

Keppel REIT

**Second Quarter and First Half 2017
Financial Results**

18 July 2017



Keppel REIT

Key Highlights for 1H 2017 **3****Financial Performance & Capital Management** **6****Portfolio Performance** **10****Market Updates** **14**

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- **Distributable Income** **\$95.5 mil**
- **Distribution per Unit** **2.87 cents**
- **Aggregate Leverage** **38.5%**
- **All-in Interest** **2.59%**



- **Portfolio Occupancy** **99.8%**
- **Tenant Retention** **85%**
- **Strengthened Australian Footprint**
with acquisition of 50% stake in
311 Spencer Street
- **Minimal Leasing Risks**
Only **2%** of NLA of leases due for the rest of 2017



Continuous efforts to rejuvenate Keppel REIT's portfolio.



- Strategic acquisition of a 50% interest in 311 Spencer Street from Australia Postal Corporation
- Freehold site will be developed into a Grade A office tower
- Fully leased to the Assistant Treasurer for the State of Victoria for 30 years on a net lease with fixed annual escalations⁽¹⁾
- Total consideration of ~A\$347.8 m or ~S\$362.4 m⁽²⁾

⁽¹⁾ Lease includes a market rent review at the commencement of year 16 subject to a cap and collar, and options to renew for three additional terms of five years each.

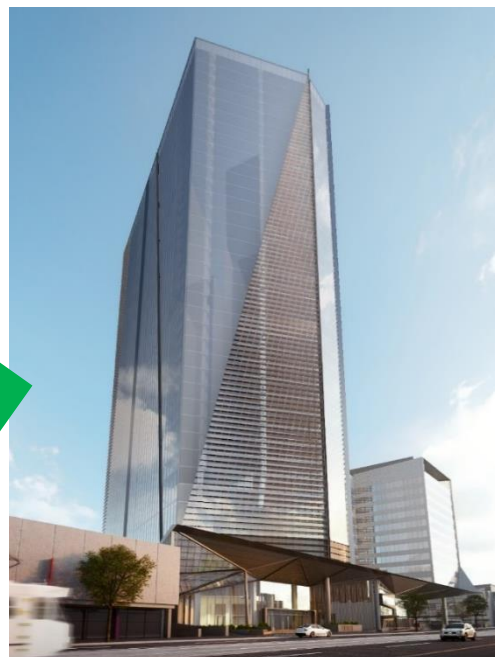
⁽²⁾ Based on an exchange rate of A\$1.00 to S\$1.042.



Stable average yield of 6.4%⁽¹⁾ per annum over the first 15 years.



Divestment of 77 King Street



Acquisition of 50% interest in 311 Spencer Street



- ✓ Stable income stream over the 30-year lease, with fixed annual rental escalations
- ✓ Enhances tenancy profile with the addition of a AAA-rated tenant
- ✓ Average property yield of 6.4%⁽¹⁾ per annum over the first 15 years
- ✓ Pro forma DPU accretion of 0.07 cents or 1.1%⁽²⁾
- ✓ Extends top 10 tenants and portfolio WALE⁽³⁾ to 14 years and 9 years respectively
- ✓ Diversifies income contribution

WALE upon completion	30 years
Yield	Ave. 6.4% ⁽¹⁾ p.a. over the first 15 years

Age	~40 years
WALE	3.5 years
Yield	5.3%

(1) Based on the expected net property income of the building for the first 15 years to the tenant, over the consideration. There is a market rent review at the commencement of year 16, subject to a cap and collar.

(2) Based on the pro forma financial effects of the Transaction on Keppel REIT's DPU for FY 2016, as if Keppel REIT had completed the Transaction and the lease commenced on 1 January 2016 and held the interest in the Property through to 31 December 2016.

(3) WALE by committed net lettable area as at 31 December 2016, and assuming the 30-year lease to the tenant commenced on 1 January 2016.

A low-angle photograph of the Marina Bay Financial Centre in Singapore, showing its two towers with a dark, textured facade. The sky is clear and blue, and there are green trees in the foreground. The text "Financial Performance & Capital Management" is overlaid in white on the right side of the image.

Financial Performance & Capital Management

Marina Bay Financial Centre, Singapore



	2Q 2017	2Q 2016	1H 2017	1H 2016
Property income	\$39.8 mil	\$40.6 mil	\$79.7 mil	\$81.7 mil
Net property income	\$31.9 mil	\$32.5 mil	\$63.3 mil	\$65.4 mil
Share of Results of Associates and Joint Ventures	\$28.3 mil	\$28.5 mil	\$59.8 mil	\$54.0 mil
Distribution to Unitholders	\$47.4 mil	\$52.5 mil	\$95.5 mil	\$107.0 mil
DPU	1.42 cents	1.61 cents	2.87 cents	3.29 cents

Lower y-o-y due mainly to:

- Absence of income from the divested 77 King Street
- Lower one-off income
- Lower income contribution from Bugis Junction Towers
- Absence of other gains distribution

Distribution Timetable for 2Q 2017	
Trading on "Ex" Basis	Monday, 24 July 2017
Books Closure Date	Wednesday 26 July 2017
Distribution Payment Date	Tuesday 29 August 2017



Balance Sheet and Capital Management

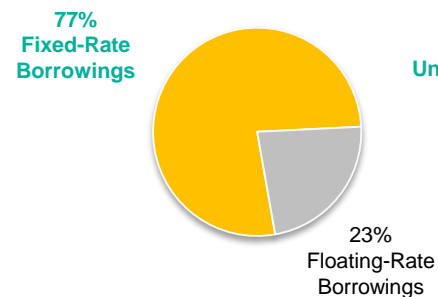
	As at 30 June 2017	As at 31 March 2017
Total assets	\$7,658 mil	\$7,550 mil
Borrowings ⁽¹⁾	\$3,335 mil	\$3,330 mil
Total liabilities	\$2,783 mil	\$2,632 mil
Unitholders' funds	\$4,723 mil	\$4,764 mil
Adjusted NAV per Unit ⁽²⁾	\$1.40	\$1.42
Interest Coverage Ratio	4.4x	4.6x
All-in Interest Rate	2.59%	2.57%
Weighted Average Term to Maturity	3.1 years	3.2 years
Aggregate Leverage	38.5%	38.4%

