

MEDIA RELEASE

Unaudited Results of Keppel REIT for the Half Year Ended 30 June 2023

25 July 2023

The Directors of Keppel REIT Management Limited, as Manager of Keppel REIT, are pleased to announce the unaudited results of Keppel REIT for the half year ended 30 June 2023.

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Higher Property Income Underpinned by Resilient Operational Performance

Key Highlights

- Property income in 1H 2023 increased 4.7% year-on-year to \$114.9 million due to higher rentals achieved and portfolio occupancy.
- 1H 2023 distribution to unitholders was lower year-on-year due mainly to higher property expenses and borrowing costs.
- Maintained high portfolio committed occupancy of 94.9% and positive rental reversion.
- The portfolio occupancy would have been 97.0% if Blue & William, which achieved practical completion on 3 April 2023, is excluded, an increase from 96.3% as at 31 March 2023.
- Blue & William achieved committed occupancy of 37.7% and is receiving a rental guarantee on unlet space for a period of up to three years from the practical completion date.
- The portfolio continued to enjoy long weighted average lease expiry (WALE) of 5.7 years.
- Driven by stable leasing demand for prime office space, committed occupancies for Ocean Financial Centre and One Raffles Quay were at 100%, while Marina Bay Financial Centre and Keppel Bay Tower were above 98.0%.
- Aggregate leverage at 39.2% with 76% of borrowings on fixed rates.
- Purchased and cancelled 19.65 million units in 1H 2023 with 10.15 million units purchased and cancelled in 2Q 2023.

Summary of Results

	GROUP		
	1H 2023 \$'million	1H 2022 \$'million	+/(⁻) %
Property income	114.9	109.8	4.7
Net property income (NPI)	89.9	89.5	0.4
Less: Attributable to non-controlling interests	(9.1)	(8.5)	6.8
NPI attributable to Unitholders	80.8	81.0	(0.2)
Interest income^(a)	3.7	9.1	(59.5)
Share of results of associates^(b)	40.3	44.6	(9.7)
Share of results of joint ventures^(c)	11.9	11.7	2.4
Borrowing costs	(31.8)	(25.2)	26.0
Distributable income from operations	99.0	110.5	(10.5)
Anniversary distribution^(d)	10.0	-	100.0
Distribution to Unitholders	109.0	110.5	(1.4)
DPU (cents)	2.90	2.97	(2.4)
Distribution yield	6.4%^(e)	6.5%^(f)	(0.1) pp

(a) Includes interest income from advances to associates. The decrease is due mainly to repayments of advance by an associate in January 2023 and April 2023.

(b) Share of results of associates relates to Keppel REIT's one-third interests in One Raffles Quay and Marina Bay Financial Centre. The decrease is due mainly to higher borrowing costs.

(c) Share of results of joint ventures relates to Keppel REIT's 50% interests in 8 Chifley Square and David Malcolm Justice Centre.

(d) In appreciation to Unitholders for their support and to celebrate Keppel REIT's 20th anniversary in 2026, Keppel REIT announced in October 2022 that it will distribute a total of \$100 million of Anniversary Distribution over a 5-year period. \$20 million will be distributed annually with such distribution to be made semi-annually.

(e) Based on annualised DPU and the market closing price of \$0.90 per Unit as at 30 June 2023.

(f) Based on total DPU of 5.92 cents for FY2022 and the market closing price of \$0.91 per Unit as at 31 December 2022.

Financial Performance

Underpinned by higher rentals and portfolio occupancy, Keppel REIT's 1H 2023 property income¹ increased 4.7% year-on-year to \$114.9 million. Distribution to unitholders was 1.4% lower year-on-year at \$109.0 million due mainly to higher property expenses and borrowing costs, offset partially by the Anniversary Distribution of \$10 million. DPU for 1H 2023 was 2.90 cents, translating to an annualised distribution yield of 6.4% based on market closing price of \$0.90 as at 30 June 2023.

Capital Management

As at 30 June 2023, Keppel REIT's aggregate leverage was 39.2% with 76% of its borrowings on fixed rates. All-in interest rate was 2.84% per annum, with interest coverage ratio² and adjusted interest coverage ratio³ at 3.4 times and 3.0 times respectively. Weighted average term to maturity of borrowings was 2.9 years. Exposure to foreign currency is maintained at a manageable level as Keppel REIT adopts natural hedge where practicable and aims to hedge at least 50% of its foreign currency denominated income on a rolling 6-month basis. As at 30 June 2023, the Australian Dollar, South Korean Won and Japanese Yen denominated loans formed approximately 17%, 4% and 3% of total borrowings⁴ respectively. Compared to 31 March 2023, sustainability-focused funding increased from 62% to 68% of total borrowings⁴. There is no major refinancing required for the rest of 2023 and the majority of the debt due in 2023 and 2024 will mature in 4Q 2023 and 2Q 2024 respectively.

Continuing its unit buy-back effort in 1Q 2023, Keppel REIT purchased and cancelled 10.15 million units in 2Q 2023, bringing the total number of units purchased and cancelled in 1H 2023 to 19.65 million.

Portfolio Review

Keppel REIT's portfolio committed occupancy remained high at 94.9% as at 30 June 2023. Excluding Blue & William which achieved practical completion on 3 April 2023, the portfolio committed occupancy would have been 97.0%, an increase from 96.3% a quarter ago. Portfolio and top 10 tenants' WALE remained long at approximately 5.7 years and 10.3 years respectively.

