

MEDIA RELEASE

Unaudited Results of Keppel REIT for the Second Quarter and Half Year Ended 30 June 2019

15 July 2019

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 2019.

For more information, please contact:

Media Relations

Ms Teri Liew
General Manager
Group Corporate Communications
Keppel Corporation Limited
Tel: (65) 6413 6425
Email: teri.liew@kepcorp.com

Investor Relations

Ms Liang Huihui
Deputy Manager
Investor Relations
Keppel Capital
Tel: (65) 6803 1649
Email: huihui.liang@kepcapital.com

The materials are also available at www.keppelreit.com, www.kepcapital.com and www.kepcorp.com

Keppel REIT achieves distributable income of \$47.3 million for 2Q 2019

Key Highlights

- Distributable income (DI) for the second quarter of 2019 (2Q 2019) was \$47.3 million, which includes capital gains distribution of \$3.0 million.
- Distribution per Unit (DPU) for 2Q 2019 was 1.39 cents.
- Obtained the REIT's first green secured loan facility.
- Aggregate leverage was 38.4% and weighted average term to maturity was 3.7 years.
- Completed the DPU-accretive acquisition of T Tower, a Grade A freehold office building in Seoul Central Business District (CBD).
- Maintained high portfolio committed occupancy of 99.1% and portfolio weighted average lease expiry (WALE) of 5.3 years.

Summary of Results

	GROUP					
	2Q 2019 \$'000	2Q 2018 \$'000	+ / (-)	1H 2019 \$'000	1H 2018 \$'000	+ / (-)
Property income	39,913 ⁽¹⁾	51,654	(22.7%)	79,930 ⁽¹⁾	91,388	(12.5%)
Net property income (NPI)	31,063	43,206	(28.1%)	62,374	74,426	(16.2%)
Less: Attributable to non-controlling interests	(4,201)	(33)	Nm	(8,258)	(55)	Nm
NPI attributable to Unitholders	26,862 ⁽²⁾	43,173	(37.8%)	54,116 ⁽²⁾	74,371	(27.2%)
Share of results of associates	19,831	18,977	+4.5%	39,102	39,589	(1.2%)
Share of results of joint ventures	7,125	7,479	(4.7%)	14,297	15,318	(6.7%)
Income available for distribution	47,293	48,323	(2.1%)	94,612	96,555	(2.0%)
Distribution to Unitholders	47,293 ⁽³⁾	48,323	(2.1%)	94,612 ⁽³⁾	96,555	(2.0%)
DPU (cents)	1.39	1.42	(2.1%)	2.78	2.84	(2.1%)
Annualised/Actual distribution yield (%)				4.4% ⁽⁴⁾	4.9% ⁽⁵⁾	(0.5 pp)

(1) The decrease was due mainly to lower one-off income for early surrender of leases.

(2) Reflects amount attributable to Unitholders based on an interest of 79.9% in Ocean Financial Centre following the divestment of a 20% stake in December 2018, as well as an interest of 99.38% in T Tower in Seoul which was acquired in May 2019.

(3) Includes distribution of capital gains of \$3.0 million for 2Q 2019 and \$6.0 million for 1H 2019.

(4) Based on the market closing price of \$1.26 per Unit as at 30 June 2019.

(5) Based on the total DPU of 5.56 cents for FY 2018, and the market closing price of \$1.14 per Unit as at 31 December 2018.

Financial Performance

Keppel REIT Management Limited, as Manager of Keppel REIT, announced that Keppel REIT's DI for 2Q 2019 was \$47.3 million, which includes capital gains distribution of \$3.0 million. This brought DI for 1H 2019 to \$94.6 million, lower than 1H 2018's \$96.6 million due mainly to lower one-off income received from the early surrender of leases, absence of rental support in 2Q 2019, and the impact from the divestment of a 20% stake in Ocean Financial Centre. The decrease was partially offset by income contribution from the newly acquired T Tower in Seoul CBD, as well as capital gains distribution of \$6.0 million for 1H 2019.

DPU for 2Q 2019 was 1.39 cents, bringing DPU for 1H 2019 to 2.78 cents. Annualised distribution yield was 4.4% based on Keppel REIT's market closing price of \$1.26 per Unit as at 30 June 2019.

Capital Management

As part of the Manager's proactive efforts to manage interest costs and extend its debt maturity profile, all of Keppel REIT's 2019 loans have been refinanced. \$200.0 million of five-year convertible bonds at coupon rate of 1.9% per annum were also issued to lower interest costs and partially fund the acquisition of T Tower.

On 18 June 2019, Keppel REIT obtained its first green secured loan facility of \$505.0 million. The green loan facility reflects the Manager's commitment to sustainability, which includes upholding high environmental standards at the properties and meeting requirements to access green funding sources. Proceeds from this green loan facility have been used to refinance loans maturing in 2022.

As at 30 June 2019, weighted average term to maturity was extended to 3.7 years, from 3.3 years as at 31 March 2019. Aggregate leverage was 38.4% following the issuance of \$200.0 million of convertible bonds and the drawdown of a loan of KRW 126.4 billion to fund the acquisition of T Tower. The KRW-denominated loan will provide the REIT a natural hedge against potential currency fluctuations. Interest coverage ratio was 3.7 times, all-in interest rate was 2.86% per annum, and the interest rates of 92% of total borrowings are fixed.

