

**KEPPEL DC REIT
FINANCIAL STATEMENTS ANNOUNCEMENT****UNAUDITED RESULTS FOR THE THIRD QUARTER AND
NINE MONTHS ENDED 30 SEPTEMBER 2018**

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SUMMARY OF KEPPEL DC REIT RESULTS

	3Q 2018 \$'000	3Q 2017 \$'000	+/(-) %	9M 2018 \$'000	9M 2017 \$'000	+/(-) %
Gross Revenue	47,557	35,483	+34.0	127,492	102,222	+24.7
Property Expenses	(4,514)	(3,219)	+40.2	(12,286)	(9,751)	+26.0
Net Property Income	43,043	32,264	+33.4	115,206	92,471	+24.6
Distributable Income to Unitholders (DI)	26,024	20,179	+29.0	69,970	62,075	+12.7
Distribution per Unit (DPU) (cents) ^{1,2}	1.85	1.74	+6.3	5.47	5.37	+1.9
Adjusted DPU (cents) ^{2,3}	1.85	1.74	+6.3	5.47	5.22	+4.8
Annualised Distribution Yield (%) ^{2,4}				5.32	5.19	+13 bps
Adjusted Distribution Yield (%) ^{3,4}				5.32	5.08	+24 bps

Notes:

- DPU have excluded an amount of capital expenditure that has been set aside for KDC SGP 3 and KDC SGP 5 (Capex Reserves).
9M 2017 DPU included a one-off capital distribution of approximately 0.15 cents per Unit for the month of December 2016 arising from the later completion of KDC SGP 3.
- The Manager has declared distributions to eligible Unitholders of (i) 2.77 cents per unit for the period from 1 January to 15 May 2018 in connection with the private placement launched on 7 May 2018 and (ii) 0.85 cents per Unit for the period from 16 May to 30 June 2018.
Keppel DC REIT declares distributions on a half-yearly basis. No distribution has been declared for the quarter ended 30 September 2018.
- Excluding the one-off capital distribution of approximately 0.15 cents per Unit recorded in 1Q 2017, the adjusted DPU for 9M 2017 would be 5.22 cents.
- Distribution yields were annualised by quarters and computed based on 3Q 2018 closing price of \$1.370.

For details, refer to **Paragraph 1A(i)(ii) - Statement of total return and distribution statement** and **Paragraph 8 - Review of Performance**.

INTRODUCTION

Keppel DC REIT was listed on Singapore Exchange Securities Trading Limited (SGX-ST) on 12 December 2014 (Listing Date).

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

On 14 March 2018, Keppel DC REIT entered into a contract to acquire the remainder of the 999-year leasehold land interest in Keppel DC Dublin 1 in first half of 2020 for an agreed value of €30.0 million. The REIT paid a deposit of €0.5 million, with the remaining €29.5 million to be paid upon legal completion in 2020.

On 30 March 2018, Keppel DC REIT completed the acquisition of maincubes Data Centre located in Offenbach am Main, Germany. The triple-net lease of the property commenced on the same day for an initial term of 15 years.

On 12 June 2018, Keppel DC REIT completed the acquisition of 99% interest in Keppel DC Singapore 5 Pte. Ltd. which in turn holds Keppel DC Singapore 5, located at 13 Sunview Way, Singapore, for an agreed value of \$295.1 million.

On 7 August 2018, Keppel DC REIT entered into an agreement to construct a new shell and core data centre on the vacant land within the current Intellicentre 2 Data Centre site. The completion is expected to be between 2019 and 2020.

As at 30 September 2018, the REIT has a portfolio size of approximately \$1.95 billion. The portfolio comprises 15 high quality well located data centres in Singapore, Malaysia, Australia, the United Kingdom (UK), the Netherlands, Republic of Ireland (Ireland), Italy and Germany.

Asia-Pacific

1)	Keppel DC Singapore 1	Singapore	(KDC SGP 1)	} (collectively, the Singapore Properties) (Acquired on 12 June 2018)
2)	Keppel DC Singapore 2	Singapore	(KDC SGP 2)	
3)	Keppel DC Singapore 3	Singapore	(KDC SGP 3)	
4)	Keppel DC Singapore 5	Singapore	(KDC SGP 5)	
5)	Basis Bay Data Centre	Malaysia	(Basis Bay DC)	
6)	Gore Hill Data Centre	Australia	(Gore Hill DC)	
7)	Intellicentre 2 Data Centre	Australia	(IC2 DC)	
8)	iseek Data Centre	Australia	(iseek DC)	

Europe

9)	GV7 Data Centre	UK	(GV7 DC)	
10)	Cardiff Data Centre	UK	(Cardiff DC)	
11)	Almere Data Centre	The Netherlands	(Almere DC)	
12)	Keppel DC Dublin 1	Ireland	(KDC DUB 1)	
13)	Keppel DC Dublin 2	Ireland	(KDC DUB 2)	
14)	Milan Data Centre	Italy	(Milan DC)	
15)	maincubes Data Centre	Germany	(maincubes DC)	(Acquired on 30 March 2018)

The notes below shall be applicable to the relevant paragraphs thereafter:

- 9M – Refers to the financial period from 1 January to 30 September 2018 and the corresponding period of the preceding year.
- 3Q – Refers to the third quarter from 1 July to 30 September 2018 and the corresponding period of the preceding year.
- Nm – Not meaningful

1 UNAUDITED RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018

The Directors of Keppel DC REIT Management Pte. Ltd., as the manager of Keppel DC REIT, advise the following unaudited results of the Group for the third quarter and nine months ended 30 September 2018:

1(A)(i)(ii) STATEMENT OF TOTAL RETURN AND DISTRIBUTION STATEMENT

Performance between 2018 and 2017 results

Statement of total return and distribution statement, together with a comparative statement for the corresponding period of the immediately preceding financial year

Statement of Total Return (Group)

