

Proposed Acquisition of 90% Interest in Keppel DC Singapore 3

17 October 2016

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Content

- Transaction Highlights
- Merits of Proposed Acquisition
- Appendix



Proposed Acquisition

- Proposed acquisition of 90% interest in Keppel DC Singapore 3 (KDC SGP 3), from Keppel Data Centres Holding (KDCH), a 70:30 joint venture between Keppel Telecommunications & Transportation and Keppel Land
- The colocation data centre asset will continue to be managed by a subsidiary of KDCH, which has an established track record from over 12 years of designing, building and managing data centres



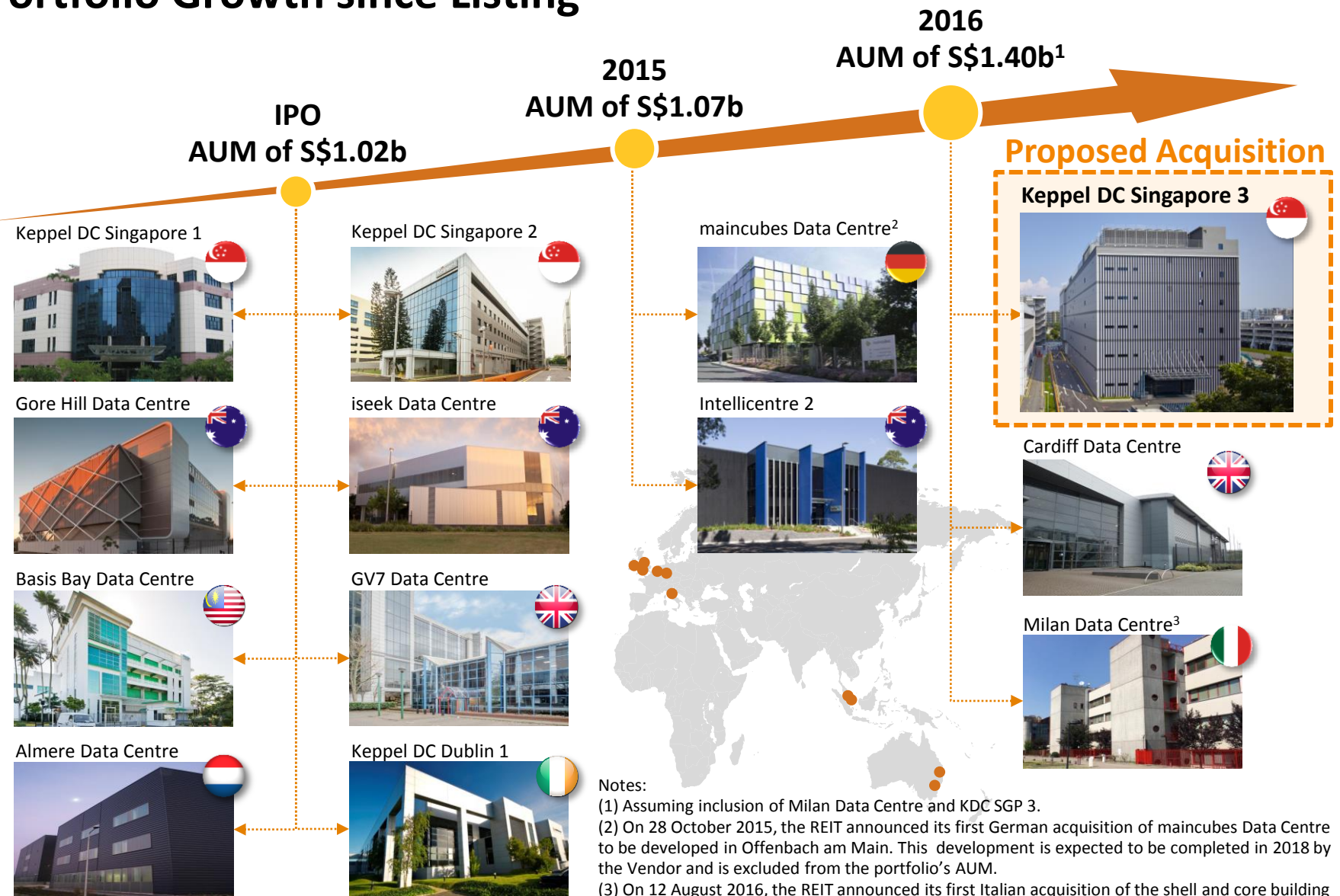
Keppel DC Singapore 3 in Tampines, Singapore

Location	27 Tampines Street 92, Singapore 528878
Land Lease Title	Leasehold
Land Area	53,815 sq ft
Lettable Area	50,245 sq ft
WALE	5.7 years
Occupancy Rate	100% committed
Appraised Value of KDC SGP 3 Interest¹	S\$207.0 million (Cushman & Wakefield) S\$208.0 million (Savills)
Agreed Value	S\$202.5 million
Age of Building	1.2 years

Note:

(1) This refers to 90% interest in KDC SGP 3.