Keppel REIT's portfolio of prime commercial space continued to see stable leasing momentum. Approximately 854,700 sf (attributable area of approximately 421,200 sf) was committed in 1H 2023. In 2Q 2023, 8 Chifley Square signed a new government tenant who will occupy approximately 100,000 sf, while Blue & William secured its second tenant from the banking sector and improved its committed occupancy to 37.7%. The rental guarantee⁵ on the unlet space for Blue & William has commenced and will continue for a period of up to three years from the practical completion date.

¹ Property income relates to income from directly-held properties including Ocean Financial Centre, 50% interest in 8 Exhibition Street office building and 100% interest in the three adjacent retail units, 50% interest in Victoria Police Centre, Pinnacle Office Park, T Tower, Keppel Bay Tower and KR Ginza II after it was acquired on 30 November 2022.

² Defined as trailing 12 months earnings before interest, tax, depreciation and amortisation (EBITDA) (excluding effects of any fair value changes of derivatives and investment properties, and foreign exchange translation), over trailing 12 months interest expense and borrowing-related fees.

³ Defined as trailing 12 months EBITDA (excluding effects of any fair value changes of derivatives and investment properties, and foreign exchange translation), over trailing 12 months interest expense, borrowing-related fees and distributions on hybrid securities.

⁴ This includes Keppel REIT's share of external borrowings accounted for at the level of associates.

⁵ Rental guarantee received for the period from practical completion date (3 April 2023) to 30 June 2023 amounted to \$3.7 million.

The flight-to-quality trend continued to benefit Keppel REIT's portfolio, driving the committed occupancies for Ocean Financial Centre and One Raffles Quay to 100%, and Marina Bay Financial Centre and Keppel Bay Tower to above 98%. In addition, the weighted average signing rent⁶ for Singapore office leases increased from approximately \$12.05 psf pm in 1Q 2023 to \$12.35 psf pm in 1H 2023.

The total new and expansion leases committed were distributed across various industry sectors, including technology, media and telecommunications (27.1%), banking, insurance and financial services (20.8%), and government agency (19.5%).

As part of Keppel REIT's continuous efforts to increase the utilisation of renewable energy, the installation of solar panels at 8 Exhibition Street was completed in 2Q 2023, and they will be commissioned in 3Q 2023. Keppel REIT continued to engage tenants, employees and the community through various activities to reinforce the importance of a sustainable food system and to give back to the community. These activities included an Eco-Gardening Day with tenants from One Raffles Quay and Marina Bay Financial Centre, and a Bento-Making Workshop with the beneficiaries from Muscular Dystrophy Association (Singapore).

Keppel REIT conducted an independent valuation of all its investment properties as at 30 June 2023 and portfolio value decreased by 0.1% from 31 December 2022. As at 30 June 2023, Keppel REIT's portfolio of prime commercial properties remained well-anchored in the key business districts of Singapore (79.0% of portfolio), Australia (16.8% of portfolio), South Korea (3.3% of portfolio) and Japan (0.9% of portfolio).

Market Review

In Singapore, the average core CBD Grade A office rents reported by CBRE registered an increase from \$11.75 psf pm in 1Q 2023 to \$11.80 psf pm in 2Q 2023, and average core CBD occupancy increased from 94.5% as at end March 2023 to 94.8% as at end June 2023.

In Australia, JLL Research (JLL) noted that the prime grade occupancy in Perth CBD increased, while Sydney, North Sydney, Macquarie Park and Melbourne CBD decreased in 2Q 2023. In Seoul, JLL reported a decrease in the CBD Grade A office market occupancy from 98.5% as at end March 2023 to 98.1% as at end June 2023. In Tokyo central five wards, JLL noted that the Grade A office market occupancy decreased from 95.8% as at end March 2023 to 95.2% as at end June 2023, while Grade B office market occupancy maintained at 96.1% as at end June 2023.

Delivering sustainable long-term total return to Unitholders continues to be a key focus of Keppel REIT. The Manager will continue to proactively manage the portfolio and exercise prudence in capital management.

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⁶ Weighted average for the Singapore office leases concluded in Ocean Financial Centre, Marina Bay Financial Centre and One Raffles Quay.

About Keppel REIT (www.keppelreit.com)

Listed by way of an introduction on 28 April 2006, Keppel REIT is one of Asia's leading real estate investment trusts with a portfolio of prime commercial assets in Asia Pacific's key business districts.

Keppel REIT's objective is to generate stable income and sustainable long-term total return for its Unitholders by owning and investing in a portfolio of quality income-producing commercial real estate and real estate-related assets in Asia Pacific.

Keppel REIT has a portfolio value of over \$9.0 billion, comprising properties in Singapore; the key Australian cities of Sydney, Melbourne and Perth; Seoul, South Korea; as well as Tokyo, Japan.

Keppel REIT is managed by Keppel REIT Management Limited and sponsored by Keppel, a global asset manager and operator with strong expertise in sustainability-related solutions spanning the areas of infrastructure, real estate and connectivity.

Important Notice

The past performance of Keppel 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 or 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 REIT ("Unitholders") are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of Keppel REIT Management Limited, as manager of Keppel 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 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 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.