

CIRCULAR DATED 25 MARCH 2019

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

The Singapore Exchange Securities Trading Limited (the "SGX-ST") takes no responsibility for the accuracy of any statements or opinions made, or reports contained, in this Circular. If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your units in Keppel DC REIT ("Units"), you should immediately forward this Circular, together with the Notice of Annual General Meeting and the accompanying Proxy Form, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.



(Constituted in the Republic of Singapore pursuant to a trust deed dated 17 March 2011 (as amended))

MANAGED BY

KEPPEL DC REIT MANAGEMENT PTE. LTD.

CIRCULAR TO UNITHOLDERS

IN RELATION TO:

- (1) THE PROPOSED RENEWAL FOR 9 YEARS OF THE KEPPEL LEASE AGREEMENT AS AN INTERESTED PERSON TRANSACTION; AND**
- (2) THE PROPOSED RENEWAL FOR 9 YEARS OF THE FACILITY MANAGEMENT AGREEMENT AS AN INTERESTED PERSON TRANSACTION**

**Independent Financial Adviser to the Independent Directors
and Audit and Risk Committee of Keppel DC REIT Management Pte. Ltd.
and the Trustee**



Ernst & Young Corporate Finance Pte. Ltd.

(Company Registration Number 199702967E)
(Incorporated in the Republic of Singapore)

TABLE OF CONTENTS

	Page
CORPORATE INFORMATION	ii
OVERVIEW	1
LETTER TO UNITHOLDERS	
1. Summary of Approvals Sought	3
2. The Proposed Renewal of the Keppel Lease Agreement and the Facility Management Agreement	4
3. Interests of Directors and Substantial Unitholders	11
4. Recommendations	14
5. Annual General Meeting	14
6. Abstentions from Voting	15
7. Action to be Taken by Unitholders	15
8. Directors' Responsibility Statement	15
9. Consent	16
10. Documents on Display	16
IMPORTANT NOTICE	17
GLOSSARY	18
APPENDIX	
Appendix A Independent Financial Adviser's Letter	A-1

CORPORATE INFORMATION

Directors of Keppel DC REIT Management Pte. Ltd. (as manager of Keppel DC REIT) (the "Manager")	:	Ms Christina Tan (Chairman of the Board and Non-Executive Director) Mr Lee Chiang Huat (Independent Director and Chairman of the Audit and Risk Committee) Dr Tan Tin Wee (Independent Director and Chairman of the Nominating and Remuneration Committee) Mr Leong Weng Chee (Independent Director) Mr Dileep Nair (Independent Director) Mr Thomas Pang (Non-Executive Director) Mr Low Huan Ping (Independent Director) Mr Kenny Kwan (Independent Director)
Registered Office of the Manager	:	1 HarbourFront Avenue #18-01 Keppel Bay Tower Singapore 098632
Trustee of Keppel DC REIT (the "Trustee")	:	Perpetual (Asia) Limited 8 Marina Boulevard #05-02 Marina Bay Financial Centre Singapore 018981
Legal Adviser for the Proposed Transaction and to the Manager	:	Allen & Gledhill LLP One Marina Boulevard #28-00 Singapore 018989
Legal Adviser to the Trustee	:	WongPartnership LLP 12 Marina Boulevard Level 28 Marina Bay Financial Centre Tower 3 Singapore 018982
Independent Financial Adviser to the Independent Directors and Audit and Risk Committee of the Manager and the Trustee (the "IFA")	:	Ernst & Young Corporate Finance Pte. Ltd. One Raffles Quay North Tower, Level 18 Singapore 048583

OVERVIEW

The following overview should be read in conjunction with, the full text of this Circular. Meanings of defined terms may be found in the Glossary on pages 18 to 20 of this Circular.

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding.

Background

On 12 June 2018, Keppel DC REIT completed the acquisition of 29,700,000 ordinary shares (being 99.0% of the issued share capital) in Kingsland Data Center Pte. Ltd. ("**KDCPL**", and the completion of the acquisition, the "**Completion**"), which holds the property located at 13 Sunview Way, Singapore 627541 ("**Keppel DC Singapore 5**" or the "**Property**").

Following the Completion, KDCPL (which has since been converted into a limited liability partnership, Keppel DC Singapore 5 LLP ("**KDCS5LLP**"))¹ entered into:

- (i) a lease agreement (the "**Keppel Lease Agreement**") with Keppel DCS3 Services Pte. Ltd. (the "**Keppel Lessee**" or the "**Facility Manager**") in relation to the lease of the Property to the Keppel Lessee (the "**Keppel Lease**"); and
- (ii) a facility management agreement (the "**Facility Management Agreement**") with the Facility Manager where the Facility Manager was appointed to provide certain facilities management and maintenance services in relation to the Property.

Each of the Keppel Lease Agreement and the Facility Management Agreement was for a term of one year with an option to renew for a term of nine years (exercisable at the option of Keppel DC REIT through KDCS5LLP²) on substantially the same terms and conditions.

Renewal of Keppel Lease Agreement and Facility Management Agreement

The Manager proposes for Keppel DC REIT to exercise the option to renew the Keppel Lease Agreement (the "**Renewed Keppel Lease Agreement**") and the Facility Management Agreement (the "**Renewed Facility Management Agreement**"), each for a period of 9 years.

Interested Person Transaction

The entry into the Renewed Keppel Lease Agreement and Renewed Facility Management Agreement would be an "interested person transaction" under Chapter 9 of the Listing Manual of the SGX-ST (the "**Listing Manual**").

1 KDCPL was renamed as Keppel DC Singapore 5 Pte. Ltd. ("**KDCS5PL**") and KDCS5PL has been converted to a limited liability partnership, Keppel DC Singapore 5 LLP, pursuant to Section 21 of the Limited Liability Partnerships Act, Chapter 163A of Singapore. Perpetual (Asia) Limited (in its capacity as trustee of Keppel DC REIT) holds 99.0% of the interest in KDCS5LLP and Kingsland Development Pte. Ltd. holds the remaining 1.0% of the interest in KDCS5LLP. For the avoidance of doubt, the Renewed Keppel Lease Agreement and the Renewed Facility Management Agreement will be entered into by KDCS5LLP.

2 Under Clause 2.2 of the Facility Management Agreement, if the Keppel Lease Agreement is renewed for a term of nine years, the Facility Management Agreement would also be automatically renewed.

As the aggregate value of the Renewed Keppel Lease Agreement and Renewed Facility Management Agreement exceeds 5.0% of Keppel DC REIT's latest audited net tangible assets ("NTA"), the Manager is seeking the approval of unitholders of Keppel DC REIT ("Unitholders"), each by way of an Ordinary Resolution, for the entry into the Renewed Keppel Lease Agreement and Renewed Facility Management Agreement.

Rationale and Benefits

The Manager believes that the entry into the Renewed Keppel Lease Agreement and Renewed Facility Management Agreement is beneficial for Unitholders for the following reasons:

- Proven track record of the Facility Manager; and
- Pass-through arrangement of the Renewed Keppel Lease Agreement.

Keppel DC REIT

(Constituted in the Republic of Singapore pursuant to
a trust deed dated 17 March 2011 (as amended))

Directors of the Manager

Ms Christina Tan (Chairman of the Board and
Non-Executive Director)
Mr Lee Chiang Huat (Independent Director and
Chairman of the Audit and Risk Committee)
Dr Tan Tin Wee (Independent Director and Chairman
of the Nominating and Remuneration Committee)
Mr Leong Weng Chee (Independent Director)
Mr Dileep Nair (Independent Director)
Mr Thomas Pang (Non-Executive Director)
Mr Low Huan Ping (Independent Director)
Mr Kenny Kwan (Independent Director)

Registered Office

1 HarbourFront Avenue
#18-01 Keppel Bay Tower
Singapore 098632

25 March 2019

To: Unitholders of Keppel DC REIT

Dear Sir/Madam

1. SUMMARY OF APPROVALS SOUGHT

The Manager is seeking the approval from Unitholders in respect of the following Ordinary Resolutions:

- (i) **Ordinary Resolution 7:** renewal of the Keppel Lease Agreement and entry into the Renewed Keppel Lease Agreement between KDCS5LLP and the Keppel Lessee; and
- (ii) **Ordinary Resolution 8:** renewal of the Facility Management Agreement and entry into the Renewed Facility Management Agreement between KDCS5LLP and the Facility Manager,

(collectively, the "**Proposed Transaction**").

The Keppel Lease Agreement and the Facility Management Agreement are intrinsically linked to each other. If the Keppel Lease Agreement is not renewed, Keppel DCS3 Services Pte. Ltd. will not enter into the Renewed Facility Management Agreement as the facility manager of Keppel DC Singapore 5. Vice versa, if the Facility Management Agreement is not renewed, Keppel DCS3 Services Pte. Ltd. will not enter into the Renewed Keppel Lease Agreement as the lessee of Keppel DC Singapore 5.

Accordingly, Unitholders should note that Resolution 7 and Resolution 8 are inter-conditional on each other. In the event that any of Resolution 7 or Resolution 8 is not passed, then neither the Keppel Lease Agreement nor the Facility Management Agreement would be renewed.

2. THE PROPOSED RENEWAL OF THE KEPPEL LEASE AGREEMENT AND THE FACILITY MANAGEMENT AGREEMENT

2.1 Rationale and Benefits

The Manager believes that the entry into the Renewed Keppel Lease Agreement and Renewed Facility Management Agreement is beneficial for Unitholders for the following reasons:

2.1.1 Proven Track Record of the Facility Manager

The Facility Manager has an experienced operations team which will ensure that the Property is properly maintained and managed. The Facility Manager is an integral part of Keppel Data Centres, a data centre solutions provider in Singapore. Keppel Data Centres offers a comprehensive range of colocation services to end-users. It enters into colocation service arrangements with end-users and manages data centre facilities for end-users. Through its parent company, Keppel Telecommunications & Transportation Ltd ("**Keppel T&T**"), Keppel Data Centres has more than 14 years of experience in designing, building and managing data centres. It offers a comprehensive range of colocation services to leading companies, financial institutions and government agencies which demand high availability and minimal downtime to their systems.

2.1.2 Pass-Through Arrangement of the Renewed Keppel Lease Agreement

The pass-through arrangement of the Renewed Keppel Lease Agreement allows Keppel DC REIT to leverage on the track record of the Facility Manager in managing the data centre, while at the same time, ensures that Keppel DC REIT will substantially enjoy the benefits and assume the liabilities of the colocation arrangements entered into by the Keppel Lessee with the underlying end-users (as mentioned in paragraph 2.2 of the Letter to Unitholders).

2.2 Principal Terms and Conditions of the Renewed Keppel Lease Agreement

The Keppel Lease is essentially a pass-through arrangement whereby a significant portion¹ of the rent payable to KDCS5LLP by the Keppel Lessee is made up of variable rent based on the earnings (after deducting the fixed rent and operating expenses) derived from the underlying end-users (being the clients) who have entered into colocation arrangements with the Keppel Lessee. However, due to the pass-through arrangement of the Keppel Lease, KDCS5LLP will substantially enjoy the benefits and assume the liabilities of the colocation arrangements entered into by the Keppel Lessee with the underlying end-users (being the clients). The Keppel Lease arrangement is similar to the arrangements which were entered into for Keppel DC Singapore 1 ("**KDC SGP 1**"), Keppel DC Singapore 2 ("**KDC SGP 2**") and Keppel DC Singapore 3 ("**KDC SGP 3**").

The committed occupancy of the Property is 84.2% by net lettable area with the remaining vacancy being office space (as at 31 December 2018).

¹ The rent payable to KDCS5LLP by the Keppel Lessee is a "significant" portion as only 99.0% of the Cash EBITDA Amount (as defined herein) is passed through to KDCS5LLP; the colocation contracts with the end-users are entered into with the Keppel Lessee. As Keppel DC Singapore 5 sits on JTC Corporation's land, in compliance with JTC Corporation's policy, the anchor sublessee has to be a data centre operator who is Keppel Data Centres Holding Pte Ltd ("**KDCH**"). KDCH then in turn contracts with end-users to provide a range of colocation services.

The Renewed Keppel Lease Agreement will commence on 12 June 2019, being the day immediately following the date of expiry of the existing Keppel Lease Agreement and will be for a term of nine years.