Portfolio Growth since Listing



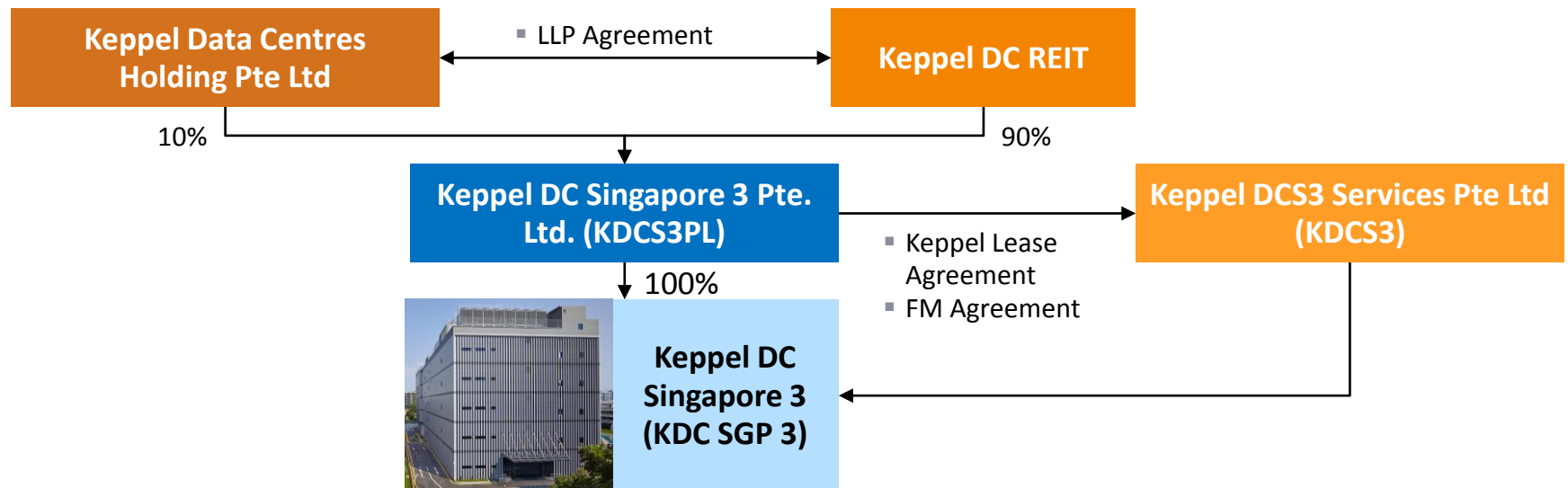
Notes:

- (1) Assuming inclusion of Milan Data Centre and KDC SGP 3.
- (2) On 28 October 2015, the REIT announced its first German acquisition of maincubes Data Centre to be developed in Offenbach am Main. This development is expected to be completed in 2018 by the Vendor and is excluded from the portfolio's AUM.
- (3) On 12 August 2016, the REIT announced its first Italian acquisition of the shell and core building of a data centre in Milan. This acquisition is expected to be completed later this year.

Transaction Summary

- Conditional share purchase agreement with KDCH to acquire 90% interest in Keppel DC Singapore 3 Pte. Ltd. (KDCS3PL) which holds KDC SGP 3
- KDCS3PL will also enter into:
 - Keppel Lease Agreement** – KDC SGP 3 will be leased to Keppel DCS3 Services Pte Ltd (KDCS3) for a term of 10 years with an option to renew for a further five years
 - Facility Management (FM) Agreement** – KDCS3 will be appointed as facility manager
 - Limited Liability Partnership (LLP) Agreement** – conversion of KDCS3PL into a LLP¹

Post-Completion of Transaction



Note:

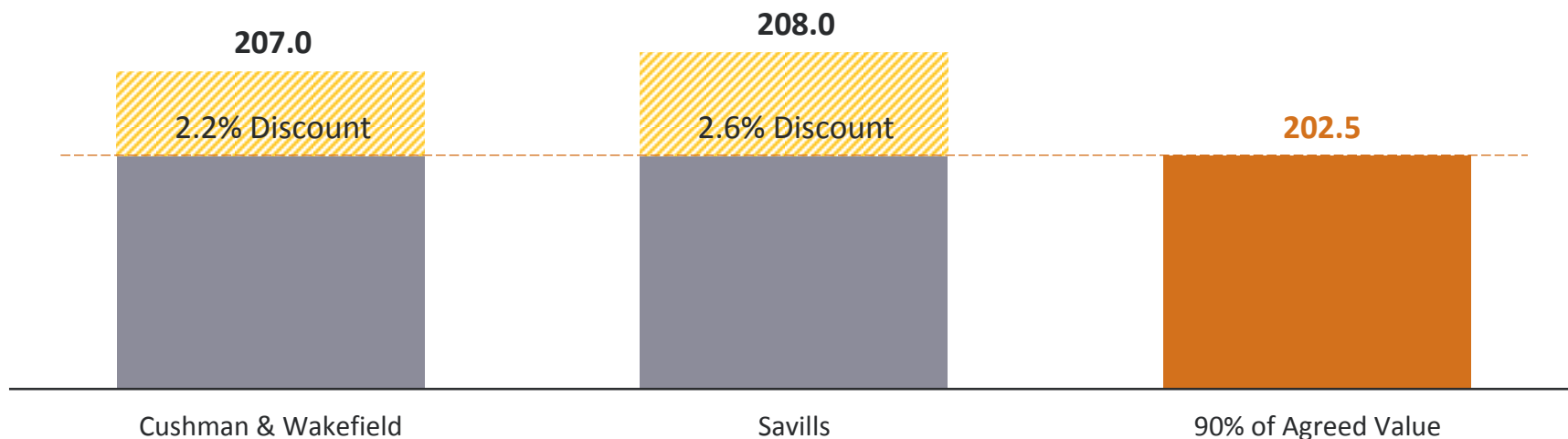
(1) This refers to Keppel DC Singapore 3 LLP (KDCS3LLP).

Acquisition Price & Funding

- Agreed Value of 90% interest in KDC SGP 3 is lower than the independent valuations by Cushman & Wakefield and Savills
- Proposed Acquisition will be fully funded by equity with a fully underwritten preferential offering launched at the same time to raise approximately S\$275.3 million with the issuance of 242.0 million new Units
- Management fees for the Proposed Acquisition will be paid 100% in cash, while acquisition fees will be issued in units as per IPO Prospectus, in accordance with the Property Funds Appendix

Comparison of Valuations of 90% Interest in KDC SGP 3

(S\$'million)





