

areit



Q2 FY2006/07 Financial Results Presentation 17 October 2006

Disclaimers

This Presentation is focused on comparing results for the six months ended 30 September 2006 versus results achieved in the six months ended 30 September 2005. This shall be read in conjunction with A-REIT's Results for the period from 1 April 2006 to 30 September 2006 in the SGXNet announcement.

This presentation 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 and occupancy, 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 the terms necessary to support future business. You are cautioned not to place undue reliance on these forward looking statements, which are based on the Manager's current view of future events.

Agenda

- Key highlights
- Financial performance
- Capital and funds management
- Portfolio update
- Investment update
- Going forward

Key Highlights

- 1H FY06/07 distributable net income of S\$80.1m, up 19.6% over 1H FY05/06
- 1H FY06/07 DPU of 6.25 cents, up 8.7% on 1H FY05/06
- 2Q FY06/07 DPU of 3.16 cents, up 2.3% over 1Q FY06/07
- Portfolio occupancy 97.2% at 30 Sep 06 vs 95.0% at 31 Mar 2006. MTB occupancy was 94.3% vs 91.4% at 31 Mar 2006
- Committed investments of \$180m pending completion
- MOUs signed for investments worth \$178m in due diligence

Distribution Details

Stock counter	Distribution Period	Distribution per unit (cents)
Ascendasreit	1 Jul 06 to 30 Sep 06	3.16

Distribution Timetable

Notice of books closure date	17 October 2006
Last day of trading on “cum” basis	25 October 2006
Ex-date	26 October 2006, 9.00 am
Books closure date	30 October 2006, 5.00 pm
Distribution payment date	28 November 2006

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DPU – 1H06 is 8.7% above 1H05

(S\$'000)	Actual ⁽¹⁾ 01/04/06 to 30/09/06	Actual ⁽¹⁾ 01/04/05 to 30/09/05	% Change
Gross revenue	137,897	102,119	35% ⁽²⁾
Property operating expenses	(35,912)	(21,608)	66% ⁽²⁾
Net property income	101,986	80,511	27%
Borrowing costs	(17,695)	(9,920)	78%
Non-property expenses	(8,101)	(6,341)	28%
Net income	76,190	64,250	19%
Available for distribution	80,141	67,027	20%
Distribution per unit	6.25	5.75	8.7%

Note:

- (1) Based on 66 properties as at 30 Sep 2006 versus 45 properties as at 30 Sep 2005.
- (2) Property Expenses have increased by a greater percentage due to aggregating energy costs for some properties and on-charging such costs to tenants, resulting in higher costs as well as higher revenue. If such energy costs are excluded, property expenses would have increased by 46%

DPU – 2Q06 is 2.3% above 1Q06

(S\$'000)	Actual ⁽¹⁾ 01/07/06 to 30/09/06	Actual ⁽¹⁾ 01/04/06 to 30/06/06	% Change
Gross revenue	69,856	68,042	3%
Property operating expenses	(17,968)	(17,944)	-
Net property income	51,888	50,098	4%
Borrowing costs	(9,495)	(8,200)	16% ⁽²⁾
Non-property expenses	(4,126)	(3,975)	4%
Net income	38,267	37,923	1%
Available for distribution	40,531	39,610	2%
Distribution per unit	3.16	3.09	2.3%

Note:

- (1) Based on 66 properties as at 30 Sep 2006 versus 64 properties as at 30 Jun 2006;
- (2) If acquisitions and non-cash adjustments under FRS39 are excluded, borrowing costs increased by 4% due to higher floating interest rates

Organic Performance : 2Q06 vs 1Q06

Organic growth experienced from all sectors except Logistics & Distribution Centres