- Total borrowings increased due to loan drawdown for working capital purposes
- All-in interest rate increased by 2bps to 2.59% due mainly to the MTN issuance

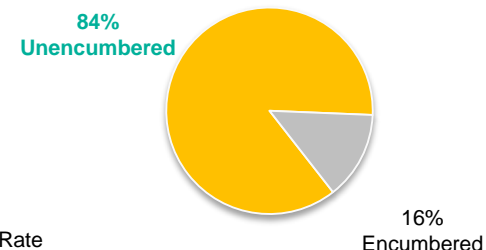
	DPU Change ⁽³⁾
Every 50 bps ↓↑ in SOR	~0.11 cents ↑↓ in DPU

As at 30 June 2017

Borrowings on
Fixed-Rate



% of Assets
Unencumbered



(1) These included borrowings accounted for at the level of associates and excluded the unamortised portion of upfront fees in relation to the borrowings.

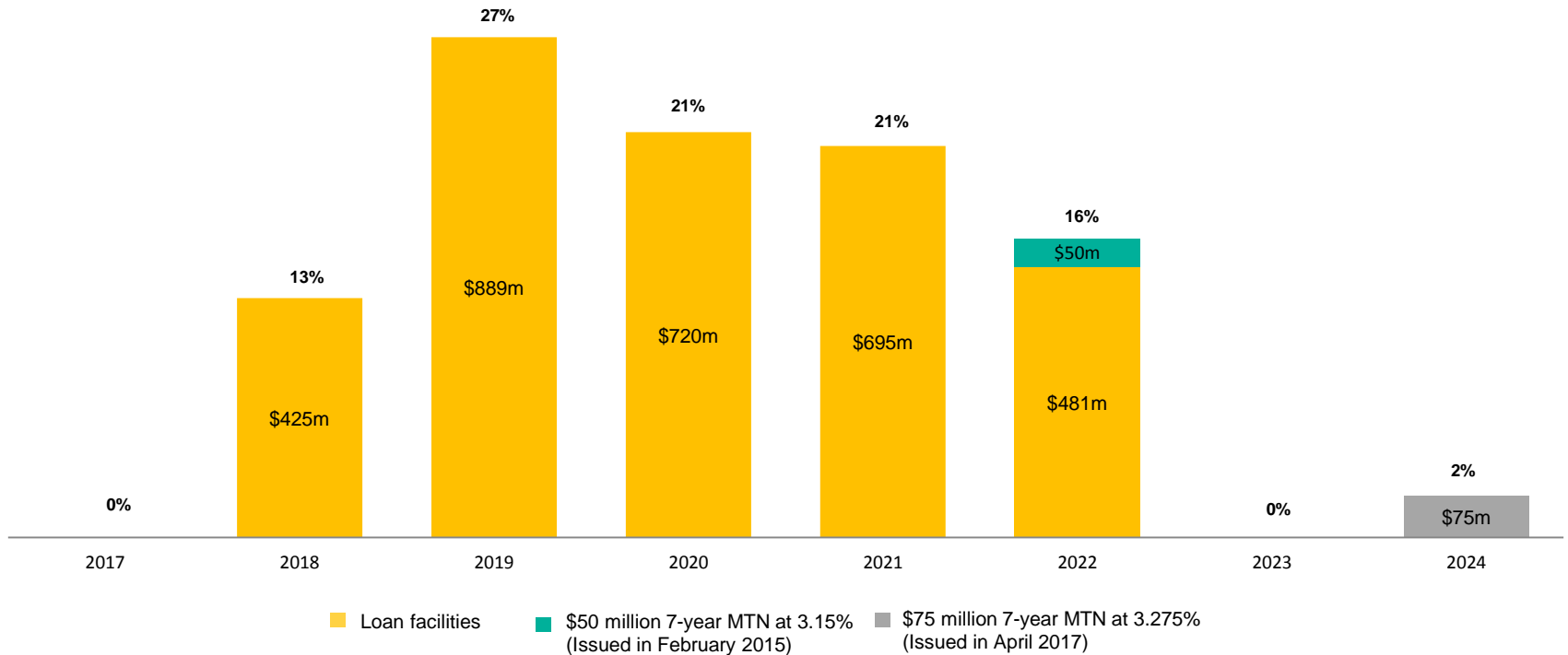
(2) For 31 March 2017 and 30 June 2017, these excluded the distributions paid in May 2017 and to be paid in August 2017 respectively.

(3) Based on the Group's borrowings including those accounted for at the level of associates, and number of Units as at 30 June 2017.



- Weighted average term to maturity of 3.1 years as at 30 June 2017
- Issued \$75 million of 7-year Medium Term Notes (MTN) at a fixed-rate of 3.275% in April 2017
- Proceeds from the issuance were used to refinance existing borrowings

**No refinancing requirements until 2018
(as at 30 June 2017)**



A photograph of the Ocean Financial Centre in Singapore at night. The building is a modern skyscraper with a glass facade, illuminated from within. To the left, a large green wall is covered in dense foliage and small white lights. A colorful, geometric canopy structure with a grid of triangular panels in various colors (red, yellow, blue, green) is suspended over the building's entrance area. The sky is dark blue.

