comprising of a mortgage against OFC and the following:

- (i) an assignment of construction contracts and construction guarantees; and
- (ii) an assignment of rental and insurance proceeds derived from OFC.

As at 30 June 2014, the Group had total borrowings of approximately \$2,777.2 million and an unutilised \$874.1 million of facilities available to meet its future obligations. The year-to-date all-in interest rate for borrowings stood at 2.20% per annum.

1(c) Consolidated Statement of Cash Flows

	Note	Group			
		2Q2014	2Q2013	1H2014	1H2013
		\$'000	\$'000	\$'000	\$'000
<b>Operating activities</b>					
Total return before tax		40,027	39,166	82,900	75,265
Adjustments for:					
Interest income		(10,299)	(9,517)	(20,102)	(17,419)
Amortisation expense		9,388	13,037	18,426	26,257
Share of results of associates		(14,244)	(16,173)	(30,229)	(30,371)
Share of results of joint ventures		(920)	(705)	(1,751)	(713)
Borrowing costs		15,167	13,679	29,706	26,574
Management fees paid and/or payable in units		7,597	6,951	15,273	13,754
Depreciation		18	6	21	10
Rental support income		(12,250)	(19,092)	(25,295)	(36,417)
Translation differences		(1,128)	(600)	(1,146)	(2,385)
<b>Operating cash flows before changes in working capital</b>		<b>33,356</b>	<b>26,752</b>	<b>67,803</b>	<b>54,555</b>
Increase in receivables		(725)	(17,311)	(2,018)	(16,066)
Increase/(Decrease) in payables		2,750	(5,491)	(29,200)	(17,916)
Increase/(Decrease) in security deposits		5	281	(87)	(102)
Cash flows from operations		35,386	4,231	36,498	20,471
Income taxes paid		(3,818)	(4,859)	(7,446)	(5,420)
<b>Net cash flows generated from/(used in) operating activities</b>		<b>31,568</b>	<b>(628)</b>	<b>29,052</b>	<b>15,051</b>
<b>Investing activities</b>					
Purchase of investment property		-	(10,977)	-	(10,977)
Improvement in investment properties		(600)	(1,837)	(1,316)	(3,033)
Purchase of fixed assets		(158)	(58)	(158)	(58)
Interest received		12,799	8,937	23,934	16,722
Rental support received		12,112	17,556	34,006	34,991
Deposit received for divestment of Prudential Tower		51,200	-	51,200	-
Investment in joint ventures		(55,323)	(37,463)	(60,102)	(164,285)
Distribution received from a joint venture		420	240	773	240
Dividend income/distribution received from associates		15,652	32,403	15,652	32,403
<b>Net cash flows generated from/(used in) investing activities</b>		<b>36,102</b>	<b>8,801</b>	<b>63,989</b>	<b>(93,997)</b>
<b>Financing activities</b>					
Distribution to Unitholders	†	(55,049)	(52,187)	(109,655)	(104,021)
Loans drawdown		57,396	108,636	342,345	251,384
Repayment of loan drawdown		-	(55,000)	(256,975)	(107,446)
Upfront debt arrangement costs		-	(775)	(1,176)	(1,350)
Proceeds from placement		-	-	-	53,200
Partnership distribution to non-controlling interest		(20)	(16)	(32)	(33)
Interest paid		(19,794)	(18,942)	(27,614)	(25,748)
Issue expenses		-	(774)	-	(774)
<b>Net cash flows (used in)/generated from financing activities</b>		<b>(17,467)</b>	<b>(19,058)</b>	<b>(53,107)</b>	<b>65,212</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>50,203</b>	<b>(10,885)</b>	<b>39,934</b>	<b>(13,734)</b>
Cash and cash equivalents at the beginning of period		60,912	69,096	71,140	71,766
Effect of exchange rate changes on cash and cash equivalents		578	(1,116)	619	(937)
<b>Cash and cash equivalents at the end of period</b>		<b>111,693</b>	<b>57,095</b>	<b>111,693</b>	<b>57,095</b>
Cash and bank balances		126,685	82,168	126,685	82,168
Less: Rental support received in advance held in escrow accounts	‡	(14,992)	(25,073)	(14,992)	(25,073)
<b>Cash and cash equivalents per Consolidated Statement of Cash Flows</b>		<b>111,693</b>	<b>57,095</b>	<b>111,693</b>	<b>57,095</b>

