

**K-REIT**asía



## FY2009 FINANCIAL RESULTS

20 January 2010

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## Highlights

- ✓ Net property income ↑ 23.2% y-o-y
  - FY2009 distributable income up by 21.1% y-o-y
- ✓ Portfolio with 95% committed occupancy
  - Average portfolio rent ↑ 7.2% y-o-y
- ✓ Rights issue raised about \$620 million
  - Debt headroom ↑ to about \$440m - \$650m<sup>(1)</sup>
- ✓ First 3<sup>rd</sup> party acquisition of 6 floors in Prudential Tower
  - Total portfolio NLA ↑ 5.5%y-o-y

**Stronger  
Earnings**

**Better  
Performance**

**Increased  
Funding  
Capacity**

**Enlarged  
Portfolio NLA**

(1) Assuming aggregate leverage of 30% to 40%, based on FY2009 AUM of \$2.1 billion

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## Operations Review

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## FY2009 Distributable Income Up 21.1%

	FY 2009	FY 2008	Change	
<b>Property Income</b>	\$62.8m	\$52.6m	\$10.2m	19.4%
<b>Net Property Income</b>	\$48.9m	\$39.7m	\$9.2m	23.2%
<b>Distributable Income to Unitholders</b>	\$70.5m	\$58.2m	\$12.3m	21.1%
<b>Distribution Per Unit</b>	5.28cts	4.41cts <sup>(1)</sup>	0.87cts	19.7%
<b>Distribution Yield</b>	4.8% <sup>(2)</sup>	6.3% <sup>(3)</sup>	-1.5%	-23.8%

(1) Restated taking into account the effect of the underwritten, renounceable 1-for-1 rights issue to raise gross proceeds of \$620 million at an issue price of \$0.93 per rights unit and computed based on the issued units at the end of each period aggregated with 666,703,965 units which were issued on 22 November 2009.

(2) The yield is based on K-REIT Asia's market closing price per unit of \$1.10 as at 31 Dec 2009

(3) The yield is based on K-REIT Asia's market closing price per unit of \$0.70 as at 31 Dec 2008

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## 4Q 2009 Distributable Income Up 11.5%

	4Q 2009	4Q 2008	Change	
<b>Property Income</b>	\$17.0m	\$14.3m	\$2.7m	18.9%
<b>Net Property Income</b>	\$13.4m	\$11.8m	\$1.6m	13.6%
<b>Distributable Income to Unitholders</b>	\$19.4m	\$17.4m	\$2.0m	11.5%
<b>Distribution Per Unit</b>				
- For the period	1.45cts	1.32cts <sup>(1)</sup>	0.13cts	9.8%
- Annualised	5.75cts	5.24cts <sup>(1)</sup>	0.51cts	9.7%
<b>Distribution Yield</b>	5.2% <sup>(2)</sup>	7.5% <sup>(3)</sup>	-2.3%	-30.7%

(1) Restated taking into account the effect of the underwritten, renounceable 1-for-1 rights issue to raise gross proceeds of \$620 million at an issue price of \$0.93 per rights unit and computed based on the issued units at the end of each period aggregated with 666,703,965 units which were issued on 22 November 2009.

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## Healthy Balance Sheet

❖ Unitholders' funds rose to \$2 bn after recent rights issue

	As at 31 Dec 2009	As at 31 Dec 2008
Non-current Assets	\$2,044.6m	\$2,038.7m
Total Assets	\$2,631.6m	\$2,092.3m
Borrowings	\$578.9m	\$577.1m
Total Liabilities	\$629.0m	\$606.7m
Unitholders' Funds	\$2,002.7m	\$1,485.7m
Net Asset Value (NAV) Per Unit	\$1.50 <sup>(2)</sup>	\$2.28
Adjusted NAV Per Unit <sup>(1)</sup>	\$1.47 <sup>(2)</sup>	\$2.23

- (1) Excluding balance distributable income  
 (2) Lower NAV per unit due to the effect of the 1-for-1 rights issue

