



(Constituted in the Republic of Singapore pursuant to a trust deed dated 28 November 2005 (as amended))

DIVESTMENT OF A 20% INTEREST IN OCEAN PROPERTIES LLP WHICH HOLDS OCEAN FINANCIAL CENTRE

1. INTRODUCTION

1.1 Divestment of a 20% interest in Ocean Properties LLP

Keppel REIT Management Limited, as manager of Keppel REIT (the “**Manager**”), is pleased to announce that RBC Investor Services Trust Singapore Limited, in its capacity as trustee of Keppel REIT (the “**Trustee**”), had on 29 November 2018 entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”) in relation to the sale of a 20.0% interest in Ocean Properties LLP (“**OPLLP**”) to Allianz Real Estate (on behalf of several Allianz companies, collectively “**Allianz**”, and the sale of the 20.0% interest in OPLLP to Allianz, the “**Sale**”).

OPLLP holds the property known as Ocean Financial Centre, located at 10 Collyer Quay, Singapore 049315 (the “**Property**”). Keppel REIT currently holds 99.9% of OPLLP for a period of 99 years from 14 December 2011. Following the completion of the Sale, Keppel REIT will hold 79.9% of OPLLP and Allianz will hold 20.0% of OPLLP¹, each for a period of 99 years from 14 December 2011.

1.2 Information on the Property

The Property is a premium Grade A development strategically located at the intersection of the Raffles Place and Marina Bay financial precincts. The Property has a total net lettable area of 877,635 square feet (“**sf**”) offering quality space, large column free floor plates of between 20,000 sf and 25,000 sf, as well as direct access to the Raffles Place MRT interchange via an underground pedestrian network. Its retail component, Ocean Colours, which is located on the ground and basement levels, provides various dining options and amenities. For its efforts in sustainability, Ocean Financial Centre was recognised with the Green Mark Platinum Award and Green Mark Pearl Award in 2016 by the Building and Construction Authority of Singapore.

Cushman and Wakefield VHS Pte Ltd (the “**Independent Valuer**”) has been commissioned by the Manager and the Trustee to value the Property for Keppel REIT. The valuation as at 15 November 2018 conducted by the Independent Valuer of the Property is S\$2,624.0 million (based on 99.9% of the Property, and S\$525.3 million based on 20% of the Property). The methods used by the Independent Valuer were the sales comparison method, direct capitalisation method and the discounted cash flow analysis method.

¹ The holder of the remaining 0.1% interest in OPLLP is Avan Investments Pte. Ltd.

2. PRINCIPAL TERMS OF THE TRANSACTION

2.1 Principal terms of the Sale and Purchase Agreement

Pursuant to the Sale and Purchase Agreement, Keppel REIT has agreed to sell a 20.0% interest in OPLLP to Allianz.

Completion is subject to, and conditional upon, among others, there being no material damage or compulsory acquisition of the Property on or before completion of the Sale. Completion of the Sale is expected to take place in December 2018 (the “**Completion Date**”).

2.2 Sale consideration and valuation

The agreed property value for the Sale is S\$537.3 million, which was negotiated on a willing-buyer and willing-seller basis after taking into account the independent valuation of the Property of S\$525.3 million (based on a 20% interest in the Property) as at 15 November 2018.

The net sale proceeds from the Sale is estimated to be approximately S\$439.3 million based on 20% of OPLLP’s adjusted net asset value on Completion Date (subject to final adjustments).

2.3 Amendment of limited liability partnership agreement of OPLLP

In connection with the Sale, the Trustee, Avan Investments Pte. Ltd. and Allianz will enter into an amending and restating limited liability partnership agreement to regulate their relationship as partners of OPLLP and the conduct of the business and affairs of OPLLP.

2.4 Asset management agreement

In addition, OPLLP, Keppel REIT Management Limited¹, Allianz and the Trustee will also be entering into an asset management agreement, pursuant to which Keppel REIT Management Limited will provide certain asset management services to OPLLP in respect of the Property.

Each of the Trustee and Allianz (as partners of OPLLP) agrees to directly pay Keppel REIT Management Limited an asset management fee. The asset management fee Keppel REIT Management Limited would receive from the Trustee shall be based on the management fee the Trustee pays Keppel REIT Management Limited (in its capacity as manager of Keppel REIT) under the trust deed constituting Keppel REIT (the “**Trust Deed**”) in relation to the management of OPLLP (pro-rated to Keppel REIT’s interest in OPLLP). For the avoidance of doubt, Keppel REIT Management Limited will only receive one set of management fees in relation to OPLLP from Keppel REIT which is based on the management fees as set out in the Trust Deed and pro-rated to Keppel REIT’s interest in OPLLP.

¹ For the avoidance of doubt, Keppel REIT Management Limited is not entering into the asset management agreement in its capacity as manager of Keppel REIT.

3. RATIONALE FOR THE SALE

The Manager believes that the Sale will bring the following key benefits to the Unitholders of Keppel REIT (“**Unitholders**”):

3.1 Realising capital gains for Unitholders

The agreed property value of S\$537.3 million is S\$77.1 million (or 16.8%) higher than the historical purchase price of S\$460.2 million.

Keppel REIT will recognise an estimated accounting gain of S\$11.9 million, before transaction costs. After taking into consideration the estimated transaction costs of S\$5.0 million, the estimated net gain is S\$6.9 million.

3.2 Maintaining exposure to a strengthening Singapore office market

The Property is a premium Grade A office tower with a prime location in the central business district. The sale of a minority stake allows Unitholders to realise part of the capital gains from the Property and yet maintain exposure to the strengthening Singapore office market.

