

**KEPPEL REIT
SECOND QUARTER 2015 FINANCIAL STATEMENTS ANNOUNCEMENT****UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2015****TABLE OF CONTENTS**

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**SUMMARY OF KEPPEL REIT RESULTS
FOR THE HALF YEAR ENDED 30 JUNE 2015**

	GROUP			
	2Q2015 \$'000	1Q2015 ² \$'000	1H2015 \$'000	1H2014 ² \$'000
Property income	42,964	42,405	85,369	94,128
Net property income	34,711	34,587	69,298	78,659
Share of results of associates	19,953	20,367	40,320	30,229
Share of results of joint ventures	4,056	4,043	8,099	1,751
Income available for distribution	54,820	54,009	108,829	108,267
Distribution to Unitholders ¹	54,820	54,009	108,829	108,267
Distribution per Unit ("DPU") (cents) for the period	1.72	1.70	3.42	3.87
Annualised/Actual Distribution Yield %			6.0% ³	6.1% ⁴

Notes:

- (1) Distribution to Unitholders is based on 100% of the taxable income available for distribution.
- (2) Information for 1H2014 includes the contribution from Prudential Tower, which was divested in 3Q2014. In 4Q2014, Keppel REIT acquired a one-third stake in Marina Bay Financial Centre Tower 3. As such, the financial information for 1Q2015 has also been provided to give a more meaningful comparison of Keppel REIT's performance quarter on quarter since the portfolio of properties are the same over the two periods.
- (3) The yield is based on the market closing price per unit of \$1.145 as at the last trading day, 30 June 2015.
- (4) The yield is based on the market closing price per unit of \$1.280 as at the last trading day, 30 June 2014.

DISTRIBUTION DETAILS

Distribution	1 April 2015 to 30 June 2015
Distribution type	(a) Taxable income (b) Tax-exempt income (c) Capital distribution
Distribution rate	(a) Taxable income distribution - 1.15 cents per unit (b) Tax-exempt income distribution - 0.47 cents per unit (c) Capital distribution - 0.10 cents per unit
Books closure date	28 July 2015
Payment date	28 August 2015

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 2015, Keppel REIT has an asset size of approximately \$8.2 billion comprising interests in nine premium office assets with 12 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, a one-third interest in Marina Bay Financial Centre (comprising office Towers 1, 2 and 3 and the subterranean mall, Marina Bay Link Mall), a one-third interest in One Raffles Quay and a 99.9% interest in Ocean Financial Centre.

The assets in Australia are a 50% interest in 8 Chifley Square and the office tower at 77 King Street, both 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 being built on the site of the Old Treasury Building 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 2015

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 2015:

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					
		2Q2015	2Q2014	+ / (-)	1H2015	1H2014	+ / (-)
		\$'000	\$'000	%	\$'000	\$'000	%
Gross rent		40,765	45,925	(11.2)	81,600	91,042	(10.4)
Car park income		812	822	(1.2)	1,642	1,592	3.1
Other income		1,387	599	131.6	2,127	1,494	42.4
Property income		42,964	47,346	(9.3)	85,369	94,128	(9.3)
Property tax		(3,135)	(2,737)	14.5	(6,008)	(4,229)	42.1
Other property expenses	1	(4,321)	(3,982)	8.5	(8,352)	(8,000)	4.4
Property management fee		(966)	(1,161)	(16.8)	(2,051)	(2,306)	(11.1)
Maintenance and sinking fund contributions		169	(275)	NM	340	(934)	NM
Property expenses		(8,253)	(8,155)	1.2	(16,071)	(15,469)	3.9
Net property income		34,711	39,191	(11.4)	69,298	78,659	(11.9)
Rental support	2	4,848	12,250	(60.4)	11,027	25,295	(56.4)
Interest income	3	9,532	10,299	(7.4)	18,514	20,102	(7.9)
Share of results of associates	4	19,953	14,244	40.1	40,320	30,229	33.4
Share of results of joint ventures	5	4,056	920	340.9	8,099	1,751	362.5
Amortisation expenses	6	(4,488)	(9,388)	(52.2)	(9,988)	(18,426)	(45.8)
Borrowing costs	7	(16,769)	(15,167)	10.6	(33,068)	(29,706)	11.3
Manager's management fees	8	(12,407)	(11,305)	9.7	(24,750)	(22,803)	8.5
Trust expenses		(1,396)	(1,017)	37.3	(3,868)	(2,201)	75.7
Changes in fair value of interest rate swap	9	990	-	100.0	1,868	-	100.0
Total return before tax		39,030	40,027	(2.5)	77,452	82,900	(6.6)
Income tax expense	10	(1,800)	(2,414)	(25.4)	(3,702)	(5,436)	(31.9)
Total return after tax		37,230	37,613	(1.0)	73,750	77,464	(4.8)
Attributable to:							
Unitholders		37,212	37,595	(1.0)	73,714	77,426	(4.8)
Non-controlling interest		18	18	-	36	38	(5.3)
		37,230	37,613	(1.0)	73,750	77,464	(4.8)