## Enhanced Asset Portfolio

► Total portfolio NLA increased by 5.5% y-o-y

<b>Increase Stake in Prudential Tower</b>	<ul style="list-style-type: none"> <li>✓ Acquired 6 strata floors for about \$106.3m</li> <li>✓ 14.6% discount to appraised value of \$124.5m</li> <li>✓ Guaranteed net property income yield of 5.2% for 5 years</li> </ul>
<b>Purpose of Acquisition</b>	<ul style="list-style-type: none"> <li>✓ Strategic acquisition resulting in a 73.4% controlling stake enabling efficient management of the asset's income</li> <li>✓ Improve income diversification</li> </ul>

## Awards and Accolades in 2009

### ❖ Singapore Corporate Awards 2009

- Best Annual Report Awards (Silver)  
“REITs and Business Trusts” category
- Best Investor Relations Award (Silver)  
“\$300m to less than \$1b market capitalisation” category



### ❖ ISO 14000 certification

- Obtained for Keppel Towers and GE Tower's property management operations

### ❖ One Raffles Quay

- BCA Green Mark Gold Award



### ❖ PUB's Water Efficient Building Award

- Won award for all buildings

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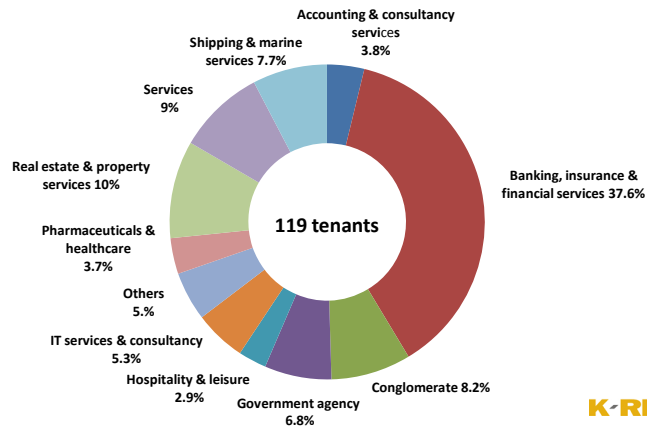
## Portfolio Analysis

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## Diverse Tenant Mix

- ❖ 119 tenants in various business sectors

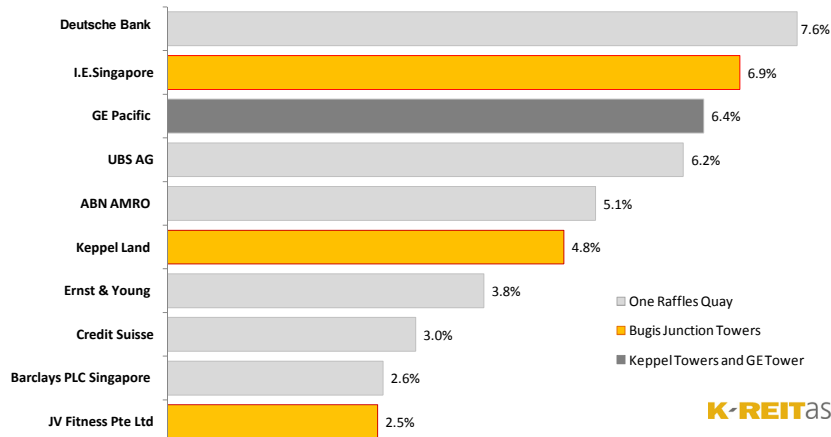
Tenant Business Sector by Net Lettable Area as at 31 Dec 2009