**Note:**

- (1) Distribution for 1H2014 is for the period 1 October 2013 to 31 December 2013, paid on 28 February 2014 and 1 January 2014 to 31 March 2014, paid on 28 May 2014.  
Distribution for 1H2013 is for the period of 1 October 2012 to 31 December 2012, paid on 27 February 2013, 1 January 2013 to 3 March 2013, paid on 12 April 2013 and 4 March 2013 to 31 March 2013, paid on 28 May 2013.
- (2) This relates to the rental support top-up payments received in advance by Keppel REIT held in escrow accounts for the 12.39% interest in OPLLP and the office tower at 77 King Street. In the prior year, the rental support top-up payments received in advance by Keppel REIT held in escrow accounts also included the additional 29% and 19.4% interests in Prudential Tower.

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

	Units in Issue	Accumulated Profits	Foreign Currency Translation Reserve	Hedging Reserve	Discount on Acquisition of Non-Controlling Interest	Unitholders' Funds	Controlling Interest	Total
Group	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 January 2014</b>	<b>2,924,291</b>	<b>1,092,311</b>	<b>(94,828)</b>	<b>(28,003)</b>	<b>3,222</b>	<b>3,896,993</b>	<b>1,978</b>	<b>3,898,971</b>
Return for the period	-	39,831	-	-	-	39,831	20	39,851
Other comprehensive income	-	-	1,806	(2,051)	-	(245)	(1)	(246)
Total comprehensive income	-	39,831	1,806	(2,051)	-	39,586	19	39,605
Issue of units for payment of management fees	7,669	-	-	-	-	7,669	-	7,669
Distribution to Unitholders	(11,429)	(43,177)	-	-	-	(54,606)	-	(54,606)
Distribution of partnership profits to non-controlling interest	-	-	-	-	-	-	(20)	(20)
<b>At 31 March 2014</b>	<b>2,920,531</b>	<b>1,088,965</b>	<b>(93,022)</b>	<b>(30,054)</b>	<b>3,222</b>	<b>3,889,642</b>	<b>1,977</b>	<b>3,891,619</b>
Return for the period	-	37,595	-	-	-	37,595	18	37,613
Other comprehensive income	-	-	22,350	7,753	-	30,103	-	30,103
Total comprehensive income	-	37,595	22,350	7,753	-	67,698	18	67,716
Issue of units for payment of management fees	7,661	-	-	-	-	7,661	-	7,661
Distribution to Unitholders	(2,795)	(52,254)	-	-	-	(55,049)	-	(55,049)
Distribution of partnership profits to non-controlling interest	-	-	-	-	-	-	(18)	(18)
<b>At 30 June 2014</b>	<b>2,925,397</b>	<b>1,074,306</b>	<b>(70,672)</b>	<b>(22,301)</b>	<b>3,222</b>	<b>3,909,952</b>	<b>1,977</b>	<b>3,911,929</b>