Keppel DC REIT

Merits of Proposed Acquisition

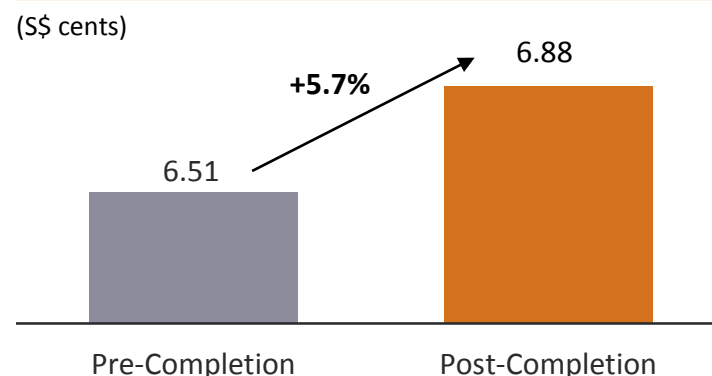
Merits of Proposed Acquisition

- 1 Distribution per Unit (DPU) accretive acquisition
- 2 Strengthens foothold in Singapore
- 3 Greater income resilience through exposure to a larger portfolio
- 4 Improvement in portfolio occupancy and lease profile
- 5 Expanded portfolio creates a stronger platform for growth
- 6 Alignment of interests with fully underwritten preferential offering

1 DPU Accretive Acquisition

- Consistent with the REIT's investment strategy of acquiring income-producing assets that would enhance total return to Unitholders and increase potential for future growth
- Proposed Acquisition is expected to be DPU accretive

Pro Forma Distribution per Unit¹



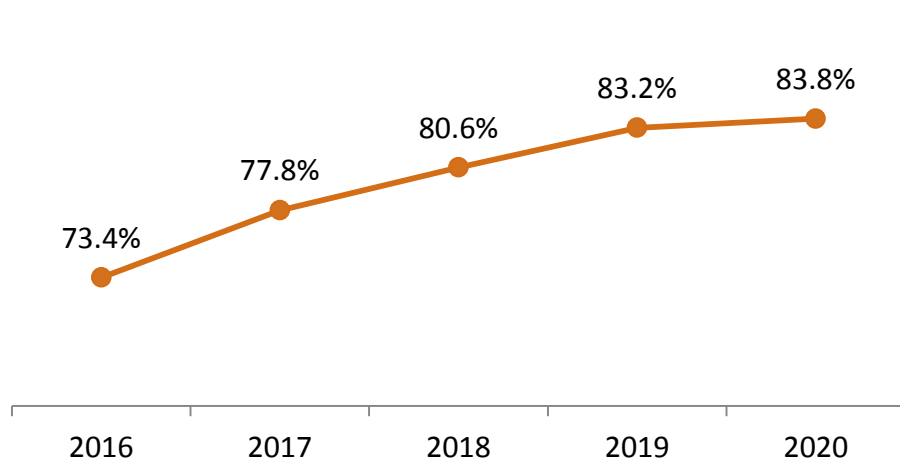
DPU Accretion from Proposed Acquisition

Scenarios ²	2015 DPU Before Proposed Acquisition	2015 Pro Forma DPU After Proposed Acquisition	DPU Accretion
With tax transparency	6.51 cents	7.19 cents	10.4%
Without tax transparency	6.51 cents	6.88 cents	5.7%

- Notes:
- The pro forma financial effects of the Proposed Acquisition on Keppel DC REIT's DPU for FY2015, as if the Proposed Acquisition were completed on 1 January 2015, and Keppel DC REIT held and operated the KDC SGP 3 Interest through to 31 December 2015, without tax transparency.
 - An application has been made to Inland Revenue Authority of Singapore (IRAS) for a ruling on KDCS3LLP's tax transparency treatment.

2 Strengthens Foothold in Singapore

Projected Utilisation in Singapore



“Singapore’s wholesale colocation market is projected to grow at a compound annual growth rate of 10% from 2016 to 2020”

– Structure Research



- **Key data centre market:** Singapore is one of the key data centre hubs in Asia with its status as financial hub of the region, robust telecommunications infrastructure and strong government support for the data centre sector

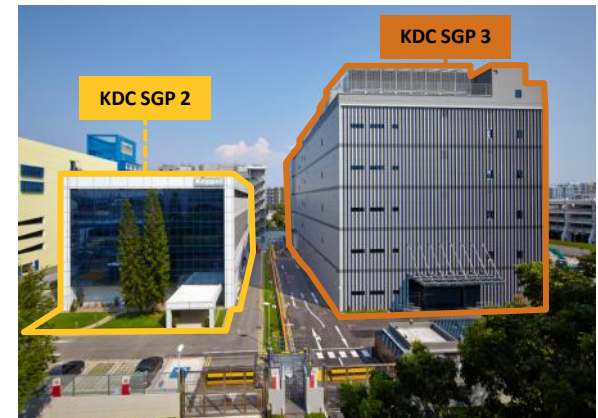
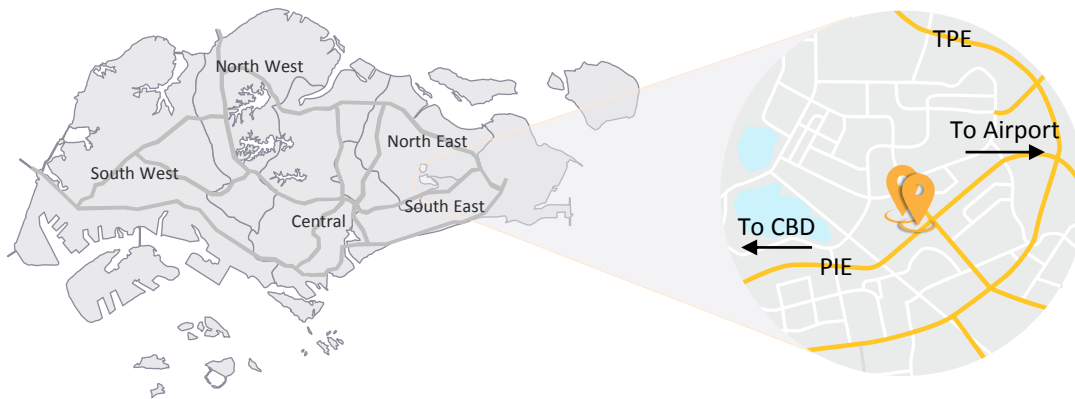


