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**MEDIA RELEASE**

# Unaudited Results of Keppel DC REIT for the Third Quarter and Nine Months Ended 30 September 2016

**17 October 2016**

The Directors of Keppel DC REIT Management Pte. Ltd., as Manager of Keppel DC REIT, are pleased to announce the unaudited results of Keppel DC REIT for the third quarter and nine months ended 30 September 2016.

The materials are also available at *www.keppeldcreit.com*, *www.keppeltt.com.sg*, *www.kepcapital.com* and *www.kepcorp.com*.

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# Keppel DC REIT's 9M 2016 Distributable Income Surpasses Forecast[1]

**Key Highlights**

- Distributable income for 9M 2016 was $46.3 million, 5.3% higher than IPO forecast[1]
- Annualised distribution yield based on IPO price was 7.44%, up 29 bps from IPO forecast[1]
- Portfolio occupancy was 92.7%
- Portfolio weighted average lease expiry (WALE) of 8.6 years by leased lettable area
- Aggregate leverage of 29.4%
- Strong interest coverage ratio of 10.1 times

**Summary of Results**

**Actual vs Forecast**

| | **3Q 2016 Actual** | **3Q 2016 Forecast[1]** | **+/(-) %** | **9M 2016 Actual** | **9M 2016 Forecast[1]** | **+/(-) %** |
|---|---|---|---|---|---|---|
| Gross Revenue ($'000) | 22,663 | 25,767 | (12.0) | 72,299 | 76,743 | (5.8) |
| Property Expenses ($'000) | 40 | (3,898) | Nm | (6,305) | (11,608) | (45.7) |
| Net Property Income ($'000) | 22,703 | 21,869 | +3.8 | 65,994 | 65,135 | +1.3 |
| Distributable Income[2] ($'000) | 16,782 | 14,758 | +13.7 | 46,278 | 43,954 | +5.3 |
| Distribution Per Unit[2,3] (cents) | 1.90 | 1.67 | +13.8 | 5.24 | 4.98 | +5.2 |
| Annualised Distribution Yield[3,4] (%) | | | | | | |
| At IPO price $0.930 | | | | 7.44 | 7.15 | +29bps |
| At 9M 2016 closing price $1.220 | | | | 5.67 | 5.45 | +22bps |

**Year-on-Year Comparison**

| | **3Q 2016 Actual** | **3Q 2015 Actual** | **+/(-) %** | **9M 2016 Actual** | **9M 2015 Actual** | **+/(-) %** |
|---|---|---|---|---|---|---|
| Gross Revenue ($'000) | 22,663 | 25,743 | (12.0) | 72,299 | 77,698 | (6.9) |
| Property Expenses ($'000) | 40 | (4,370) | Nm | (6,305) | (12,671) | (50.2) |
| Net Property Income ($'000) | 22,703 | 21,373 | +6.2 | 65,994 | 65,027 | +1.5 |
| Distributable Income[2] ($'000) | 16,782 | 14,480 | +15.9 | 46,278 | 42,958 | +7.7 |
| Distribution Per Unit[2,3] (cents) | 1.90 | 1.64 | +15.9 | 5.24 | 4.87 | +7.6 |
| Annualised Distribution Yield[3,4] (%) | | | | | | |
| At 9M 2016 closing price $1.220 | | | | 5.67 | 5.34 | +33bps |
| At 9M 2015 closing price $1.020 | | | | 6.79 | 6.38 | +41bps |

*Notes:*

*(1) On a pro-rata basis for the relevant financial period, as derived from the Projection Year 2016 figures disclosed in the IPO Prospectus.*

*(2) Distributable income to Unitholders is based on 100% of the taxable income available for distribution to Unitholders. Keppel DC REIT has distributed 3.34 cents per Unit for the first half of 2016. No distribution has been declared for the quarter ended 30 September 2016.*

*(3) Including a one-off distributable income arising from the net property tax refund amounting to approximately 0.23 cents per Unit in 3Q 2016, the annualised DPU for 9M 2016 is approximately 6.92 cents (Actual 9M 2015: 6.51 cents). Excluding this one-off distributable income, the adjusted DPU would be approximately 1.67 cents for 3Q 2016 and 5.01 cents for 9M 2016, while the adjusted annualised DPU is approximately 6.69 cents (Actual 9M 2015: 6.51 cents). The one-off property tax refund relates to the financial period from Listing Date to 31 December 2015.*

*(4) Annualised distribution yield is computed based on the annualised DPU and the relevant number of days over the financial year.*

**Financial Review**

For the nine months ended 30 September 2016, Keppel DC REIT Management Pte. Ltd. (the Manager) is pleased to announce that Keppel DC REIT has achieved $46.3 million of distributable income, which surpassed the IPO forecast by 5.3%. Compared to the corresponding period last year, distributable income was 7.7% higher.