Distribution Statement

Total return for the period attributable to Unitholders		37,212	37,595	(1.0)	73,714	77,426	(4.8)
Net tax and other adjustments	11	17,608	15,625	12.7	35,115	30,841	13.9
Income available for distribution		54,820	53,220	3.0	108,829	108,267	0.5
Distribution to Unitholders	12	54,820	53,220	3.0	108,829	108,267	0.5
Distribution per Unit (cents)							
For the period		1.72	1.90	(9.5)	3.42	3.87	(11.6)
Annualised/Actual Distribution ¹		6.84	7.23	(5.4)	6.84	7.23	(5.4)

(1) Actual distribution is based on the 1.97 cents, 1.90 cents, 1.85 cents and 1.51 cents reported in 1Q2014, 2Q2014, 3Q2014 and 4Q2014 respectively.

NM – Not meaningful

Notes:

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

	<u>Group</u>			
	2Q2015	2Q2014	1H2015	1H2014
	\$'000	\$'000	\$'000	\$'000
Marketing expenses	105	56	207	178
Utilities	810	855	1,710	1,632
Repair and maintenance	2,531	2,558	4,795	4,867
Property management reimbursements	510	219	996	720
Other property expenses	365	294	644	603
	4,321	3,982	8,352	8,000

- (2) For 2Q2015, this relates to the rental support top-up payments received by Keppel REIT for 77 King Street Office Tower, Sydney, 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. For 1H2015, the rental support top-up payment received by Keppel REIT also included its approximate 87.5% interest in OPLLP. For 2Q2014, the rental support top-up payments received by Keppel REIT were for 77 King Street Office Tower, Sydney, and the approximate 99.9% interest in OPLLP which holds OFC. For 1H2014, the rental support top-up payments received by Keppel REIT also included its additional 29% interest in Prudential Tower acquired on 2 November 2009 and the one-third interest in BFC Development LLP ("BFCDLLP") which holds MBFC Towers 1 and 2 and Marina Bay Link Mall. The rental support drawn down for OFC and MBFC Tower 3 for 1H2015 are \$3,574,000 and \$7,400,000 respectively.

- (3) Interest income comprises the following:

	<u>Group</u>			
	2Q2015	2Q2014	1H2015	1H2014
	\$'000	\$'000	\$'000	\$'000
Interest income from fixed deposits and current accounts	539	282	1,096	541
Interest income from shareholder's loans to One Raffles Quay Pte Ltd ("ORQPL") and BFCDLLP	6,641	5,354	12,709	10,603
Interest income from convertible notes in Mirvac 8 Chifley Trust and Mirvac (Old Treasury) Trust	2,352	4,663	4,709	8,958
	9,532	10,299	18,514	20,102

Interest income from convertible notes for the current periods relates to that of the Mirvac (Old Treasury) Trust ("MOTT") as the convertible notes in Mirvac 8 Chifley Trust ("M8CT") had been fully converted to units in June 2014. Keppel REIT ceased receiving coupon interest income from M8CT and started receiving distribution income subsequent to the conversion.

- (4) Share of results of associates for the current period relates to Keppel REIT's one-third interests in (i) ORQPL and CBDPL's net profit after tax, and (ii) BFCDLLP's partnership profit. In the prior period, share of results of associates 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 M8CT and MOTT net profit after tax.
- (6) Please refer to paragraph 1(b)(i), note 4.
- (7) Borrowing costs comprise the following:

	<u>Group</u>			
	2Q2015	2Q2014	1H2015	1H2014
	\$'000	\$'000	\$'000	\$'000
Interest expense on term loans	15,379	14,095	30,274	27,359
Interest expense on revolving loans	785	393	1,580	816
Amortisation of capitalised transaction costs	605	679	1,214	1,531
	16,769	15,167	33,068	29,706

