

Keppel DC REIT Management Pte Ltd

(Co Reg No. 199508930C) Tel: (65) 6803 1818
1 Harbourfront Avenue, Level 2 Fax: (65) 6803 1717
Keppel Bay Tower
Singapore 098632
www.keppeldcreit.com

MEDIA RELEASE

Unaudited Results of Keppel DC REIT for Second Quarter and First Half Ended 30 June 2019

16 July 2019

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 second quarter and first half ended 30 June 2019.

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

For more information, please contact:

Media Relations

Mr Ang Lai Lee
Assistant General Manager
Group Corporate Communications
Keppel Corporation Limited
Tel: (65) 6413 6427
Email: lailee.ang@kepcorp.com

Investor Relations

Ms Emmulin Wee
Manager
Investor Relations
Keppel Capital
Tel: (65) 6803 1857
Email: emmulin.wee@kepcapital.com

Keppel DC REIT achieves 6.4% Y-o-Y growth in DPU to 3.85 cents for 1H 2019

Key Highlights

- Distributable income increased 18.1% to \$27.2 million in 2Q 2019 and 23.7% to \$54.4 million in 1H 2019
- DPU of 1.93 cents for 2Q 2019, bringing 1H 2019 DPU to 3.85 cents, 6.4% y-o-y higher than 1H 2018's 3.62 cents
- Healthy portfolio occupancy of 93.2% and long WALE of 7.8 years
- Low aggregate leverage of 31.9% provides financial flexibility and comfortable debt headroom to pursue growth

(\$'000)	2Q 2019	2Q 2018	Change %	1H 2019	1H 2018	Change %
Gross Revenue	47,460	41,927	+13.2	95,493	79,935	+19.5
Property Expenses	(4,200)	(3,852)	+9.0	(9,003)	(7,772)	+15.8
Net Property Income	43,260	38,075	+13.6	86,490	72,163	+19.9
Distributable Income to Unitholders ⁽¹⁾	27,246	23,079	+18.1	54,353	43,946	+23.7
Distribution per Unit ⁽²⁾ (DPU) (cents)	1.93	1.82	+6.0	3.85	3.62	+6.4
Annualised Distribution Yield ⁽³⁾ (%)				4.61	4.34	+27bps

(1) Distributable income includes Capex Reserves for Keppel DC Singapore 3 and Keppel DC Singapore 5.

(2) DPU was computed based on the distributable income to Unitholders and excluded Capex Reserves.

(3) Computed based on 1H 2019's closing price of \$1.670 per Unit.

Financial Review

Keppel DC REIT Management Pte. Ltd., the Manager of Keppel DC REIT, is pleased to announce that the REIT has delivered distributable income of \$27.2 million for 2Q 2019, 18.1% higher than 2Q 2018's \$23.1 million. Distributable income for 1H 2019 was also higher at \$54.4 million, increasing by 23.7% from 1H 2018's \$43.9 million. The improved performance was contributed mainly by the acquisitions of maincubes Data Centre in Offenbach am Main, Germany, and Keppel DC Singapore 5 in 2018[^].

Accordingly, Keppel DC REIT achieved higher DPU of 1.93 cents for 2Q 2019, bringing 1H 2019 DPU to 3.85 cents, 6.4% higher than 1H 2018's 3.62 cents. Based on the market closing price of \$1.670 per Unit on the last trading day of 1H 2019, the REIT's annualised distribution yield was 4.61%.

Capital Management

In keeping with its prudent approach towards capital management, Keppel DC REIT's average cost of debt remained competitive at 1.7% per annum and aggregate leverage remained low at 31.9% as at the end of 2Q 2019. The REIT's interest coverage ratio remained high at 12.9 times as at 30 June 2019.

The REIT's weighted average debt tenor was 3.1 years, and the Manager is in negotiations with its lenders to refinance the Singapore dollar-denominated loan due end-2019.

[^] The maincubes Data Centre and Keppel DC Singapore 5 acquisitions were completed in March and June 2018 respectively.

To mitigate the REIT's exposure to fluctuations in interest rates, the Manager has locked-in 80% of its borrowings through floating-to-fixed interest rate swaps. Forecasted foreign-sourced distributions have also been substantially hedged with foreign currency forward contracts till 2H 2020 to safeguard distributions against exchange rates fluctuations.

Portfolio Review

On the operational front, the retrofitting works at Keppel DC Singapore 3 are scheduled to be completed in 3Q 2019, and the power upgrading and fit-out works at Keppel DC Dublin 2 to make way for client expansion are on track for completion in 2H 2019. When completed, the occupancy rate of Keppel DC Dublin 2 will increase to 100%. The asset enhancement works to improve energy efficiency at Keppel DC Dublin 1 are expected to be completed by 2020.

As at 30 June 2019, the REIT's portfolio weighted average lease expiry (WALE) was 7.8 years, and portfolio occupancy rate remained healthy at 93.2%. Less than 5% of the REIT's leases are due for expiry per annum in 2019 and 2020, and the Manager is in discussions with these tenants to renew their leases.

Looking Ahead

In its Global Economic Prospects published in June 2019, the World Bank expects global economic growth in 2019 to ease to 2.6%, down from its earlier forecast of 2.9%, citing geopolitical risks and renewed trade tensions.

Demand in the data centre industry remains strong, supported by the strong growth in data creation and storage requirements as enterprises and individuals continue to adopt cloud solutions. Demand for colocation data centres continues to be driven by strong take-up from hyperscale cloud players, and this demand is set to increase with their time-to-market needs, according to BroadGroup Consulting. Looking ahead, the development and adoption of new technologies such as 5G mobile networks, autonomous vehicles, virtual reality, the Internet of Things, will continue to contribute to the digitalisation wave and correspondingly, demand for data centres globally.

Increased interests in the data centre industry has attracted new investors, competing for capital and quality assets, as evidenced by recent data centre funds launched in Asia Pacific and Europe.

With the Manager's competencies in investment and asset management, and its ability to leverage the Keppel Group's capabilities in project development and facilities management, the Manager will continue to seek opportunities to capture value and strengthen its presence across key data centre hubs in Asia Pacific and Europe.

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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 15 high-quality data centres strategically located in key data centre hubs. With an aggregate lettable area of approximately 1,112,983 sq ft, the portfolio spans 10 cities in eight countries in Asia Pacific and Europe.

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 comprising 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.