- **Strong growth fundamentals:** Singapore has shown strong momentum in recent years and continues to attract multinational corporations looking to locate data centres in the region

2 Strengthens Foothold in Singapore (Cont'd)

Strategic Location & Asset

- **Adjacent to existing property:** KDC SGP 3 is located adjacent to KDC SGP 2, one of the REIT's data centre properties, and will be able to integrate seamlessly to become a data centre campus
- **Connectivity and accessibility:** Besides being located in an area supported by high power connection and data infrastructure networks, KDC SGP 3 is also well served by major roads and expressways



KDC SGP 3 is located adjacent to the REIT's existing asset KDC SGP 2

2 Strengthens Foothold in Singapore (Cont'd)

Prime Asset with High Specifications

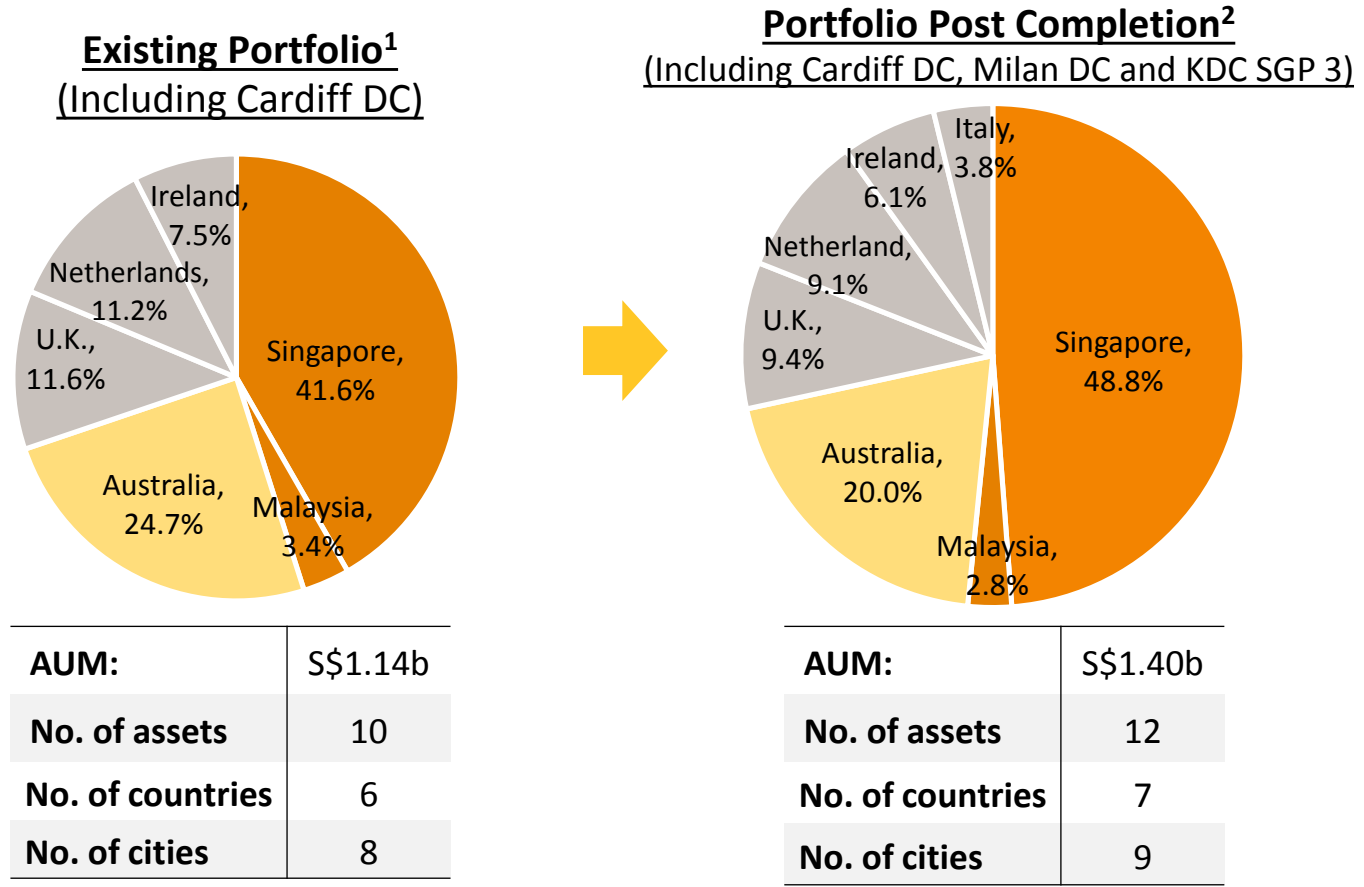
- **Modern facility:** KDC SGP 3 is a five-storey carrier-neutral data centre designed and built to high specifications, including on-site 24x7 facilities management, security and green features
- **Green accolade:** KDC SGP 3 is the first data centre in Singapore to achieve the BCA-IDA Green Mark Platinum Award for New Data Centres
 - Green features include:
 - i. Efficient cooling systems designed for hot and cold aisle containment
 - ii. Extensive use of green cement and sustainable products
 - iii. Motion sensors and zoning control for data centre area



Interior of colocation suite

3 Greater Income Resilience through Exposure to a Larger Portfolio

- The enlarged portfolio provides further diversified income streams as well as drives long-term growth and income sustainability



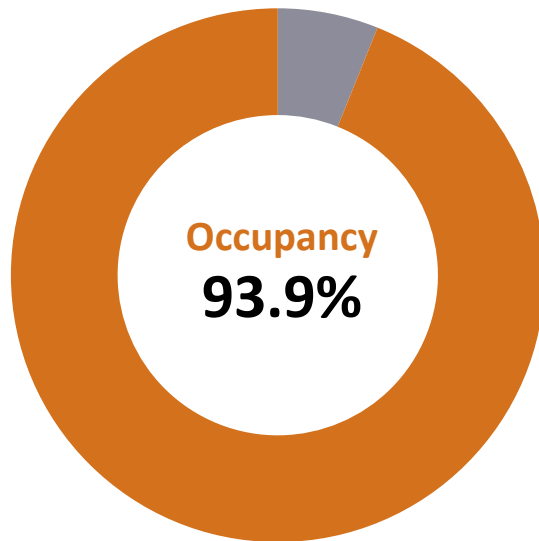
Notes:

- (1) Existing portfolio includes the acquisition of Cardiff Data Centre which was announced on 6 October 2016.
- (2) Assuming inclusion of Cardiff Data Centre, Milan Data Centre and KDC SGP 3 into the portfolio.