Portfolio Performance

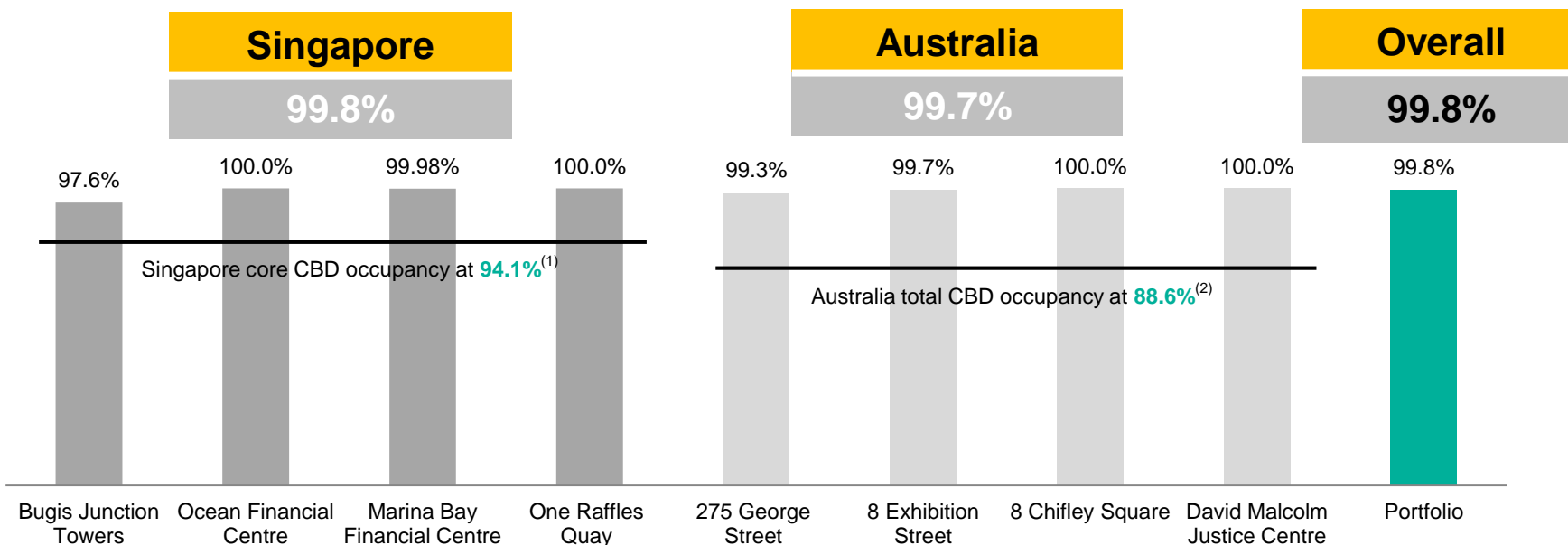
Ocean Financial Centre, Singapore



Continued tenant centric approach in leasing efforts

Committed Leases	33 Leases in 1H 2017	~370,700 sf (Attributable ~173,600 sf)	0% Rent Reversion
Tenant Retention	85% Retention Rate in 1H 2017	99.8% High Committed Portfolio Occupancy	
Minimal Leasing Risk	Completed all review leases Only 2% of the NLA of leases due for renewal in 2017		

High Committed Portfolio Occupancy Levels



(1) CBRE, 2Q 2017.

(2) JLL, end-March 2017.

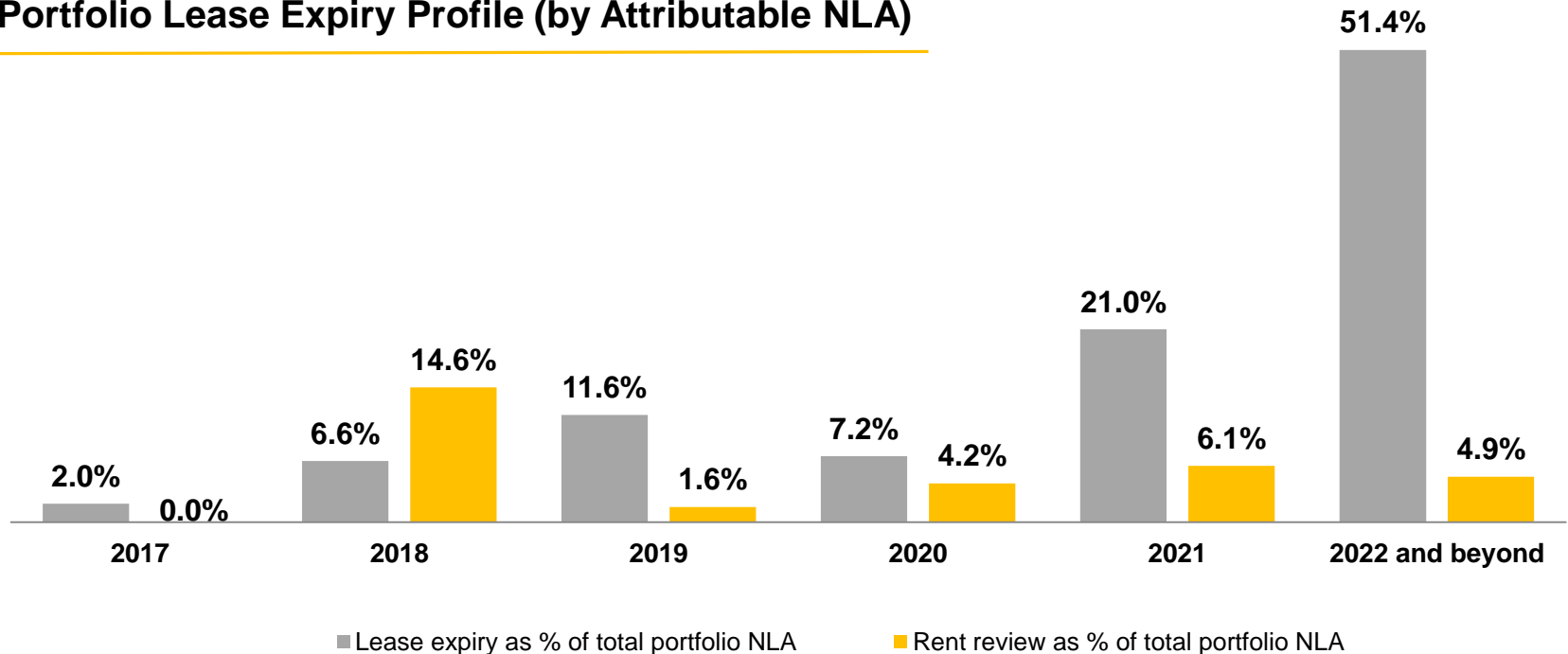


- Completed all review leases, with only 2% of the NLA of leases expiring for the rest of 2017