Based on the IPO price of $0.930 per Unit, Keppel DC REIT's annualised distribution yield was 7.44%, above its forecasted 7.15%. Excluding a one-off distributable income arising from net property tax refund amounting to approximately 0.23 cents per Unit in 3Q 2016, the adjusted distribution yield would have been 7.19%, contributed by an adjusted 9M 2016 distribution per Unit (DPU) of 5.01 cents and adjusted annualised DPU of 6.69 cents.

Distributable income exceeded IPO forecast mainly due to the one-off net property tax refund, contribution from Intellicentre 2, higher finance income, as well as lower finance costs, property-related and other expenses. These were partially offset by lower rental income arising from a client downsizing its requirements in Keppel DC Dublin 1 (KDC DUB 1), formerly known as Citadel 100 Data Centre, in 1Q 2016. There was also a drop in variable income at the Singapore Properties due to lower recurring and power revenue, as well as higher property-related costs.

As at 30 September 2016, Keppel DC REIT's closing price was $1.220, which translates to a 37.2% premium to its Net Asset Value per Unit of $0.889.

**Portfolio Performance**

Portfolio occupancy rate moved up to 92.7% and WALE remained healthy at 8.6 years following leasing progress during the quarter.

Occupancy at Keppel DC Singapore 1 (KDC SGP 1), formerly known as S25, rose slightly from 85.7% to 87.6% following a client's take-up of half of the 6,800 sq ft of data centre space expansion which was committed and announced when the client signed a forward renewal in the previous quarter. The remaining half is intended to be taken up by the client in the second half of 2017.

A major contract that was expiring this year in Keppel DC Singapore 2 (KDC SGP 2), formerly known as T25, has been renewed for a term of more than five years as well, lengthening the colocation data centre asset's WALE to 4.2 years.

Over in KDC DUB 1, the Manager has re-contracted some of the services resulting in cost savings and is also actively marketing the available space.

**Portfolio Expansion**

The Manager remains committed in its pursuit of yield-accretive acquisitions that complement and strengthen the REIT's portfolio.

The REIT had recently announced acquisitions in two new markets, Milan in Italy and Cardiff, the capital of Wales in the United Kingdom. The REIT's first Italian acquisition involved the shell and core building of a data centre in Milan which has been fully leased to one of the world's largest telecommunications companies, on a double-net lease structure for 12 years. In Cardiff, the REIT acquired the shell and core building of a data centre which has been fully-leased to one of the largest global cloud service providers on a 15-year triple-net lease basis. The acquisition in Cardiff has been legally completed on the same day of the agreement signing.

Both acquisitions are backed by long master leases with embedded annual rental escalations. The addition of the two facilities will enhance the resilience of the portfolio's income stream by extending the portfolio WALE and rebalancing the lease mix.

With the completion of the acquisition in Cardiff, the REIT's geographical footprint has expanded to eight cities across six countries in Asia Pacific and Europe. The REIT's portfolio stands at approximately $1.14 billion and comprises 10 quality data centre properties, excluding maincubes Data Centre which is under development by the vendor in Germany, and the Milan data centre which is pending legal completion.

**Capital Management**

Keppel DC REIT's aggregate leverage was 29.4% as at 30 September 2016. Taking into consideration the recent acquisition in Cardiff which was fully funded by debt and the acquisition in Milan which will be fully funded by debt, aggregate leverage is expected to rise to 36.1%.

All of the REIT's borrowings are unsecured with weighted average debt maturity at 2.5 years. The average annualised cost of debt remained low at approximately 2.4% per annum while interest coverage ratio remained strong at 10.1 times.

The Manager will continue to take active measures to protect earnings from interest rate and foreign currency volatilities, thereby enhancing the stability of distributions to Unitholders amidst market uncertainties.

Interest rates of the long-term loans have been substantially locked in with interest rate swaps, while the REIT's forecasted foreign-sourced distribution has been hedged up to 1H 2018 with foreign currency forward contracts. There is also natural hedging in place with borrowings in currencies that match the corresponding investments.