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

Group	Note	Units in Issue \$'000	Accumulated Profits \$'000	Foreign Currency Translation Reserve \$'000	Hedging Reserve \$'000	Discount on Acquisition of Non- Controlling Interest \$'000	Unitholders' funds \$'000	Controlling Interest \$'000	Non- Controlling Interest \$'000	Total \$'000
<b>At 1 January 2013</b>		<b>2,771,684</b>	<b>722,957</b>	<b>(4,138)</b>	<b>(28,599)</b>	<b>2,253</b>	<b>3,464,157</b>	<b>1,811</b>	<b>1,811</b>	<b>3,465,968</b>
Return for the period		-	33,157	-	-	-	33,157	17	17	33,174
Other comprehensive income	1	-	-	10,557	2,470	-	13,027	-	-	13,027
Total comprehensive income		-	33,157	10,557	2,470	-	46,184	17	17	46,201
Issue of units for payment of management fees	3	6,849	-	-	-	-	6,849	-	-	6,849
Issue of placement units	4	53,200	-	-	-	-	53,200	-	-	53,200
Issue expenses	5	(756)	-	-	-	-	(756)	-	-	(756)
Distribution to Unitholders		(18,681)	(33,153)	-	-	-	(51,834)	-	-	(51,834)
Distribution of partnership profits to non-controlling interest		-	-	-	-	-	-	(17)	(17)	(17)
<b>At 31 March 2013</b>		<b>2,812,296</b>	<b>722,961</b>	<b>6,419</b>	<b>(26,129)</b>	<b>2,253</b>	<b>3,517,800</b>	<b>1,811</b>	<b>1,811</b>	<b>3,519,611</b>
Return for the period		-	36,410	-	-	-	36,410	16	16	36,426
Other comprehensive income	1	-	-	(51,985)	3,193	-	(48,792)	-	-	(48,792)
Total comprehensive income		-	36,410	(51,985)	3,193	-	(12,382)	16	16	(12,366)
Issue of units for payment of management fees	3	6,807	-	-	-	-	6,807	-	-	6,807
Issue expenses	5	(18)	-	-	-	-	(18)	-	-	(18)
Distribution to Unitholders		(3,695)	(48,492)	-	-	-	(52,187)	-	-	(52,187)
Distribution of partnership profits to non-controlling interest		-	-	-	-	-	-	(32)	(32)	(32)
Share of non-controlling interest in hedging reserve		-	-	-	-	-	-	1	1	1
<b>At 30 June 2013</b>		<b>2,815,390</b>	<b>710,879</b>	<b>(45,566)</b>	<b>(22,936)</b>	<b>2,253</b>	<b>3,460,020</b>	<b>1,796</b>	<b>1,796</b>	<b>3,461,816</b>

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 reserve of an associate.*
- (2) *This represents 6,591,764 and 6,715,908 units issued in 1Q2014 and 2Q2014 as payment of management fees in units.*
- (3) *This represents 5,324,113 and 5,096,741 units issued in 1Q2013 and 2Q2013 as payment of management fees in units.*
- (4) *This relates to the placement of 40 million units at an issue price of \$1.33 per unit on 4 March 2013. The net proceeds raised had been used to repay outstanding borrowings.*
- (5) *This relates to issue expenses in relation to the placement as mentioned in note 4 above.*

<b>Trust</b>	<b>Note</b>	<b>Units in Issue</b> \$'000	<b>Accumulated Profits</b> \$'000	<b>Hedging Reserve</b> \$'000	<b>Total</b> \$'000
<b>At 1 January 2014</b>		<b>2,924,291</b>	<b>479,884</b>	<b>(26,233)</b>	<b>3,377,942</b>
Return for the period		-	49,737	-	49,737
Other comprehensive income	1	-	-	(628)	(628)
Total comprehensive income		-	49,737	(628)	49,109
Issue of units for payment of management fees	2	7,669	-	-	7,669
Distribution to Unitholders		(11,429)	(43,177)	-	(54,606)
<b>At 31 March 2014</b>		<b>2,920,531</b>	<b>486,444</b>	<b>(26,861)</b>	<b>3,380,114</b>
Return for the period		-	71,179	-	71,179
Other comprehensive income	1	-	-	7,026	7,026
Total comprehensive income		-	71,179	7,026	78,205
Issue of units for payment of management fees	2	7,661	-	-	7,661
Distribution to Unitholders		(2,795)	(52,254)	-	(55,049)
<b>At 30 June 2014</b>		<b>2,925,397</b>	<b>505,369</b>	<b>(19,835)</b>	<b>3,410,931</b>