Weighted Average Lease Expiry (WALE)



Portfolio Lease Expiry Profile (by Attributable NLA)



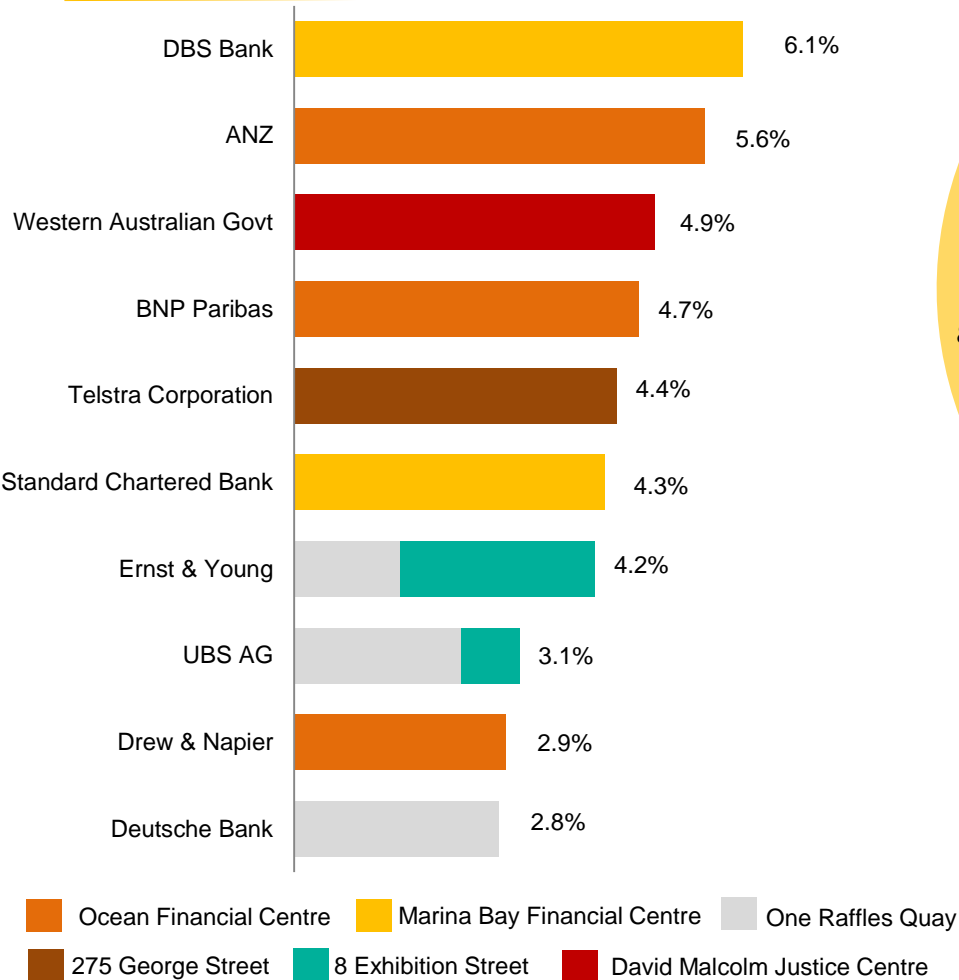
All data as at 30 June 2017.