## Blue-chip Tenants

- ❖ Top 10 tenants comprise 48.9% of portfolio's net lettable area

Portfolio's Top 10 Tenants by Net Lettable Area as at 31 Dec 2009



## Portfolio Occupancy Rate vs Market

- ❖ 95% committed occupancy, higher than core CBD of 91.2%<sup>(1)</sup>

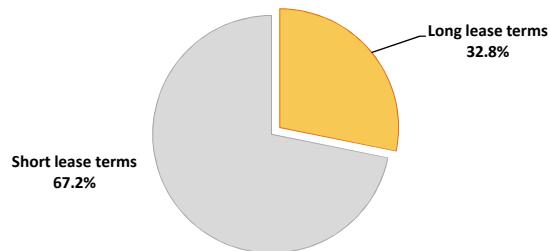
Property	As at 31 Dec 2009	As at 31 Dec 2008
Keppel Towers and GE Tower	91.8%	99.2%
Bugis Junction Towers	91.5%	100%
Prudential Tower (73.4% of strata area <sup>(2)</sup> )	95.2%	92.3%
One Raffles Quay (1/3 stake)	100%	100%
<b>Portfolio</b>	<b>95%</b>	<b>99%</b>

- (1) Source: CBRE  
 (2) Acquisition of additional 6 strata floors in Nov 2009

## Long Lease Terms Provide Income Stability

- ❖ Weighted average lease term to expiry for
  - Portfolio: 5.2 years
  - Top 10 tenants who account for 48.9% of portfolio's NLA: 6.7 years
- ❖ Long lease terms<sup>(1)</sup> account for 32.8% of portfolio's NLA

% of Portfolio's Net Lettable Area (NLA) with Long Lease Terms

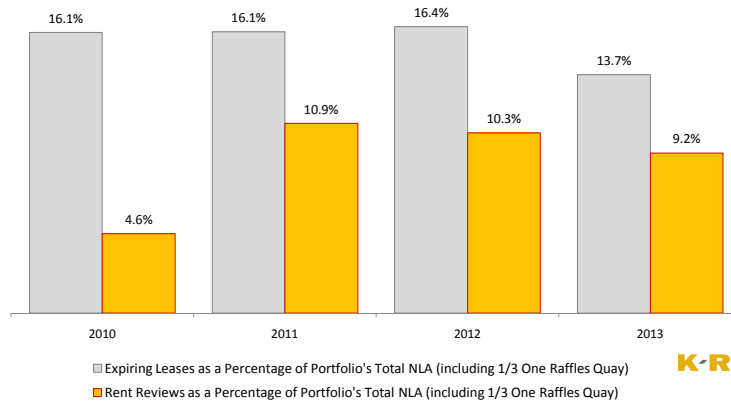


- (1) Long lease terms are those with lease term to expiry of at least 5 years

## Portfolio Lease Profile

- ❖ Lease expiries and rent reviews well staggered from 2010-2013

Lease Profile as a % of Net Lettable Area as at 31 Dec 2009



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## Average Portfolio Rent

- ❖ Average portfolio rent in Dec 2009 : \$8.16 psf
  - \$8.37 psf if not for lower income support from 1/3 interest in ORQ
- ❖ Excluding 1/3 ORQ, average portfolio rent: \$7.67 psf in Dec 2009



(1) \$8.22 psf if not for lower income support from 1/3 interest in ORQ

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## Portfolio Valuations vs Market Valuations

- ❖ K-REIT Asia's portfolio valuation: \$2.1bn as at 31 Dec 2009
  - Portfolio valuation fallen by 5.3% from 31 Dec 2008

	As at 31 Dec 2009	As at 31 Dec 2008
Keppel Towers and GE Tower	\$1,256 psf	\$1,347 psf
Bugis Junction Towers	\$1,200 psf	\$1,265 psf
Prudential Tower (73.4% of strata area)	\$1,850 psf	\$2,066 psf
One Raffles Quay (1/3 stake)	\$2,100 psf	\$2,213 psf
<b>Average Portfolio Valuation</b>	<b>\$1,616 psf</b>	<b>\$1,707 psf</b>

- ❖ Portfolio valuation on psf basis at lower end of market valuation for prime office