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

<u>Trust</u>	<u>Note</u>	<u>Units in Issue</u> \$'000	<u>Accumulated Profits</u> \$'000	<u>Hedging Reserve</u> \$'000	<u>Total</u> \$'000
<b>At 1 January 2013</b>		<b>2,771,684</b>	<b>497,637</b>	<b>(25,128)</b>	<b>3,244,193</b>
Return for the period		-	56,765	-	56,765
Other comprehensive income	1	-	-	4,203	4,203
Total comprehensive income		-	56,765	4,203	60,968
Issue of units for payment of management fees	3	6,849	-	-	6,849
Issue of placement units	4	53,200	-	-	53,200
Issue expenses	5	(756)	-	-	(756)
Distribution to Unitholders		(18,681)	(33,153)	-	(51,834)
<b>At 31 March 2013</b>		<b>2,812,296</b>	<b>521,249</b>	<b>(20,925)</b>	<b>3,312,620</b>
Return for the period		-	(4,722)	-	(4,722)
Other comprehensive income	1	-	-	(2,154)	(2,154)
Total comprehensive income		-	(4,722)	(2,154)	(6,876)
Issue of units for payment of management fees	3	6,807	-	-	6,807
Issue expenses	5	(18)	-	-	(18)
Distribution to Unitholders		(3,695)	(48,492)	-	(52,187)
<b>At 30 June 2013</b>		<b>2,815,390</b>	<b>468,035</b>	<b>(23,079)</b>	<b>3,260,346</b>

**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 6,591,764 and 6,715,908 units issued in 1Q2014 and 2Q2014 as payment of management fees in units
- (3) This represents 5,324,113 and 5,096,741 units issued in 1Q2013 and 2Q2013 as payment of management fees in units.
- (4) This relates to the placement of 40 million units at an issue price of \$1.33 per unit on 4 March 2013. The net proceeds raised had been used to repay outstanding borrowings.
- (5) This relates to issue expenses in relation to the placement as mentioned in note 4 above.

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

	<u>Group and Trust</u>	
	2014 Units	2013 Units
<b>Issued units as at 1 January</b>	<b>2,787,681,875</b>	<b>2,631,180,238</b>
Issue of new units:		
- Payment of management fees	6,591,764	5,324,113
- Placement units	-	40,000,000
<b>Issued units as at 31 March</b>	<b>2,794,273,639</b>	<b>2,676,504,351</b>
Issue of new units:		
- Payment of management fees	6,715,908	5,096,741
<b>Issued units as at 30 June</b>	<b>2,800,989,547</b>	<b>2,681,601,092</b>

**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 30 June 2014 and 31 December 2013.

Total number of issued units in Keppel REIT as at 30 June 2014 and 31 December 2013 were 2,800,989,547 and 2,787,681,875 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**

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 2014.

**5. CHANGES IN ACCOUNTING POLICIES**

Not applicable.

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

	<u>Group</u>			
	2Q2014	2Q2013	1H2014	1H2013
<b>EPU</b>	1.34 cents	1.36 cents	2.77 cents	2.61 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	2,798,849,312	2,679,976,856	2,795,554,395	2,663,695,504
<b>DPU</b>	1.90 cents	1.97 cents	3.87 cents <sup>1</sup>	3.94 cents <sup>2</sup>
(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	2,800,989,547	2,681,601,092		

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

**Notes:**

- (1) DPU of 3.87 cents for 1H2014 is based on 1.97 cents and 1.90 cents announced during the 1Q2014 and 2Q2014 financial results announcements respectively.
- (2) DPU of 3.94 cents for 1H2013 is based on 1.97 cents and 1.97 cents announced during the 1Q2013 and 2Q2013 financial results announcements respectively.