The principal terms¹ of the Renewed Keppel Lease Agreement include, among others, the following:

2.2.1 the term of the Renewed Keppel Lease Agreement is for nine years commencing on the day immediately following the date of expiry of the existing Keppel Lease Agreement;

2.2.2 the Keppel Lessee is required to pay rent on a quarterly basis and such rent shall comprise (1) the Fixed Rent and (2) the Variable Rent (each as defined below):

(i) a fixed rent per annum for each year as follows (the “**Fixed Rent**”); and

Renewal Year	Fixed Rent per annum
First Renewal Year	S\$5,500,000.00
Second Renewal Year	S\$6,500,000.00, with an annual escalation of 3.0% ² for each subsequent year until expiry

(ii) a variable rent computed in respect of each financial year (the “**Variable Rent**”), based on an amount equivalent to 99.0% of the Cash EBITDA Amount (as defined in paragraph 2.2.3 of the Letter to Unitholders) (or such larger amount as the parties may agree in writing);

2.2.3 the “**Cash EBITDA Amount**” for each financial year will be computed based on the total cash revenue received by the Keppel Lessee from the clients, including all colocation revenues and work space revenues and ad hoc revenues during such financial year and the aggregate of the power service charges payable by the clients of the Keppel Lessee, less all the operating cash expenses³ paid by the Keppel Lessee and the Facility Manager in the maintenance, management, operation and marketing of the Property as well as the provision of total turnkey facility management services in respect of the Property, and less the Fixed Rent;

1 There are no differences in the terms under the Keppel Lease Agreement and the first renewal year under the Renewed Keppel Lease Agreement apart from the quantum of the Fixed Rent. The Keppel Lease is essentially a pass-through arrangement. While the Fixed Rent under the Keppel Lease Agreement is different compared to the Fixed Rent under the Renewed Keppel Lease Agreement for the first renewal year, the Variable Rent will substantially reflect the remaining economic benefits of the performance of the Property. The yield for the first renewal year is expected to improve progressively as the end-users are expected to continue to ramp up their operations until stabilised.

2 As mentioned in paragraph 2.2 of the Letter to Unitholders, the Keppel Lease is a pass-through arrangement whereby KDCS5LLP will substantially enjoy the benefits and assume the liabilities of the colocation arrangements entered into by the Keppel Lessee. The amount of variable rent to be received under the Renewed Keppel Lease Agreement is expected to be more than the fixed rent. Based on an annualised 12 months ended 31 December 2018, the gross revenue received by KDCS5LLP is significantly more than a fixed rent of S\$6,500,000.00 per annum.

3 The Facility Manager provides to KDCS5LLP the computation of the Cash EBITDA Amount (which shall include the operating expenses) and this is reviewed on a month to month basis by KDCS5LLP.

- 2.2.4** the quantum of the Variable Rent will be adjusted at the end of each financial year based on the agreed computation of the Variable Rent or (in the event that the Keppel Lessee does not agree with KDCS5LLP's computation of the Variable Rent based on the Cash EBITDA Amount for that financial year and such dispute fails to be resolved) a jointly-appointed expert's determination on the Cash EBITDA Amount for that financial year;
- 2.2.5** in the event the Cash EBITDA Amount (before deducting the Fixed Rent) in respect of that financial year is a negative amount, KDCS5LLP will reimburse the Keppel Lessee an amount equivalent to such negative amount;
- 2.2.6** KDCS5LLP will provide to the Keppel Lessee certain services, including (a) the provision of data centre infrastructure to support the Property for the permitted use; (b) facility management, maintenance services and routine preventive maintenance in respect of such mechanical and electrical equipment located in the Property as agreed between the parties; (c) the maintenance of equipment owned by the Keppel Lessee to keep it in good working order and condition and be responsible for all repair, maintenance, replacements or overhauls thereof; and (d) the provisions of certain reports such as monthly safety reports, incident reports, capital expenditure progress reports and finance reports;
- 2.2.7** the Keppel Lessee shall obtain KDCS5LLP's prior written consent before the Keppel Lessee enters into any tenancies, leases, licences, colocation agreements or occupation agreements with the clients (collectively, "**Contracts**");
- 2.2.8** KDCS5LLP shall pay the property tax and land rent imposed by the relevant authority on the Property in respect of any period during the term of the Renewed Keppel Lease Agreement;
- 2.2.9** KDCS5LLP shall indemnify the Keppel Lessee and hold the Keppel Lessee harmless from and against all losses, damages, claims, demands, proceedings, actions, costs, expenses, interest, liabilities and penalties suffered or incurred by the Keppel Lessee in respect of any of the Contracts or services agreement between the Keppel Lessee and the clients including as a result of an early termination of the Renewed Keppel Lease Agreement, except to the extent that such losses, damages, claims, demands, proceedings, actions, costs, expenses, interest, liabilities and penalties resulted from or is caused by the wilful default or gross negligence of the Keppel Lessee, its employees or agents in complying with the provisions of the Renewed Keppel Lease Agreement; and
- 2.2.10** the Keppel Lessee shall indemnify KDCS5LLP against all claims, demands, actions, proceedings, judgements, damages, losses, costs and expenses of any nature which KDCS5LLP may suffer or incur for death, injury, loss and/or damage caused by, and all penalties or fines imposed by any competent authority resulting from, any wilful default or gross negligence by the Keppel Lessee, its employees or agents, in complying with the provisions of the Renewed Keppel Lease Agreement, subject to certain limitations.

It should be noted that the colocation contracts with the underlying end-users are independent of the Keppel Lease arrangement. As there is no cap to the negative amount, if the existing underlying end-users were to not renew their contracts and there is a prolonged period of vacancy, there is a risk that KDCS5LLP may receive no rental income and may even have to incur expenses in relation to the reimbursement to the Keppel Lessee of the negative amount. Nevertheless, in such an unlikely event, the Keppel Lessee will work together with Keppel DC REIT to identify new prospective end-users. Based on an annualised 12 months ended 31 December 2018, the gross revenue received by KDCS5LLP is significantly more than a fixed rent of S\$6,500,000.00 per annum. Furthermore, given the Facility Manager's track record, and that the facility management fee is computed as a percentage of the Cash EBITDA Amount, the Facility Manager's interest is aligned with Keppel DC REIT to improve the Cash EBITDA Amount position.

2.3 Principal Terms and Conditions of the Renewed Facility Management Agreement

Under the Facility Management Agreement, in the event that the Keppel Lease Agreement is renewed for a term of nine years, the Facility Management Agreement will also be automatically renewed for a term of nine years¹.

The principal terms of the Renewed Facility Management Agreement include, among others, the following:

- 2.3.1** the term of the Renewed Facility Management Agreement is for nine years;
- 2.3.2** the Facility Manager will be entitled to a facility management fee of an amount equivalent to 4.0% of the Cash EBITDA Amount in respect of each financial year;
- 2.3.3** the Facility Manager will be entitled to the following project management fees for the refurbishment, retrofitting and renovation works on the Property:
 - (i) where the construction costs are S\$2.0 million or less, a fee of 3.0% of the construction costs;
 - (ii) where the construction costs exceed S\$2.0 million but do not exceed S\$20.0 million, a fee of 2.0% of the construction costs or S\$60,000, whichever is the higher;
 - (iii) where the construction costs exceed S\$20.0 million but do not exceed S\$50.0 million, a fee of 1.5% of the construction costs or S\$400,000, whichever is the higher; and
 - (iv) where the construction costs exceed S\$50.0 million, a fee of not more than 1.5% of the construction costs;
- 2.3.4** the Renewed Facility Management Agreement shall terminate if the Renewed Keppel Lease Agreement is terminated;

¹ If the Keppel Lease Agreement is not renewed, the Facility Management Agreement would also not be renewed and a new lessee and facility manager would have to be appointed in respect of Keppel DC Singapore 5. The appointment of such new lessee and facility manager is subject to approval by JTC Corporation.

2.3.5 the Facility Manager shall, *inter alia*,

- (i) keep the Property clean and tidy;
- (ii) keep the Property and all fixtures, fittings and installations in it and all Conducting Media¹ in and serving the Property, in good and tenable repair and condition (except for fair wear and tear);
- (iii) immediately make good, to the reasonable satisfaction of KDCS5LLP, any damage caused to the Property or any part of the Property by the Keppel Lessee (as tenant), its employees, agents, independent contractors or any permitted occupier;
- (iv) maintain all equipment owned by the Keppel Lessee (as tenant) or the Keppel Lessee's clients which are installed or operated and/or to be installed or operated at the Property in good working order and condition and to be responsible for all repair, maintenance, replacements or overhauls thereof;
- (v) be responsible for the maintenance and management of the Property;
- (vi) ensure that the building on the Property is secured whether or not it is occupied;
- (vii) ensure that all debris, sewerage, waste and garbage in the Property are regularly disposed of at the Facility Manager's cost and expenses; and
- (viii) ensure that any electrical installations, machines or equipment at the Property do not cause heavy power surge, high frequency voltage and current, air-borne noise, vibration or any electrical or mechanical interference or disturbance whatsoever which prevents the service or use of any communication system or affects the operation of other equipment, installations, machinery or plants of the neighbouring premises;

2.3.6 the Facility Manager shall indemnify KDCS5LLP and hold KDCS5LLP harmless from and against all losses, damages, claims, demands, proceedings, actions, costs, expenses, interest, liabilities and penalties which KDCS5LLP may suffer or incur resulting from or to the extent caused by, any wilful default or gross negligence by the Facility Manager, its employees or agents, in complying with the provisions of the Renewed Facility Management Agreement; and

2.3.7 without prejudice to the general indemnity that the Facility Manager has provided (as set out in paragraph 2.3.6 of the Letter to Unitholders), in the event of a breach or non-compliance by the Facility Manager of its obligations under the Renewed Facility Management Agreement, which results in the payment of client service credits by the Keppel Lessee (as tenant) to clients under or in respect of the Contracts in a financial year, the Facility Manager shall pay to KDCS5LLP an amount equivalent to the total aggregate value of all such client service credits paid to the clients in that financial year, subject to a cap of an amount equivalent to 1.0% of the Cash EBITDA Amount (as defined in paragraph 2.2.3 of the Letter to Unitholders) in that financial year.

¹ "Conducting Media" means drains, sewers, conduits, flues, risers, gutters, gullies, channels, ducts, shafts, watercourses, pipes, cables, wires and mains.

In relation to paragraph 2.3.7 above relating to the cap¹, while there is a risk that not the entire sum of the total aggregate value of the client service credits paid by the Keppel Lessee to clients in a financial year will be paid to KDCS5LLP, this cap should be viewed in totality with the other terms of the Renewed Facility Management Agreement (specifically the different fee structure adopted). A facility management fee formula based on Cash EBITDA Amount would take into account the corresponding losses and expenses, unlike a facility management fee formula based on solely revenue. Accordingly, in the event of a breach or non-compliance by the Facility Manager of its obligations under the Renewed Facility Management Agreement, the loss to the Facility Manager is not just limited to the cap as set out in paragraph 2.3.7 above but it would also result in a reduction of its facility management fees, and if such loss is significant, it may result in the Facility Manager not receiving any fees if the Cash EBITDA Amount for a relevant financial year is negative. The fee structure and the cap on liability are in line with the other facility management agreements of the other Singapore properties of Keppel DC REIT.

See paragraph 4.2 of the Letter to Unitholders for the opinion of the Audit and Risk Committee regarding the Renewed Facility Management Agreement.

2.4 Interested Person Transaction

Under Chapter 9 of the Listing Manual, where Keppel DC REIT proposes to enter into a transaction with an interested person and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S\$100,000, with the same interested person during the same financial year) is equal to or exceeds 5.0% of Keppel DC REIT's latest audited NTA, Unitholders' approval is required in respect of the transaction. Based on the audited financial statements of Keppel DC REIT for the financial year ended 31 December 2018, the audited NTA of Keppel DC REIT was S\$1,472.0 million as at 31 December 2018. Accordingly, if the value of a transaction which is proposed to be entered into in the current financial year by Keppel DC REIT with an interested person is, either in itself or in aggregation with all other earlier transactions (each of a value equal to or greater than S\$100,000) entered into with the same interested person during the current financial year, equal to or in excess of S\$73.6 million (being 5.0% of the audited NTA of Keppel DC REIT as at 31 December 2018), such a transaction would be subject to Unitholders' approval. The aggregate value of the Renewed Keppel Lease Agreement and the Renewed Facility Management Agreement of approximately S\$253.0 million² equates to approximately 17.2% of the latest audited NTA of Keppel DC REIT and would be in excess of 5.0% of the latest audited NTA of Keppel DC REIT.

1 Based on an annualised 12 months ended 31 December 2018, the cap for the financial year, equivalent to 1.0% of the Cash EBITDA Amount, would be approximately S\$0.2 million.

2 The aggregate value of the Renewed Keppel Lease Agreement (S\$245.6 million) and the Renewed Facility Management Agreement (S\$7.4 million) is an estimate and is for illustrative purposes only. The actual value of the Renewed Keppel Lease Agreement and the Renewed Facility Management Agreement may be higher or lower depending on the actual Cash EBITDA Amount for each financial year. For the avoidance of doubt, the above-mentioned aggregate value is for illustrative purposes only, and notwithstanding that the actual value may exceed the estimated amount, no further approval from Unitholders is required.