	4Q 2009	4Q 2008
CBRE	\$1,550 psf	\$2,600 psf
Jones Lang LaSalle	\$1,700 psf	\$2,480 psf

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## Capital Management

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## Successfully Completed Rights Issue

### The Rights Issue

#### Enhanced Financial Flexibility

- ✓ Approx. 666.7m Rights Units issued
- ✓ Raised gross proceeds of approximately \$620m
- ✓ Strengthened balance sheet
- ✓ Provide headroom for strategic acquisitions
  - Increase debt headroom by about \$438.3m-\$647.8m<sup>(1)</sup>

#### Use of Proceeds

- ✓ Repayment of borrowings
  - Repaid \$99.7m for acquisition of 6 strata floors of Prudential Tower
- ✓ Funding of potential acquisitions and asset enhancement initiatives at Keppel Towers and GE Tower

(1) Assuming aggregate leverage of 30% to 40%, based on FY2009 AUM of \$2.1 billion

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## Healthy Financial Position

❖ Aggregate leverage of 27.7% as at end-Dec 2009

❖ No loans due till 2011

	As at 31 Dec 2009	As at 31 Dec 2008
Gross Borrowings <sup>(1)</sup>	\$581.1m	\$581.1m
Aggregate Leverage	27.7%	27.6%
All-in Interest Rate	4.23%	3.19%
Interest Coverage Ratio <sup>(2)</sup>	3.19 times	2.97 times
Weighted Average Term to Expiry	1.3 years	2.3 years

(1) Includes unamortised portion of upfront fees in relation to the borrowings

(2) Interest coverage ratio = Ratio of year-to-date earnings before interest, tax, depreciation and amortisation to interest expense

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## ***Market Review & Outlook***

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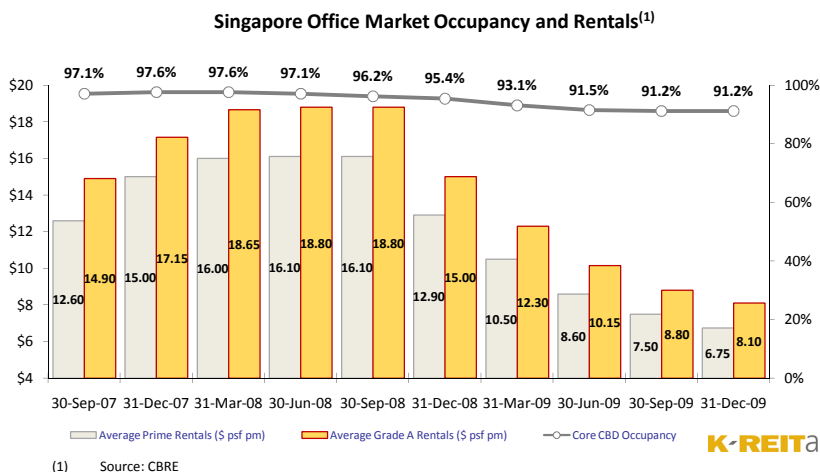
## **Improvement in Business Prospects**

- ❖ GDP growth in line with forecast, signs of economic recovery
  - 2009 advance GDP estimate of negative 2.1%
  - Government forecast 3% - 5% GDP growth in 2010
  - Leasing interest returns and rate of rental decline slows down
- ❖ Delays in construction of office projects have reduced supply
  - New office supply from 2010 – 2016 of about 5.46m sf<sup>(1)</sup>  
(or 0.78m sf per annum)
- ❖ More office space in central area redeveloped to other uses such as residential and hotels, helps further trim supply

Source : CBRE, Ministry of Trade and Industries (Singapore)  
(1) Excluding pre-committed space of about 2.6m sf