## 7. NET ASSET VALUE (“NAV”)

	<u>Group</u>		<u>Trust</u>	
	As at 30/06/14	As at 31/12/13	As at 30/06/14	As at 31/12/13
NAV <sup>1</sup> per unit (\$)	1.40	1.40	1.22	1.21
based on issued units at the end of the period				
Adjusted NAV <sup>1</sup> per unit (\$)	1.38	1.38	1.20	1.19
based on issued units at the end of the period (excluding the distributable income)				

**Note:**

- (1) This excludes non-controlling interest's share of net asset value.



## 8. REVIEW OF PERFORMANCE

### 8(i) Property Income Contribution of the Properties

Property	Group					
	2Q2014	2Q2013	+ / (-)	1H2014	1H2013	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
Prudential Tower	5,238	4,475	17.1	10,490	9,479	10.7
Bugis Junction Towers	5,195	5,091	2.0	10,263	10,202	0.6
Ocean Financial Centre <sup>1</sup>	24,216	22,460	7.8	48,336	44,571	8.4
275 George Street	5,297	5,889	(10.1)	10,286	11,636	(11.6)
77 King Street	3,079	3,252	(5.3)	5,985	6,711	(10.8)
8 Exhibition Street <sup>2</sup>	4,321	-	100.0	8,768	-	100.0
<b>Total property income</b>	<b>47,346</b>	<b>41,167</b>	<b>15.0</b>	<b>94,128</b>	<b>82,599</b>	<b>14.0</b>

### 8(ii) Income Contribution of the Properties

Property	Group					
	2Q2014	2Q2013	+ / (-)	1H2014	1H2013	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
Prudential Tower	4,753	3,133	51.7	8,884	7,094	25.2
Bugis Junction Towers	4,100	4,381	(6.4)	8,082	8,501	(4.9)
Ocean Financial Centre <sup>1</sup>	20,342	17,456	16.5	42,016	36,133	16.3
275 George Street	4,265	4,682	(8.9)	8,311	9,395	(11.5)
77 King Street	2,503	2,597	(3.6)	4,814	5,544	(13.2)
8 Exhibition Street <sup>2</sup>	3,228	-	100.0	6,552	-	100.0
<b>Total net property income</b>	<b>39,191</b>	<b>32,249</b>	<b>21.5</b>	<b>78,659</b>	<b>66,667</b>	<b>18.0</b>
One-third interest in ORQPL:						
- Interest income	418	362	15.5	794	733	8.3
- Dividend income	7,228	7,519	(3.9)	13,773	14,783	(6.8)
<b>Total income from one-third interest in ORQPL</b>	<b>7,646</b>	<b>7,881</b>	<b>(3.0)</b>	<b>14,567</b>	<b>15,516</b>	<b>(6.1)</b>
One-third interest in BFCDLLP:						
- Rental support	-	2,023	(100.0)	1,437	4,156	(65.4)
- Interest income	4,936	4,938	(0.04)	9,809	9,990	(1.8)
- Dividend income	9,052	9,206	(1.7)	18,159	17,620	3.1
<b>Total income from one-third interest in BFCDLLP</b>	<b>13,988</b>	<b>16,167</b>	<b>(13.5)</b>	<b>29,405</b>	<b>31,766</b>	<b>(7.4)</b>
Ocean Financial Centre <sup>1</sup>						
- Rental support	12,060	15,518	(22.3)	22,542	29,582	(23.8)
8 Chifley Square <sup>3</sup>						
- Interest income	2,576	2,555	0.8	5,157	4,763	8.3
Old Treasury Building <sup>4</sup>						
- Interest income	2,087	1,492	39.9	3,801	1,573	141.6
- Distribution income	420	240	75.0	773	240	222.1
<b>Total income contribution</b>	<b>77,968</b>	<b>76,102</b>	<b>2.5</b>	<b>154,904</b>	<b>150,107</b>	<b>3.2</b>