**Outlook**

In its biannual projections for the global economy in October 2016, the International Monetary Fund maintained its 2016 global growth forecast at 3.1% in view of sluggish economic performance, international trade slowdown, and geopolitical uncertainties. Despite the lacklustre macroeconomic outlook, the data centre industry fundamentals remain positive.

While the increase in data centre space in Singapore is expected to exert near-term pressure on rental rates, the Manager is confident of the data centre market's long-term potential. The proposed acquisition of Keppel DC Singapore 3[1] (KDC SGP 3), formerly known as T27, under the right of first refusal granted by the Sponsor, Keppel Telecommunications & Transportation Ltd, will serve to strengthen the REIT's foothold in the high-potential market and provide greater income resilience with an expanded portfolio. The preferential offering that accompanies the proposed acquisition will lower the REIT's aggregate leverage, allowing greater debt headroom to pursue future growth opportunities. The increase in total number of Units in issue may also improve the trading liquidity of the Units.

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[1] On 17 October 2016, the Manager has announced that the Trustee, in its capacity of Keppel DC REIT, has entered into a conditional share purchase agreement with Keppel Data Centre Holdings Pte. Ltd. in relation to a proposed acquisition of 90.0% interest in Keppel DC Singapore 3 Pte. Ltd., which in turn holds Keppel DC Singapore 3 located at 27 Tampines Street 92, Singapore 528878.

Apart from seeking growth through acquisitions, the Manager maintains a proactive asset management strategy by engaging clients ahead of contract expiry and working to improve occupancy of its properties in order to optimise returns from its existing portfolio.

The Manager believes that the recently announced acquisitions of the Milan data centre, Cardiff data centre, as well as the proposed acquisition of KDC SGP 3[1] will support long-term growth for Keppel DC REIT. The Manager remains committed to its disciplined investment and prudent capital management strategies to capture the growth potential of this industry and deliver value to the REIT's stakeholders.

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**About Keppel DC REIT (www.keppeldcreit.com)**

Listed on 12 December 2014, Keppel DC REIT is the first pure-play data centre REIT listed in Asia and on the Singapore Exchange (SGX-ST).

Keppel DC REIT's investment strategy is to principally invest, directly or indirectly, in a diversified portfolio of income-producing real estate assets which are used primarily for data centre purposes, as well as real estate related assets, with an initial focus on Asia Pacific and Europe.

Its current portfolio comprises 10 high-quality data centres strategically located in key data centre hubs. With an aggregate lettable area of approximately 677,695 sq ft, the portfolio spans eight cities in six countries in Asia Pacific and Europe.

Keppel DC REIT's data centre properties in Asia Pacific include Keppel DC Singapore 1 (formerly known as S25) and Keppel DC Singapore 2 (formerly known as T25) in Singapore; Basis Bay Data Centre in Cyberjaya, Malaysia; Intellicentre 2 and Gore Hill Data Centre in Sydney, Australia; and iseek Data Centre in Brisbane, Australia.

In Europe, Keppel DC REIT owns GV7 Data Centre in London, United Kingdom; Cardiff data centre in Cardiff, United Kingdom; Keppel DC Dublin 1 (formerly known as Citadel 100 Data Centre) in Dublin, Ireland; and Almere Data Centre in Almere, the Netherlands. The existing portfolio excludes the REIT's forward purchase of maincubes Data Centre which is under construction by the vendor in Offenbach am Main, Germany and slated for completion in 2018, as well as the acquisition of the shell and core building of a data centre in Milan which was announced on 12 August 2016 and is expected to be completed later this year.

Keppel Telecommunications & Transportation Ltd (Keppel T&T), the Sponsor of the REIT, has also granted Rights of First Refusal (ROFR) to the REIT for future acquisition opportunities of its data centre assets.

The REIT is managed by Keppel DC REIT Management Pte. Ltd.. Keppel Capital Holdings Pte. Ltd. (Keppel Capital) has a 50% interest in the Manager, with the remaining interest held by Keppel T&T. Keppel Capital is a premier asset manager in Asia with assets under management of approximately $26 billion in real estate, infrastructure and data centre properties in key global markets.

The Manager's key objectives are to provide the REIT's Unitholders with regular and stable distributions, as well as achieve long-term growth while maintaining an optimal capital structure.

**Important Notice**

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

Prospective investors and unitholders of Keppel DC REIT ("Unitholders") are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of Keppel

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

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