- (8) The Manager has elected to receive 100% of its management fees earned in respect of all the properties in units of Keppel REIT for this quarter. In the prior period, the Manager elected to receive 100% of its management fees earned in respect of the approximate 87.5% interest in OPLLP, 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.
- (9) This relates to the fair value change of an interest rate swap, which had been re-designated to hedge other existing loans subsequent to the repayment of a previously hedged loan. The change in fair value has no DPU impact.
- (10) Income tax expense comprises (i) tax of 17% on the rental support top-up payments received by Keppel REIT for its interests in CBDPL and OPLLP, 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, income tax expense comprised (i) tax of 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.
- (11) Included in the net tax and other adjustments are the following:

	<u>Group</u>			
	2Q2015	2Q2014	1H2015	1H2014
	\$'000	\$'000	\$'000	\$'000
Management fees paid and/or payable in units	12,407	7,597	24,750	15,273
Trustee's fees	304	273	605	540
Amortisation of intangible asset and capitalised transaction costs	5,093	10,067	11,202	19,957
Temporary differences and other adjustments	(196)	(2,312)	(1,442)	(4,929)
	17,608	15,625	35,115	30,841

Included in temporary differences and other adjustments were share of results of associates and joint ventures, dividend and distributions income, fair value change of an interest rate swap, effect 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. 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>					
	2Q2015	2Q2014	+ / (-)	1H2015	1H2014	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
Total return after tax	37,230	37,613	(1.0)	73,750	77,464	(4.8)
Other comprehensive income:						
Foreign currency translation	(18,396)	22,350	NM	(60,131)	24,156	NM
<u>Cashflow hedges:</u>						
Net change in fair value of cash flow hedges	1,421	7,420	(80.8)	19,268	5,151	274.1
Share of net change in fair value of cash flow hedges of an associate	(1,088)	333	NM	(214)	550	NM
Other comprehensive income for the period	(18,063)	30,103	NM	(41,077)	29,857	NM
Total comprehensive income for the period	19,167	67,716	(71.7)	32,673	107,321	(69.6)
Attributable to:						
Unitholders	19,150	67,698	(71.7)	32,634	107,284	(69.6)
Non-controlling interest	17	18	(5.6)	39	37	5.4
	19,167	67,716	(71.7)	32,673	107,321	(69.6)

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		
		30/6/2015 \$'000	31/12/2014 \$'000	+ / (-) %	30/6/2015 \$'000	31/12/2014 \$'000	+ / (-) %
Non-current assets							
Investment properties	1	3,578,284	3,613,616	(1.0)	527,000	527,000	-
Investment in subsidiaries		-	-	-	1,837,852	1,837,852	-
Investment in associates	2	2,424,682	2,429,485	(0.2)	2,025,319	2,031,098	(0.3)
Advances to associates		606,222	613,222	(1.1)	606,222	613,222	(1.1)
Investment in joint ventures	3	276,356	288,931	(4.4)	-	-	-
Advances to joint venture	3	99,337	99,853	(0.5)	-	-	-
Amount owing by subsidiaries		-	-	-	830,260	876,886	(5.3)
Fixed assets		141	142	(0.7)	1	-	100.0
Intangible asset	4	46,601	56,607	(17.7)	39,611	46,623	(15.0)
Derivative financial instruments	5	10,213	2,081	390.8	4,706	255	>500
Total non-current assets		7,041,836	7,103,937	(0.9)	5,870,971	5,932,936	(1.0)
Current assets							
Trade and other receivables	6	35,717	25,016	42.8	59,814	37,918	57.7
Prepaid expenses		595	629	(5.4)	99	23	330.4
Cash and bank balances		197,085	199,689	(1.3)	154,320	172,729	(10.7)
Derivative financial instruments	5	603	133	353.4	603	133	353.4
Total current assets		234,000	225,467	3.8	214,836	210,803	1.9
Total assets		7,275,836	7,329,404	(0.7)	6,085,807	6,143,739	(0.9)
Current liabilities							
Trade and other payables	7	48,598	84,469	(42.5)	26,738	64,022	(58.2)
Income received in advance		743	1,043	(28.8)	298	239	24.7
Short term borrowings		274,966	274,924	0.02	274,966	274,924	0.02
Current portion of security deposits		2,936	3,223	(8.9)	681	508	34.1
Derivative financial instruments	5	2,984	9,071	(67.1)	2,984	9,071	(67.1)
Provision for taxation		5,163	7,641	(32.4)	4,764	7,400	(35.6)
Total current liabilities		335,390	380,371	(11.8)	310,431	356,164	(12.8)
Non-current liabilities							
Income received in advance		55,896	61,871	(9.7)	55,101	61,021	(9.7)
Long term borrowings		2,400,586	2,390,439	0.4	1,938,658	1,928,554	0.5
Derivative financial instruments	5	1,710	6,894	(75.2)	1,049	4,724	(77.8)
Non-current portion of security deposits		27,111	25,074	8.1	3,375	3,237	4.3
Deferred tax liabilities		5,283	5,283	-	-	-	-
Total non-current liabilities		2,490,586	2,489,561	0.04	1,998,183	1,997,536	0.03
Total liabilities		2,825,976	2,869,932	(1.5)	2,308,614	2,353,700	(1.9)
Net assets		4,449,860	4,459,472	(0.2)	3,777,193	3,790,039	(0.3)
Represented by:							
Unitholders' funds		4,447,805	4,457,420	(0.2)	3,777,193	3,790,039	(0.3)
Non-controlling interest		2,055	2,052	0.1	-	-	-
		4,449,860	4,459,472	(0.2)	3,777,193	3,790,039	(0.3)
Net asset value per unit (\$)		1.40	1.41		1.19	1.20	