#### Notes:

- (1) The acquisitions of the approximate 87.5% and 12.4% interests in OPLLP which owns OFC were completed on 14 December 2011 and 25 June 2012 respectively.
- (2) The acquisition of the 50% interest in 8 Exhibition Street was completed on 1 August 2013.
- (3) 8 Chifley Square received its Certificate of Practical Completion in July 2013. The convertible notes in M8CT were converted to units on 26 June 2014.
- (4) The acquisition of the 50% interest in a new office tower to be built on the Old Treasury Building site, Perth was legally completed on 28 March 2013. The property is currently under development and is scheduled for completion in second half of 2015.

## 8. REVIEW OF PERFORMANCE (CONT'D)

### Review of Performance for 1H2014 vs 1H2013

The Group's distribution to Unitholders for 1H2014 rose 3.0% year-on-year to \$108.3 million.

Property income for 1H2014 was \$94.1 million, an increase of \$11.5 million or 14.0% over that for 1H2013. The increase was due mainly to higher property income from OFC, Prudential Tower and contributions from the 50% interest in 8 Exhibition Street acquired on 1 August 2013.

Net property income increased from \$66.7 million in 1H2013 to \$78.7 million in 1H2014. This was also attributable mainly to better performance from OFC, Prudential Tower and contributions from the 50% interest in 8 Exhibition Street.

The Group's total return before tax for 1H2014 was \$82.9 million, an increase of 10.1% over 1H2013 as a result of higher net property income, higher interest income, a greater share of results of joint ventures, lower amortisation expenses and lower trust expenses. These were partly offset by lower rental support, and higher borrowing costs and management fees.

The year-to-date all-in interest rate was 2.20% as at 30 June 2014. The aggregate leverage stood at 42.8% as at 30 June 2014.

### Review of Performance for 2Q2014 vs 2Q2013

Property income for 2Q2014 was \$47.3 million, an increase of \$6.1 million or 15.0% over that for 2Q2013. The increase was due mainly to higher property income from OFC, Prudential Tower and contributions from the 50% interest in 8 Exhibition Street.

Net property income increased from \$32.2 million in 2Q2013 to \$39.2 million or 21.5% in 2Q2014. This was also attributable mainly to better performance from OFC, Prudential Tower and contributions from the 50% interest in 8 Exhibition Street.

The Group's total return before tax for 2Q2014 was \$40.0 million, an increase of 2.2% over 2Q2013 as a result of higher net property income, higher interest income, a greater share of results of joint ventures, lower amortisation expenses and lower trust expenses. These were partly offset by lower rental support, lower share of results of associates, and higher borrowing costs and management fees.

## 9. VARIANCE FROM FORECAST STATEMENT

Not applicable.

## 10. PROSPECTS

According to advanced estimates by the Ministry of Trade and Industry, the Singapore economy grew by 2.1% year on year in 2Q2014. The main contributors to the growth came from the construction and services industries, which grew by 5.0% and 2.8% year on year respectively.

Singapore remains as one of the attractive locations for regional headquarters, and research and development centres for multinational corporations. The limited pipeline of new Premium Grade and Grade A office supply coupled with the relatively high island-wide office occupancy should underpin the office leasing market especially in the central business district. According to CBRE, average Grade A office rents increased by approximately 3.4% to \$10.60 psf per month in the second quarter, due largely to stable demand amid tightening vacancies. Industry experts are of the opinion that the pick up in office rents is likely to continue for the rest of this year and 2015. Demand in the second quarter was driven mainly by smaller firms and expansion of firms in the consumer technology sector.

In 2Q2014, Moody's affirmed Australia's Aaa credit rating with a stable outlook based on its position as a low-debt country, following the government's commitment towards a budget surplus. Australia's longer term prospects continue to be supported by population growth and a low unemployment rate.