		3Q 2018	3Q 2017		9M 2018	9M 2017	
	Note	\$'000	\$'000	+ / (-) %	\$'000	\$'000	+ / (-) %
Gross rental income		44,569	34,226	30.2	122,498	99,708	22.9
Other income	1	2,988	1,257	>100.0	4,994	2,514	98.6
Gross Revenue		47,557	35,483	34.0	127,492	102,222	24.7
Property operating expenses	2	(4,514)	(3,219)	40.2	(12,286)	(9,751)	26.0
Net Property Income		43,043	32,264	33.4	115,206	92,471	24.6
Finance income		111	379	(70.7)	707	1,066	(33.7)
Finance costs	3	(4,241)	(3,639)	16.5	(12,448)	(10,653)	16.8
Trustees' fees		(73)	(74)	(1.4)	(220)	(221)	(0.5)
Manager's base fee		(2,442)	(1,810)	34.9	(6,502)	(5,292)	22.9
Manager's performance fee		(1,391)	(957)	45.4	(3,702)	(2,938)	26.0
Net realised gains on derivatives		57	134	(57.5)	555	934	(40.6)
Other trust expenses	4	(3,021)	(2,766)	9.2	(6,325)	(6,182)	2.3
Net income / total return for the period before tax		32,043	23,531	36.2	87,271	69,185	26.1
Tax expenses	5	(2,805)	(1,325)	>100.0	(6,008)	(4,187)	43.5
Total return for the period after tax		29,238	22,206	31.7	81,263	64,998	25.0
Attributable to:							
Unitholders		28,457	21,476	32.5	78,981	62,939	25.5
Non-controlling interests		781	730	7.0	2,282	2,059	10.8
		29,238	22,206	31.7	81,263	64,998	25.0

Distribution Statement

Total return for the period attributable to Unitholders		28,457	21,476	32.5	78,981	62,939	25.5
Net tax and other adjustments	6	(2,433)	(1,297)	87.6	(9,011)	(864)	>100.0
Income available for distribution	7	26,024	20,179	29.0	69,970	62,075	12.7
Distribution per Unit (cents)	8	1.85	1.74	6.3	5.47	5.37	1.9

Notes (2018 and 2017):

- 1 In 3Q 2018 and 9M 2018, higher other income was mainly due to the higher rental top up recognised partially offset by lower ad hoc service revenue and power-related revenue.

The rental top up income for KDC SGP 5 and KDC DUB 2 were provided by the relevant vendors for a period of one year from June 2018 and September 2017 respectively. The rental top up income for Milan DC was provided by the vendor for the period from 30 September 2016 to 31 December 2018. These amounts will be recognised periodically under other income.

- 2 Included as part of the property operating expenses were the following:

	3Q 2018 \$'000	3Q 2017 \$'000	9M 2018 \$'000	9M 2017 \$'000
Property-related taxes	(624)	(503)	(1,823)	(1,404)
Facility management costs	(2,201)	(1,676)	(6,268)	(4,819)
Repairs and maintenance	(702)	(267)	(1,330)	(883)
Other property-related costs	(987)	(773)	(2,865)	(2,645)
	<u>(4,514)</u>	<u>(3,219)</u>	<u>(12,286)</u>	<u>(9,751)</u>

- 3 Included in finance costs were interest expense, amortisation of debt-related transaction costs from borrowings and finance lease charges recognised.
- 4 Included in other trust expenses in 3Q 2018 and 9M 2018 were higher amortisation of intangible assets in relation to rental top ups as compared to 3Q 2017 and 9M 2017 respectively.
- 5 Tax expenses comprised (i) tax in relation to the taxable income that are not accorded full tax transparency treatment, (ii) tax expenses of the Group's overseas properties, and (iii) net deferred tax expenses recognised on tax losses carried forward and fair value changes in investment properties.
- 6 Included in the net tax and other adjustments were the following:

	3Q 2018 \$'000	3Q 2017 \$'000	9M 2018 \$'000	9M 2017 \$'000
Trustee's fees	54	54	162	162
Rental income adjustment on a straight-line basis	(1,386)	(1,687)	(3,559)	(2,943)
Amortisation of capitalised transaction costs	80	97	234	372
Foreign exchange losses	3	1,593	321	3,288
Deferred tax expense	157	227	713	526
Amortisation of intangible assets	2,336	585	4,287	1,577
Capital distribution	-	-	-	2,705
Other net adjustments	(3,677)	(2,166)	(11,169)	(6,551)
Net tax and other adjustments	<u>(2,433)</u>	<u>(1,297)</u>	<u>(9,011)</u>	<u>(864)</u>

Included in other net adjustments were dividends and distribution income, finance lease charges, other non-taxable income and non-deductible expenses.

- 7 Higher DI in 3Q 2018 and 9M 2018 were mainly due to higher contributions from maincubes DC and the assets in Singapore and Dublin. These were partially offset by the absence of the one-off capital distribution in relation to KDC SGP 3, lower contribution from Basis Bay DC and Gore Hill DC, as well as higher finance costs and Manager's fees.

The DI also included KDC SGP 3 and KDC SGP 5's Capex Reserves.

- 8 The DPU was computed based on DI (Note 7) and has excluded Capex Reserves.

Excluding the one-off capital distribution of approximately 0.15 cents per Unit recorded in 1Q 2017, the adjusted DPU for 9M 2017 would be 5.22 cents.

The Manager has declared distributions to eligible Unitholders of (i) 2.77 cents per unit for the period from 1 January to 15 May 2018 in connection with the private placement launched on 7 May 2018 and (ii) 0.85 cents per Unit for the period from 16 May to 30 June 2018.

Keppel DC REIT declares distributions on a half-yearly basis. No distribution has been declared for the quarter ended 30 September 2018.