Notes:

- (1) *The decrease in investment properties is due mainly to translation differences arising from the Australian 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.*
- (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. The properties held through M8CT and MOTT are 8 Chifley Square and the new office tower being built on the Old Treasury Building site respectively. Advances to joint venture relates to convertible notes held in MOTT.*
- (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, the approximate 12.4% interest in OPLLP and its one-third interest in CBDPL which holds MBFC Tower 3. In the prior period, the balance 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, the approximate 99.9% interest in OPLLP and its one-third interest in CBDPL which holds MBFC Tower 3. The intangible asset is amortised over the remaining rental support periods for the respective properties.*
- (5) *This relates to the fair value of the foreign currency forward contracts entered into in relation to the income from the Australian properties, and the fair value of interest rate swaps entered into by the Group.*
- (6) *Included in the balances are dividend receivables from associates and joint ventures of \$20.9 million (31 December 2014: \$1.0 million) and receivables for rental support top-up payments of \$4.8 million (31 December 2014: \$11.9 million).*
- (7) *Included in the balances for the comparative period was an accrued advanced distribution of \$37.6 million for the period 1 October to 15 December 2014, which has been paid on 21 January 2015.*

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

	Group	
	As at 30/6/2015	As at 31/12/2014
	\$'000	\$'000
Secured borrowings		
Amount repayable within one year	175,000	175,000
Amount repayable after one year	466,454	466,454
Less: Unamortised portion of fees	(2,044)	(2,474)
	639,410	638,980
Unsecured borrowings		
Amount repayable within one year	100,000	100,000
Amount repayable after one year	1,940,833	1,930,859
Less: Unamortised portion of fees	(4,691)	(4,476)
	2,036,142	2,026,383
Total borrowings	2,675,552	2,665,363

Details of Collaterals

As a security for the 5-year term loan facilities of \$175.0 million, the Group mortgaged its Bugis Junction Towers. 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 \$505.0 million, the Group granted the lenders securities of up to an aggregate principal amount of \$900.0 million comprising 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 2015, the Group had total borrowings of approximately \$2,682.3 million and an unutilised \$825.7 million of facilities available to meet its future obligations. The year-to-date all-in interest rate was 2.50% as at 30 June 2015.