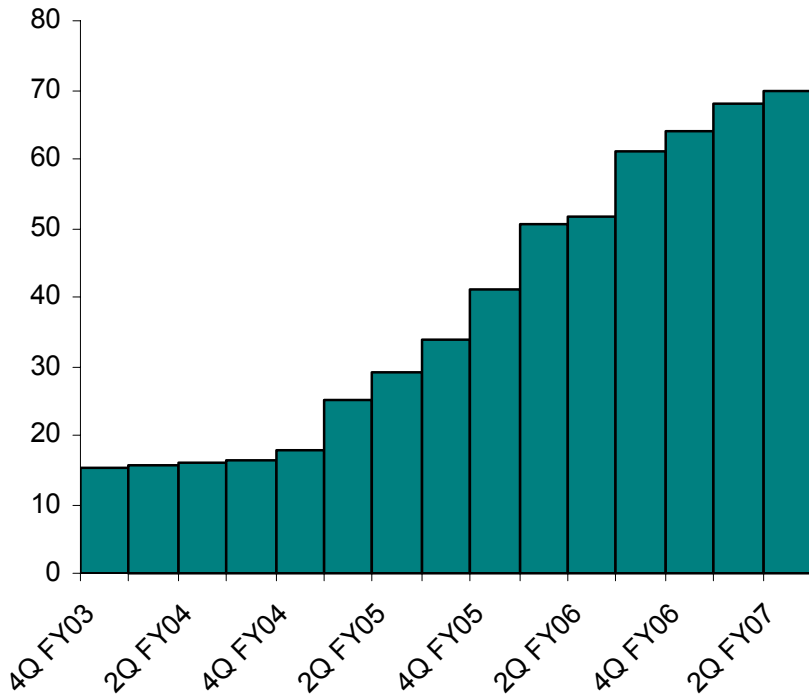
Net property income	Actual ⁽¹⁾ 01/07/06 to 30/09/06	Actual ⁽¹⁾ 01/04/06 to 30/06/06	Variance
Business Park Properties	9.8	9.5	2.4%
Hi-Tech Industrial Properties	13.5	13.4	1.0%
Light Industrial Properties	12.5	12.0	3.5%
Logistics & Distribution Centres ⁽¹⁾	14.8	14.9	(0.3)%
	50.6	49.8	1.5%

Note :

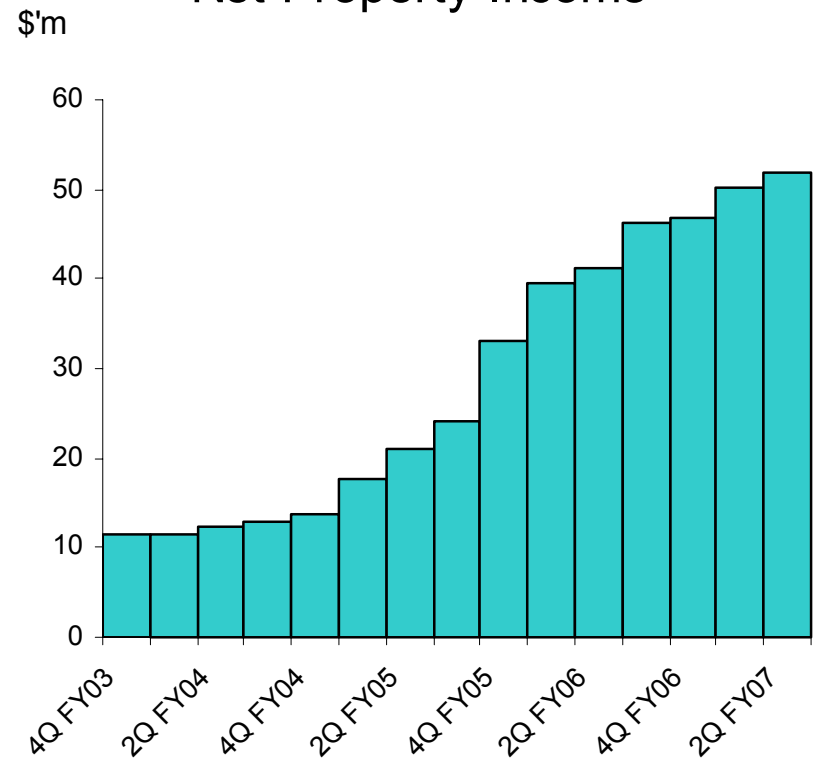
- (1) On 14 June 2006, A-REIT acquired 2 logistics and distribution centres. Including these properties, the Logistics and Distribution Centres sector grew by 7%