1(B)(i) BALANCE SHEETS

Balance sheets together with a comparative statement for the end of the immediately preceding financial year

	Note	Group			Trust		
		30-Sept-18 \$'000	31-Dec-17 \$'000	+/(-) %	30-Sept-18 \$'000	31-Dec-17 \$'000	+/(-) %
Non-current assets							
Investment properties	1	1,999,991	1,570,090	27.4	454,431	452,000	0.5
Investment in subsidiaries	2	-	-	-	1,023,158	772,192	32.5
Loans to subsidiaries	2	-	-	-	222,618	214,331	3.9
Deposit	3	796	13,474	(94.1)	796	-	Nm
Derivative financial assets	4	2,271	1,640	38.5	277	295	(6.1)
Total non-current assets		2,003,058	1,585,204	26.4	1,701,280	1,438,818	18.2
Current assets							
Trade and other receivables	5	89,606	56,155	59.6	204,931	20,496	>100.0
Derivative financial assets	4	685	631	8.6	685	762	(10.1)
Intangible assets	6	6,504	3,110	>100.0	6,504	2,000	>100.0
Cash and cash equivalents		99,690	118,182	(15.6)	34,205	64,834	(47.2)
Total current assets		196,485	178,078	10.3	246,325	88,092	>100.0
TOTAL ASSETS		2,199,543	1,763,282	24.7	1,947,605	1,526,910	27.6
Current liabilities							
Loans and borrowings	7	3,607	3,660	(1.4)	-	-	-
Trade and other payables	8	54,721	48,168	13.6	28,670	20,282	41.4
Derivative financial liabilities	4	495	1,396	(64.5)	258	442	(41.6)
Total current liabilities		58,823	53,224	10.5	28,928	20,724	39.6
Non-current liabilities							
Loans from subsidiaries	9	-	-	-	682,882	546,481	25.0
Loans and borrowings	7	712,143	575,663	23.7	-	-	-
Derivative financial liabilities	4	1,498	1,352	10.8	-	516	(100.0)
Deferred tax liabilities	10	17,284	16,541	4.5	4	4	-
Total non-current liabilities		730,925	593,556	23.1	682,886	547,001	24.8
TOTAL LIABILITIES		789,748	646,780	22.1	711,814	567,725	25.4
NET ASSETS		1,409,795	1,116,502	26.3	1,235,791	959,185	28.8
Represented by:							
Unitholders' funds		1,381,587	1,089,716	26.8	1,235,791	959,185	28.8
Non-controlling interests	11	28,208	26,786	5.3	-	-	-
		1,409,795	1,116,502	26.3	1,235,791	959,185	28.8
Net asset value per Unit (\$)	12	1.02	0.97	5.2	0.91	0.85	7.1
Aggregate leverage / Deposited properties (%)	13	32.0	32.1	(10bps)	Nm	Nm	Nm

Notes:

- 1 Included in the investment properties were finance leases of \$33.7 million capitalised at the lower of its fair value and the present value of the minimum lease payments for isseek DC and KDC DUB 1.

<u>Investment Properties</u>	<u>Tenure</u>	<u>Carrying Value (\$'000)</u>
Keppel DC Singapore 1	Leasehold, expiring 30 September 2055 [^]	287,248
Keppel DC Singapore 2	Leasehold, expiring 31 July 2051 [^]	167,183
Keppel DC Singapore 3	Leasehold, expiring 31 January 2052 [^]	248,413
Keppel DC Singapore 5	Leasehold, expiring 31 August 2041	293,437
Basis Bay Data Centre	Freehold	31,820
Gore Hill Data Centre	Freehold	197,676
Intellicentre 2 Data Centre	Freehold	49,582
iseek Data Centre	Leasehold, expiring 29 June 2047 [^]	42,158
GV7 Data Centre	Leasehold, expiring 28 September 2183 [^]	66,664
Cardiff Data Centre	Freehold	60,442
Almere Data Centre	Freehold	142,448
Keppel DC Dublin 1	Leasehold, expiring 11 April 2041 [^]	110,326
Keppel DC Dublin 2	Leasehold, expiring 31 December 2997	106,970
Milan Data Centre	Freehold	56,019
maincubes Data Centre	Freehold	139,605
		1,999,991

[^] Include options to renew between 7 to 30 years

- 2 These related to the investments in subsidiaries as well as interest-bearing and quasi-equity loans to subsidiaries. The increase is mainly due to the acquisitions of Keppel DC Singapore 5 and maincubes DC.

- 3 2018 deposit was paid to the vendor for the acquisition of the remainder of the 999-year leasehold land interest in KDC DUB 1.

2017 balance related to 10% deposit paid to the vendor in 2015 for the acquisition of maincubes DC, Germany. The deposit had been released to the vendor as part settlement of the purchase consideration upon completion of acquisition.

- 4 These related to the fair value of the foreign currency forward contracts entered into in relation to the income from overseas investment properties, and the fair value of interest rate swaps entered into by the Group for hedging purposes.

- 5 Included in trade and other receivables were accrued rental revenue from the clients and deferred lease receivables relating to lease income which had been recognised due to the straight-lining of rental revenue in accordance with *SFRS(I) 1-17 Leases*, but not yet received from the clients.

Increase in other receivables for the Trust was mainly due to funds extended to a subsidiary for the acquisition of KDC SGP 5.

- 6 This related to intangible assets with finite useful lives recognised in relation to rental top ups provided by the vendors of assets acquired. The intangible assets will be amortised on a straight-line basis over the relevant rental top up periods.

- 7 These related to external borrowings of \$682.9 million (refer to Paragraph 1(B)(ii)), finance lease liabilities recognised for isseek DC and KDC DUB 1 and capitalised debt-related transaction costs. The higher external borrowings as at 30 September 2018 was mainly due to the bank borrowings drawn down to fund the acquisition of maincubes DC.

- 8 Included in trade and other payables were trade creditors, accrued liabilities and deferred other revenue.