1(c) Consolidated Statement of Cash Flows

	<u>Group</u>			
	2Q2015	2Q2014	1H2015	1H2014
Note	\$'000	\$'000	\$'000	\$'000
Operating activities				
Total return before tax	39,030	40,027	77,452	82,900
Adjustments for:				
Interest income	(9,532)	(10,299)	(18,514)	(20,102)
Amortisation expense	4,488	9,388	9,988	18,426
Share of results of associates	(19,953)	(14,244)	(40,320)	(30,229)
Share of results of joint ventures	(4,056)	(920)	(8,099)	(1,751)
Borrowing costs	16,769	15,167	33,068	29,706
Management fees paid and/or payable in units	12,407	7,597	24,750	15,273
Changes in fair value of interest rate swap	(990)	-	(1,868)	-
Depreciation	13	18	23	21
Rental support income	(4,848)	(12,250)	(11,027)	(25,295)
Translation differences	303	(1,128)	653	(1,146)
Operating cash flows before changes in working capital	33,631	33,356	66,106	67,803
(Increase)/Decrease in receivables	(351)	(725)	1,519	(2,018)
Increase/(Decrease) in payables	1,893	2,750	(5,104)	(29,200)
Increase/(Decrease) in security deposits	500	5	1,750	(87)
Cash flows from operations	35,673	35,386	64,271	36,498
Income taxes paid	(2,950)	(3,818)	(6,158)	(7,446)
Net cash flows generated from operating activities	32,723	31,568	58,113	29,052
Investing activities				
Improvement in investment properties	(166)	(600)	(209)	(1,316)
Purchase of fixed assets	(22)	(158)	(22)	(158)
Interest received	10,289	12,799	19,087	23,934
Rental support received	6,176	12,112	18,082	34,006
Deposit received for divestment of Prudential Tower	-	51,200	-	51,200
Investment in joint ventures	(5,699)	(55,323)	(5,699)	(60,102)
Advances to joint ventures	(6,075)	-	(6,075)	-
Repayment of advance from associate	-	-	7,000	-
Reimbursement of development costs for the interest in an associate	130	-	4,967	-
Distribution received from joint ventures	3,642	420	7,403	773
Dividend income/distribution received from associates	20,439	15,652	20,439	15,652
Net cash flows generated from investing activities	28,714	36,102	64,973	63,989
Financing activities				
Distribution to Unitholders	1 (54,009)	(55,049)	(99,857)	(109,655)
Proceeds from issuance of Medium Term Notes	-	-	50,000	-
Loans drawdown	111,774	57,396	111,774	342,345
Repayment of loan	(100,000)	-	(150,000)	(256,975)
Payment of financing expenses/upfront debt arrangement costs	(1,000)	-	(1,107)	(1,176)
Partnership distribution to non-controlling interest	(18)	(20)	(30)	(32)
Interest paid	(19,085)	(19,794)	(29,258)	(27,614)
Net cash flows used in financing activities	(62,338)	(17,467)	(118,478)	(53,107)
Net (decrease)/increase in cash and cash equivalents	(901)	50,203	4,608	39,934
Cash and cash equivalents at the beginning of period	142,468	60,912	137,818	71,140
Effect of exchange rate changes on cash and cash equivalents	(378)	578	(1,237)	619
Cash and cash equivalents at the end of period	141,189	111,693	141,189	111,693
Comprising:				
Cash and bank balances	197,085	126,685	197,085	126,685
Less: Rental support received in advance held in designated accounts	2 (55,896)	(14,992)	(55,896)	(14,992)
Cash and cash equivalents per Consolidated Statement of Cash Flows	141,189	111,693	141,189	111,693

Note:

- (1) Distribution for 1H2015 is for the period of 1 October 2014 to 15 December 2014, paid on 21 January 2015, 16 December 2014 to 31 December 2014, paid on 27 February 2015 and 1 January 2015 to 31 March 2015, paid on 28 May 2015.
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.
- (2) This relates to the rental support top-up payments received in advance by Keppel REIT held in designated accounts for the 12.4% interest in OPLLP, the office tower at 77 King Street and the one-third interest in MBFC Tower 3. In the prior period, the rental support top-up payments received in advance by Keppel REIT held in designated accounts were for the 12.4% interest in OPLLP and the office tower at 77 King Street.

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

<u>Group</u>	<i>Note</i>	<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>Non-Controlling Interest</u>	<u>Total</u>
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2015		3,354,095	1,234,402	(123,164)	(11,135)	3,222	4,457,420	2,052	4,459,472
Return for the period		-	36,502	-	-	-	36,502	18	36,520
Other comprehensive income	1	-	-	(41,735)	18,717	-	(23,018)	4	(23,014)
Total comprehensive income		-	36,502	(41,735)	18,717	-	13,484	22	13,506
Issue of units for payment of management fees	2	7,729	-	-	-	-	7,729	-	7,729
Distribution to Unitholders		-	(8,243)	-	-	-	(8,243)	-	(8,243)
Distribution of partnership profits to non-controlling interest		-	-	-	-	-	-	(18)	(18)
At 31 March 2015		3,361,824	1,262,661	(164,899)	7,582	3,222	4,470,390	2,056	4,472,446
Return for the period		-	37,212	-	-	-	37,212	18	37,230
Other comprehensive income	1	-	-	(18,396)	334	-	(18,062)	(1)	(18,063)
Total comprehensive income		-	37,212	(18,396)	334	-	19,150	17	19,167
Issue of units for payment of management fees	2	12,344	-	-	-	-	12,344	-	12,344
Issue expense adjustments	3	(70)	-	-	-	-	(70)	-	(70)
Distribution to Unitholders		(3,177)	(50,832)	-	-	-	(54,009)	-	(54,009)
Distribution of partnership profits to non-controlling interest		-	-	-	-	-	-	(18)	(18)
At 30 June 2015		3,370,921	1,249,041	(183,295)	7,916	3,222	4,447,805	2,055	4,449,860