* Remaining lease term to expiry based on portfolio committed NLA

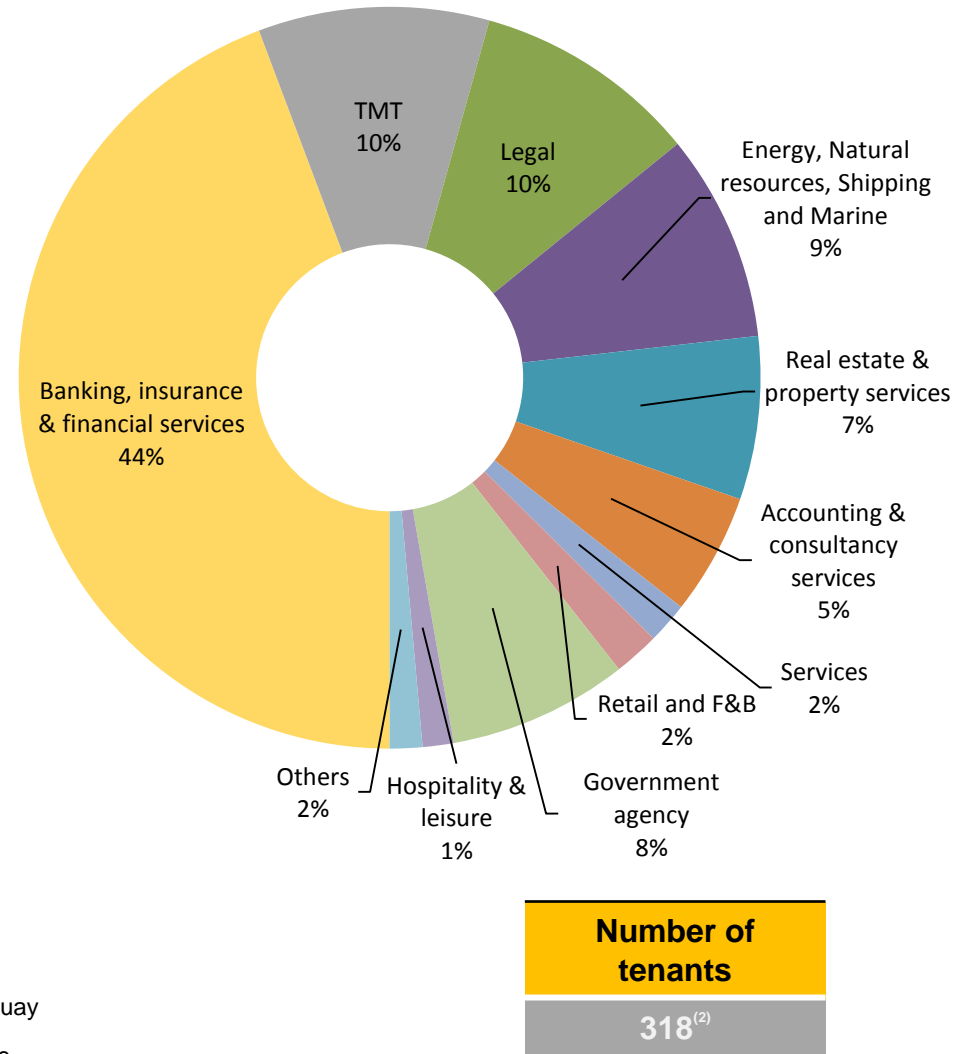


Top 10 Tenants (by Attributable NLA)

- 43.0% of portfolio NLA
- 39.6% of gross rental income



Well-Diversified Tenant Base⁽¹⁾

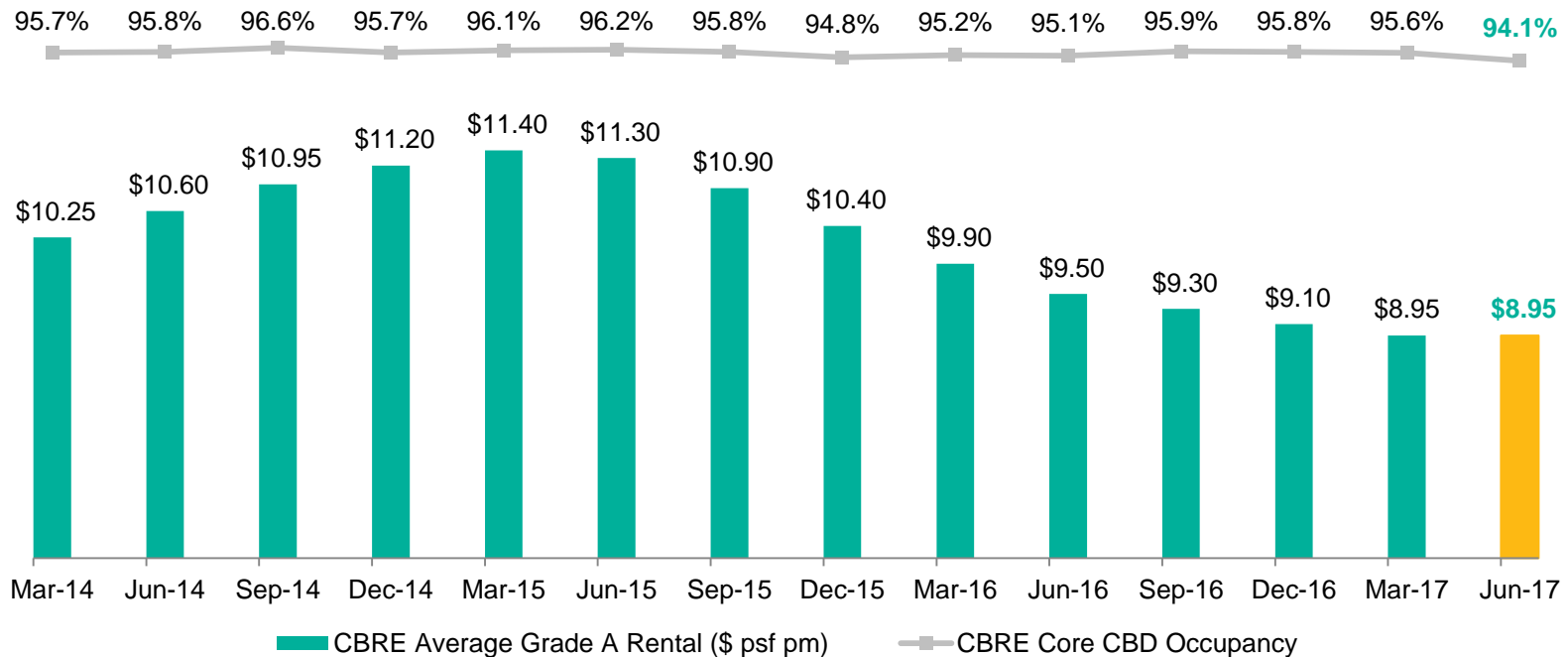


(1) Based on committed leases as at 30 June 2017 and by attributable NLA.

(2) Tenants with multiple leases were accounted as one tenant.



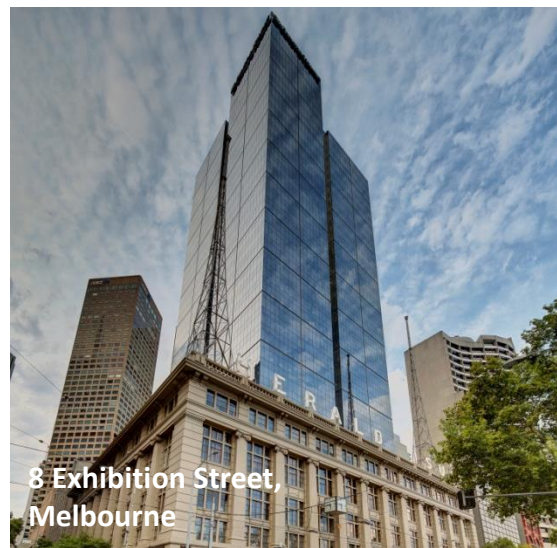
- Economy expanded 2.5% y-o-y in 2Q 2017, supported mainly by the manufacturing sector.
- On track to achieve growth forecast of between 1% and 3% in 2017.
- Property consultants opined that the market is seeing early signs of recovery.
- Average rental rates of Grade A office space held steady q-o-q at \$8.95.
- Core CBD occupancy decreased q-o-q to 94.1%