- 9 These related to loans from subsidiaries. The higher loans as at 30 September 2018 were mainly due to funding for the acquisition of maincubes DC.

- 10 These related to the net deferred tax liabilities recognised in different tax jurisdictions that arose on tax losses carried forward and fair value changes in certain investment properties.

- 11 This related to the non-controlling interests' share of net asset value.

- 12 This excluded the non-controlling interests' share of net asset value.

- 13 Aggregate leverage related to the \$682.9 million external borrowings drawn down (refer to Paragraph 1(B)(ii)) and deposited properties refers to the value of the Group's total assets based on the latest valuation defined in the property fund guidelines in the Code on Collective Investment Schemes issued by MAS, without considering finance lease liabilities pertaining to the land rent commitments for isseek DC and KDC DUB 1. If these finance lease liabilities pertaining to land rent commitments were included, the ratio would be 33.0% (31 December 2017: 33.4%).

1(B)(ii) AGGREGATE AMOUNT OF BORROWINGS AND DEBT SECURITIES

	Group	
	As at 30 Sept 18 \$'000	As at 31 Dec 17 \$'000
<u>Unsecured borrowings¹</u>		
Amount repayable after one year	682,882	546,481

Note:

- 1 Keppel DC REIT has unsecured borrowings of approximately \$532.1 million (2017: \$472.9 million), \$71.2 million (2017: \$73.6 million) and \$79.6 million (2017: nil) under its term loan facilities, revolving credit facilities and Multicurrency Medium Term Note Programme respectively.

As at 30 September 2018, the Group had total borrowings of approximately \$682.9 million and unutilised facilities of approximately \$133.6 million to meet its future obligations. The all-in average interest rate for borrowings was 1.9% per annum for the financial period ended 30 September 2018.

1(C) CONSOLIDATED STATEMENT OF CASH FLOWS

	3Q 2018 \$'000	3Q 2017 \$'000	9M 2018 \$'000	9M 2017 \$'000
Operating activities				
Total return for the financial period	29,238	22,206	81,263	64,998
Adjustments for:				
Tax expenses	2,805	1,325	6,008	4,187
Finance income	(111)	(379)	(707)	(1,066)
Finance costs	4,241	3,639	12,448	10,653
Amortisation of intangible assets	2,336	585	4,287	1,577
Management fees paid in Units	99	62	311	288
Unrealised currency translation differences	548	6,748	10,397	9,078
	39,156	34,186	114,007	89,715
Changes in working capital:				
- Trade and other receivables	(4,176)	(9,743)	(20,382)	(6,562)
- Trade and other payables	1,841	4,750	(16,032)	6,033
Cash generated from operations	36,821	29,193	77,593	89,186
Net income tax paid	(383)	(1,480)	(1,477)	(3,722)
Net cash from operating activities	36,438	27,713	76,116	85,464
Cash flows from investing activities				
Acquisition of interests in investment properties (Note A)	-	(96,071)	(414,543)	(292,714)
Acquisition of an intangible asset	-	(1,563)	(8,000)	(1,563)
Rental top up received	-	1,563	8,000	1,563
Additions to investment properties	-	(2,479)	(9,893)	(5,368)
Capital expenditures on investment properties	(10,514)	(2,064)	(17,029)	(4,005)
Deposit paid	-	-	(808)	-
Net cash used in investing activities	(10,514)	(100,614)	(442,273)	(302,087)
Cash flows from financing activities				
Gross proceeds from private placement	-	-	303,072	-
Proceeds from bank borrowings and medium term note	7,962	101,506	229,165	179,895
Payment of financing transaction costs	(4)	-	(156)	(256)
Repayment of bank borrowings	(7,958)	-	(83,934)	(81,627)
Finance costs paid	(4,012)	(3,399)	(11,766)	(9,863)
Distributions paid to Unitholders	(42,713)	(40,913)	(82,051)	(72,419)
Dividends paid to non-controlling interests	(677)	(1,142)	(1,996)	(1,150)
Payment of transaction costs relating to equity fund-raising	-	-	(4,037)	(231)
Net cash (used in)/generated from financing activities	(47,402)	56,052	348,297	14,349
Net decrease in cash and cash equivalents	(21,478)	(16,849)	(17,860)	(202,274)
Cash and cash equivalents at beginning of period	120,409	108,208	116,098	293,959
Effects of exchange rate fluctuations on cash held	237	(281)	930	(607)
Cash and cash equivalents at end of period	99,168	91,078	99,168	91,078
Cash and cash equivalent balances	99,690	93,635	99,690	93,635
Less: Rental top up received in advance held in a designated account (Note B)	(522)	(2,557)	(522)	(2,557)
Cash and cash equivalents per Consolidated Statement of Cash Flows	99,168	91,078	99,168	91,078

1(C) CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

Note A – Acquisition of interests in investment properties

In June 2018, Keppel DC REIT announced the completion of the acquisition of a 99% interest in Keppel DC Singapore 5 Pte. Ltd. (KDCS5PL), which in turns holds KDC SGP 5, located at 13 Sunview Way, Singapore 627541. A business transfer agreement with Keppel DCS3 Services Pte. Ltd. (Facility Manager) was entered into to transfer the employees, contracts and assets for the purpose of providing facility management services of KDCS5PL to the Facility Manager. This acquisition has been accounted for as an asset acquisition.

In March 2018, Keppel DC REIT completed the acquisition of maincubes DC in Offenbach am Main, Germany. The remaining 90% balance of the purchase consideration was paid, along with the release of the 10% deposit to the vendor as settlement of the purchase consideration.

In January 2017, Keppel DC REIT announced the completion of the acquisition of the 90% interest in KDC SGP 3.

Note B - Rental top up received in advance held in a designated account

This relates to the remaining rental top up payments received in advance by the Group held in a designated account for the 100% interest in Milan DC. These rental top up payments will be recognised periodically under other income till December 2018.