As at the Latest Practicable Date, Keppel Corporation Limited (“KCL”), through Keppel T&T and Keppel Capital Holdings Pte. Ltd. (“Keppel Capital”), holds an aggregate interest in 340,636,565 Units, which is equivalent to approximately 25.2% of the total number of Units in issue, and is therefore regarded as a “controlling Unitholder” of Keppel DC REIT under the Listing Manual. In addition, as the Manager is owned by Keppel T&T and Keppel Capital (both of which are subsidiaries of KCL) in equal proportions, KCL is regarded as a “controlling shareholder” of the Manager under the Listing Manual.

The Keppel Lessee/Facility Manager is an indirect subsidiary of KCL. Accordingly, for the purposes of Chapter 9 of the Listing Manual, the Keppel Lessee/Facility Manager (being a subsidiary of a “controlling Unitholder” and a controlling shareholder” of the Manager) are for the purposes of the Listing Manual an “interested person” of Keppel DC REIT.

Therefore, the Proposed Transaction will constitute an “interested person transaction” under Chapter 9 of the Listing Manual, in respect of which the approval of Unitholders is required.

There are no interested person transactions entered into between (1) Keppel DC REIT and (2) KCL, Keppel T&T, Keppel Capital and their subsidiaries and associates, during the course of the current financial year up to the Latest Practicable Date which are the subject of aggregation pursuant to Rule 906 of the Listing Manual.

2.5 Advice of the Independent Financial Adviser

The Manager has appointed Ernst & Young Corporate Finance Pte. Ltd. as the IFA to advise the independent directors of the Manager (the “Independent Directors”), the audit and risk committee of the Manager (the “Audit and Risk Committee”) and Perpetual (Asia) Limited (in its capacity as trustee of Keppel DC REIT) (the “Trustee”) in relation to the Proposed Transaction. A copy of the letter from the IFA to the Independent Directors and members of the Audit and Risk Committee and the Trustee (the “IFA Letter”), containing its advice in full, is set out in **Appendix A** of this Circular and Unitholders are advised to read the IFA Letter carefully.

Having considered the various points set out in Paragraph 4 of the IFA Letter and the information available to it as at the Latest Practicable Date, the IFA is of the opinion that the Proposed Transaction is on normal commercial terms and is not prejudicial to the interests of Keppel DC REIT and its minority Unitholders.

Accordingly, the IFA advises the Independent Directors and the Audit and Risk Committee to recommend that the minority Unitholders vote in favour of the resolutions in connection with the Proposed Transaction to be proposed at the annual general meeting of Keppel DC REIT (“AGM”).

3. INTERESTS OF DIRECTORS AND SUBSTANTIAL UNITHOLDERS

3.1 Interests of Directors

As at the Latest Practicable Date, certain directors of the Manager (“Directors”) collectively hold an aggregate direct and indirect interest in 330,350 Units. Further details of the interests in Units of Directors and Substantial Unitholders¹ are set below.

Ms Christina Tan is the Chairman and a Non-Executive Director of the Manager and the Chief Executive Officer of Keppel Capital. Mr Thomas Pang Thieng Hwi is a Non-Executive Director of the Manager and an executive director and the Chief Executive Officer of Keppel T&T.

Based on the Register of Directors’ Unitholdings maintained by the Manager and save as disclosed in the table below, none of the Directors currently holds a direct or deemed interest in the Units as at the Latest Practicable Date:

Name of Directors	Direct Interest		Deemed Interest		Total No. of Units held	% ⁽¹⁾
	No. of Units	% ⁽¹⁾	No. of Units	% ⁽¹⁾		
Christina Tan	50,000	0.004	–	–	50,000	0.004
Lee Chiang Huat	95,550	0.007	–	–	95,550	0.007
Tan Tin Wee	95,600	0.007	–	–	95,600	0.007
Leong Weng Chee	–	–	–	–	–	–
Dileep Nair	25,500	0.002	–	–	25,500	0.002
Thomas Pang	63,700	0.005	–	–	63,700	0.005
Low Huan Ping	–	–	–	–	–	–
Kenny Kwan	–	–	–	–	–	–

Note:

(1) The percentage is based on 1,351,941,999 Units in issue as at Latest Practicable Date.

1 “Substantial Unitholder” refers to a person with an interest in Units constituting not less than 5.0% of all Units in issue.

The table below sets out the interest in KCL shares which are held by the Directors as at the Latest Practicable Date.

Name of Directors	Direct Interest		Deemed Interest		Total No. of Shares held	%	No. of Outstanding Share Options	Contingent Award of KCL Shares		
	No. of KCL Shares	% ⁽¹⁾	No. of KCL Shares	% ⁽¹⁾				KCL Performance Share Plan ("KCL PSP") ⁽²⁾	KCL Restricted Share Plan ("KCL RSP") ⁽³⁾	KCL Performance Share Plan – Transformation Incentive (KCL PSP – TI) ⁽⁴⁾
Christina Tan	210,132	0.012	–	–	210,132	0.012	–	220,000	89,613	275,000
Lee Chiang Huat	–	–	–	–	–	–	–	–	–	–
Tan Tin Wee	–	–	–	–	–	–	–	–	–	–
Leong Weng Chee	–	–	–	–	–	–	–	–	–	–
Dileep Nair	–	–	–	–	–	–	–	–	–	–
Thomas Pang	185,737	0.010	–	–	185,737	0.010	49,500	–	–	200,000
Low Huan Ping	–	–	–	–	–	–	–	–	–	–
Kenny Kwan	10,000	0.001	–	–	10,000	0.001	–	–	–	–

Notes:

- (1) The percentage is based on 1,817,009,407 issued shares (excluding treasury shares of 1,384,773) of KCL as at the Latest Practicable Date.
- (2) Refers to the number of KCL shares which are the subject of contingent awards granted but not released under the KCL PSP. Based on the achievement factor, the actual release of awards could range from zero to a maximum of 150% under the KCL PSP.
- (3) Refers to the number of KCL shares which are the subject of awards granted which have been released under the KCL RSP on satisfaction of performance conditions (where applicable), but not vested.
- (4) Refers to the number of KCL shares which are the subject of contingent awards granted but not released under the KCL PSP pursuant to a one-off Transformation Incentive Plan with 6-year performance period. Based on the achievement factor, the actual release of awards could range from zero to a maximum of 150% under the KCL PSP.

The table below sets out the interest in Keppel T&T shares which are held by the Directors as at the Latest Practicable Date.

Name of Directors	Direct Interest		Deemed Interest		Total No. of Shares held	No. of Outstanding Share Options	Contingent Award of Keppel T&T Shares	
	No. of Keppel T&T Shares	% ⁽¹⁾	No. of Keppel T&T Shares	% ⁽¹⁾			Keppel T&T Performance Share Plan ("Keppel T&T PSP") ⁽²⁾	Keppel T&T Restricted Share Plan ("Keppel T&T RSP") ⁽³⁾
Christina Tan	-	-	-	-	-	-	-	-
Lee Chiang Huat	-	-	-	-	-	-	-	-
Tan Tin Wee	-	-	-	-	-	-	-	-
Leong Weng Chee	-	-	-	-	-	-	-	-
Dileep Nair	-	-	-	-	-	-	-	-
Thomas Pang	402,708	0.072	-	-	402,708	0.072	-	220,000
Low Huan Ping	-	-	-	-	-	-	-	-
Kenny Kwan	-	-	-	-	-	-	-	-

Notes:

- (1) The percentage is based on 560,031,980 issued shares of KTT as at the Latest Practicable Date.
- (2) Refers to the number of Keppel T&T shares which are the subject of contingent awards granted but not released under the Keppel T&T PSP. Based on the achievement factor, the actual release of awards could range from zero to a maximum of 150% under the Keppel T&T PSP.
- (3) Refers to the number of Keppel T&T shares which are the subject of awards granted and released under the Keppel T&T RSP on satisfaction of performance conditions (where applicable), but not vested.

3.2 Interests of Substantial Unitholders

Based on the Register of Substantial Unitholders' Unitholdings maintained by the Manager, the Substantial Unitholders of Keppel DC REIT and their interests in the Units as at 26 February 2019 are as follows:

Name of Substantial Unitholders	Direct Interest		Deemed Interest		Total No. of Units held	No. of Units held	% ⁽¹⁾
	No. of Units	% ⁽¹⁾	No. of Units	% ⁽¹⁾			
Temasek Holdings (Private) Limited ⁽²⁾ ("THPL")	-	-	348,863,333	25.805	348,863,333	25.805	25.805
KCL ⁽³⁾	-	-	341,049,023	25.227	341,049,023	25.227	25.227
Keppel T&T ⁽⁴⁾	-	-	341,049,023	25.227	341,049,023	25.227	25.227
Keppel DC Investment Holdings Pte. Ltd. ("KDCIH")	338,580,976	25.044	-	-	338,580,976	25.044	25.044

Notes:

- (1) The percentage is based on 1,351,941,999 Units in issue as at 26 February 2019.
- (2) THPL's deemed interest arises from the deemed interest held by KCL and other associated companies of THPL.
- (3) KCL's deemed interest arises from its shareholdings in (i) KDCIH, which is a wholly-owned subsidiary of Keppel T&T, which is in turn a subsidiary of KCL and (ii) Keppel DC REIT Management Pte. Ltd., a joint-venture of Keppel T&T and Keppel Capital, both of which are subsidiaries of KCL.
- (4) Keppel T&T's deemed interest arises from its shareholdings in (i) KDCIH, which is a wholly-owned subsidiary of Keppel T&T and (ii) Keppel DC REIT Management Pte. Ltd., a joint venture of Keppel T&T and Keppel Capital.

Save as disclosed above and based on information available to the Manager, none of the Directors or the Substantial Unitholders have an interest, direct or indirect, in the Proposed Transaction.

3.3 Directors' Service Contracts

No person is proposed to be appointed as a director of the Manager in connection with the Proposed Transaction or any other transactions contemplated in relation to the Proposed Transaction.

4. RECOMMENDATIONS

4.1 Renewal of Keppel Lease Agreement (Resolution 7)

Based on the advice of the IFA (as set out in the IFA Letter in **Appendix A** of this Circular) and the rationale and benefits of the entry into the Renewed Keppel Lease Agreement as set out in paragraph 2.1 of the Letter to Unitholders, the Independent Directors and the Audit and Risk Committee are of the opinion that the renewal of the Keppel Lease Agreement and entry into the Renewed Keppel Lease Agreement between KDCS5LLP and the Keppel Lessee is on normal commercial terms and is not prejudicial to the interests of Keppel DC REIT and its minority Unitholders.

Accordingly, the Independent Directors recommend that Unitholders vote at the AGM in favour of the resolution to approve the renewal of the Keppel Lease Agreement and entry into the Renewed Keppel Lease Agreement between KDCS5LLP and the Keppel Lessee.

4.2 Renewal of Facility Management Agreement (Resolution 8)

Based on the advice of the IFA (as set out in the IFA Letter in **Appendix A** of this Circular) and the rationale and benefits of the Proposed Transaction as set out in paragraph 2.1 of the Letter to Unitholders, the Independent Directors and the Audit and Risk Committee are of the opinion that the renewal of the Facility Management Agreement and entry into the Renewed Facility Management Agreement is on normal commercial terms and is not prejudicial to the interests of Keppel DC REIT and its minority Unitholders.

Accordingly, the Independent Directors recommend that Unitholders vote at the AGM in favour of the resolution to approve the renewal of the Facility Management Agreement and entry into the Renewed Facility Management Agreement.

5. ANNUAL GENERAL MEETING

The AGM will be held on 16 April 2019 at 3.00 p.m. at Suntec Singapore International Convention and Exhibition Centre, Summit 2, Level 3, 1 Raffles Boulevard Suntec City, Singapore 039593 for the purpose of considering and, if thought fit, passing with or without modification, the resolutions set out in the Notice of Annual General Meeting. The purpose of this Circular is to provide Unitholders with relevant information about the resolutions in relation to the Proposed Transaction. Approval by way of Ordinary Resolutions is required in respect of the both Resolutions 7 and 8.

A Depositor shall not be regarded as a Unitholder entitled to attend the AGM and to speak and vote thereat unless he is shown to have Units entered against his name in the Depository Register, as certified by The Central Depository (Pte) Limited ("**CDP**") as at 72 hours before the time fixed for the AGM.

6. ABSTENTIONS FROM VOTING

As at the Latest Practicable Date, KCL, directly and through Keppel T&T and Keppel Capital, holds an aggregate interest in 340,636,565 Units, which comprises approximately 25.2% of the total number of Units in issue. As at 26 February 2019, THPL, through its interest in KCL and other associated companies of THPL, has a deemed interest in 348,863,333 Units, which comprises approximately 25.805% of the total number of Units in issue.