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

<u>Group</u>	<i>Note</i>	<u>Units in Issue</u> \$'000	<u>Accumulated Profits</u> \$'000	<u>Foreign Currency Translation Reserve</u> \$'000	<u>Hedging Reserve</u> \$'000	<u>Discount on Acquisition of Non-Controlling Interest</u> \$'000	<u>Unitholders' funds</u> \$'000	<u>Non-Controlling Interest</u> \$'000	<u>Total</u> \$'000
At 1 January 2014		2,924,291	1,092,311	(94,828)	(28,003)	3,222	3,896,993	1,978	3,898,971
Return for the period		-	39,831	-	-	-	39,831	20	39,851
Other comprehensive income	1	-	-	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	4	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)
At 31 March 2014		2,920,531	1,088,965	(93,022)	(30,054)	3,222	3,889,642	1,977	3,891,619
Return for the period		-	37,595	-	-	-	37,595	18	37,613
Other comprehensive income	1	-	-	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	4	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)
At 30 June 2014		2,925,397	1,074,306	(70,672)	(22,301)	3,222	3,909,952	1,977	3,911,929

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 6,474,804 and 10,302,623 units issued in 1Q2015 and 2Q2015 as payment of management fees in units.
- (3) The issue expense adjustments are in relation to the placement of 195 million units at an issue price of \$1.17 per unit in the prior year. The net proceeds raised were used for the acquisition of the one-third interest in MBFC Tower 3.
- (4) This represents 6,591,764 and 6,715,908 units issued in 1Q2014 and 2Q2014 as payment of management fees in units.

<u>Trust</u>	Note	<u>Units in Issue</u>	<u>Accumulated Profits</u>	<u>Hedging Reserve</u>	<u>Total</u>
		\$'000	\$'000	\$'000	\$'000
At 1 January 2015		3,354,095	445,472	(9,528)	3,790,039
Return for the period		-	(8,370)	-	(8,370)
Other comprehensive income	1	-	-	10,702	10,702
Total comprehensive income		-	(8,370)	10,702	2,332
Issue of units for payment of management fees	2	7,729	-	-	7,729
Distribution to Unitholders		-	(8,243)	-	(8,243)
At 31 March 2015		3,361,824	428,859	1,174	3,791,857
Return for the period		-	24,958	-	24,958
Other comprehensive income	1	-	-	2,113	2,113
Total comprehensive income		-	24,958	2,113	27,071
Issue of units for payment of management fees	2	12,344	-	-	12,344
Issue expense adjustments	3	(70)	-	-	(70)
Distribution to Unitholders		(3,177)	(50,832)	-	(54,009)
At 30 June 2015		3,370,921	402,985	3,287	3,777,193
<u>Trust</u>	Note	<u>Units in Issue</u>	<u>Accumulated Profits</u>	<u>Hedging Reserve</u>	<u>Total</u>
		\$'000	\$'000	\$'000	\$'000
At 1 January 2014		2,924,291	479,884	(26,233)	3,377,942
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	4	7,669	-	-	7,669
Distribution to Unitholders		(11,429)	(43,177)	-	(54,606)
At 31 March 2014		2,920,531	486,444	(26,861)	3,380,114
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	4	7,661	-	-	7,661
Distribution to Unitholders		(2,795)	(52,254)	-	(55,049)
At 30 June 2014		2,925,397	505,369	(19,835)	3,410,931

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

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 6,474,804 and 10,302,623 units issued in 1Q2015 and 2Q2015 as payment of management fees in units.
- (3) The issue expense adjustments are in relation to the placement of 195 million units at an issue price of \$1.17 per unit in the prior year. The net proceeds raised were used for the acquisition of the one-third interest in MBFC Tower 3.
- (4) This represents 6,591,764 and 6,715,908 units issued in 1Q2014 and 2Q2014 as payment of management fees in units.

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

	<u>Group and Trust</u>	
	2015 Units	2014 Units
Issued units as at 1 January	3,170,433,879	2,787,681,875
Issue of new units:		
- Payment of management fees	6,474,804	6,591,764
Issued units as at 31 March	3,176,908,683	2,794,273,639
Issue of new units:		
- Payment of management fees	10,302,623	6,715,908
Issued units as at 30 June	3,187,211,306	2,800,989,547

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 2015 and 31 December 2014.

Total number of issued units in Keppel REIT as at 30 June 2015 and 31 December 2014 were 3,187,211,306 and 3,170,433,879 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 2015.

5. CHANGES IN ACCOUNTING POLICIES

Not applicable.