Cash flow analysis (9M 2018 vs 9M 2017)

Net cash generated from operating activities for 9M 2018 was \$76.1 million, \$9.4 million lower than \$85.5 million for the corresponding period last year. This was mainly due to higher working capital requirements, partially offset by higher operational cash inflow during the period.

Net cash used in investing activities for 9M 2018 was \$442.3 million, comprising the acquisitions of KDC SGP 5 and maincubes DC, capital expenditures and deposit paid for the acquisition of the remaining 999-year leasehold land interest in KDC DUB 1. Net cash used in investing activities for the corresponding period last year was \$302.1 million was mainly for the acquisition of the 90% interest in KDC SGP 3 and 100% interest in KDC DUB 2.

The Group recorded net cash generated from financing activities of \$348.3 million in 9M 2018 as compared to \$14.3 million for the corresponding period last year. Net cash generated from 9M 2018 was mainly due to placement proceeds raised to finance the acquisition of KDC SGP 5, net borrowing proceeds drawn down to finance the acquisition of maincubes DC, partially offset by distributions paid to Unitholders and finance costs. Net cash generated from financing activities for 9M 2017 comprised mainly bank borrowings drawn to fund the acquisition of KDC DUB 2, distributions paid to Unitholders, refinancing of bank borrowings and finance costs.

Cash flow analysis (3Q 2018 vs 3Q 2017)

Net cash generated from operating activities for the quarter was \$36.4 million, \$8.7 million higher than \$27.7 million for the corresponding quarter last year. This was mainly due to higher operational cash inflow and lower working capital requirements during the quarter.

Net cash used in investing activities for 3Q 2018 was \$10.5 million, comprising capital expenditures. Net cash used in investing activities for the corresponding quarter last year was \$100.6 million. This was mainly due to the acquisition of the 100 % interest in KDC DUB 2 and capital expenditures.

The Group recorded net cash used in financing activities of \$47.4 million in 3Q 2018 as compared to net cash generated from financing activities of \$56.1 million for the corresponding quarter last year. Net cash used in 3Q 2018 was mainly due to distributions paid to Unitholders and finance costs. Net cash generated from financing activities for 3Q 2017 comprised mainly bank borrowings drawn to fund the acquisition of KDC DUB 2, distributions paid to Unitholders, refinancing of bank borrowings and finance costs.

Usage of proceeds of the Preferential Offering

Further to the announcement dated 12 June 2018 titled “Update on use of proceeds” (the Announcement), the Manager wishes to update that there have been no significant use of the net proceeds raised from the Preferential Offering (the Net Proceeds) for the quarter ended 30 September 2018.

1(D)(i) STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

GROUP (2018)

	Note	Unitholders' Funds \$'000	Non-controlling Interests \$'000	Total \$'000
At 1 January 2018		1,089,716	26,786	1,116,502
Operations				
Total return for the period		50,524	1,501	52,025
Net increase in net assets resulting from operations		50,524	1,501	52,025
Unitholders' transactions				
Net increase in net assets resulting from Unitholders' contribution	1	299,035	-	299,035
Distributions to Unitholders	1	(70,565)	-	(70,565)
Payment of management fees in Units		212	-	212
Net increase in net assets resulting from Unitholders' transactions		228,682	-	228,682
Acquisition of an interest in a subsidiary	2	-	1,204	1,204
Dividends paid to non-controlling interests		-	(1,319)	(1,319)
Hedging Reserve				
Movement in hedging reserve	3	985	-	985
Net increase in hedging reserve		985	-	985
Foreign currency translation movement for the period	3	(8,276)	(65)	(8,341)
At 30 June 2018		1,361,631	28,107	1,389,738
Operations				
Total return for the period		28,457	781	29,238
Net increase in net assets resulting from operations		28,457	781	29,238
Unitholders' transactions				
Distributions to Unitholders	1	(11,486)	-	(11,486)
Payment of management fees in Units		99	-	99
Net decrease in net assets resulting from Unitholders' transactions		(11,387)	-	(11,387)
Dividends paid to non-controlling interests		-	(677)	(677)
Hedging Reserve				
Movement in hedging reserve	3	254	-	254
Net increase in hedging reserve		254	-	254
Foreign currency translation movement for the period	3	2,632	(3)	2,629
At 30 September 2018		1,381,587	28,208	1,409,795

Note:

1 This related to the placement of 224.0 million new Units at an issue price of \$1.353 per Unit on 16 May 2018. The net proceeds raised have been used to partially fund the acquisition of the 99% interest in KDC SGP 5.

The Manager has declared distributions to eligible Unitholders of (i) 2.77 cents per Unit for the period from 1 January to 15 May 2018 in connection with the private placement launched on 7 May 2018 and (ii) 0.85 cents per Unit for the period from 16 May to 30 June 2018.

2 In June 2018, Keppel DC REIT announced the completion of the acquisition of the 99% interest in KDC SGP 5.

3 These other comprehensive income items related to the fair value changes of the cash flow hedges as a result of interest rate swaps and foreign currency forward contracts entered into by the Group and the movement in foreign currency translation reserve that arises from the translation of foreign entities and intercompany loans that form part of the Group's net investment in foreign entities.