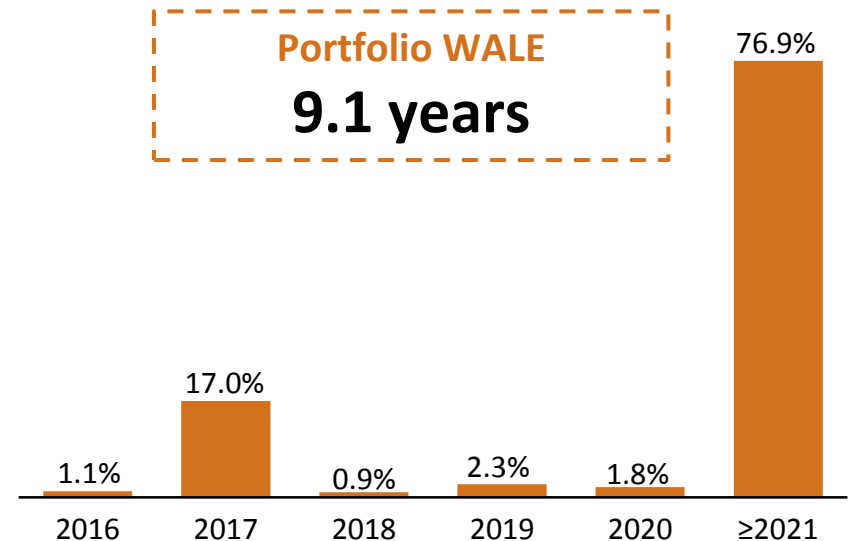
4 Improvement in Portfolio Occupancy and Lease Profile

- Portfolio occupancy rate of 93.9% (by attributable NLA) as at 30 September 2016 with Enlarged Portfolio
- Portfolio's lease profile will be improved such that not more than 17.0% will be due for renewal in any one year for the next 10 years

Enlarged Portfolio Post Transaction¹



Lease Expiry Profile Post Transaction^{1,2}



Notes:

(1) Assuming acquisition completed as at 30 September 2016.

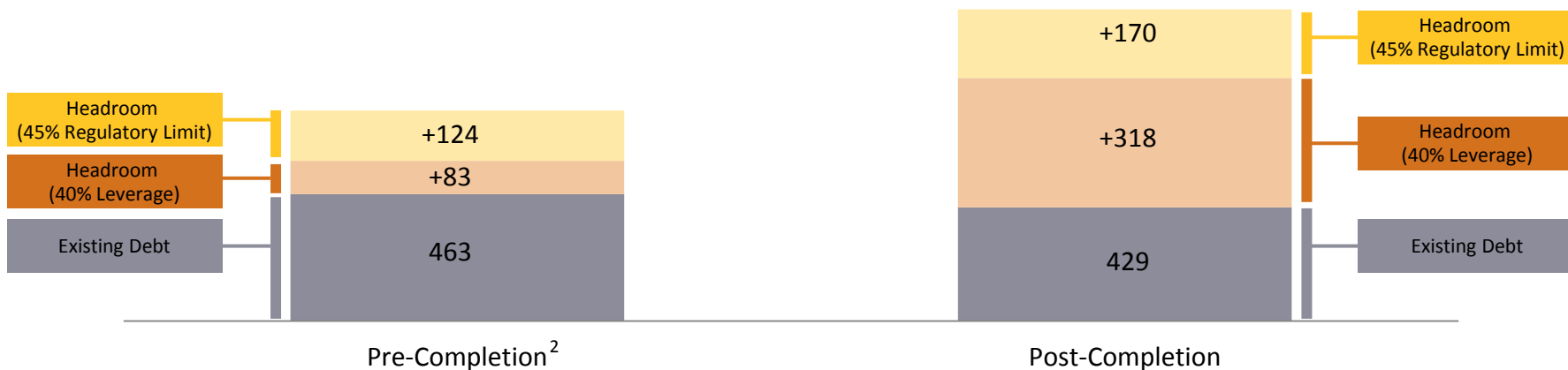
(2) By leased lettable area, includes KDC SGP 3's leased lettable area attributable to the 90% interest.

5 Expanded Portfolio Creates Stronger Platform for Growth

- **Increase in debt headroom for future acquisitions:** debt headroom post preferential offering will increase to approximately S\$318¹ million
 - 100% equity funding will lower aggregate leverage from 36.1%² to 27.7%
- **Greater financial flexibility:** the higher AUM, the fully unencumbered portfolio and higher free float will lead to better access to the debt and equity capital markets

Increase in Debt Headroom

(S\$'million)



Notes:

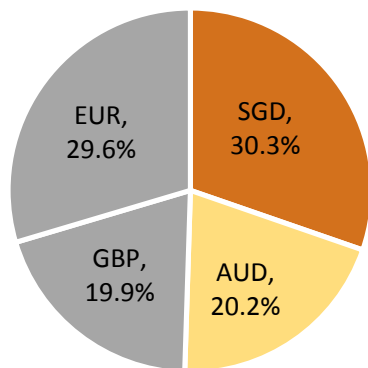
- (1) Debt headroom to aggregate leverage of 40%.
- (2) Aggregate leverage is gross borrowings and deferred payment as a percentage of the deposited properties, both of which do not take into consideration the finance lease liabilities pertaining to land rent commitments for isek Data Centre and Keppel DC Dublin 1. The pre-Completion aggregate leverage of approximately 36.1% has been adjusted to take into consideration the debt financing of recent acquisition of Cardiff Data Centre and the acquisition of Milan Data Centre which is pending legal completion.