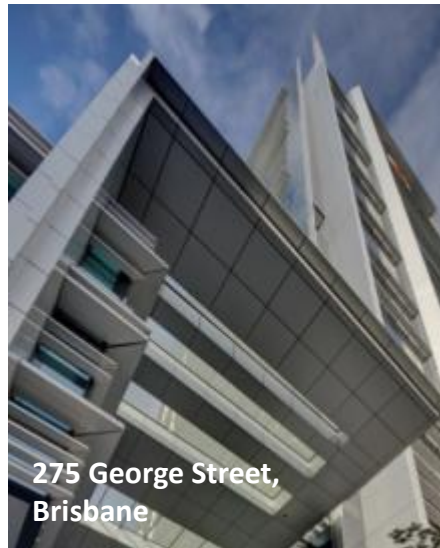
Sources: Ministry of Trade and Industry and CBRE, 2Q 2017



- Modest y-o-y expansion of 1.7% in 1Q 2017, coming off a 2.5% growth rate for the year 2016.
- RBA estimates full-year growth between 2.5% and 3.5% for 2017.
- Australia's national CBD office occupancy improved marginally q-o-q to 88.6% as at end-March 2017.
- Strong demand amid tight supply for CBD office space in Sydney and Melbourne, while Brisbane and Perth continued to show signs of recovery.



8 Exhibition Street,
Melbourne



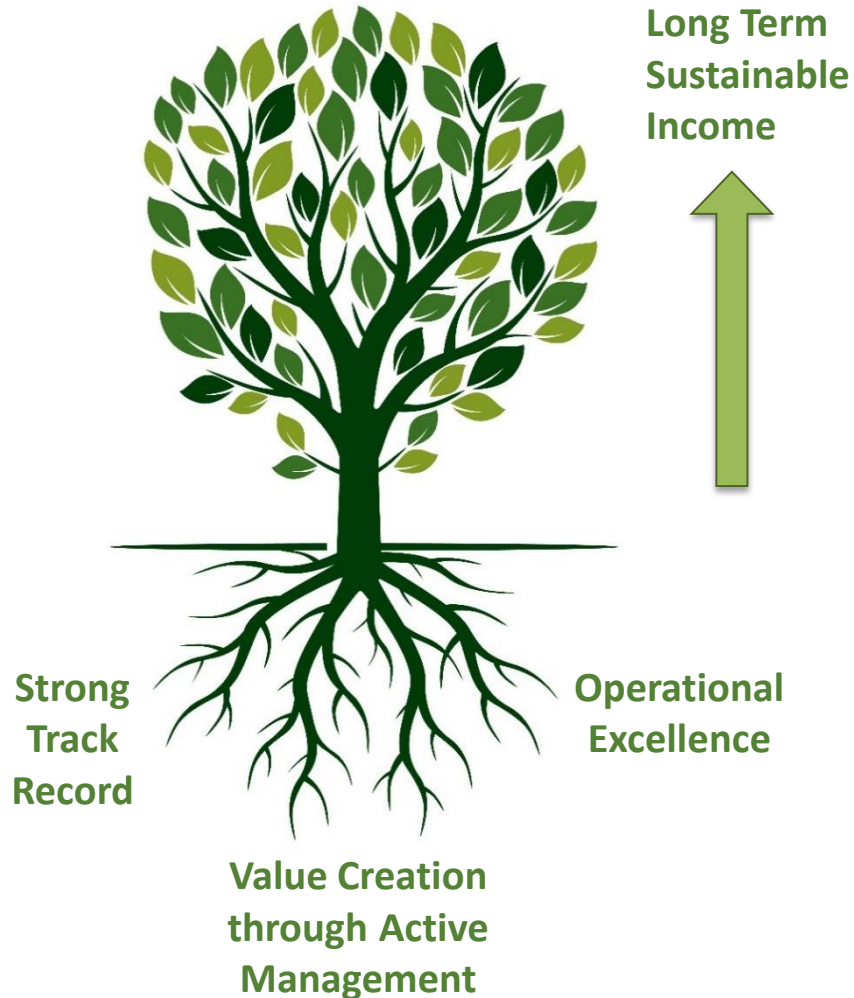
275 George Street,
Brisbane



8 Chifley Square,
Sydney



David Malcolm Justice
Centre, Perth



Strategy in Action

Our goal is to generate **sustainable income** and create **long-term value** for Unitholders through achieving **operational excellence** in all that we do.

Our foundation stems from:

Our Strong Track Record

- ✓ Delivering sustainable income
- ✓ Portfolio occupancy rate of 99.8% and WALE of approx. 6 years as at end-June 2017

Value Creation through Active Management

- ✓ Strong capital creation and preservation, with approximately S\$1.5 billion of unrealised capital gains achieved to-date
- ✓ Quality assets managed with a tenant centric approach

Operational Excellence

- ✓ Prudent management of costs and capital
- ✓ Sustained performance during market volatility