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

	<u>Group</u>			
	2Q2015	2Q2014	1H2015	1H2014
EPU (based on weighted average number of units as at the end of the period)	1.17 cents	1.34 cents	2.32 cents	2.77 cents
- Weighted average number of units as at the end of the period	3,183,928,052	2,798,849,312	3,179,400,359	2,795,554,395
DPU (based on the number of units as at the end of the period)	1.72 cents	1.90 cents	3.42 cents ¹	3.87 cents ²
- Number of units in issue as at the end of the period	3,187,211,306	2,800,989,547	3,187,211,306	2,800,989,547

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 3.42 cents for 1H2015 is based on 1.70 cents and 1.72 cents announced during the 1Q2015 and 2Q2015 financial results announcements respectively.
- (2) 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.

7. NET ASSET VALUE (“NAV”)

	<u>Group</u>		<u>Trust</u>	
	As at 30/06/15	As at 31/12/14	As at 30/06/15	As at 31/12/14
NAV ¹ per unit (\$) based on issued units at the end of the period	1.40	1.41	1.19	1.20
Adjusted NAV per unit (\$) based on issued units at the end of the period (excluding the distributable income)	1.38	1.40	1.17	1.19

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					
	2Q2015	2Q2014	+/(-)	1H2015	1H2014	+/(-)
	\$'000	\$'000	%	\$'000	\$'000	%
Prudential Tower ¹	-	5,238	(100.0)	-	10,490	(100.0)
Bugis Junction Towers	5,727	5,195	10.2	11,244	10,263	9.6
Ocean Financial Centre	25,392	24,216	4.9	50,211	48,336	3.9
275 George Street	4,825	5,297	(8.9)	9,703	10,286	(5.7)
77 King Street	2,823	3,079	(8.3)	5,697	5,985	(4.8)
8 Exhibition Street	4,197	4,321	(2.9)	8,514	8,768	(2.9)
Total property income	42,964	47,346	(9.3)	85,369	94,128	(9.3)

8(ii) Income Contribution of the Properties

Property	Group					
	2Q2015	2Q2014	+/(-)	1H2015	1H2014	+/(-)
	\$'000	\$'000	%	\$'000	\$'000	%
Prudential Tower ¹	-	4,753	(100.0)	-	8,884	(100.0)
Bugis Junction Towers	4,985	4,100	21.6	9,739	8,082	20.5
Ocean Financial Centre	20,455	20,342	0.6	40,717	42,016	(3.1)
275 George Street	3,971	4,265	(6.9)	7,952	8,311	(4.3)
77 King Street	2,225	2,503	(11.1)	4,583	4,814	(4.8)
8 Exhibition Street	3,075	3,228	(4.7)	6,307	6,552	(3.7)
Total net property income	34,711	39,191	(11.4)	69,298	78,659	(11.9)
One-third interest in ORQPL ² :						
- Interest income	513	418	22.7	983	794	23.8
- Dividend income	6,552	7,228	(9.4)	12,943	13,773	(6.0)
Total income	7,065	7,646	(7.6)	13,926	14,567	(4.4)
One-third interest in BFCDLLP ³ and CBDPL ³ :						
- Rental support	3,700	-	100.0	7,400	1,437	415.0
- Interest income	6,128	4,936	24.1	11,726	9,809	19.5
- Dividend income	13,401	9,052	48.0	27,449	18,159	51.2
Total income	23,229	13,988	66.1	46,575	29,405	58.4
50% interest in M8CT ⁴ :						
- Interest income	-	2,576	(100.0)	-	5,157	(100.0)
- Distribution income	2,982	-	100.0	6,120	-	100.0
Total income	2,982	2,576	15.8	6,120	5,157	18.7
50% interest in MOTT ⁵ :						
- Interest income	2,352	2,087	12.7	4,709	3,801	23.9
- Distribution income	624	420	48.6	1,132	773	46.4
Total income	2,976	2,507	18.7	5,841	4,574	27.7

Notes:

- (1) Prudential Tower was divested on 26 September 2014.
- (2) Comprises one-third interest in ORQPL which holds One Raffles Quay.
- (3) Comprise one-third interest in BFCDLLP and CBDPL which hold Marina Bay Financial Centre Tower 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 Old Treasury Building.

8. REVIEW OF PERFORMANCE (CONT'D)

Review of Performance for 1H2015 vs 1H2014

Property income and net property income for 1H2015 were \$85.4 million and \$69.3 million respectively, compared to the property income and net property income of \$94.1 million and \$78.7 million respectively for 1H2014. The variances were attributable mainly to the divestment of Prudential Tower on 26 September 2014. This was partially offset by higher property income from OFC and Bugis Junction Towers and higher net property income from Bugis Junction Towers.