Given that the Keppel Lessee/Facility Manager is an indirect subsidiary of KCL, THPL, KCL, Keppel T&T, Keppel Capital and their associates will abstain from voting on the resolutions and will not accept appointments as proxies unless specific instructions as to voting are given.

For purposes of good corporate governance, as Ms Christina Tan is the Chief Executive Officer of Keppel Capital and Mr Thomas Pang is the Chief Executive Officer of Keppel T&T, they will abstain from voting on the resolutions in respect of the Units (if any) held by them.

7. ACTION TO BE TAKEN BY UNITHOLDERS

If a Unitholder is unable to attend the AGM and wishes to appoint a proxy to attend and vote on his/her behalf, he/she should complete, sign and return the Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the Manager's registered office, 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632 not later than 13 April 2019 at 3.00 p.m., being 72 hours before the time fixed for the AGM. The completion and return of the Proxy Form by a Unitholder will not prevent him/her from attending and voting in person at the AGM if he so wishes.

Persons who have an interest in the approval of the resolutions must decline to accept appointment as proxies unless the Unitholder concerned has specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of such resolutions. If a Unitholder (being an independent Unitholder) wishes to appoint any of the Directors as his/her proxy/proxies for the AGM, he/she should give specific instructions in his/her Proxy Form as to the manner in which his/her vote is to be cast in respect of the resolutions.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transaction, Keppel DC REIT and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

9. CONSENT

The IFA (being Ernst & Young Corporate Finance Pte. Ltd.) has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and the IFA Letter and all references thereto, in the form and context in which they are included in this Circular.

10. DOCUMENTS ON DISPLAY

Copies of the following documents are available for inspection during normal business hours at the registered office of the Manager at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632 from the date of this Circular up to and including the date falling three months after the date of this Circular:

- (i) the form of the Renewed Keppel Lease Agreement;
- (ii) the form of the Renewed Facility Management Agreement;
- (iii) the IFA Letter; and
- (iv) the written consent of the IFA.

The Trust Deed will also be available for inspection at the registered office of the Manager for so long as Keppel DC REIT is in existence.

Yours faithfully

Keppel DC REIT Management Pte. Ltd.
(as manager of Keppel DC REIT)
(Company Registration No. 199508930C)

Ms Christina Tan
Chairman and Non-Executive Director

IMPORTANT NOTICE

The value of 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 the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

The past performance of Keppel DC REIT is not necessarily indicative of the future performance of Keppel DC REIT.

This Circular may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of 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, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.

If you have sold or transferred all your Units, you should immediately forward this Circular, together with the Notice of Annual General Meeting and the accompanying Proxy Form, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

GLOSSARY

In this Circular, the following definitions apply throughout unless otherwise stated:

%	:	Per centum or percentage
AGM	:	The annual general meeting of Unitholders to be held on 16 April 2019 at 3.00 p.m. at Suntec Singapore International Convention and Exhibition Centre, Summit 2, Level 3, 1 Raffles Boulevard Suntec City, Singapore 039593, to approve the matters set out in the Notice of Annual General Meeting
Audit and Risk Committee	:	The audit and risk committee of the Manager
CDP	:	The Central Depository (Pte) Limited
Circular	:	This circular to Unitholders dated 25 March 2019
Completion	:	The completion of the acquisition of 29,700,000 ordinary shares (being 99.0% of the issued share capital) in KDCPL
Conducting Media	:	Shall have the meaning ascribed to it in paragraph 2.3.5 of the Letter to Unitholders
Contracts	:	Shall have the meaning ascribed to it in paragraph 2.2.7 of the Letter to Unitholders
Director	:	The directors of the Manager, and "Director" means any one of them
Facility Management Agreement	:	The facility management agreement entered into between KDCPL and the Facility Manager in relation to the Property
Fixed Rent	:	Shall have the meaning ascribed to it in paragraph 2.2.2(i) of the Letter to Unitholders
IFA	:	Ernst & Young Corporate Finance Pte. Ltd.
IFA Letter	:	The letter from the IFA to the Independent Directors and the Audit and Risk Committee of the Manager containing its advice as set out in Appendix A of this Circular
Independent Directors	:	The independent directors of the Manager
KCL	:	Keppel Corporation Limited
KDC SGP 1	:	Keppel DC Singapore 1 in Singapore, formerly known as S25, in Singapore, which is held by Keppel DC REIT
KDC SGP 2	:	Keppel DC Singapore 2, formerly known as T25, in Singapore, which is held by Keppel DC REIT

KDC SGP 3	:	Keppel DC Singapore 3, formerly known as T27 or Keppel Datahub 2, which is held by KDCS3LLP, of which the Trustee holds an interest of 90.0% in
KDCH	:	Keppel Data Centres Holding Pte Ltd
KDCIH	:	Keppel DC Investment Holdings Pte. Ltd.
KDCPL	:	Kingsland Data Center Pte. Ltd.
KDCS5LLP	:	Keppel DC Singapore 5 LLP
KDCS5PL	:	Keppel DC Singapore 5 Pte. Ltd.
Keppel Capital	:	Keppel Capital Holdings Pte. Ltd.
Keppel DC Singapore 5 or Property	:	The whole of Lot 4580A of Mukim 6 together with the building erected thereon and bearing the address of 13 Sunview Way Singapore 627541
Keppel Lease	:	The lease of the Property to the Keppel Lessee
Keppel Lease Agreement	:	The lease agreement entered into between KDCPL and the Keppel Lessee on Completion
Keppel Lessee or Facility Manager	:	Keppel DCS3 Services Pte. Ltd.
Keppel T&T	:	Keppel Telecommunications & Transportation Ltd
Latest Practicable Date	:	1 March 2019, being the latest practicable date prior to the printing of this Circular
Listing Manual	:	The Listing Manual of the SGX-ST
Manager	:	Keppel DC REIT Management Pte. Ltd., in its capacity as manager of Keppel DC REIT
NTA	:	Net tangible asset value
Ordinary Resolution	:	A resolution proposed and passed as such by a majority being greater than 50.0% or more of the total number of votes cast for and against such resolution at a meeting of Unitholders convened in accordance with the provisions of the Trust Deed
Proposed Transaction	:	Shall have the meaning ascribed to it in paragraph 2.1 of the Letter to Unitholders
Renewed Facility Management Agreement	:	The facility management agreement to be entered into between KDCS5LLP and the Facility Manager, on substantially the same terms and conditions as the Facility Management Agreement

Renewed Keppel Lease Agreement	:	The lease agreement to be entered into between KDCS5LLP and the Keppel Lessee, on substantially the same terms and conditions as the Keppel Lease Agreement
S\$ and cents	:	Singapore dollars and cents
SGX-ST	:	Singapore Exchange Securities Trading Limited
Substantial Unitholder	:	A person with an interest in Units constituting not less than 5.0% of the total number of Units in issue
THPL	:	Temasek Holdings (Private) Limited
Trust Deed	:	The trust deed dated 17 March 2011 constituting Keppel DC REIT (as amended, restated, or supplemented from time to time)
Trustee	:	Perpetual (Asia) Limited, in its capacity as trustee of Keppel DC REIT
Unit	:	A unit representing an undivided interest in Keppel DC REIT
Unitholder	:	The registered holder for the time being of a Unit, including person(s) so registered as joint holders, except where the registered holder is CDP, the term "Unitholder" shall, in relation to Units registered in the name of CDP, mean, where the context requires, the Depositor whose Securities Account with CDP is credited with Units
Variable Rent	:	Shall have the meaning ascribed to it in paragraph 2.2.2(ii) of the Letter to Unitholders

The terms "Depositor" and "Depository Register" shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

Any discrepancies in the tables, graphs and charts between the listed amounts and totals thereof are due to rounding. Where applicable, figures and percentages are rounded to one decimal place.

**INDEPENDENT FINANCIAL ADVISER'S LETTER
TO THE INDEPENDENT DIRECTORS, THE AUDIT AND RISK COMMITTEE AND THE TRUSTEE**

ERNST & YOUNG CORPORATE FINANCE PTE. LTD.

(Company Registration Number: 199702967E)

One Raffles Quay
North Tower, Level 18
Singapore 048583

25 March 2019

**The Independent Directors and the Audit and Risk Committee of
Keppel DC REIT Management Pte. Ltd.**

(As Manager of Keppel DC REIT)

1 HarbourFront Avenue
#18-01 Keppel Bay Tower
Singapore 098632

Perpetual (Asia) Limited

(As Trustee of Keppel DC REIT)

8 Marina Boulevard #05-02
Marina Bay Financial Centre
Singapore 018981

Dear Sirs:

(A) THE PROPOSED RENEWAL FOR 9 YEARS OF THE KEPPEL LEASE AGREEMENT AS AN INTERESTED PERSON TRANSACTION; AND

(B) THE PROPOSED RENEWAL FOR 9 YEARS OF THE FACILITY MANAGEMENT AGREEMENT AS AN INTERESTED PERSON TRANSACTION

1 INTRODUCTION

On 12 June 2018, Keppel DC REIT completed the acquisition of 29,700,000 ordinary shares (being 99.0% of the issued share capital) in Kingsland Data Center Pte. Ltd. ("**KDCPL**", and the completion of the acquisition, the "**Completion**"), which holds the property located at 13 Sunview Way, Singapore 627541 ("**Keppel DC Singapore 5**" or the "**Property**").

Following the Completion, KDCPL (which has since been converted into a limited liability partnership, Keppel DC Singapore 5 LLP ("**KDCS5LLP**")¹ entered into:

- (i) a lease agreement (the "**Keppel Lease Agreement**") with Keppel DCS3 Services Pte. Ltd. (the "**Keppel Lessee**" or the "**Facility Manager**") in relation to the lease of the Property to the Keppel Lessee (the "**Keppel Lease**"); and

¹ KDCPL was renamed Keppel DC Singapore 5 Pte. Ltd. ("**KDCS5PL**") and KDCS5PL has been converted to a limited liability partnership, Keppel DC Singapore 5 LLP, pursuant to Section 21 of the Limited Liability Partnerships Act, Chapter 163A of Singapore. Perpetual (Asia) Limited (in its capacity as the trustee of Keppel DC REIT) holds 99.0% of the interest in KDCS5LLP and Kingsland Development Pte. Ltd. holds the remaining 1.0% of the interest in KDCS5LLP. For the avoidance of doubt, the Renewed Keppel Lease Agreement (as defined herein) and the Renewed Facility Management Agreement (as defined herein) will be entered into by KDCS5LLP.

- (ii) a facility management agreement (the “**Facility Management Agreement**”) with the Facility Manager where the Facility Manager was appointed to provide certain facilities management and maintenance services in relation to the Property.

Each of the Keppel Lease Agreement and the Facility Management Agreement was for a term of one (1) year with an option to renew for a term of nine (9) years (exercisable at the option of Keppel DC REIT through KDCS5LLP¹) on substantially the same terms and conditions.

Keppel DC REIT Management Pte. Ltd. (as manager of Keppel DC REIT) (the “**Manager**”) proposes for Keppel DC REIT to exercise the option to renew the Keppel Lease Agreement (the “**Renewed Keppel Lease Agreement**”) and the Facility Management Agreement (the “**Renewed Facility Management Agreement**”), each for a period of 9 years.

The Keppel Lessee/Facility Manager is an indirect subsidiary of Keppel Corporation Limited (“**KCL**”). As at 1 March 2019, being the latest practicable date prior to the printing of the circular to the unitholders of Keppel DC REIT (the “**Unitholders**”) dated 25 March 2019 (the “**Circular**”, and the date, the “**Latest Practicable Date**”), KCL, through Keppel Telecommunications & Transportation Ltd (“**Keppel T&T**”) and Keppel Capital Holdings Pte. Ltd. (“**Keppel Capital**”), holds an aggregate interest in 340,636,565 units in Keppel DC REIT (“**Units**”), which is equivalent to approximately 25.2% of the total number of Units in issue, and is therefore regarded as a “controlling Unitholder” of Keppel DC REIT under the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (the “**Listing Manual**”). In addition, as the Manager is owned by Keppel T&T and Keppel Capital (both of which are subsidiaries of KCL) in equal proportions, KCL is regarded as a “controlling shareholder” of the Manager under the Listing Manual.

Accordingly, for the purposes of Chapter 9 of the Listing Manual, the Keppel Lessee/Facility Manager (being a subsidiary of a “controlling Unitholder” and a “controlling shareholder” of the Manager) are, for the purposes of the Listing Manual, an “interested person” of Keppel DC REIT. The renewal of the Keppel Lease Agreement and the renewal of the Facility Management Agreement (together, the “**Proposed Transaction**”) will constitute “interested person transactions” under Chapter 9 of the Listing Manual, and the aggregate value of the Renewed Keppel Lease Agreement and the Renewed Facility Management Agreement would be in excess of 5.0% of Keppel DC REIT’s latest audited net tangible assets (“**NTA**”). As such, the Manager is seeking the approval of the Unitholders by way of Ordinary Resolutions for the Proposed Transaction.

