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MEDIA RELEASE

Unaudited Results of Keppel REIT for the Second Quarter and Half Year Ended 30 June 2017

18 July 2017

The Directors of Keppel REIT Management Limited, as Manager of Keppel REIT, are pleased to announce the unaudited results of Keppel REIT for the second quarter and half year ended 30 June 2017.

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Keppel REIT achieves distributable income of \$95.5 million for 1H 2017
Completed all review leases, with only 2% of renewal leases remaining for the rest of 2017

Key Highlights

- Distributable income (DI) to Unitholders for the first half of 2017 (1H 2017) was \$95.5 million.
- Distribution per Unit (DPU) of 1.42 cents declared for 2Q 2017, bringing 1H 2017 DPU to 2.87 cents and an annualised distribution yield of 5.0%.
- All-in interest rate of 2.59% and interest coverage ratio of 4.4 times.
- Aggregate leverage at 38.5%.
- Strengthened footprint in Australia with the acquisition of a 50% stake in Melbourne's 311 Spencer Street development.
- Portfolio committed occupancy rate of 99.8% as at end-June 2017.
- Tenant retention rate of 85% for 1H 2017.
- Completed all review leases, with only 2% of the net lettable area (NLA) of leases expiring for the rest of 2017.

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Financial Performance

Keppel REIT Management Limited, the Manager of Keppel REIT, wishes to announce that the REIT achieved DI of \$95.5 million for 1H 2017. DPU of 1.42 cents was declared for 2Q 2017, bringing the total DPU for 1H 2017 to 2.87 cents. This translates to an annualised distribution yield of 5.0%, based on the market closing price per Unit of \$1.145 as at 30 June 2017.

DI for 1H 2017 was lower year-on-year (y-o-y) due mainly to the absence of income from 77 King Street in Sydney which was divested in January 2016, lower one-off income in 1H 2017, lower income contribution from Bugis Junction Towers and the absence of other gains distribution.

Summary of Results

	GROUP			
	2Q2017	2Q2016	1H2017	1H2016
	\$'000	\$'000	\$'000	\$'000
Property income	39,846	40,552	79,702	81,719
Net property income	31,892	32,458	63,286	65,368
Share of results of associates	20,733	20,106	43,878	38,892
Share of results of joint ventures	7,565	8,346	15,881	15,153
Income available for distribution	47,406	52,517	95,527	106,955 ¹
Distribution to Unitholders ²	47,406	52,517	95,527	106,955
DPU (cents) for the period	1.42 ³	1.61 ⁴	2.87	3.29
Annualised/Actual distribution yield (%)			5.0% ⁵	6.2% ⁶

(1) Income contribution from 77 King Street was from 1 January 2016 up to date of divestment on 29 January 2016.

(2) Distribution to Unitholders was based on 100% of the taxable income available for distribution.

(3) There is no distribution of other gains for the quarter ended 30 June 2017.

(4) There was a distribution of other gains of 0.15 cents per Unit for the quarter ended 30 June 2016.

(5) Based on the market closing price per Unit of \$1.145 as at the last trading day, 30 June 2017.

(6) Based on the total DPU of 6.37 cents for FY2016 and the market closing price per Unit of \$1.02 as at the last trading day, 31 December 2016.

Capital Management

In April 2017, \$75 million of seven-year Medium Term Notes (MTN) were issued at a fixed-rate of 3.275%, and the proceeds were used to refinance existing borrowings. There was an increase in total gross borrowings during the quarter to about \$3.34 billion due to a drawdown of loan for working capital purposes.

As at the end of 2Q 2017, Keppel REIT's all-in interest rate increased by 2 basis points to 2.59% due mainly to the MTN issuance. Interest coverage ratio was 4.4 times, while the weighted average term to maturity of borrowings was 3.1 years and aggregate leverage at 38.5%.

Strategic Acquisition

The Manager seeks to continuously improve and enhance its portfolio through strategic acquisitions. The Australian office market continues to offer attractive prospects, and the Manager has strengthened its footprint there with the recent acquisition of a 50% stake in Melbourne's 311 Spencer Street development, for an aggregate consideration of A\$347.8 million or approximately S\$362.4 million¹.

Located between the CBD and the new Docklands precinct, this will be Keppel REIT's second asset in Melbourne, with completion expected in the fourth quarter of 2019. Sited on freehold land and within walking distance to the city's major railway and transportation hub at the Southern Cross Station, the new development will offer approximately 717,000 sf in NLA.

The office tower will be fully leased to the Assistant Treasurer for the State of Victoria on a 30-year net lease. Under the agreement, the lease will include fixed annual rental escalations throughout the entire lease term, and options to renew for three additional terms of five years each. The lease is also subject to a market rent review at the commencement of year 16, subject to a cap and collar.

The new office tower will provide Unitholders sustainable income growth over the long term and a stable average yield of 6.4%² per annum over the first 15 years from the lease commencement. It will also enhance Keppel REIT's portfolio, extending its weighted average lease expiry (WALE) to approximately nine years³.

Portfolio Performance

In 2Q 2017, the Manager continued its tenant centric approach in its leasing efforts. Such proactive lease management efforts saw all review leases completed, with only 2% of the NLA of leases remaining for the rest of 2017. Portfolio retention rate was 85% for 1H 2017.