1(D)(i) STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

GROUP (2017 – restated)

	Note	Unitholders' Funds \$'000	Non-controlling Interests \$'000	Total \$'000
At 1 January 2017		1,073,525	343	1,073,868
Reclassification on adoption of SFRS (I)				
Adjustment to foreign currency translation reserve	1	71,494	-	71,494
Adjustment to revenue reserves	1	(71,494)	-	(71,494)
At 1 January 2017 (as restated)	1	1,073,525	343	1,073,868
Operations				
Total return for the period		41,463	1,329	42,792
Net increase in net assets resulting from operations		41,463	1,329	42,792
Unitholders' transactions				
Distributions to Unitholders		(31,506)	-	(31,506)
Payment of management fees in Units	2	2,251	-	2,251
Net decrease in net assets resulting from Unitholders' transactions		(29,255)	-	(29,255)
Acquisition of an interest in a subsidiary	3	-	23,194	23,194
Dividends paid to non-controlling interests		-	(8)	(8)
Hedging reserve				
Movement in hedging reserve	4	(2,683)	-	(2,683)
Net decrease in hedging reserve		(2,683)	-	(2,683)
Foreign currency translation movement for the period	4	7,616	21	7,637
At 30 June 2017		1,090,666	24,879	1,115,545
Operations				
Total return for the period		21,476	730	22,206
Net increase in net assets resulting from operations		21,476	730	22,206
Unitholders' transactions				
Distributions to Unitholders	5	(40,913)	-	(40,913)
Payment of management fees in Units		62	-	62
Net decrease in net assets resulting from Unitholders' transactions		(40,851)	-	(40,851)
Dividends paid to non-controlling interests		-	(1,142)	(1,142)
Hedging reserve				
Movement in hedging reserve	4	(377)	-	(377)
Net decrease in hedging reserve		(377)	-	(377)
Foreign currency translation movement for the period	4	13,605	4	13,609
At 30 September 2017		1,084,519	24,471	1,108,990

Notes:

- 1 The Group has adopted SFRS (I) on 1 January 2018 and elected the optional exemption to reset its cumulative translation differences for all foreign operations to nil at the date of transition of 1 January 2017.
- 2 This included the acquisition fees paid in Units in relation to the acquisition of the 90% interest in KDC SGP 3.
- 3 In January 2017, Keppel DC REIT announced the completion of the acquisition of the 90% interest in KDC SGP 3.
- 4 These other comprehensive income items related to the fair value changes of the cash flow hedges as a result of interest rate swaps and foreign currency forward contracts entered into by the Group and the movement in foreign currency translation reserve that arises from the translation of foreign entities and intercompany loans that form part of the Group's net investment in foreign entities.
- 5 This included a one-off capital distribution of \$2.7 million for the period from 1 December 2016 to 19 January 2017.

1(D)(i) STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

TRUST

	Note	Unitholders' Funds 2018 \$'000	Unitholders' Funds 2017 \$'000
At 1 January		959,185	973,832
Operations			
Total return for the period		54,527	25,948
Net increase in net assets resulting from operations		54,527	25,948
Unitholders' transactions			
Net increase in net assets resulting from Unitholders' contribution	1	299,035	-
Distributions to Unitholders		(70,565)	(31,506)
Payment of management fees in Units		212	2,251
Net increase/(decrease) in net assets resulting from Unitholders' transactions		228,682	(29,255)
Hedging reserve			
Movement in hedging reserve	2	828	(1,334)
Net increase in hedging reserve		828	(1,334)
At 30 June		1,243,222	969,191
Operations			
Total return for the period		4,179	26,038
Net increase in net assets resulting from operations		4,179	26,038
Unitholders' transactions			
Distributions to Unitholders	3	(11,486)	(40,913)
Payment of management fees in Units		99	62
Net decrease in net assets resulting from Unitholders' transactions		(11,387)	(40,851)
Hedging reserve			
Movement in hedging reserve	2	(223)	(1,121)
Net decrease in hedging reserve		(223)	(1,121)
At 30 September		1,235,791	953,257

Note:

- This related to the placement of 224.0 million Units at an issue price of \$1.353 per Unit on 16 May 2018. The net proceeds raised have been used to partially fund the acquisition of the 99% interest in KDC SGP 5.
- The other comprehensive income item related to the fair value changes of the cash flow hedges as a result of foreign currency forward contracts and interest rate swaps entered into by the Trust.
- The Manager has declared distributions to eligible Unitholders of (i) 2.77 cents per Unit for the period from 1 January to 15 May 2018 in connection with the private placement launched on 7 May 2018 and (ii) 0.85 cents per Unit for the period from 16 May to 30 June 2018.

1(D)(ii) DETAIL OF CHANGES IN THE UNITS

GROUP AND TRUST	1 July 18 to 30 Sept 18	1 Jan 18 to 30 Jun 18	1 Jan 17 to 30 Sept 17
	No. of Units	No. of Units	
Issued Units as at beginning of period	1,351,321,403	1,127,171,336	1,125,209,991
Management fees paid in Units	73,881	150,067	1,913,920
Issuance of placement Units	-	224,000,000	-
Issued Units as at end of period	1,351,395,284	1,351,321,403	1,127,123,911

1(D)(iii) TOTAL NUMBER OF ISSUED UNITS

Keppel DC REIT did not hold any treasury units as at 30 September 2018 and 31 December 2017.

	Group	
	As at 30 Sept 18	As at 31 Dec 17
Total number of issued Units	1,351,395,284	1,127,171,336

1(D)(iv) SALES, TRANSFER, DISPOSALS, CANCELLATION OR USE OF TREASURY UNITS

Not applicable.

2 AUDIT

Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The figures have neither been audited nor reviewed by the auditors.

3 AUDITORS' REPORT

Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4 ACCOUNTING POLICIES

Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Accounting Standards Council (Singapore) has introduced a new financial reporting framework, Singapore Financial Reporting Standards (International) (SFRS (I)), that is identical to the International Financial Reporting Standards issued by the International Accounting Standards Board. The Monetary Authority of Singapore has granted the Group a waiver from compliance with the requirement under Paragraph 4.3 of Appendix 6 to the CIS Code to prepare its financial statements in accordance with Singapore Financial Reporting Standards (FRS).