The Keppel Lease Agreement and the Facility Management Agreement are intrinsically linked to each other. If the Keppel Lease Agreement is not renewed, Keppel DCS3 Services Pte. Ltd. will not enter into the Renewed Facility Management Agreement as the Facility Manager. *Vice versa*, if the Facility Management Agreement is not renewed, Keppel DCS3 Services Pte. Ltd. will not enter into the Renewed Lease Agreement as the Keppel Lessee.

Accordingly, Unitholders should note that Resolution 7 and Resolution 8 are inter-conditional on each other. In the event that any of Resolution 7 or Resolution 8 is not passed, then neither the Keppel Lease Agreement nor the Facility Management Agreement would be renewed.

¹ Under Clause 2.2 of the Facility Management Agreement, if the Keppel Lease Agreement is renewed for a term of nine years, the Facility Management Agreement would also be automatically renewed.

We note that there are no interested person transactions entered into between (1) Keppel DC REIT and (2) KCL, Keppel T&T, Keppel Capital and their subsidiaries and associates, during the course of the current financial year up to the Latest Practicable Date which are the subject of aggregation pursuant to Rule 906 of the Listing Manual.

In accordance with the abovementioned requirements, more details of which are set out in the Circular, Ernst & Young Corporate Finance Pte Ltd (“EYCF”) has been appointed as the independent financial adviser (“IFA”) as required under Rule 921(4)(a) of the Listing Manual as well as to advise the independent directors of the Manager (the “Independent Directors”), the audit and risk committee of the Manager (the “Audit and Risk Committee”), and Perpetual (Asia) Limited (as trustee of Keppel DC REIT) (the “Trustee”) on whether the Proposed Transaction is on normal commercial terms and is not prejudicial to the interests of Keppel DC REIT and its minority Unitholders.

This letter sets out, *inter alia*, our evaluation of the Proposed Transaction and our opinion thereon. It forms part of the Circular to be issued by the Manager which provides, *inter alia*, the details of the Proposed Transaction and the recommendation of the Independent Directors and the Audit and Risk Committee in respect thereof. Unless otherwise defined or the context otherwise requires, all terms in the Circular shall have the same meaning in this letter.

2 TERMS OF REFERENCE

EYCF has been appointed as required under Rule 921(4)(a) of the Listing Manual as well as to provide opinion to the Independent Directors, the Audit and Risk Committee, and the Trustee in respect of whether the Proposed Transaction is on normal commercial terms and is not prejudicial to the interests of Keppel DC REIT and its minority Unitholders.

Our views as set forth in this letter are based on the prevailing market conditions, economic conditions, and financial conditions, and our evaluation of the Proposed Transaction, as well as information provided to us by Keppel DC REIT and the management of the Manager (the “Management”), as at the Latest Practicable Date. Accordingly, we assume no responsibility to update, revise or reaffirm our opinion as a result of any subsequent development after the Latest Practicable Date. Unitholders should take note of any announcement and/or event relevant to the Proposed Transaction which may be released by Keppel DC REIT and/or the Manager after the Latest Practicable Date.

We are not and were not involved in any aspect of the discussions and negotiations pertaining to the Proposed Transaction, nor were we involved in the deliberations leading up to the decisions by the directors of the Manager (the “Directors”) in connection with the Proposed Transaction. We have not conducted a comprehensive review of the business, operations or financial condition of Keppel DC REIT and its subsidiaries and associates. It is not within our terms of reference to assess the rationale for, legal, strategic, commercial and financial merits and/or risks of the Proposed Transaction, and to comment on such merits and/or risks of the Proposed Transaction. We have only expressed our opinion on whether the Proposed Transaction is on normal commercial terms and is not prejudicial to the interests of Keppel DC REIT. The assessment of the legal, strategic, commercial and financial merits and/or risks of the Proposed Transaction remains the sole responsibility of the Directors, although we may draw upon their views in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at the opinion set out in this letter.

It is also not within our terms of reference to compare the relative merits of the Proposed Transaction vis-à-vis any alternative transaction previously considered by Keppel DC REIT and/or the Manager (if any) or that Keppel DC REIT and/or the Manager may consider in the future, and as such, we do not express an opinion thereon.

In the course of our evaluation of the Proposed Transaction, we have held discussions with the Directors and the Management. We have also examined and relied on information in respect of Keppel DC REIT collated by us, as well as information provided and representations and assurances made to us, both written and verbal, by the Directors, the Management and/or professional advisers of Keppel DC REIT and/or the Manager, including information contained in the Circular. We have not independently verified such information or any representation or assurance, whether written or verbal, and accordingly cannot and do not warrant or accept responsibility for the accuracy or completeness of such information, representation or assurance. Nevertheless, the Directors (including those who may have delegated supervision of the Circular) and the Management have confirmed to us, after making all reasonable enquiries that, to the best of their knowledge and belief, all material information relating to Keppel DC REIT, the Renewed Keppel Lease Agreement, the Renewed Facility Management Agreement, and the Proposed Transaction has been disclosed to us, that such information constitutes a full and true disclosure, in all material respects, of all material facts about Keppel DC REIT, the Renewed Keppel Lease Agreement, and the Renewed Facility Management Agreement, and there is no material information the omission of which would make any of the information contained herein or in the Circular misleading in any material respect. The Directors have jointly and severally accepted such responsibility accordingly.

We have also made reasonable enquiries and exercised our judgement on the reasonable use of such information and have found no reason to doubt the accuracy or the reliability of such information. We have further assumed that all statements of fact, belief, opinion and intention made by the Directors in relation to the Proposed Transaction have been reasonably made after due and careful enquiry. We have not conducted a comprehensive review of the business, operations and financial condition of Keppel DC REIT and/or the Property. We have also not made an independent evaluation or appraisal of the assets and liabilities of Keppel DC REIT and/or the Property.

In preparing this letter, we have not had regard to the specific investment objectives, financial situation, tax position and/or unique needs and constraints of any individual Unitholder or any specific group of Unitholders. As each Unitholder would have different investment objectives and profiles, we would advise the Independent Directors and the Audit and Risk Committee to recommend that any individual Unitholder or group of Unitholders who may require specific advice in relation to his or their Units should consult his or their stockbroker, bank manager, solicitor, accountant or other professional advisers.

We were not involved and have not provided any advice, whether financial or otherwise, in the preparation, review and verification of the Circular (other than in connection with this letter). Accordingly, we do not take any responsibility for, and express no views on, whether expressed or implied, the contents of the Circular (other than in connection with this letter).

This letter and our opinion are pursuant to Rule 921(4)(a) of the Listing Manual as well as addressed for the use and benefit of the Independent Directors, the Audit and Risk Committee, and the Trustee in connection with and for the purpose of their consideration of the Proposed Transaction, and the recommendation made by the Independent Directors and the Audit and Risk Committee to the Unitholders shall remain the sole responsibility of the Independent Directors and the Audit and Risk Committee.

Our opinion in relation to the Proposed Transaction should be considered in the context of the entirety of this letter and the Circular.

3 SALIENT INFORMATION ON THE PROPOSED TRANSACTION

The details of the Proposed Transaction, including details of Renewed Keppel Lease Agreement and the Renewed Facility Management Agreement, are set out in Section 2 of the Letter to Unitholders of the Circular. We recommend that the Independent Directors and the Audit and Risk Committee advise the Unitholders to read carefully the details of Proposed Transaction which are contained in the Circular.

We set out below the salient information on the Proposed Transaction.

3.1 Principal terms and conditions of the Renewed Keppel Lease Agreement

Certain key information on the Renewed Keppel Lease Agreement are set out in Section 2.2 of the Letter to Unitholders of the Circular. We present the following extract from the Circular in relation to the Renewed Keppel Lease Agreement.

"The Keppel Lease is essentially a pass-through arrangement whereby a significant portion¹ of the rent payable to KDCS5LLP by the Keppel Lessee is made up of variable rent based on the earnings (after deducting the fixed rent and operating expenses) derived from the underlying end-users (being the clients) who have entered into colocation arrangements with the Keppel Lessee. However, due to the pass-through arrangement of the Keppel Lease, KDCS5LLP will substantially enjoy the benefits and assume the liabilities of the colocation arrangements entered into by the Keppel Lessee with the underlying end-users (being the clients). The Keppel Lease arrangement is similar to the arrangements which were entered into for Keppel DC Singapore 1 ("KDC SGP 1"), Keppel DC Singapore 2 ("KDC SGP 2") and Keppel DC Singapore 3 ("KDC SGP 3").

The committed occupancy of the Property is 84.2% by net lettable area with the remaining vacancy being office space (as at 31 December 2018).

The Renewed Keppel Lease Agreement will commence on 12 June 2019, being the day immediately following the date of expiry of the existing Keppel Lease Agreement and will be for a term of nine years.

¹ The rent payable to KDCS5LLP by the Keppel Lessee is a "significant" portion as only 99.0% of the Cash EBITDA Amount (as defined herein) is passed through to KDCS5LLP; the colocation contracts with the end-users are entered into with the Keppel Lessee. As Keppel DC Singapore 5 sits on JTC Corporation's land, in compliance with JTC Corporation's policy, the anchor sublessee has to be a data centre operator who is Keppel Data Centres Holding Pte Ltd ("KDCH"). KDCH then in turn contracts with end-users to provide a range of colocation services.

The principal terms¹ of the Renewed Keppel Lease Agreement include, among others, the following:

2.2.1 the term of the Renewed Keppel Lease Agreement is for nine years commencing on the day immediately following the date of expiry of the existing Keppel Lease Agreement;

2.2.2 the Keppel Lessee is required to pay rent on a quarterly basis and such rent shall comprise (1) the Fixed Rent and (2) the Variable Rent (each as defined below):

(i) a fixed rent per annum for each year as follows (the “Fixed Rent”); and

Renewal Year	Fixed Rent per annum
<i>First Renewal Year</i>	<i>S\$5,500,000.00</i>
<i>Second Renewal Year</i>	<i>S\$6,500,000.00, with an annual escalation of 3.0%² for each subsequent year until expiry</i>

(ii) a variable rent computed in respect of each financial year (the “Variable Rent”), based on an amount equivalent to 99.0% of the Cash EBITDA Amount (as defined in paragraph 2.2.3 of the Letter to Unitholders) in respect of each financial year (or such larger amount as the parties may agree in writing);

2.2.3 the “Cash EBITDA Amount” for each financial year will be computed based on the total cash revenue received by the Keppel Lessee from the clients, including all colocation revenues and work space revenues and ad hoc revenues during such financial year and the aggregate of the power service charges payable by the clients of the Keppel Lessee, less all the operating cash expenses³ paid by the Keppel Lessee and the facility manager in the maintenance, management, operation and marketing of the Property as well as the provision of total turnkey facility management services in respect of the Property, and less the Fixed Rent;

2.2.4 the quantum of the Variable Rent will be adjusted at the end of each financial year based on the agreed computation of the Variable Rent or (in the event that the Keppel Lessee does not agree with KDCS5LLP’s computation of the Variable Rent based on the Cash EBITDA Amount for that financial year and such dispute fails to be resolved) a jointly-appointed expert’s determination on the Cash EBITDA Amount for that financial year;

1 There are no differences in the terms under the Keppel Lease Agreement and the first renewal year under the Renewed Keppel Lease Agreement apart from the quantum of the Fixed Rent. The Keppel Lease is essentially a pass-through arrangement. While the Fixed Rent under the Keppel Lease Agreement is different compared to the Fixed Rent under the Renewed Keppel Lease Agreement for the first renewal year, the Variable Rent will substantially reflect the remaining economic benefits of the performance of the Property. The yield for the first renewal year is expected to improve progressively as the end-users are expected to continue to ramp up their operations until stabilised.

2 As mentioned in paragraph 2.2 of the Letter to Unitholders, the Keppel Lease is a pass-through arrangement whereby KDCS5LLP will substantially enjoy the benefits and assume the liabilities of the colocation arrangements entered into by the Keppel Lessee. The amount of variable rent to be received under the Renewed Keppel Lease Agreement is expected to be more than the fixed rent. Based on an annualised 12 months ended 31 December 2018, the gross revenue received by KDCS5LLP is significantly more than a fixed rent of S\$6,500,000.00 per annum.

3 The Facility Manager provides KDCS5LLP the computation of the Cash EBITDA Amount (which shall include the operating expenses) and this is reviewed on a month to month basis by KDCS5LLP.