5 Expanded Portfolio Creates Stronger Platform for Growth (Cont'd)

- **Increasing natural hedge while reducing aggregate leverage:** With the Cardiff Data Centre and Milan Data Centre being fully funded by debt, funding the Proposed Acquisition with equity will reduce the REIT's aggregate leverage while increasing the natural hedge of its portfolio

Debt currency breakdown¹

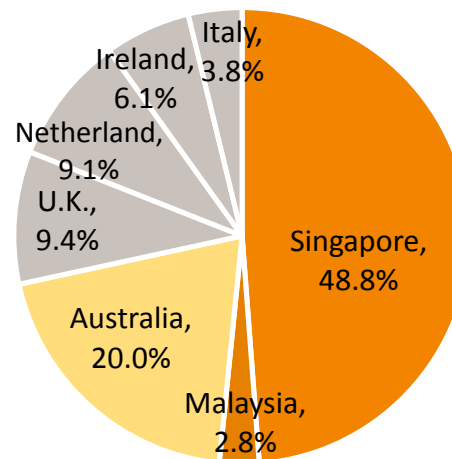
(Post acquisition of Cardiff DC, Milan DC and KDC SGP 3)



Total borrowings:
Approx. S\$429m

Portfolio breakdown¹

(Post acquisition of Cardiff DC, Milan DC and KDC SGP 3)



Total value:
Approx. S\$1.40b

Note:

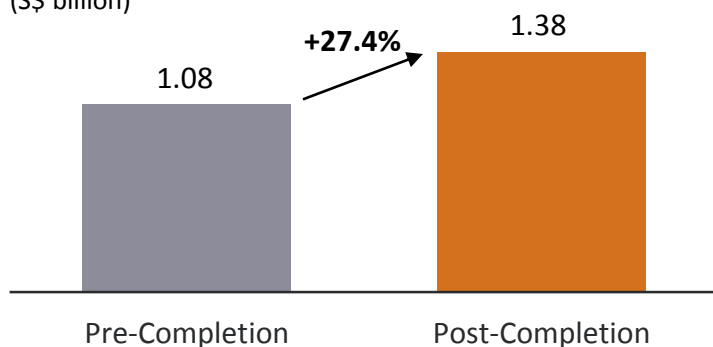
- (1) Assuming inclusion of Cardiff Data Centre, Milan Data Centre and KDC SGP 3 into the portfolio and not taking into consideration the finance lease liabilities pertaining to the land rent commitments for isek Data Centre and Keppel DC Dublin 1.

6 Alignment of Interests with Fully Underwritten Preferential Offering

- Provides Unitholders the opportunity to increase their investments in Keppel DC REIT at a discounted issue price and participate in its future growth
- Maintains a prudent capital structure with ample debt headroom to capture growth opportunities as they arise
- Keppel DC Investment Holdings Pte. Ltd. and DC REIT Holdings Pte. Ltd.'s irrevocable undertakings to subscribe for pro-rata entitlement demonstrates Keppel Group's support for the REIT's long-term growth, and aligns its interest with that of the REIT and its Unitholders
- Fully underwritten preferential offering gives certainty to the quantum of proceeds received
- 27.4% increase in the number of Units in issue following the Preferential Offering potentially improves the REIT's trading liquidity

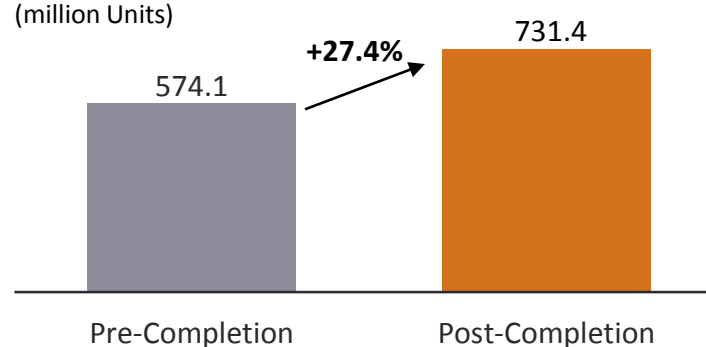
Increase in market capitalisation¹

(S\$'billion)



Increase in free float¹

(million Units)



Note:

(1) Derived using the Units in issue and market closing price of S\$1.225 on 17 October 2016.