The Group's total return before tax for 1H2015 was \$77.5 million, compared to \$82.9 million for 1H2014. This was attributable mainly to the divestment of Prudential Tower, lower rental support, lower interest income, higher borrowing costs, higher management fees and trust expenses. These were offset by higher net property income from Bugis Junction Towers, higher share of results of associates and joint ventures and lower amortisation expenses, as well as the changes in fair value of interest rate swap.

Review of Performance for 2Q2015 vs 2Q2014

Property income and net property income for 2Q2015 were \$43.0 million and \$34.7 million respectively, compared to the property income and net property income of \$47.3 million and \$39.2 million respectively for 2Q2014. The variances were attributable mainly to the divestment of Prudential Tower on 26 September 2014. This was partially offset by higher property income and net property income from OFC and Bugis Junction Towers.

The Group's total return before tax for 2Q2015 was \$39.0 million, compared to \$40.0 million for 2Q2014. This was attributable mainly to the divestment of Prudential Tower, lower rental support, lower interest income, higher borrowing costs, higher management fees and trust expenses. These were offset by higher net property income from Bugis Junction Towers, higher share of results of associates and joint ventures and lower amortisation expenses, as well as the changes in fair value of interest rate swap.

9. VARIANCE FROM FORECAST STATEMENT

Not applicable.

10. PROSPECTS

Based on advance estimates by the Ministry of Trade and Industry, the Singapore economy grew by 1.7% year-on-year ("y-o-y") in 2Q2015. Growth was supported by an increase in public sector construction activities.

Net absorption of office space in Singapore's CBD remained stable in 2Q2015. According to property consultants, occupancy for Grade A offices held firm at 96.2%, with rents reaching approximately \$11.00 psf. With limited supply of quality office space in the CBD till end-2015, property consultants anticipate prime office rents to remain stable for the rest of the year. Looking into 2016, consultants expect tenants to adopt a wait-and-see approach, while others may take the opportunity to consolidate or expand operations, as more office supply come onstream.

In Australia, the economy is expected to grow 2.2% y-o-y in 2Q2015. Economists forecast a 2.4% growth for the whole of 2015. In May 2015, the Reserve Bank of Australia cut the official cash rate to a historic low of 2.0% to foster economic growth.

In 1Q2015, Australia's CBD continued to record its third successive quarter of positive net absorption of office space. As firms continue to focus on headcount growth, the number of job advertisements, which is a leading indicator for office leasing activities, has also trended higher over the past 12 months. This is also evidenced by the more positive leasing momentum recorded in the key cities of Sydney and Melbourne.

Continuing on its focused tenant retention strategy, Keppel REIT has successfully renewed and reviewed almost all of its leases which are due for renewals and reviews in 2015. To-date, the Manager has achieved a positive rental reversion of 18% on average and a healthy tenant retention rate of approximately 84%. The Manager continues to maintain a high portfolio occupancy level of 99.3%, with eight of 11 completed office towers in Singapore and Australia fully committed.

Looking ahead, the Manager remains focused on tenant retention and is continually engaging tenants for forward renewals. Prudent capital management remains critical in a more volatile operating environment, and the Manager will continue its disciplined approach to mitigate financing, interest and foreign exchange risks.

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	1 April 2015 to 30 June 2015
Distribution type	(a) Taxable income (b) Tax-exempt income (c) Capital distribution
Distribution rate	(a) Taxable income distribution - 1.15 cents per unit (b) Tax-exempt income distribution - 0.47 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 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></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

28 July 2015

(d) Date Payable

28 August 2015

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)	
	2Q2015 \$'000	2Q2014 \$'000
<u>Keppel Corporation Limited and its subsidiaries or associates</u>		
- Manager's management fees	12,406	11,304
- Property management fees and reimbursable	1,481	1,305
- Leasing commissions	111	45
- Rental and service charge income ¹	-	646
- Rental support	3,700	10,946
<u>RBC Investor Services Trust Singapore Limited</u>		
- Trustee's fees	304	272

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.*

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

LAW ZHI-EN DANIEL / TAN WEIQIANG MARC
 Joint Company Secretaries
 20 July 2015

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 2015 financial statements of Keppel REIT to be false or misleading in any material respect.

On Behalf of the Board

A handwritten signature in cursive script, appearing to read "Audrey Marie".

CHIN WEI-LI AUDREY MARIE
Chairman

20 July 2015

A handwritten signature in cursive script, appearing to read "Ng Hsueh Ling".

NG HSUEH LING
Director

A simple horizontal line drawn in black ink.