- 2.2.5** *in the event the Cash EBITDA Amount (before deducting the Fixed Rent) in respect of that financial year is a negative amount, KDCS5LLP will reimburse the Keppel Lessee an amount equivalent to such negative amount;*
- 2.2.6** *KDCS5LLP will provide to the Keppel Lessee certain services, including (a) the provision of data centre infrastructure to support the Property for the permitted use; (b) facility management, maintenance services and routine preventive maintenance in respect of such mechanical and electrical equipment located in the Property as agreed between the parties; (c) the maintenance of equipment owned by the Keppel Lessee to keep it in good working order and condition and be responsible for all repair, maintenance, replacements or overhauls thereof; and (d) the provisions of certain reports such as monthly safety reports, incident reports, capital expenditure progress reports and finance reports;*
- 2.2.7** *the Keppel Lessee shall obtain KDCS5LLP's prior written consent before the Keppel Lessee enters into any tenancies, leases, licences, colocation agreements or occupation agreements with the clients (collectively, "Contracts");*
- 2.2.8** *KDCS5LLP shall pay the property tax and land rent imposed by the relevant authority on the Property in respect of any period during the term of the Renewed Keppel Lease Agreement;*
- 2.2.9** *KDCS5LLP shall indemnify the Keppel Lessee and hold the Keppel Lessee harmless from and against all losses, damages, claims, demands, proceedings, actions, costs, expenses, interest, liabilities and penalties suffered or incurred by the Keppel Lessee in respect of any of the Contracts or services agreement between the Keppel Lessee and the clients including as a result of an early termination of the Renewed Keppel Lease Agreement, except to the extent that such losses, damages, claims, demands, proceedings, actions, costs, expenses, interest, liabilities and penalties resulted from or is caused by the wilful default or gross negligence of the Keppel Lessee, its employees or agents in complying with the provisions of the Renewed Keppel Lease Agreement; and*
- 2.2.10** *the Keppel Lessee shall indemnify KDCS5LLP against all claims, demands, actions, proceedings, judgements, damages, losses, costs and expenses of any nature which KDCS5LLP may suffer or incur for death, injury, loss and/or damage caused by, and all penalties or fines imposed by any competent authority resulting from, any wilful default or gross negligence by the Keppel Lessee, its employees or agents, in complying with the provisions of the Renewed Keppel Lease Agreement, subject to certain limitations.*

It should be noted that the colocation contracts with the underlying end-users are independent of the Keppel Lease arrangement. As there is no cap to the negative amount, if the existing underlying end-users were to not renew their contracts and there is a prolonged period of vacancy, there is a risk that KDCS5LLP may receive no rental income and may even have to incur expenses in relation to the reimbursement to the Keppel Lessee of the negative amount. Nevertheless, in such an unlikely event, the Keppel Lessee will work together with Keppel DC REIT to identify new prospective end-users. Based on an annualised 12 months ended 31 December 2018, the gross revenue received by KDCS5LLP is significantly more than a fixed rent of S\$6,500,000.00 per annum. Furthermore, given the Facility Manager's track record, and that the facility management fee is computed as a percentage of the Cash EBITDA Amount, the Facility Manager's interest is aligned with Keppel DC REIT to improve the Cash EBITDA position."

3.2 Principal terms and conditions of the Renewed Facility Management Agreement

Certain key information on the Renewed Facility Management Agreement are set out in Section 2.3 of the Letter to Unitholders of the Circular. We present the following extract from the Circular in relation to the Renewed Facility Management Agreement.

"Under the Facility Management Agreement, in the event that the Keppel Lease Agreement is renewed for a term of nine years, the Facility Management Agreement will also be automatically renewed for a term of nine years.¹

The principal terms of the Renewed Facility Management Agreement include, among others, the following:

- 2.3.1 the term of the Renewed Facility Management Agreement is for nine years;*
- 2.3.2 the Facility Manager will be entitled to a facility management fee of an amount equivalent to 4.0% of the Cash EBITDA Amount in respect of each financial year;*
- 2.3.3 the Facility Manager will be entitled to the following project management fees for the refurbishment, retrofitting and renovation works on the Property:*
 - (i) where the construction costs are S\$2.0 million or less, a fee of 3.0% of the construction costs;*
 - (ii) where the construction costs exceed S\$2.0 million but do not exceed S\$20.0 million, a fee of 2.0% of the construction costs or S\$60,000, whichever is the higher;*
 - (iii) where the construction costs exceed S\$20.0 million but do not exceed S\$50.0 million, a fee of 1.5% of the construction costs or S\$400,000, whichever is the higher; and*
 - (iv) where the construction costs exceed S\$50.0 million, a fee of not more than 1.5% of the construction costs;*
- 2.3.4 the Renewed Facility Management Agreement shall terminate if the Renewed Keppel Lease Agreement is terminated;*
- 2.3.5 the Facility Manager shall, inter alia, (i) keep the Property clean and tidy; (ii) keep the Property and all fixtures, fittings and installations in it and all Conducting Media² in and serving the Property, in good and tenantable repair and condition (except for fair wear and tear); (iii) immediately make good, to the reasonable satisfaction of KDCS5LLP, any damage caused to the Property or any part of the Property by the Keppel Lessee (as tenant), its employees, agents, independent contractors or any permitted occupier; (iv) maintain all equipment owned by the Keppel Lessee (as tenant) or the Keppel Lessee's clients which are installed or operated and/or to be installed or operated at the Property in good working order and condition and to be responsible for all repair, maintenance, replacements or overhauls thereof; (v) be responsible*

1 If the Keppel Lease Agreement is not renewed, the Facility Management Agreement would also not be renewed and a new lessee and facility manager would have to be appointed in respect of Keppel DC Singapore 5. The appointment of such new lessee and facility manager is subject to approval by JTC Corporation.

2 "Conducting Media" means drains, sewers, conduits, flues, risers, gutters, gullies, channels, ducts, shafts, watercourses, pipes, cables, wires and mains.

for the maintenance and management of the Property; (vi) ensure that the building on the Property is secured whether or not it is occupied; (vii) ensure that all debris, sewerage, waste and garbage in the Property are regularly disposed of at the Facility Manager's cost and expenses; and (viii) ensure that any electrical installations, machines or equipment at the Property do not cause heavy power surge, high frequency voltage and current, air-borne noise, vibration or any electrical or mechanical interference or disturbance whatsoever which prevents the service or use of any communication system or affects the operation of other equipment, installations, machinery or plants of the neighbouring premises;

2.3.6 the Facility Manager shall indemnify KDCS5LLP and hold KDCS5LLP harmless from and against all losses, damages, claims, demands, proceedings, actions, costs, expenses, interest, liabilities and penalties which KDCS5LLP may suffer or incur resulting from or to the extent caused by, any wilful default or gross negligence by the Facility Manager, its employees or agents, in complying with the provisions of the Renewed Facility Management Agreement; and

2.3.7 without prejudice to the general indemnity that the Facility Manager has provided (and as set out in paragraph 2.3.6 of the Letter to Unitholders), in the event of a breach or non-compliance by the Facility Manager of its obligations under the Renewed Facility Management Agreement, which results in the payment of client service credits by the Keppel Lessee (as tenant) to clients under or in respect of the Contracts in a financial year, the Facility Manager shall pay to KDCS5LLP an amount equivalent to the total aggregate value of all such client service credits paid to for the clients in that financial year, subject to a cap of an amount equivalent to 1.0% of the Cash EBITDA Amount (as defined in paragraph 2.2.3 of the Letter to Unitholders) in that financial year.

In relation to paragraph 2.3.7 above relating to the cap¹, while there is a risk that not the entire sum of the total aggregate value of the client service credits paid by the Keppel Lessee to clients in a financial year will be paid to KDCS5LLP, this cap should also be viewed in totality with the other terms of the Renewed Facility Management Agreement (specifically the different fee structure adopted). A facility management fee formula based on Cash EBITDA Amount would take into account the corresponding losses and expenses, unlike a facility management fee formula based on solely revenue. Accordingly, in the event of a breach or non-compliance by the Facility Manager of its obligations under the Renewed Facility Management Agreement, the loss to the Facility Manager is not just limited to the cap as set out in paragraph 2.3.7 above, but it would also result in a reduction of its facility management fees, and if such loss is significant, it may result in the Facility Manager not receiving any fees if the Cash EBITDA Amount for a relevant financial year is negative. The fee structure and the cap on liability are in line with the other facility management agreements of the other Singapore properties of Keppel DC REIT.

See paragraph 4.2 of the Letter to Unitholders for the opinion of the Audit and Risk Committee regarding the Renewed Facility Management Agreement."

¹ Based on an annualised 12 months ended 31 December 2018, the cap for the financial year, equivalent to 1.0% of the Cash EBITDA Amount, would be approximately S\$0.2 million.

4 EVALUATION OF THE PROPOSED TRANSACTION

In our analysis and evaluation of the Proposed Transaction, and our opinion thereon, we have taken into consideration the following:

- (a) rationale for and benefits of the Proposed Transaction;
- (b) evaluation of the Renewed Keppel Lease Agreement; and
- (c) evaluation of the Renewed Facility Management Agreement.

The factors above are discussed in more detail in the following sections.

4.1 Rationale for and benefits of the Proposed Transaction

The rationale for and benefits of the Proposed Transaction as set out in Section 2.1 of the Letter to Unitholders of the Circular are extracted below.

“2.1 Rationale and Benefits

The Manager believes that the entry into the Renewed Keppel Lease Agreement and Renewed Facility Management Agreement is beneficial for Unitholders for the following reasons:

2.1.1 Proven Track Record of the Facility Manager

The Facility Manager has an experienced operations team which will ensure that the Property is properly maintained and managed. The Facility Manager is an integral part of Keppel Data Centres, a data centre solutions provider in Singapore. Keppel Data Centres offers a comprehensive range of colocation services to end-users. It enters into colocation service arrangements with end-users and manages data centre facilities for the end-users. Through its parent company, Keppel Telecommunications & Transportation Ltd (“Keppel T&T”), Keppel Data Centres has more than 14 years of experience in designing, building and managing data centres. It offers a comprehensive range of colocation services to leading companies, financial institutions and government agencies which demand high availability and minimal downtime to their systems.

2.1.2 Pass-Through Arrangement of the Renewed Keppel Lease Agreement

The pass-through arrangement of the Renewed Keppel Lease Agreement allows Keppel DC REIT to leverage on the track record of the Facility Manager in managing the data centre, while at the same time, ensures that Keppel DC REIT will substantially enjoy the benefits and assume the liabilities of the colocation arrangements entered into by the Keppel Lessee with the underlying end-users (as mentioned in paragraph 2.2 of the Letter to Unitholders).”

4.2 Evaluation of the Renewed Keppel Lease Agreement

4.2.1 Comparison of the Renewed Keppel Lease Agreement with the master lease agreements of Keppel DC REIT's Singapore data centres

We have compared the principal terms of the Renewed Keppel Lease Agreement with the principal terms of the master lease agreements of the other Singapore data centres under the Keppel DC REIT's portfolio, namely Keppel DC Singapore 1, formerly known as S25, in Singapore and held by Keppel DC REIT ("KDC SGP 1") and Keppel DC Singapore 2, formerly known as T25, in Singapore and held by Keppel DC REIT ("KDC SGP 2"), both of which were acquired at the time of Keppel DC REIT's initial public offering, and Keppel DC Singapore 3, formerly known as T27 or Keppel Datahub 2, in Singapore and held by KDCS5LLP of which the Trustee holds an interest of 90.0% in the completion of the acquisition in January 2017 ("KDC SGP 3", and collectively with KDC SGP 1 and KDC SGP 2, the "Other Singapore DCs"). We have also evaluated the fixed rent property yield of the Property against the fixed rent property yield of the Other Singapore DCs, based on the valuation of the Property and the Other Singapore DCs as at 31 December 2018.

Data Centre	Lease Tenure	Fixed Rent ⁽¹⁾ (S\$ million)	Variable Rent (% of Cash EBITDA Amount ⁽²⁾)	Valuation ⁽³⁾ (S\$ million)	Fixed Rent Property Yield ⁽³⁾ (%)
KDC SGP 1	– Initial term of 10 years – Option to renew for another 5 years	5.6	99.0	287.0	2.0%
KDC SGP 2	– Initial term of 10 years – Option to renew for another 5 years	3.4	99.0	169.0	2.0%
KDC SGP 3	– Initial term of 10 years – Option to renew for another 5 years	4.8	99.0	231.3	2.1%
Low		3.4			2.0%
High		5.6			2.1%
Average		4.6			2.0%
Median		4.8			2.0%
The Property	– Initial term of 1 year – Option to renew for another 9 years				
	For the first renewal year	5.4⁽⁴⁾	99.0	316.8	1.7%
	For the second renewal year	6.4⁽⁵⁾	99.0	316.8	2.0%

Source: Keppel DC REIT announcements and presentation

Notes:

- (1) 'Fixed Rent' means the fixed rent payable by the relevant lessee in relation to the latest financial year based on Keppel DC REIT's interest in KDC SGP 1, KDC SGP 2, KDC SGP 3 and the Property which is 100%, 100%, 90% and 99%, respectively.