According to the Australian Bureau of Statistics, Australia's gross domestic product ("GDP") in 1Q2014 was 3.5% higher than the previous year's. Based on the Reserve Bank of Australia's meeting in June 2014, its cash rate remains on hold at 2.5% and interest rates are likely to remain at current levels.

During the first quarter of 2014, Sydney and Brisbane experienced increased leasing activities with improved sentiments accompanied by greater willingness by tenants to make leasing commitments. In Sydney, property consultants noted an increase in companies looking to expand, mainly in the technology and software sectors, while in Brisbane, improved levels of activity was mainly from large corporate occupiers and professional service firms. In Melbourne, landlords seemed more willing to renegotiate new terms ahead of lease expiries. In Perth, the mid-term population growth trajectory is expected to improve white collar employment opportunities in the service sector.

The outlook for the Group's Australian properties is expected to be stable, given the long weighted average lease expiry of the properties, almost fully committed occupancy levels as well as the fixed annual rental escalations.

## 11. RISK FACTORS AND RISK MANAGEMENT

The Manager ascribes great 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 property portfolio's tenant trade sector mix to assess and manage exposure to any one potentially volatile trade sector.

### **Currency risk**

The Group's foreign currency risk relates mainly to its exposure from its investments in Australia, and the distributable income and interest income from and progressive payments related to such Australian 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 for sustainability of net property income. Some of these measures include steps taken to negotiate for favourable terms/covenants, manage expenses, and actively monitor rental payments from tenants, continuously evaluate the Group's counter-parties and maximise property value. In addition, the Manager also continuously reviews disaster and pandemic business continuity plans and modifies them, when necessary.

## 12. DISTRIBUTIONS

### (a) Current Financial Period Reported on

Name of Distribution	Distribution for 1 April 2014 to 30 June 2014
Distribution Type	(a) Taxable income (b) Tax-exempt income (c) Capital distribution
Distribution Rate	(a) Taxable income distribution - 1.12 cents per unit (b) Tax-exempt income distribution - 0.68 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	Distribution for 1 April 2013 to 30 June 2013
Distribution Type	(a) Taxable income (b) Tax-exempt income (c) Capital distribution
Distribution Rate	(a) Taxable income distribution - 1.03 cents per unit (b) Tax-exempt income distribution - 0.55 cents per unit (c) Capital distribution - 0.39 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>

**(b) Date Payable**

28 August 2014

**(c) Books Closure Date**

30 July 2014

**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 period under review (excluding transactions of less than \$100,000)	
	2Q2014 \$'000	2Q2013 \$'000
<u>Keppel Corporation Limited and its subsidiaries or associates</u>		
- Manager’s management fees	11,304	10,497
- Property management fees and reimbursable	1,305	1,337
- Leasing commissions	45	853
- Rental and service charge income <sup>1</sup>	646	-
- Rental support	10,946	15,999
- Electricity expenses <sup>1</sup>	-	12,400
<u>RBC Investor Services Trust Singapore Limited</u>		
- Trustee’s fees	272	248