During the quarter, the Manager continued with its DPU-accretive Unit buy-back programme¹, purchasing and cancelling a total of approximately 9.7 million issued Units. With effect from 24 June 2019, Keppel REIT was included as a constituent of Global Property Research's GPR 250 Index and GPR 250 REIT Index.

Portfolio Optimisation

On 27 May 2019, Keppel REIT completed the acquisition of T Tower, a 28-storey freehold Grade A office building in Seoul CBD, for KRW 252.6 billion² (approximately \$301.4 million³). A five-minute walk to the city's major railway station, Seoul Station, T Tower is well-positioned to benefit from potential capital value appreciation and rental growth amidst steady leasing demand and limited upcoming supply. Completed in 2010, T Tower offers approximately 228,000 sf in net lettable area and is 100% leased to established national and international tenants, mainly from the technology, media and telecommunications, manufacturing and distribution, and services sectors.

With an initial NPI yield of approximately 4.7%, the DPU-accretive acquisition of T Tower is part of Keppel REIT's ongoing portfolio optimisation. While Keppel REIT's portfolio will remain anchored by prime CBD assets in Singapore, owning assets across Singapore, Australia and South Korea enhances geographical and income diversification, as well as provides greater stability and further opportunities for growth in the long term.

Portfolio Review

With the strategic addition of T Tower, Keppel REIT's \$8.4 billion portfolio now comprises 10 properties in Singapore (82.3%), Australia (14.1%) and South Korea (3.6%). The development of 311 Spencer Street in Melbourne is progressing, with commencement of the 30-year lease to the Victoria Police expected upon completion in 1H 2020.

In 1H 2019, the Manager committed total leases of approximately 272,900 sf (attributable area of approximately 112,600 sf), bringing Keppel REIT's portfolio committed occupancy to 99.1% as at 30 June 2019. Of the attributable spaces committed, approximately half are new leases and expansions from mainly tenants in the technology, media and telecommunications, banking and financial services sectors, while the remaining committed leases were renewals and rent reviews.

Almost all leases concluded in 1H 2019 were in Singapore. The average signing rent for the Singapore office leases committed in 1H 2019 was approximately \$11.93⁴ psf pm, above the Grade A core CBD market average of \$11.30⁵ psf pm.

¹ Subject to market conditions and taking into account restrictions under the Singapore Code on Take-overs and Mergers.

² Based on an approximate 99.38% interest in T Tower. Equivalent to KRW 20.2 million/pyeong (py), based on attributable gross floor area of 444,979 sf and conversion of 1 py to 35.6 sf.

³ Based on an exchange rate of KRW 1,000 to \$1.193 as at 18 April 2019.

⁴ For the Singapore office leases concluded in 1H 2019 and based on a simple average calculation.

⁵ Source: CBRE, 2Q 2019.

The portfolio and top 10 tenants WALE remained long at approximately 5.3 years and 7.5 years respectively. Portfolio tenant retention rate for 1H 2019 was 64%.

On the sustainability front and as part of tenant engagement efforts, various activities were organised to raise environmental consciousness among tenants and the public. In conjunction with Earth Day and World Water Day, Earth Hour was observed at all of Keppel REIT's properties in Singapore and Australia, and eco-roadshows were held in collaboration with Public Utilities Board (PUB) to encourage water conservation at Ocean Financial Centre and Bugis Junction Towers.

To raise awareness on plastic pollution, the Manager together with Keppel Land organised the display of 'Ayer Ayer Project Table', an interactive microplastics artwork made from Singapore's shore debris. Tenants and members of the public at Ocean Financial Centre, Marina Bay Financial Centre and Keppel Bay Tower joined efforts in removing microplastic fragments in the shore debris.

Looking Ahead

According to CBRE, Singapore average Grade A office rents for 2Q 2019 was \$11.30 psf pm, up from \$11.15 psf pm a quarter ago. Average occupancy also rose quarter-on-quarter from 95.2% as at end March 2019 to 95.8% as at end June 2019.

In Australia, JLL Research reported positive net absorption and further improvement of national CBD office market occupancy from 91.4% as at end December 2018 to 91.7% as at end March 2019. Occupancy is expected to remain healthy on the back of stable leasing activity.

In Seoul, JLL Research observed a decrease in CBD Grade A occupancy from 82.7% as at end December 2018 to 82.5% as at end March 2019. Occupancy is expected to decline going into 2020, before rising in the subsequent years with the lack of new supply.

Amidst the current uncertain macro-economic environment, the Manager remains focused on delivering stable and sustainable distributions to Unitholders, and on achieving long-term growth. The Manager will continue its ongoing portfolio optimisation focus, while driving operational excellence in its asset and capital management efforts.

- END -

About Keppel REIT (www.keppelreit.com)

Keppel REIT was listed by way of an introduction on 28 April 2006. It is one of Asia's leading REITs with a young and large portfolio of premium Grade A commercial assets in prime business and financial districts pan-Asia.

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.

The REIT has assets under management of over \$8 billion in Singapore, key Australian cities of Sydney, Melbourne, Brisbane and Perth, as well as Seoul, South Korea.

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

Important Notice

The past performance of Keppel REIT is not necessarily indicative of its future performance. Certain statements made in this release 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 release. 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 release or its contents or otherwise arising in connection with this release. 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.