Revenue and NPI growth since IPO

Gross Revenue

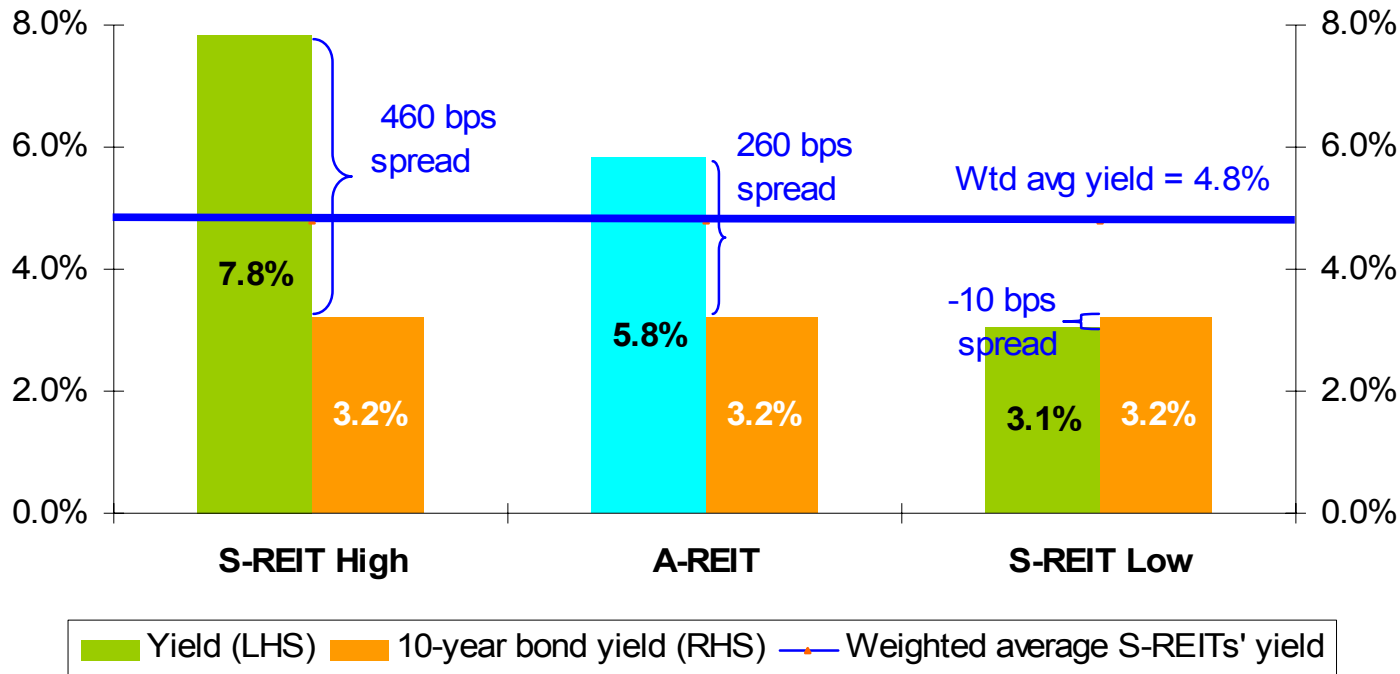


Net Property Income



Yield returns compared to 10-year bond and S-REITs

S-REITs yield range from low of 3.1% to high of 7.8%



Source: IBES Estimates, Bloomberg

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Balance sheet

(S\$bn)	As at 30 Sep 06	As at 30 Sep 05
Total Assets	3.0	2.3
Borrowings	1.1	0.8
Net assets attributable to unitholders	1.7	1.4
Aggregate Leverage	38.6%	36.1%
Net asset value per unit	136 cents ⁽¹⁾	124 cents

Note:

- (1) Based on latest valuation conducted in June 2006 for 64 properties (2 recent acquisitions are recorded at purchase price plus acquisition costs). The average capitalisation rate for the portfolio is 7.1%. Had the average capitalisation rate been 6.5%, the net asset value per unit would have been 1.57 cents.