In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International). The Group expects that the adoption of SFRS(I) 1 will have no material impact on the financial statements in the year of initial application, other than the election of optional exemption to reset its cumulative translation differences for all foreign operations to nil at the date of transition of 1 January 2017. The Group has elected the optional exemption to reset its cumulative translation differences for all foreign operations to nil at 1 January 2017 and reclassified cumulative translation losses of \$71.5 million from foreign exchange translation account to revenue reserves. Refer to Paragraph 1(D)(i) – Statements of Movements in Unitholders' Funds.

The accounting policies and methods of computation have been consistently applied during the current reporting period except that in the current financial year, the Group has adopted new and revised standards and SFRS (I) Interpretations that are effective for annual period beginning on 1 January 2018.

5 CHANGES IN ACCOUNTING POLICIES

If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Refer to Paragraph 4 - Accounting Policies.

6 CONSOLIDATED EARNINGS PER UNIT AND DISTRIBUTION PER UNIT

	3Q 2018	3Q 2017	9M 2018	9M 2017
Earnings per Unit (EPU)				
EPU (basic and diluted) (cents)	2.11	1.91	6.30	5.59
Weighted average number of Units ¹	1,351,395,284	1,127,108,737	1,254,498,786	1,126,680,454
Total return for the period after tax ² (\$'000)	28,457	21,476	78,981	62,939
Distribution per Unit (DPU)				
DPU³ (cents)	1.85	1.74	5.47	5.37
Number of Units in issue at end of period	1,351,395,284	1,127,123,911	1,351,395,284	1,127,123,911
Income available for distribution to Unitholders (\$'000) ⁴	26,024	20,179	69,970	62,075

7 NET ASSET VALUE (NAV) / NET TANGIBLE ASSET (NTA) PER UNIT

	Group	
	As at 30 Sept 18	As at 31 Dec 17
NAV² per Unit⁵ (\$)	1.02	0.97
NTA² per Unit⁵ (\$)	1.02	0.96

Notes:

- The weighted average number of Units was based on the issued Units during the financial period in review.
- This excluded the non-controlling interests' share of net asset value / net tangible asset and total return for the period after tax.
- DPU have excluded Capex Reserves. 9M 2017 DPU also included a one-off capital distribution of approximately 0.15 cents per Unit for the month of December 2016 arising from the later completion of KDC SGP 3.
The Manager has declared distributions to eligible Unitholders of (i) 2.77 cents per unit for the period from 1 January to 15 May 2018 in connection with the private placement launched on 7 May 2018 and (ii) 0.85 cents per Unit for the period from 16 May to 30 June 2018.
Keppel DC REIT declares distributions on a half-yearly basis. No distribution has been declared for the quarter ended 30 September 2018.
- 9M 2017 DI included a one-off capital distribution of approximately \$1.7 million for the month of December 2016 arising from the later completion of KDC SGP 3. The DI also included Capex Reserves.
- The NAV per Unit and the NTA per Unit were computed based on the issued Units at the end of the financial period.

8 REVIEW OF PERFORMANCE

Review of the Performance between 2018 and 2017 results

(9M 2018 vs 9M 2017)

Gross rental income for 9M 2018 was \$122.5 million, an increase of \$22.8 million or 22.9% from 9M 2017 of \$99.7 million. This was mainly contributed by the acquisitions of KDC SGP 5, maincubes DC, KDC DUB 2 as well as higher contributions from the other Singapore Properties due to higher recurring and power revenue. Furthermore, overseas contributions increased from the appreciation of EUR and GBP against SGD. These were partially offset by lower rental income received from Basis Bay DC and Gore Hill DC as well as lower overseas contributions due to the depreciation of AUD against SGD.

Other income of \$5.0 million was \$2.5 million higher than 9M 2017 due to higher rental top up income partially offset by lower ad hoc service and power revenues.

Property operating expenses for 9M 2018 was \$12.3 million, an increase of \$2.5 million or 26.0% from 9M 2017 of \$9.8 million. This was mainly due to acquisitions of KDC SGP 5 and KDC DUB 2, as well as higher property-related expenses recorded at Gore Hill DC, partially offset by lower property-related expenses incurred at KDC SGP 3.

As a result, net property income of \$115.2 million for 9M 2018 was \$22.7 million or 24.6% higher than that in 9M 2017.

Total return after tax for 9M 2018 was \$81.3 million, an increase of \$16.3 million or 25.0% as compared to 9M 2017 of \$65.0 million. This was mainly due to higher net property income, partially offset by higher finance costs, amortisation expenses and Manager's fees and higher current tax expenses.

(3Q 2018 vs 3Q 2017)

Gross rental income for 3Q 2018 was \$44.6 million, an increase of \$10.4 million or 30.2% from 3Q 2017 of \$34.2 million. This was mainly contributed by the acquisitions of KDC SGP 5, maincubes DC and KDC DUB 2. There were also higher variable income from the other Singapore Properties. In addition, overseas contributions increased from the appreciation of EUR against SGD. These were partially offset by lower rental income received from Gore Hill DC as well as lower overseas contributions due to the depreciation of AUD against SGD.

Other income of \$3.0 million was \$1.7 million higher than 3Q 2017 due to higher rental top up income.

Property operating expenses for 3Q 2018 was \$4.5 million, an increase of \$1.3 million or 40.2% increase from 3Q 2017 of \$3.2 million. This was mainly due to acquisitions of KDC SGP 5 and KDC DUB 2, as well as higher property-related expenses recorded at Gore Hill DC.

As a result, net property income of \$43.0 million for 3Q 2018 was \$10.7 million or 33.4% higher than that in 3Q 2017.

Total return after tax for 3Q 2018 was \$29.2 million, an increase of \$7.0 million or 31.7% as compared to 3Q 2017 of \$22.2 million. This was mainly due to higher net property income, partially offset by higher finance costs, amortisation expenses, Manager's fees and current tax expenses.