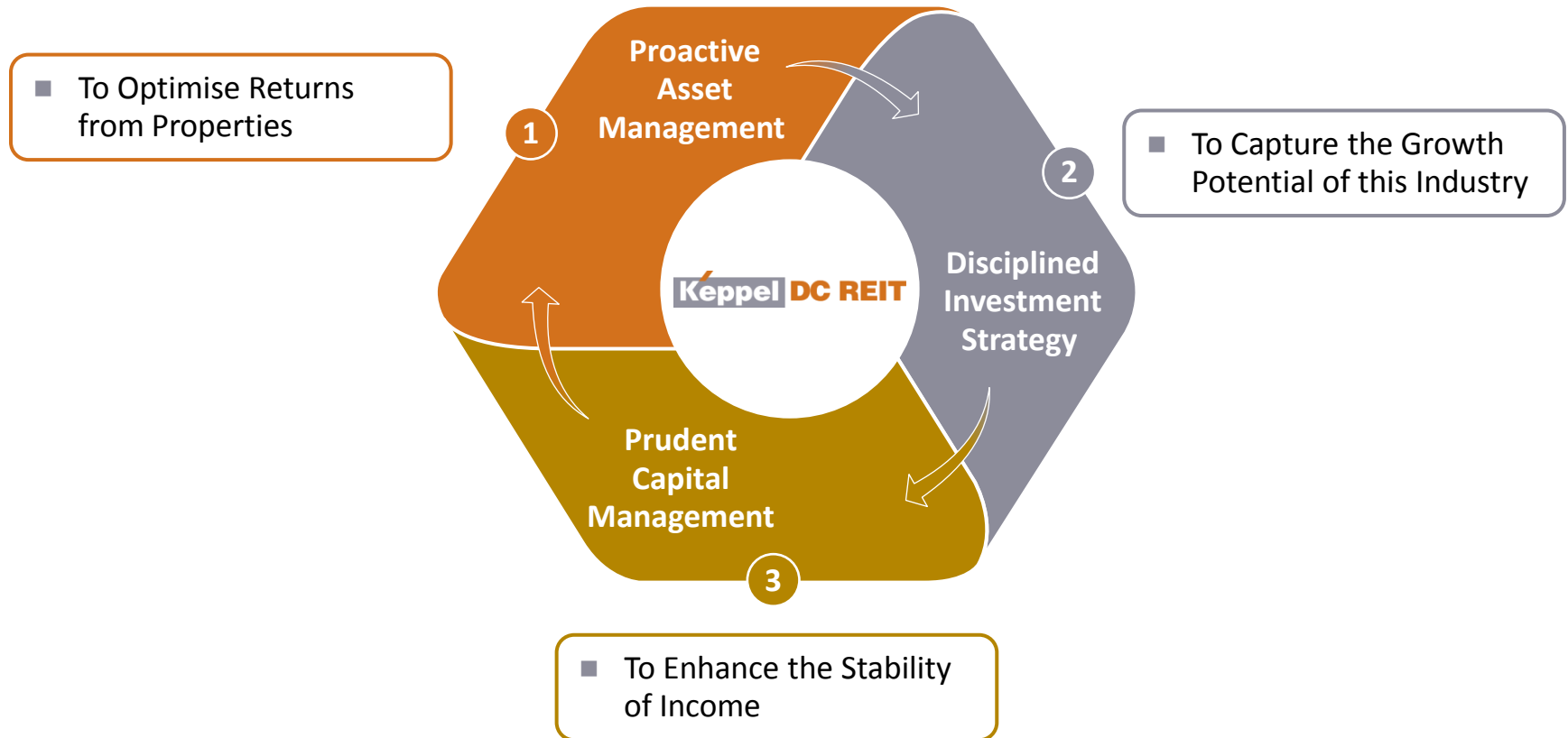
Unitholders' Approval to be Sought at EGM

The Manager seeks Unitholders' approval for the following Ordinary Resolution



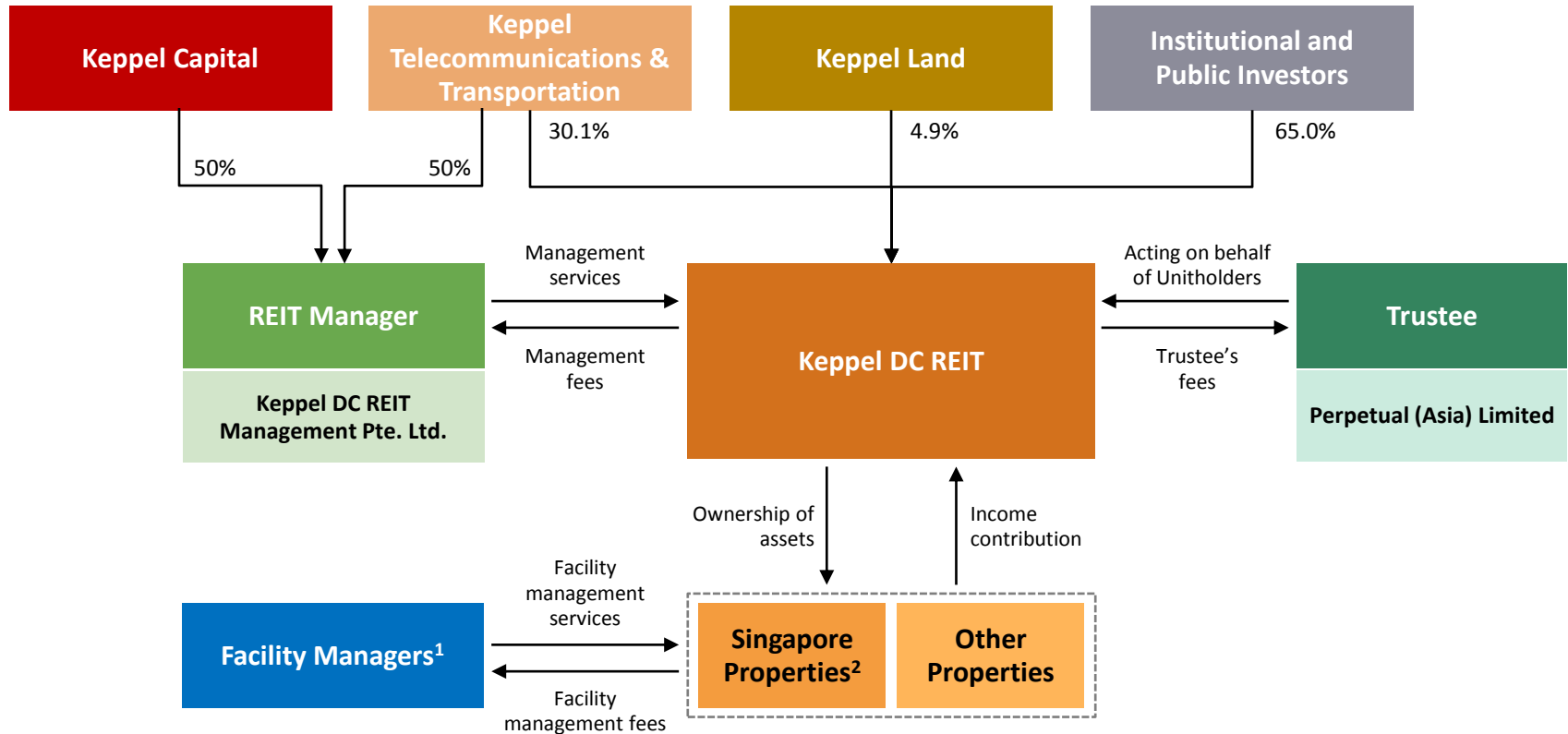
Resolution: The Proposed Acquisition of 90.0% Interest in Keppel DC Singapore 3 (formerly known as T27 or Keppel Datahub 2), the entry into the Keppel Lease Agreement, the Facility Management Agreement, the LLP Agreement and the Equity Injection