Capital Management

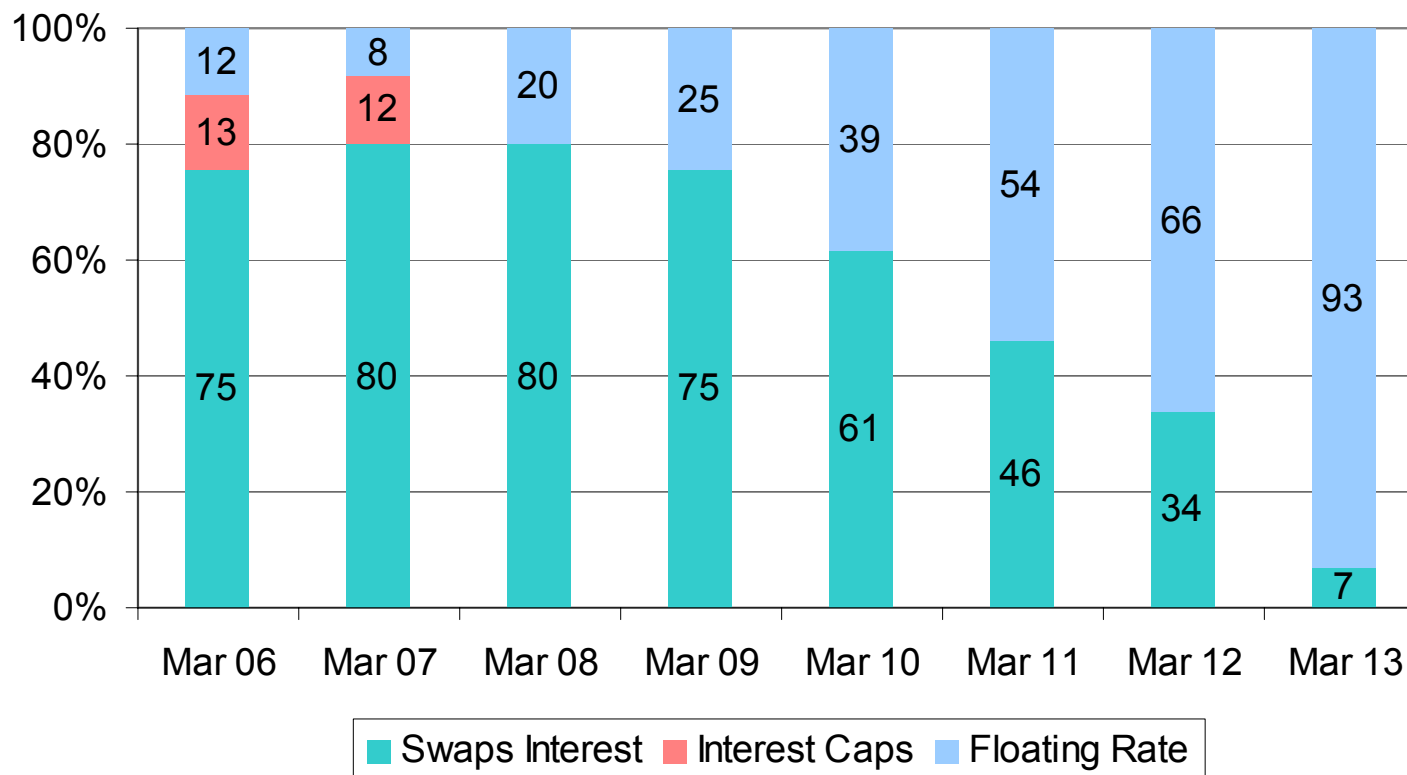
Debt Profile	30 Sep 2006	30 Sep 2005
Aggregate leverage ⁽¹⁾	38.6%	36.1%
Total debt	S\$1,079m	S\$763m
<ul style="list-style-type: none"> Fixed rate debt 	S\$991m	S\$650m
Fixed as a % of total debt	91.8%	85.2%
Weighted average all-up funding cost ⁽²⁾	3.38%	2.97%
Interest cover ratio	5.8 times	7.5 times