3.3 Portfolio optimisation

The Sale is part of the Manager’s portfolio optimisation efforts and strategy to continually capture opportunities to achieve long-term sustainable return for Unitholders. The proceeds from the Sale will provide the Manager with financial flexibility to continue its DPU-accretive unit buy-back programme, distribute as capital top-ups, pare down debt or fund growth through reinvestments.

4. USE OF SALE PROCEEDS AND FINANCIAL EFFECTS

4.1 Use of sale proceeds

The proceeds from the Sale will enhance Keppel REIT’s financial flexibility for the purposes described in paragraph 3.3 of this announcement. The Manager also intends to use the proceeds to pay the divestment fee of S\$2.7 million to the Manager in accordance with terms of the Trust Deed.

Depending on the final amount of debt repaid with the divestment proceeds, Keppel REIT’s aggregate leverage may reduce by approximately 3.2 percentage points¹.

4.2 Pro forma financial effects

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Sale on the net asset value (“**NAV**”) per unit in Keppel REIT (“**Unit**”) and the distribution per Unit (“**DPU**”) of Keppel REIT presented below were prepared based on the audited financial statements of Keppel REIT for the financial year ended 31 December 2017.

¹ Based on the aggregate leverage of Keppel REIT as at 30 September 2018.

4.2.1 Pro forma NAV of the Sale

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Sale on the NAV per Unit as at 31 December 2017, as if the Sale was completed on 31 December 2017, are as follows:

	Effects of the Sale	
	Before the Sale	After the Sale
NAV per Unit (S\$)	1.41	1.43

4.2.2 Pro forma DPU of the Sale

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Sale on Keppel REIT's DPU for the financial year ended 31 December 2017, as if Keppel REIT had completed the Sale on 1 January 2017, are as follows:

	Effects of the Sale	
	Before the Sale	After the Sale
DPU (cents) ¹	5.70	5.55 ²

Note:

- (1) The DPU impact from Ocean Financial Centre for the financial year ended 31 December 2017 included one-off income from the pre-termination of leases.
- (2) Based on the assumption that part of the sale proceeds from the Sale are used for repayment of borrowings.

5. INTERESTS OF DIRECTORS AND CONTROLLING UNITHOLDERS

As at the date of this announcement and based on information available to the Manager as at the date of this announcement, save as disclosed in paragraph 2.4 of this announcement and the Unitholding interests in Keppel REIT held by certain directors of the Manager and the controlling Unitholders, none of the directors of the Manager or the controlling Unitholders has an interest, direct or indirect, in the Sale.

6. OTHER INFORMATION

6.1 Directors' Service Contracts

No person is proposed to be appointed as a director of the Manager in connection with the Sale or any other transactions contemplated in relation to the Sale.

6.2 Disclosure under Rule 1010(13) of the Listing Manual

Chapter 10 of the Listing Manual¹ classifies transactions by an issuer into (i) non-discloseable transactions, (ii) discloseable transactions, (iii) major transactions and (iv) very substantial acquisitions or reverse takeovers, depending on the size of the relative figures computed on the following bases of comparison:

- (i) the NAV of the assets to be disposed of, compared with the issuer's NAV;
- (ii) the net profits attributable to the assets disposed of, compared with the issuer's net profits;
- (iii) the aggregate value of the consideration received, compared with the issuer's capitalisation; and
- (iv) the number of Units issued by the issuer as consideration for the acquisition, compared with the number of Units previously in issue.

The relative figures for the Sale using the applicable bases of comparison described above are set out in the table below:

	Sale (S\$ million)	Keppel REIT Group (S\$ million)	Percentage
Rule 1006(a) NAV of assets disposed compared to Keppel REIT's NAV	425.9	4,910.5	8.7%
Rule 1006(b) Net profits attributable to the assets disposed compared to Keppel REIT's net profits	7.7	104.1	7.4%
Rule 1006(c) Aggregate value of consideration to be received compared with Keppel REIT's market capitalisation ⁽¹⁾	439.3	3,880.5	11.3%
Rule 1006(d) Number of Units issued by the issuer as consideration for the acquisition, compared with the number of Units previously in issue	N/A	N/A	N/A

Note:

- (1) Market capitalisation is computed based on Keppel REIT's volume weighted average price on 28 November 2018, being the market day immediately prior to the date of entry into the Sale and Purchase Agreement.

Under Rule 1010 of the Listing Manual, where any of the relative figures computed on the bases set out above exceeds 5% but does not exceed 20%, the Sale is regarded as being a discloseable transaction.

¹ The Listing Manual of Singapore Exchange Securities Trading Limited (the "SGX-ST").

6.3 Documents for Inspection

Copies of the Sale and Purchase Agreement and the valuation report of the Independent Valuer are available for inspection¹ during normal business hours at the registered office of the Manager at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632 for a period of three months, commencing from the date of this announcement.

BY ORDER OF THE BOARD
Keppel REIT Management Limited
(Company Registration Number: 200411357K)
as manager of Keppel REIT

Kelvin Chua / Marc Tan
Joint Company Secretaries
30 November 2018

Important Notice

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for Units.

This announcement may contain forward-looking statement that involves risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statement as a result of a number of risks, uncertainties and assumptions. Representations examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies and venues for the sale or distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses (including employee wages, benefits and training costs), governmental and public policy changes and the continued availability of financing the amounts and the terms necessary to support future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view on future events. The past performance of Keppel REIT and the Manager are not necessarily indicative of the future performance of any of them.

The value of 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 the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

¹ Prior appointment with the Manager will be appreciated.