- (2) 'Cash EBITDA Amount' means, in a financial year, the total cash revenue less the operating cash expenses and less the Fixed Rent.
- (3) Based on the valuation of the respective properties as disclosed in the Annual Report 2018.
- (4) Under the Renewed Keppel Lease Agreement, the Fixed Rent is S\$5.5 million for the first renewal year. The figure is based on the Fixed Rent attributable to the 99.0% interest of the Trustee in KDCS5LLP.
- (5) Under the Renewed Keppel Lease Agreement, the Fixed Rent is S\$6.5 million for the second renewal year. The figure is based on the Fixed Rent attributable to the 99.0% interest of the Trustee in KDCS5LLP.

We note that the principal terms and conditions of the Renewed Keppel Lease Agreement, including the fixed rent and variable rent arrangements, are in line with the principal terms and conditions and rent arrangements of the master lease agreements which were entered into by Keppel DC REIT for the Other Singapore DCs.

We also note the following:

- (a) In terms of the lease tenure, we note that term for the Keppel Lease Agreement, being one (1) year, and the term for the Renewed Keppel Lease Agreement, being nine (9) years, are comparable to the initial terms of the master lease agreements of the Other Singapore DCs and are shorter when the renewal option period is taken into account.
- (b) In terms of the fixed rent, the fixed rent property yield of the Property of 1.7% based on the Fixed Rent for the first renewal year of S\$5.5 million is lower than the fixed rent property yields of the Other Singapore DCs.
- (c) We note that the stabilised Fixed Rent for the Property is set on the second renewal year, when an annual escalation of 3.0% will be applied for each subsequent year until the expiry of the Renewed Keppel Lease Agreement. The fixed rent property yield of the Property of 2.0% based on the stabilised Fixed Rent of S\$6.5 million is in line with the fixed rent property yields of the Other Singapore DCs.
- (d) In terms of the variable rent, the percentage of Cash EBITDA Amount of 99.0% for the Property is the same as the percentage of Cash EBITDA Amount for the Other Singapore DCs. We also note that the calculation of the Cash EBITDA Amount for the Property is the same as the calculations of the Cash EBITDA Amounts for the Other Singapore DCs.
- (e) We note that the amount of variable rent to be received under the Renewed Keppel Lease Agreement is expected to be more than the fixed rent. For the annualised 12 months ended 31 December 2018, the gross revenue received by KDCS5LLP is significantly more than the Fixed Rent of S\$6.5 million per annum.

4.2.2 Other relevant considerations in relation to the Renewed Keppel Lease Agreement

We have also considered the factors set out below in our evaluation of the Renewed Keppel Lease Agreement.

(a) Pass-through arrangement of the Renewed Keppel Lease Agreement

We note that the Renewed Keppel Lease Agreement is essentially a pass-through arrangement whereby a significant portion of the rent payable to KDCS5LLP by the Keppel Lessee is made up of variable rent based on the earnings (after deducting the fixed rent and operating expenses) derived from the underlying end-users (being the clients) who have entered into colocation arrangements with the Keppel Lessee. The Renewed Keppel Lease Agreement allows Keppel DC REIT to leverage on the track record of the Facility Manager in managing the Property, while at the same time, ensures that Keppel DC REIT will substantially enjoy the benefits and assume the liabilities of the colocation arrangements entered into by the Keppel Lessee with the underlying end-users.

We further note that the Keppel Lease arrangement is similar to the lease arrangements which are in place for the Other Singapore DCs, namely KDC SGP 1, KDC SGP 2 and KDC SGP 3, and which were previously approved by the Unitholders.

(b) Obtaining of consent by KDCS5LLP for contracts with clients

We note that under the Renewed Keppel Lease Agreement, the Keppel Lessee shall obtain KDCS5LLP's prior written consent before the Keppel Lessee enters into any contract with the end-users or clients, which would allow KDCS5LLP to evaluate the background and quality of the end-users and to minimise potential risks for the revenue generation of the Property.

(c) Other master lease arrangements in relation to certain overseas data centres under the Keppel DC REIT portfolio

We note that for the other data centres under the Keppel DC REIT portfolio which are under master lease arrangements and which are located overseas, the terms of the master lease arrangements may not be comparable to the Renewed Keppel Lease Agreement, given the differences in jurisdictions and laws, country risk profile, tenant composition, and foreign business and market environments.

(d) Inter-conditionality of the renewal of the Keppel Lease Agreement to the Facility Management Agreement and *vice versa*

We note that the Keppel Lease Agreement and the Facility Management Agreement are intrinsically linked to each other and the resolutions in connection with the renewal of the Keppel Lease Agreement and the renewal of the Facility Management Agreement are inter-conditional on each other. If the Keppel Lease Agreement is not renewed, Keppel DCS3 Services Pte. Ltd. will not enter into the Renewed Facility Management Agreement as the facility manager of Keppel DC Singapore 5. *Vice versa*, if the Facility Management Agreement is not renewed, Keppel DCS3 Services Pte. Ltd. will not enter into the Renewed Keppel Lease Agreement as the lessee of Keppel DC Singapore 5. In such a case, a new lessee and facility manager would have to be appointed in respect of Keppel DC Singapore 5. We note that the appointment of such new lessee and facility manager is subject to approval by JTC Corporation.

4.3 Evaluation of the Renewed Facility Management Agreement

4.3.1 Comparison of the Renewed Facility Management Agreement with the facility management agreements of Keppel DC REIT's Singapore data centres

We have compared the principal terms of the Renewed Facility Management Agreement with the principal terms of the facility management agreements of the other Singapore data centres of the Other Singapore DCs.

Data Centre	Agreement Tenure	Facility Management Fee ⁽¹⁾	Project Management Fee ⁽²⁾
KDC SGP 1	– Initial term of 10 years – Option to renew for another 5 years	4.0% of Cash EBITDA Amount ⁽³⁾	(i) Where construction costs are S\$2.0 million or less, 3.0% of the construction costs; (ii) Where construction costs exceed S\$2.0 million but do not exceed S\$20.0 million, a fee of 2.0% of the construction costs or S\$60,000, whichever is the higher; (iii) Where the construction costs exceed S\$20.0 million but do not exceed S\$50.0 million, a fee of 1.5% of the construction costs or S\$400,000, whichever is the higher; and (iv) Where the construction costs exceed S\$50.0 million, a fee of not more than 1.5% of the construction costs.
KDC SGP 2	– Initial term of 10 years – Option to renew for another 5 years	4.0% of Cash EBITDA Amount ⁽³⁾	
KDC SGP 3	– Initial term of 10 years – Option to renew for another 5 years	4.0% of Cash EBITDA Amount ⁽³⁾	
The Property	– Initial term of 1 year – Option to renew for another 9 years	4.0% of Cash EBITDA Amount ⁽³⁾	(i) Where construction costs are S\$2.0 million or less, 3.0% of the construction costs; (ii) Where construction costs exceed S\$2.0 million but do not exceed S\$20.0 million, a fee of 2.0% of the construction costs or S\$60,000, whichever is the higher; (iii) Where the construction costs exceed S\$20.0 million but do not exceed S\$50.0 million, a fee of 1.5% of the construction costs or S\$400,000, whichever is the higher; and (iv) Where the construction costs exceed S\$50.0 million, a fee of not more than 1.5% of the construction costs.

Source: Keppel DC REIT IPO prospectus, circular, annual reports

Notes:

- (1) Facility management fee means the facility management fee payable by the owner of the property to the facility manager in respect of each financial year.
- (2) Project management fee means the fees the facility manager is entitled to for the refurbishment, retrofitting and renovation works on the relevant property.
- (3) 'Cash EBITDA Amount' means, in a financial year, the total cash revenue less the operating cash expenses and less the Fixed Rent.

With regard to the term period, we note that combined term of ten (10) years for the Facility Management Agreement and the Renewed Facility Management Agreement is comparable to the initial terms of the facility management agreements of the Other Singapore DCs, but is shorter when the renewal option periods of the facility management agreements of the Other Singapore DCs are taken into account.

We also note that in the event of a breach or non-compliance by the Facility Manager of its obligations under the Renewed Facility Management Agreement, which results in the payment of client service credits by the Keppel Lessee (as tenant) to clients under or in respect of the Contracts in a financial year, the Facility Manager shall pay to KDCS5LLP an amount equivalent to the total aggregate value of all such client service credits paid to for the clients in that financial year, subject to a cap of an amount equivalent to 1.0% of the Cash EBITDA Amount in that financial year. As such, there is a risk that not the entire sum of the total aggregate value of the client service credits paid by the Keppel Lessee to clients in a financial year will be paid to KDCS5LLP.

We note that the provisions under the Renewed Facility Management Agreement in relation to the event of a breach or non-compliance by the Facility Manager of its obligations under the Renewed Facility Management Agreement resulting in the payment of client service credits by the Keppel Lessee (as tenant) to clients under or in respect of the Contracts in a financial year are the same as those in the respective facility management agreements of the Other Singapore DCs, which had been considered to be on normal commercial terms and not prejudicial to the interests of Keppel DC REIT and its minority Unitholders and had been approved by the Unitholders. We also note that the cap of an amount equivalent to 1.0% of the Cash EBITDA Amount will be reset in each financial year, is limited to payment of client service credits, and is without prejudice to the general indemnity that the Facility Manager has provided (as set out in paragraph 2.3.6 of the Letter to Unitholders). Further, for the Facility Manager, the loss is not just limited to the cap as set out in paragraph 2.3.7 of the Letter to Unitholders of the Circular in the event of a breach or non-compliance by the Facility Manager of its obligations under the Renewed Facility Management Agreement, but it would also result in a reduction of its facility management fees, and if such loss is significant, it may result in the Facility Manager not receiving any fees if the Cash EBITDA Amount for a relevant financial year is negative.

We note that the principal terms and conditions, including the fee and cost structure and the liability clauses, under the Renewed Facility Management Agreement are the same as the principal terms and conditions, including the fee and cost structures and the liability clauses, of the Facility Management Agreement and the facility management agreements entered into by Keppel DC REIT for the Other Singapore DCs.

For the project management fee, the terms and rates for the Property are the same as the terms and rates for the project management fees for the Other Singapore DCs.

4.3.2 Comparison of the Renewed Facility Management Agreement with selected Singapore data centres of listed real estate investment trusts (“REITs”) on the SGX-ST

Based on our discussions with the Management and a search for comparable Singapore data centres on the SGX-ST and on available databases, we recognise that there are no REITs listed on the SGX-ST that are comparable to Keppel DC REIT and no property that is comparable to the Property, in terms of, *inter alia*, business activities, profile and composition of tenants, usage of property, construction quality, age of building, outstanding lease tenure, risk profile, track record, accounting policies, and other relevant factors.

For the purposes of our evaluation of the Renewed Facility Management Agreement, we have considered the relevant property/facility management agreements of Singapore data centres of listed REITs on the SGX-ST (the “Comparable Properties”). It should be noted that the property/facility management agreements of the Comparable Properties cover broadly similar services to be performed by the respective property/facility managers, and the fee and cost structures of these property/facility management agreements may be used for purposes of our evaluation. Typically, the services include the establishment of operating budgets, preparation of annual plans for operation and maintenance management, project management services such as refurbishment and renovation works, property tax services, and marketing services.

The Independent Directors, the Audit and Risk Committee, and the Trustee should note that any comparison made with respect to the Comparable Properties are for illustrative purposes only. For the analysis, we have used the available data/information as at the Latest Practicable Date. In addition, we wish to highlight that the Comparable Properties are by no means exhaustive.

Property Owner/Data Centre	Facility Manager	Agreement Tenure	Facility/Property Management and Lease Management Fee	Project Management Fee
Ascendas REIT				
(1) Telepark	Ascendas Services Pte Ltd	– Initial term of 20 years	<ul style="list-style-type: none"> – Facility/Property Management: 2.0% per annum of the adjusted gross revenue⁽¹⁾ of each property – Lease Management Fee: 1.0% per annum of the adjusted gross revenue⁽¹⁾ of each property 	<ul style="list-style-type: none"> (i) A fee of 3.00% of the construction costs, where the construction costs are S\$2.0 million or less; (ii) A fee of 2.15% of the construction costs, where the construction costs exceed S\$2.0 million but do not exceed S\$12.0 million;
(2) Kim Chuan Telecommunications Complex	Ascendas Services Pte Ltd	<ul style="list-style-type: none"> – Initial term of 20 years – Option to renew for another 10 years 		<ul style="list-style-type: none"> (iii) A fee of 1.45% of the construction costs, where the construction costs exceed S\$12.0 million but do not exceed S\$40.0 million; (iv) A fee of 1.40% of the construction costs, where the construction costs exceed S\$40.0 million but do not exceed S\$70.0 million;
(3) 38A Kim Chuan Road	Ascendas Services Pte Ltd	<ul style="list-style-type: none"> – Initial term of 20 years – Option to renew for another 10 years 		<ul style="list-style-type: none"> (v) A fee of 1.35% of the construction costs, where the construction costs exceed S\$70.0 million but do not exceed S\$100.0 million; and (vi) A fee to be mutually agreed by the parties, where the construction costs exceed S\$100.0 million.