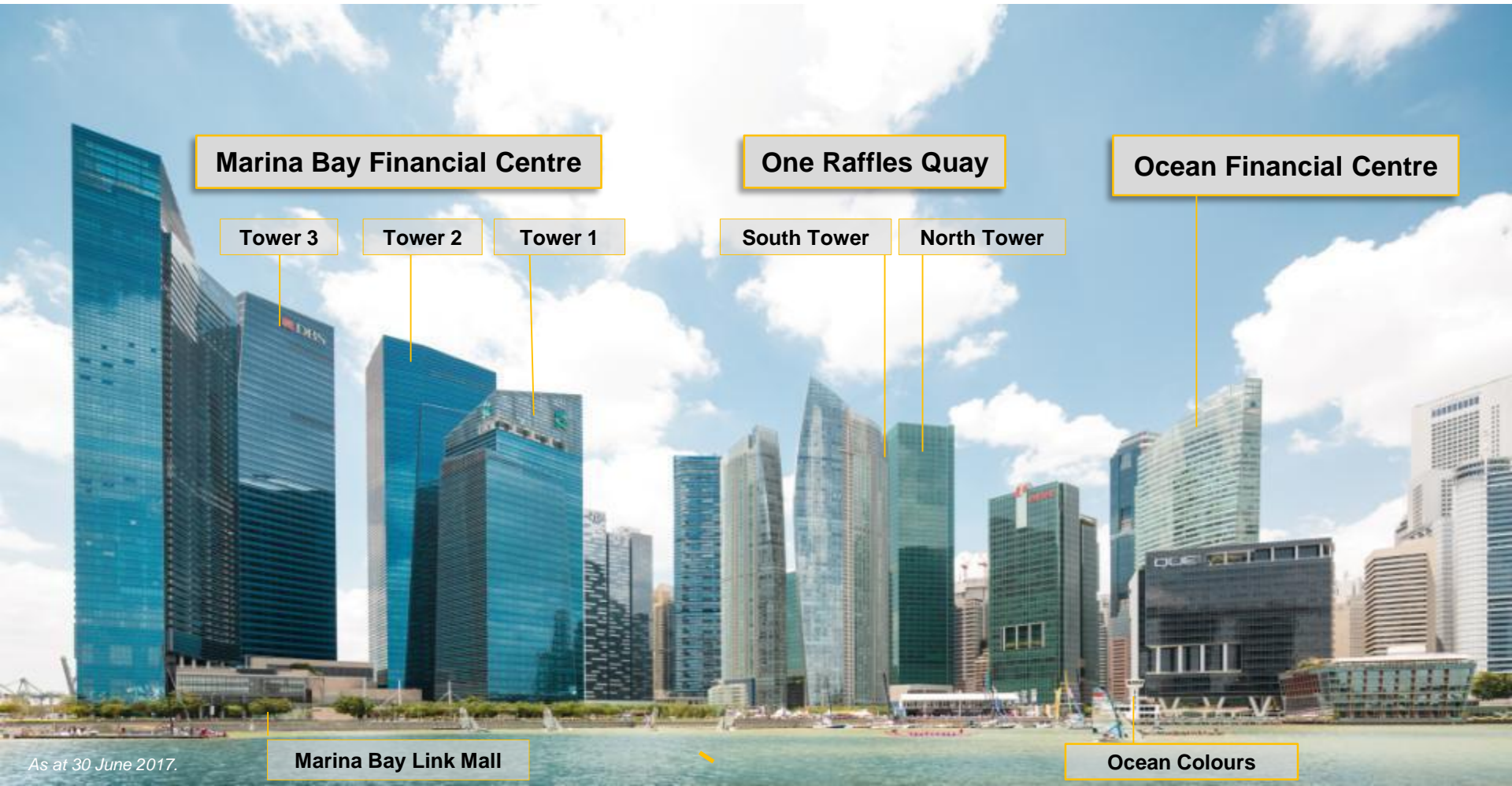
Additional Information

One Raffles Quay, Singapore



Portfolio Overview

Best-in-Class Assets in Strategic Locations	Largest Portfolio of Premium Office Assets	Assets Under Management	Well-Diversified Tenant Base
11 office towers in 8 quality Premium Grade and Grade A assets in the business and financial districts of Singapore and Australia	3.3 million sf total attributable NLA	S\$8.3 billion	318 tenants diversified across various business sectors



Marina Bay Financial Centre

Tower 3

Tower 2

Tower 1

One Raffles Quay

South Tower

North Tower

Ocean Financial Centre

Marina Bay Link Mall

Ocean Colours



Ocean Financial Centre
(99.9% interest)



Marina Bay Financial Centre
(33.3% interest)



One Raffles Quay
(33.3% interest)



Bugis Junction Towers
(100% interest)

Singapore*

89%

Australia*

11%



311 Spencer Street
Melbourne
(50% interest)



8 Chifley Square,
Sydney
(50% interest)



8 Exhibition Street,
Melbourne
(50% interest)



275 George Street,
Brisbane
(50% interest)



David Malcolm
Justice Centre, Perth
(50% interest)

* Based on Keppel REIT's total assets under management of approximately \$8.3 billion, as at 30 June 2017, and excludes 311 Spencer Street in Melbourne.



Portfolio Information

SINGAPORE	Ocean Financial Centre	Marina Bay Financial Centre ⁽³⁾	One Raffles Quay	Bugis Junction Towers
Attributable NLA (sf)	881,192	1,026,344	443,585	244,579
Ownership	99.9%	33.33%	33.33%	100.0%
Principal tenants	ANZ, BNP Paribas, Drew & Napier	DBS Bank, Standard Chartered Bank, BHP Billiton	Deutsche Bank, UBS, Ernst & Young	Keppel Land, IE Singapore, InterContinental Hotels Group
Tenure	99 years expiring 13 Dec 2110	99 years expiring 10 Oct 2104 ⁽⁴⁾ and 7 Mar 2106 ⁽⁵⁾	99 years expiring 12 Jun 2100	99 years expiring 9 Sep 2089
Purchase Price (on acquisition)	S\$2,298.8m ⁽²⁾	S\$1,426.8m ⁽⁴⁾ S\$1,248m ⁽⁵⁾	S\$941.5m	S\$159.5m
Valuation ⁽¹⁾	S\$2,627m	S\$1,693m ⁽⁴⁾ S\$1,316m ⁽⁵⁾	S\$1,273m	S\$540m
Capitalisation rates	3.75%	3.75%	3.75%	3.75%
AUSTRALIA	8 Chifley Square, Sydney	8 Exhibition Street, Melbourne⁽⁷⁾	275 George Street, Brisbane	David Malcolm Justice Centre, Perth
Attributable NLA (sf)	104,138	246,053	224,693	167,784
Ownership	50.0%	50.0%	50.0%	50.0%
Principal tenants	Corrs Chambers Westgarth, Quantium Group, QBE Insurance Group	Ernst & Young, UBS, Minister for Finance - State of Victoria, CBRE	Telstra Corporation, Queensland Gas Company	Government of Western Australia
Tenure	99 years expiring 5 Apr 2105	Freehold	Freehold	99 years expiring 30 Aug 2114
Purchase Price (on acquisition)	A\$167m	A\$169m ⁽⁷⁾	A\$166m	A\$165m
Valuation ⁽¹⁾⁽⁶⁾	S\$235.9m	S\$236.9m ⁽⁷⁾	S\$213.9m	S\$220.0m
Capitalisation rates	5.00%	5.25% ⁽⁸⁾ 4.50% ⁽⁹⁾	6.25%	5.50%