## Pace of Decline for Rents Easing

- Occupancy and rents to improve as business confidence returns



## Singapore: Key Business Destination

- Singapore remains key investment market in Asia

- World's easiest place to do business (*World Bank*)
- World's 3rd least-corrupt country, after New Zealand and Denmark (*Transparency International*)
- 4<sup>th</sup> best financial centre globally in 2009, up from 10<sup>th</sup> in 2008 (*World Economic Forum*)
- 4<sup>th</sup> best place for expat posting (*HSBC*)
- Continued growth in the financial services sector
- Diversifying beyond financial hub and establishing multi-hubs in various industry sectors
- Positive spin-offs for office sector with transformation of Singapore into a global city and the completion of the two integrated resorts

## ***Going Forward***

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## **Key Thrusts**

- ❖ Pursue opportunities for strategic acquisitions in Singapore and Pan-Asia
- ❖ Attract creditworthy new tenants to increase occupancy as well as retain good existing tenants
- ❖ Manage K-REIT Asia's assets and operating cost structure more effectively
- ❖ Identify potential asset enhancement initiatives for K-REIT Asia's property portfolio to maximise rental income

**IMPORTANT NOTICE**

*The value of units in K-REIT Asia ("Units") and the income 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. The past performance of K-REIT Asia is not necessarily indicative of its future performance. This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of 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. 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.*

***Additional Information***

## Distribution Details

### Distribution to Unitholders

Distribution Period	1 July to 31 December 2009
Distribution Rate	2.77 cents per unit
	- Taxable : 2.12 cents per unit
	- Tax-exempt : 0.65 cents per unit

### Timetable

Ex-dividend Date	26 January 2010
Books Closure Date	28 January 2010
Distribution Payment Date	25 February 2010

## Snapshot of K-REIT Asia

<b>Manager</b>	K-REIT Asia Management Limited
<b>Property Portfolio</b>	5 commercial office assets valued at \$2.1 billion
<b>Total Portfolio NLA</b>	1,298,420 sf <sup>(1)</sup>
<b>Listing Date</b>	28 Apr 2006 on Singapore Stock Exchange
<b>Market Capitalisation</b>	\$1,469.6 million as at 31 Dec 2009
<b>Unit Price</b>	\$1.10
<b>Number of Units in Issue</b>	1,336,023,351
<b>Free Float</b>	24.1% <sup>(2)</sup>
<b>Aggregate Leverage</b>	27.7%

(1) Includes 1/3 interest in ORQ

(2) Excludes stakes of about 45.5% held by Keppel Land and 30.4% held by Keppel Corporation

## Asset Portfolio Information

Property within/ near Singapore CBD	Prudential Tower	Keppel Towers and GE Tower	Bugis Junction Towers	One Raffles Quay
Net Lettable Area (sf)	175,663	430,162	247,475	445,120 <sup>(1)</sup>
Number of Tenants	21	58	9	31
Principal Tenants	McGraw-Hill Companies The Executive Centre Bayerische Hypo-Und Vereinsbank	GE Pacific Seadrill Management Arup Singapore	IE Singapore Keppel Land Intercontinental Hotels Group	Deutsche Bank UBS ABN Amro
Tenure	99 years expiring 14 Jan 2095	Estate in fee simple	99 years expiring 9 Sep 2089	99 years expiring 12 Jun 2100
Valuation <sup>(2)</sup>	\$325.1 million (\$1,850 psf)	\$540.7 million (\$1,256 psf)	\$297 million (\$1,200 psf)	\$934.9 million <sup>(1)</sup> (\$2,100 psf)
Committed Occupancy @ 31 Dec 2009	95.2%	91.8%	91.5%	100%

(1) Based on one-third interest in One Raffles Quay

(2) Valuation as at 31 Dec 2009 by Colliers International Consultancy & Valuation (Singapore) Pte Ltd

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## Asset Portfolio

Prudential Tower



Keppel Towers



GE Tower



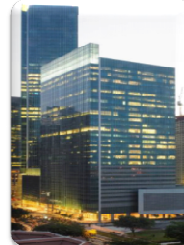
Bugis Junction Towers



One Raffles Quay North Tower



One Raffles Quay South Tower



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