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

**Note:**

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

Appendix

QUARTERLY BREAKDOWN

	1Q13	2Q13	3Q13	4Q13	FY13	1Q14	2Q14
<b>Property</b>							
Prudential Tower	5,004	4,475	4,615	5,179	<b>19,273</b>	5,252	5,238
Bugis Junction Towers	5,111	5,091	5,122	4,954	<b>20,278</b>	5,068	5,195
Ocean Financial Centre <sup>1</sup>	22,111	22,460	22,718	23,393	<b>90,682</b>	24,120	24,216
275 George Street	5,747	5,889	5,331	5,167	<b>22,134</b>	4,989	5,297
77 King Street	3,459	3,252	3,027	3,063	<b>12,801</b>	2,906	3,079
8 Exhibition Street <sup>2</sup>	-	-	3,139	5,736	<b>8,875</b>	4,447	4,321
<b>Total property income</b>	<b>41,432</b>	<b>41,167</b>	<b>43,952</b>	<b>47,492</b>	<b>174,043</b>	<b>46,782</b>	<b>47,346</b>
<b>Income Contribution by Asset (\$'000)</b>							
	1Q13	2Q13	3Q13	4Q13	FY13	1Q14	2Q14
<b>Property</b>							
Prudential Tower	3,961	3,133	3,409	4,056	<b>14,559</b>	4,131	4,753
Bugis Junction Towers	4,120	4,381	4,076	3,859	<b>16,436</b>	3,982	4,100
Ocean Financial Centre <sup>1</sup>	18,677	17,456	17,858	18,329	<b>72,320</b>	21,674	20,342
275 George Street	4,713	4,682	4,262	4,302	<b>17,959</b>	4,046	4,265
77 King Street	2,947	2,597	2,309	2,309	<b>10,162</b>	2,311	2,503
8 Exhibition Street <sup>2</sup>	-	-	2,363	4,495	<b>6,858</b>	3,324	3,228
<b>Total net property income</b>	<b>34,418</b>	<b>32,249</b>	<b>34,277</b>	<b>37,350</b>	<b>138,294</b>	<b>39,468</b>	<b>39,191</b>
One-third interest in ORQPL:							
- Interest income	371	362	366	364	<b>1,463</b>	376	418
- Dividend income	7,264	7,519	7,753	7,530	<b>30,066</b>	6,545	7,228
<b>Total income from one-third interest in ORQPL</b>	<b>7,635</b>	<b>7,881</b>	<b>8,119</b>	<b>7,894</b>	<b>31,529</b>	<b>6,921</b>	<b>7,646</b>
One-third interest in BFCDLLP:							
- Rental support	2,133	2,023	2,191	2,363	<b>8,710</b>	1,437	-
- Interest income	5,052	4,938	4,993	4,970	<b>19,953</b>	4,873	4,936
- Dividend income	8,414	9,206	8,797	8,110	<b>34,527</b>	9,107	9,052
<b>Total income from one-third interest in BFCDLLP</b>	<b>15,599</b>	<b>16,167</b>	<b>15,981</b>	<b>15,443</b>	<b>63,190</b>	<b>15,417</b>	<b>13,988</b>
Ocean Financial Centre <sup>1</sup>							
- Rental support	14,064	15,518	15,235	14,622	<b>59,439</b>	10,482	12,060
8 Chifley Square <sup>3</sup>							-
- Interest income	2,208	2,555	2,761	2,751	<b>10,275</b>	2,581	2,576
Old Treasury Building <sup>4</sup>							
- Interest income	81	1,492	1,432	1,533	<b>4,538</b>	1,714	2,087
- Distribution income	-	240	308	308	<b>856</b>	353	420
<b>Total income contribution</b>	<b>74,005</b>	<b>76,102</b>	<b>78,113</b>	<b>79,901</b>	<b>308,121</b>	<b>76,936</b>	<b>77,968</b>

Notes:

- (1) The acquisitions of the approximate 87.5% and 12.4% interests in OPLLP which owns OFC were completed on 14 December 2011 and 25 June 2012 respectively.
- (2) The acquisition of the 50% interest in 8 Exhibition Street was completed on 1 August 2013.
- (3) 8 Chifley Square received its Certificate of Practical Completion in July 2013. The convertible notes in M8CT were converted to units on 26 June 2014.
- (4) The acquisition of the 50% interest in a new office tower to be built on the Old Treasury Building site, Perth was legally completed on 28 March 2013. The property is currently under development and is scheduled for completion in second half of 2015.

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

CHOO CHIN TECK / KELVIN CHUA HUA YEOW  
Joint Company Secretaries  
21 July 2014



**CONFIRMATION BY THE BOARD**

We, CHIN WEI-LI AUDREY MARIE and NG HSUEH LING, 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 Second Quarter 2014 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

21 July 2014



NG HSUEH LING  
Director