9 PROSPECTS

A commentary at the date of announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

In its September 2018 interim economic outlook, the Organization for Economic Cooperation and Development expects the global economy to grow by 3.7% for 2018 and 2019, bearing in mind uncertainties arising from monetary policy normalisation and deepening trade tensions.

Demand for data centre space in key European and Asian hubs continues to be underpinned by demand from hyperscale cloud players, increasing digitalisation and cloud adoption, data centre outsourcing, and other drivers such as data sovereignty regulations.

According to BroadGroup Consulting, many hyperscale cloud players are only about a third of the way through their planned data centre build-outs, signalling strong potential requirements for data centre space.

Improved connectivity as well as the development and adoption of new technologies will continue to drive the growth of data creation and fuel demand for data storage requirements in key data centre hubs globally.

Keppel DC REIT, with its established track record and enlarged portfolio of assets, is well-positioned to benefit from the growth of the data centre market. The Manager will continue to seek opportunities to capture value and strengthen its presence across key data centre hubs.

10 RISK FACTORS AND RISK MANAGEMENT

The Manager ascribes importance to risk management and constantly takes initiatives to systematically review the risks it faces and mitigates them. Some of the key risks that the Manager has identified are as follows:

Interest rate risk

The Manager constantly monitors its exposure to changes in interest rates for its interest-bearing financial liabilities. Interest rate risk is managed on an on-going basis with the primary objective of limiting the extent to which net interest expense can be affected by adverse movements in interest rates through financial instruments or other suitable financial products.

Liquidity risk

The Manager monitors and maintains Keppel DC REIT's cash flow position and working capital to ensure that there are adequate liquid reserves in terms of cash and credit facilities to meet short-term obligations. Consideration has been given to funding and expense requirements so as to manage the cash position at any point of time.

Credit risk

Credit risk assessments of prospective clients are carried out by way of evaluation of information from corporate searches conducted prior to the signing of lease agreements. In addition, the Manager also monitors the property portfolio's client trade sector mix to assess and manage exposure to any potentially volatile trade sector.

Currency risk

The Group's foreign currency risk relates mainly to its exposure from its investments in Australia, Europe and Malaysia, and the distributable income and interest income from progressive payments related to such foreign investments. The Group maintains a natural economic hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

The Manager monitors the Group's foreign currency exposure on an on-going basis and will manage its exposure to adverse movements in foreign currency exchange rates through financial instruments or other suitable financial products.

Operational risk

Measures have been put in place to ensure sustainability of net property income. These measures include steps taken to negotiate for favourable terms/covenants, manage expenses, and actively monitor rental payments from clients and continuously evaluate the Group's counter-parties.

In addition, the Manager also continuously reviews disaster and pandemic business continuity plans and modifies them, when necessary. The Manager manages such risks through multiple layers of redundancy and back-up systems supported by detailed operational procedures and maintenance programmes. However, the Manager notes that no system of risk management can provide absolute assurance against all potential risks.

Competition risk

The Manager will actively manage the properties and grow strong relationships with its clients by providing value-added property-related services. Through such active asset management and enhancements, the Manager seeks to maintain high client retention and occupancy levels and achieve stable rental growth, as well as minimise the costs associated with marketing and leasing space to new clients.

The Manager will work with the facility managers (where applicable) to actively manage (i) contract and colocation renewals and (ii) new contracts and colocation arrangements to maintain high client retention levels and minimise vacancy periods. The Manager also intends to leverage on its relationship with existing data centre clients as well as data centre brokers to secure new clients for the Group's new and existing data centre facilities.

11 DISTRIBUTIONS

(a) **Current Financial Period reported on**

Any distribution recommended for the current financial period reported on?

No.

(b) **Corresponding Period of the Immediately Preceding Financial Year**

Any distribution declared for the corresponding period of the immediately preceding financial year?

No.

(c) **Book closure dates**

Not applicable.

(d) **Dates payable**

Not applicable.

12 DISTRIBUTION STATEMENT

If no distribution has been declared / recommended, a statement to that effect.

Other than as disclosed in Paragraph 11(a), no distribution has been declared / recommended.

13 INTERESTED PERSON TRANSACTIONS

Name of Interested Persons	Aggregate value of all interested person transaction during the financial period under review (excluding transactions less than \$100,000)	
	3Q 2018 \$'000	3Q 2017 \$'000
Keppel Corporation Limited and its subsidiaries		
- Manager's acquisition fees	-	1,037
- Manager's management fees	3,832	2,767
Keppel Telecommunications & Transportation Ltd and its subsidiaries		
- Variable rental income	17,448	12,872
- Facility management and property management fees	705	520
- Support services fees	151	126
Perpetual (Asia) Limited		
- Trustee fees	54	54

Keppel DC REIT has not obtained a general mandate from Unitholders for Interested Person Transactions for the financial period under review.

14 CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL ITS DIRECTORS AND EXECUTIVE OFFICERS UNDER RULE 720(1)

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

The past performance of Keppel DC REIT is not necessarily indicative of its future performance. Certain statements made in this announcement 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 announcement. 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 announcement or its contents or otherwise arising in connection with this announcement. 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 the possible loss of the principal amount invested.

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

By Order of the Board
Keppel DC REIT Management Pte. Ltd.
(Company Registration Number: 199508930C)
As Manager of Keppel DC REIT

KELVIN CHUA HUA YEOW
Joint Company Secretary
16 October 2018

CONFIRMATION BY THE BOARD
Pursuant to Rule 705(5) of the Listing Manual

We, Lee Chiang Huat and Pang Thieng Hwi, Thomas, being two Directors of Keppel DC REIT Management Pte. Ltd. (the "Company"), as manager of Keppel DC REIT, do hereby confirm on behalf of the Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial statements of Keppel DC REIT for the financial period from 1 January 2018 to 30 September 2018 to be false or misleading in any material respects.

On behalf of the Board,



Lee Chiang Huat
Director



Pang Thieng Hwi, Thomas
Director

16 October 2018