Property Owner/Data Centre	Facility Manager	Agreement Tenure	Facility/Property Management and Lease Management Fee	Project Management Fee
Mapletree Industrial Trust				
(1) STT Tai Seng ¹	Mapletree Industrial Trust	<ul style="list-style-type: none"> - Initial term of slightly more than 15 years - Option to renew for another 10 years 	<ul style="list-style-type: none"> - Facility/Property Management: 2.0% per annum of the gross revenue⁽²⁾ of each property - Lease Management Fee: Up to 1.0% per annum of the gross revenue⁽²⁾ of each property 	<ul style="list-style-type: none"> (i) Where the construction costs are \$2.0 million or less, a fee of 3.0% of the construction costs; (ii) Where the construction costs exceed \$2.0 million but do not exceed \$20.0 million, a fee of 2.0% of the construction costs or \$60,000, whichever is the higher; (iii) Where the construction costs exceed \$20.0 million but do not exceed \$50.0 million, a fee of 1.5% of the construction costs or \$400,000, whichever is the higher; and (iv) Where the construction costs exceed \$50.0 million, a fee to be mutually agreed by the Manager, the Trustee and the Property Manager.
(2) 26A Ayer Rajah Crescent	Mapletree Industrial Trust	<ul style="list-style-type: none"> - Initial term of 20 years - Option to renew for two additional five-year terms, or any other duration depending on the remaining land lease 		
(3) 19 Tai Seng Drive	Mapletree Industrial Trust	<ul style="list-style-type: none"> - Initial term of 10 years - Option to renew for another 10 years 		
The Property	Keppel DCS3 Services Pte. Ltd.	<ul style="list-style-type: none"> - of 1 year - Option to renew for another 9 years 	4.0% of Cash EBITDA Amount ⁽³⁾	<ul style="list-style-type: none"> (i) Where construction costs are S\$2.0 million or less, 3.0% of the construction costs; (ii) Where construction costs exceed S\$2.0 million but do not exceed S\$20.0 million, a fee of 2.0% of the construction costs or S\$60,000, whichever is the higher; (iii) Where the construction costs exceed S\$20.0 million but do not exceed S\$50.0 million, a fee of 1.5% of the construction costs or S\$400,000, whichever is the higher; and (iv) Where the construction costs exceed S\$50.0 million, a fee of not more than 1.5% of the construction costs.

Source: Annual reports, financial results announcements and presentations

Notes:

- (1) Gross revenue in respect of a property under Ascendas REIT ("A-REIT") is adjusted gross revenue in relation to any fiscal year or part thereof and means gross rental income (after deducting rent rebates and other tenant incentives amortised or otherwise) from the property, all penalties and liquidated damages from tenants (such as past-due interests, compensation for pre-termination of lease) and amounts from any profit sharing agreements for subletting of the property, but shall exclude all other income earned by A-REIT such as (i) all other income earned from the property including, but not limited to, utilities income, car park income, sale of equipment, liquidated damages from contractors, rentals for fitting-out works for tenants and rental support and (ii) all goods and services tax collected from the tenants and licensees and rental deposits and other refundable security deposits to the extent that they are not set off against the sums due to the landlord.

- (2) Gross revenue in respect of a property under Mapletree Industrial Trust comprises of gross rental income (which includes rental income and services charges) and other operating income (mainly carpark revenue and revenue from use of ancillary space) earned from the properties.
- (3) Cash EBITDA Amount means, in a financial year, the total cash revenue less the operating cash expenses and less the Fixed Rent.

Based on the Renewed Facility Management Agreement and the respective property/facility and lease management agreements of the Comparable Properties, we note that:

- (a) In terms of the tenure of the agreements, the combined term of 10 years for the Facility Management Agreement and the Renewed Facility Management Agreement is shorter than the term period and renewal option period of the respective property/facility and lease management agreements of the Comparable Properties. The difference is due to the alignment of the term of the Renewed Facility Management Agreement with the Renewed Master Lease Agreement and the respective property/facility and lease management agreements with the respective master lease agreements of the Comparable Properties.
- (b) The fee structure under the Renewed Facility Management Agreement may vary from the fee structures of the property/facility and lease management agreements of the Comparable Properties, but all fees are generally calculated against a certain measure, being a percentage of Cash EBITDA Amount for the Property and percentage of revenue for the Comparable Properties.
- (c) The facility management fee under the Renewed Facility Management Agreement of 4.0% of Cash EBITDA Amount is lower than the property/facility and lease management fees as a percentage of gross revenue or adjusted gross revenue for the Comparable Properties.

We also note that the renewal of the Facility Management Agreement and the renewal of the Keppel Lease Agreement are inter-conditional on each other. If the Facility Management Agreement is not renewed, the Keppel Lease Agreement would also not be renewed, and a new lessee and facility manager would have to be appointed in respect of Keppel DC Singapore 5. The appointment of such new lessee and facility manager is subject to approval by JTC Corporation.

5 OUR OPINION ON THE PROPOSED TRANSACTION

In arriving at our advice to the Independent Directors, the Audit and Risk Committee, and the Trustee on the Proposed Transaction, we have reviewed and deliberated on the factors which we consider to be relevant and to have a significant bearing on our assessment of the Proposed Transaction. The factors we have considered in our evaluation, which are based on, among others, representations made by Keppel DC REIT, the Directors and the Management and discussed in detail in the earlier sections of this letter and which we have relied upon, are as follows:

- (a) The rationale for and benefits of the Proposed Transaction
- (b) The renewal of the Keppel Lease Agreement and the renewal of the Facility Management Agreement are inter-conditional on each other. If the Keppel Lease Agreement is not renewed, the Facility Management Agreement will also not be renewed, and *vice versa*. In such a case, a new lessee and facility manager would have to be appointed in respect of Keppel DC Singapore 5, and the appointment is subject to approval by JTC Corporation.

- (c) In relation to the Renewed Keppel Lease Agreement, we note that:
- (i) The Renewed Keppel Lease Agreement is essentially a pass-through arrangement whereby a significant portion of the rent payable to KDCS5LLP by the Keppel Lessee is made up of variable rent based on the earnings (after deducting the fixed rent and operating expenses) derived from the underlying end-users (being the clients) who have entered into colocation arrangements with the Keppel Lessee.
 - (ii) The Renewed Keppel Lease Agreement allows Keppel DC REIT to leverage on the track record of the Facility Manager in managing the Property, while at the same time, ensures that Keppel DC REIT will substantially enjoy the benefits and assume the liabilities of the colocation arrangements entered into by the Keppel Lessee with the underlying end-users.
 - (iii) The principal terms and conditions of the Renewed Keppel Lease Agreement, including the fixed rent and variable rent arrangements, are in line with the principal terms and conditions and rent arrangements of the master lease agreements which were entered into by Keppel DC REIT for the Other Singapore DCs and approved by the Unitholders.
 - (iv) The combined lease tenure of ten (10) years under the Keppel Lease Agreement and the Renewed Lease Agreement is comparable to the initial terms of the master lease agreements of the Other Singapore DCs.
 - (v) While the fixed rent property yield of the Property based on the Fixed Rent for the first renewal year is lower than the fixed rent property yields of the Other Singapore DCs, the fixed rent property yield of the Property of 2.0% based on the stabilised Fixed Rent from the second renewal year is in line with the fixed rent property yields of the Other Singapore DCs.
 - (vi) The variable rent, being equivalent to 99.0% of the Cash EBITDA Amount for the Property, is the same as the percentage of Cash EBITDA Amount for the Other Singapore DCs. Further, the calculation of the Cash EBITDA Amount for the Property is the same as the calculations of the Cash EBITDA Amounts for the Other Singapore DCs.
 - (vii) The amount of variable rent to be received under the Renewed Keppel Lease Agreement is expected to be more than the fixed rent. For the annualised 12 months ended 31 December 2018, the gross revenue received by KDCS5LLP is significantly more than the Fixed Rent of S\$6.5 million per annum.
 - (viii) Under the Renewed Keppel Lease Agreement, the Keppel Lessee shall obtain KDCS5LLP's prior written consent before the Keppel Lessee enters into any contract with the end-users or clients, which allows KDCS5LLP to evaluate the background and quality of the end-users and to minimise potential risks for the revenue generation of the Property.
- (d) In relation to the Renewed Facility Management Agreement, we note that:
- (i) Under the Facility Management Agreement, in the event the Keppel Lease Agreement is renewed for a term of nine (9) years, the Facility Management Agreement will also be automatically renewed for a term of nine (9) years.

- (ii) The combined term of ten (10) years for the Facility Management Agreement and the Renewed Facility Management Agreement is comparable to the initial terms of the facility management agreements of the Other Singapore DCs.
- (iii) The provisions under the Renewed Facility Management Agreement in relation to the event of a breach or non-compliance by the Facility Manager of its obligations under the Renewed Facility Management Agreement resulting in the payment of client service credits by the Keppel Lessee (as tenant) to clients under or in respect of the Contracts in a financial year are the same as those in the respective facility management agreements of the Other Singapore DCs. In addition, the cap of an amount equivalent to 1.0% of the Cash EBITDA Amount will be reset in each financial year, is limited to payment of client service credits, and is without prejudice to the general indemnity that the Facility Manager has provided (as set out in paragraph 2.3.6 of the Letter to Unitholders). Further, for the Facility Manager, the loss is not just limited to the cap as set out in paragraph 2.3.7 of the Letter to Unitholders of the Circular in the event of a breach or non-compliance by the Facility Manager of its obligations under the Renewed Facility Management Agreement, but it would also result in a reduction of its facility management fees, and if such loss is significant, it may result in the Facility Manager not receiving any fees if the Cash EBITDA Amount for a relevant financial year is negative.
- (iv) The principal terms and conditions, including the fee and cost structure and the liability clauses, under the Renewed Facility Management Agreement are the same as the principal terms and conditions, including the fee and cost structures and the liability clauses, of the Facility Management Agreement and the facility management agreements entered into by Keppel DC REIT for the Other Singapore DCs.
- (v) While the fee structure under the Renewed Facility Management Agreement varies from the fee structures of the property/facility and lease management agreements of the Comparable Properties, all fees are generally calculated against a certain measure, being a percentage of Cash EBITDA Amount for the Property and percentage of revenue for the Comparable Properties.
- (vi) The facility management fee under the Renewed Facility Management Agreement of 4.0% of Cash EBITDA Amount is lower than the property/facility and lease management fees as a percentage of gross revenue or adjusted gross revenue for the Comparable Properties.

Having considered the factors and the assumptions set out in this letter, and subject to the qualifications set out herein, we are of the opinion that the Proposed Transaction is on normal commercial terms and is not prejudicial to the interests of Keppel DC REIT and its minority Unitholders. We are also of the opinion that the Independent Directors and the Audit and Risk Committee can recommend that Unitholders vote in favour of the Proposed Transaction.

The Independent Directors, the Audit and Risk Committee, and the Trustee should note that we have arrived at our opinion based on information made available to us prior to, and including, the Latest Practicable Date. Our opinion on the Proposed Transaction cannot and does not take into account any subsequent developments after the Latest Practicable Date as these are governed by factors beyond the scope of our review, and would not fall within our terms of reference in connection with our evaluation of the Proposed Transaction.

We have prepared this letter pursuant to Rule 921(4)(a) of the Listing Manual as well as for the use of the Independent Directors, the Audit and Risk Committee, and the Trustee in connection with and for the purposes of their consideration of the Proposed Transaction, but any recommendation made by the Independent Directors and the Audit and Risk Committee in respect of the Proposed Transaction shall remain their responsibility.

While a copy of this letter may be reproduced in the Circular, no other person may reproduce, disseminate or quote this letter (or any part thereof) for any purpose (other than the intended purpose in relation to the Proposed Transaction) at any time and in any manner without our prior written consent in each specific case. For the avoidance of doubt, nothing in this letter prevents Keppel DC REIT, the Manager, the Directors, the Trustee or the Unitholders from reproducing, disseminating or quoting this letter without our prior consent for the purpose of any matter relating to the Proposed Transaction. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
Ernst & Young Corporate Finance Pte Ltd

Luke Pais
Managing Director

Elisa Montano
Director