1) Valuation as at 31 December 2016 based on Keppel REIT's interest in the respective properties.

2) 87.5% interest of the building was acquired on 14 December 2011 and 12.4% interest of the building was acquired on 25 June 2012.

3) Comprises Marina Bay Financial Centre (MBFC) office Towers 1, 2 and 3 and Marina Bay Link Mall (MBLM).

4) Refers to MBFC Towers 1 and 2 and MBLM.

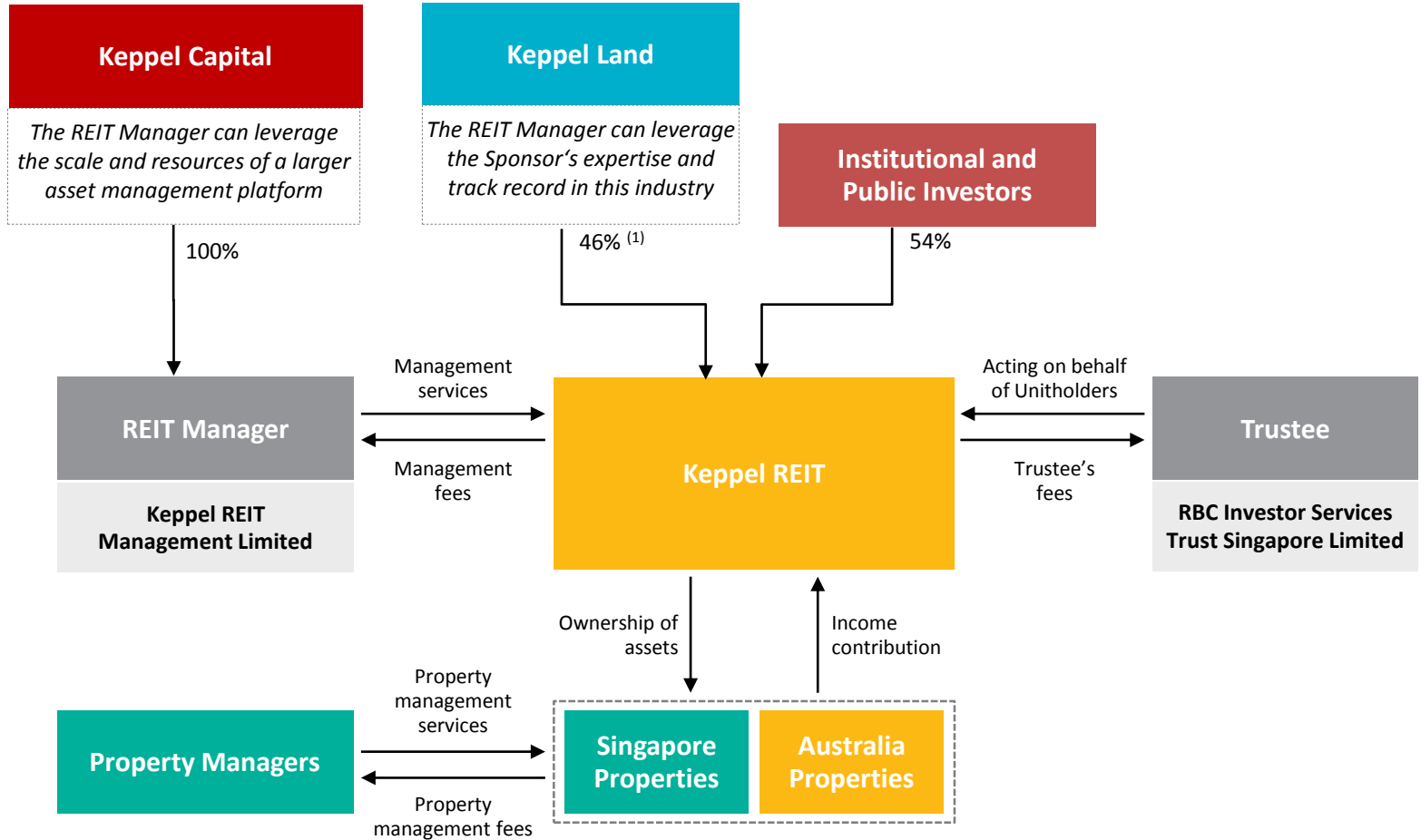
5) Refers to MBFC Tower 3.

6) Based on the exchange rate of A\$1 = S\$1.06 as at 31 December 2016.

7) Keppel REIT owns a 50% interest in the 8 Exhibition Street office building and two retail units, as well as 100% interest in the three adjoining retail units

8) Refers to Keppel REIT's 50% interest in the office building and two retail units.

9) Refers to Keppel REIT's 100% interest in the three adjoining retail units.



(1) Includes the stakes of both Keppel Land and Keppel Capital Investment Holdings



Thank You