During the quarter, occupancies at Ocean Financial Centre, Marina Bay Financial Centre Phase 1 and Bugis Junction Towers increased, improving the committed occupancy of the REIT's Singapore portfolio to 99.8%, above Singapore's core CBD occupancy⁴ of 94.1% as at 2Q 2017. Meanwhile, committed occupancy of the Australian portfolio remained constant at 99.7%, above Australia's national CBD office market rate⁴ of 88.6%. Overall committed occupancy for Keppel REIT's portfolio increased to 99.8% as at end-June 2017.

As at the end of 2Q 2017, the WALE for Keppel REIT's top 10 tenants and overall portfolio stood at approximately nine years and six years respectively.

¹ Based on an exchange rate of A\$1.00 to S\$1.042.

² Based on the expected net property income of the Building for the first 15 years of the lease to the tenant, over the consideration. There is a market rent review at the commencement of year 16, subject to a cap and collar.

³ As at 31 December 2016, and assuming the 30-year lease to the tenant in respect of the building commenced on 1 January 2016.

⁴ Sources: Singapore – CBRE, as at 2Q 2017. Australia – Jones Lang LaSalle, as at end-March 2017.

Looking Ahead

Advance estimates from the Ministry of Trade and Industry indicate that the Singapore economy is on track to achieve its growth forecast of between 1% and 3% in 2017. The economy maintained a y-o-y growth rate of 2.5% in 2Q 2017, unchanged from the previous quarter, and supported mainly by the strength of the manufacturing sector.

Property consultants are of the opinion that the Singapore office market is seeing early signs of recovery. CBRE data showed average rental rates of Grade A office space holding steady at \$8.95 in 2Q 2017, after eight consecutive quarters of decline, and unchanged from 1Q 2017. CBRE opined that the stabilised rent level points to a trough in the office market. Meanwhile, overall occupancy rate of Singapore's core CBD decreased from 95.6% in 1Q 2017 to 94.1% in 2Q 2017, as a result of new office towers achieving temporary occupation permits.

The Australian economy expanded by a modest 1.7% y-o-y in 1Q 2017, coming off a 2.5% growth rate for the year 2016. The Reserve Bank of Australia estimates full year growth between 2.5% and 3.5% for 2017. CBRE has observed strong demand amid tight supply for CBD office space in Sydney and Melbourne, while Brisbane and Perth continued to show signs of recovery.

The US Federal Reserve raised interest rates with a 25 basis point hike in June 2017. However, the impact of rising rates to Keppel REIT is expected to be mitigated by active measures the Manager has taken to reduce interest rate risk. At the same time, the Manager will continue to diversify its funding sources and lengthen its debt profile to mitigate funding related risks.

The REIT's leasing risk is minimal with only 2% of the NLA of leases expiring for the rest of 2017. Nevertheless, a proactive approach to tenant and lease management remains a priority for the Manager.

Looking ahead, the Manager remains committed to its long term goal of achieving stable and sustainable income for Keppel REIT Unitholders.

About Keppel REIT (www.keppelreit.com)

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

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

As at 30 June 2017, Keppel REIT had assets under management of approximately S\$8.3 billion comprising interests in eight premium office assets with 11 office towers strategically located in the central business districts of Singapore, as well as key Australian cities of Sydney, Melbourne, Brisbane and Perth.

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

In Australia, the assets are 8 Chifley Square (50% interest) in Sydney, 8 Exhibition Street in Melbourne (50% interest in the office building and two retail units, as well as a 100% interest in the three adjoining retail units), 275 George Street in Brisbane (50% interest), as well as the David Malcolm Justice Centre in Perth (50% interest). On 29 June 2017, the Manager announced the acquisition of a 50% stake in a premium office tower to be developed at 311 Spencer Street in Melbourne. The acquisition is expected to be completed by the third quarter of 2017.

Keppel REIT is sponsored by Keppel Land Limited, one of Asia's leading property companies. It is managed by Keppel REIT Management Limited, a wholly-owned subsidiary of Keppel Capital Holdings Pte. Ltd. (Keppel Capital). Keppel Capital is a premier asset manager in Asia with assets under management of approximately \$25 billion in real estate, infrastructure and data centre properties in key global markets.

Important Notice

The past performance of Keppel REIT is not necessarily indicative of its future performance. Certain statements made in this presentation may not be based on historical information or facts and may be "forward-looking" statements due to a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments or shifts in expected levels of property rental income, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes, and the continued availability of financing in the amounts and terms necessary to support future business.

Prospective investors and unitholders of Keppel REIT ("Unitholders") are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of Keppel REIT Management Limited, as manager of Keppel REIT (the "Manager") on future events. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information, or opinions contained in this presentation. None of the Manager, the trustee of Keppel REIT or any of their respective advisors, representatives or agents shall have any responsibility or liability whatsoever (for negligence or otherwise) for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection with this presentation. The information set out herein may be subject to updating, completion, revision, verification and amendment and such information may change materially. The value of units in Keppel REIT ("Units") and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on Singapore Exchange Securities Trading Limited ("SGX-ST"). Listing of the Units on SGX-ST does not guarantee a liquid market for the Units.