Committed to Deliver Value



To provide Unitholders with regular and stable distributions, and to achieve long-term growth in DPU and NAV per unit, while maintaining an optimal capital structure.

Keppel DC REIT Structure





Notes:

- (1) The Facility Managers are appointed pursuant to the facility management agreements entered into for the respective properties.
- (2) The Singapore Properties are held directly by the REIT.

Portfolio Overview

Asia Pacific

Property	Location	Interest	Lettable area (sq ft)	No. of clients ^{1,5}	Occupancy rate ⁵ (%)	Carrying Value ^{4,5} (\$m)	Lease type	WALE ⁵ (years)	Land lease title
 Keppel DC Singapore 1 (S25)	Singapore	100%	109,711	20	87.6	292.9	Keppel lease / Colocation	3.3	Leasehold (Expiring 30 September 2025, with option to extend by 30 years)
 Keppel DC Singapore 2 (T25)	Singapore	100%	37,098	4	100.0	181.6	Keppel lease / Colocation	4.2	Leasehold (Expiring 31 July 2021, with option to extend by 30 years)
 Basis Bay Data Centre	Cyberjaya, Malaysia	99% ²	48,680	1	100.0	39.3	Double-net (Fully fitted)	0.7	Freehold
 Gore Hill Data Centre	Sydney, Australia	100%	90,955	3	100.0	204.0	Triple-net (Shell & core) [one client] / Colocation [two clients]	8.2	Freehold
 Intellicentre 2	Sydney, Australia	100%	87,930	1	100.0	48.2	Triple-net (Shell & core)	18.9	Freehold
 iseek Data Centre	Brisbane, Australia	100%	12,389	1	100.0	30.1	Double-net ³ (Fully fitted)	9.7	Leasehold (Expiring 29 June 2040, with an option to extend for 7 years)

(1) Certain clients have signed more than one colocation arrangement using multiple entities.





(2) Keppel DC REIT holds a 99.0% interest in Basis Bay Data Centre while the Basis Bay Vendor holds the remaining 1.0% interest. Property-related calculations (e.g. Rental Income, Net Property Income, WALE, Independent Valuations) includes the 1.0% interest in Basis Bay Data Centre held by the Basis Bay Vendor.

(3) Keppel DC REIT has in place the iseek Lease with the client of iseek Data Centre. While the iseek Lease is called a colocation arrangement, the terms are structured as effectively equivalent to a double-net lease.



(4) Carrying value of the investment properties does not include finance lease liabilities pertaining to land rent commitments in iseek Data Centre and Keppel DC Dublin 1.

(5) As of 30 September 2016.

Portfolio Overview (Cont'd)

<u>Europe</u>				Lettable area (sq ft)	No. of Clients ^{1,6}	Occupancy rate ⁶ (%)	Carrying Value ^{5,6} (\$m)	Lease type	WALE ⁶ (years)	Land lease title
	GV7 Data Centre	London, United Kingdom	100%	24,972	1	100.0	66.7	Triple-net (Fully fitted)	10.4	Leasehold (Expiring 28 September 2183)
	Cardiff Data Centre <i>(announced and completed on 6 Oct 2016)</i>	Cardiff, United Kingdom	100%	79,439	1	100.0	64.9	Triple-net (Shell & core)	14.7	Freehold
	Keppel DC Dublin 1 (Citadel 100 Data Centre)	Dublin, Ireland	100%	68,118	12	55.8	85.5	Colocation	2.6	Leasehold (Expiring 11 April 2041)
	Almere Data Centre	Almere, Netherlands	100%	118,403	1 ²	100.0	127.8	Double-net (Fully fitted)	11.9	Freehold

Pending Legal Completion

	Property	Location	Interest	Lettable area (sq ft)	No. of clients ⁶	Occupancy rate ⁶ (%)	Purchase Price (\$m)	Lease type	WALE ⁶ (years)	Land lease title
	maincubes Data Centre³ <i>(expected completion in 2018)</i>	Offenbach am Main, Germany	100%	126,800	1	100.0 (upon legal completion)	125.5	Triple-net lease (Fully fitted)	15 ⁴	Freehold
	Milan Data Centre <i>(expected completion in 2016)</i>	Milan, Italy	100%	165,389	1	100.0 (upon legal completion)	55.7	Double-net (Shell & core)	11.3	Freehold

(1) Certain clients have signed more than one colocation arrangement using multiple entities.

(2) Keppel DC REIT, through its wholly-owned subsidiary has entered into the Ground Lease with Borchveste. With the Ground Lease in place, the lease with the underlying client becomes conceptually similar to a sub-lease, with Borchveste being (i) the leasehold client of KDCR Almere B.V. and (ii) the lessor to the underlying client.

(3) On 28 October 2015, the REIT announced its first German acquisition of maincubes Data Centre which will be developed in Offenbach am Main. This development is expected to be completed in 2018 by the Vendor and is excluded from the portfolio's assets under management.

(4) WALE upon lease commencement.

(5) Carrying value of the investment properties does not include finance lease liabilities pertaining to land rent commitments in isseek Data Centre and Keppel DC Dublin 1.

(6) As of 30 September 2016.

Thank You