Notes:

- (1) Aggregate leverage includes deferred settlements
- (2) Including margins and weighted swap rates for hedged debt and current floating rates on unhedged debt, and amortisation of CMBS' establishment and annual maintenance costs

Hedging Profile

As at 30 Sept 2006	Including interest cap	Excluding interest cap
- Fixed as a % of total debt	91.8%	80.0%
- Weighted average term for fixed debt	3.97 yrs	4.92 yrs



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Portfolio Highlights

	As at 30 Sep 06	As at 31 Mar 06
A-REIT Portfolio occupancy (%)	97.2%	95.0%
A-REIT MTB ⁽¹⁾ occupancy (%)	94.3%	91.4%
Total Portfolio renewals/new leases (sqm)	46,510⁽²⁾	39,835⁽³⁾
Total New leases/Expansions (sqm)	21,512⁽²⁾	14,625⁽³⁾
Total Renewals (sqm)	24,998⁽²⁾	25,210⁽³⁾
Weighted Average Lease to Expiry (years)	6.1	6.7

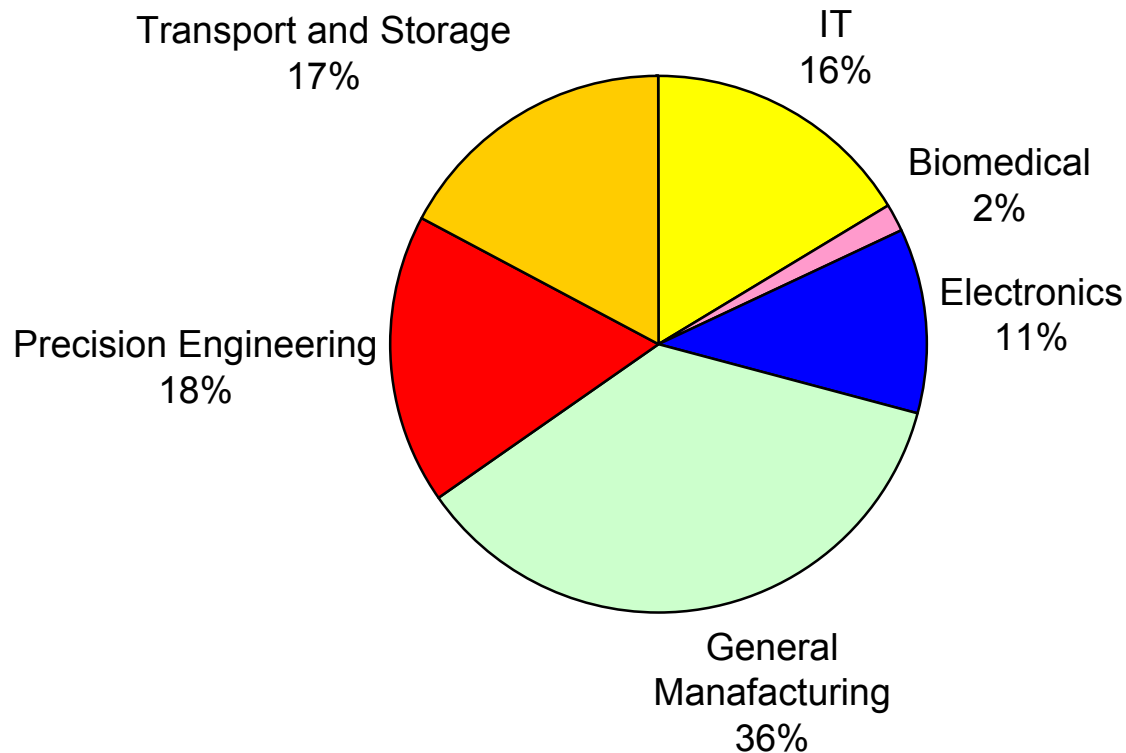
(1) MTB = Multi-tenanted buildings which accounts for about 55% portfolio value

(2) For the 3 months ended 30 Sep 06

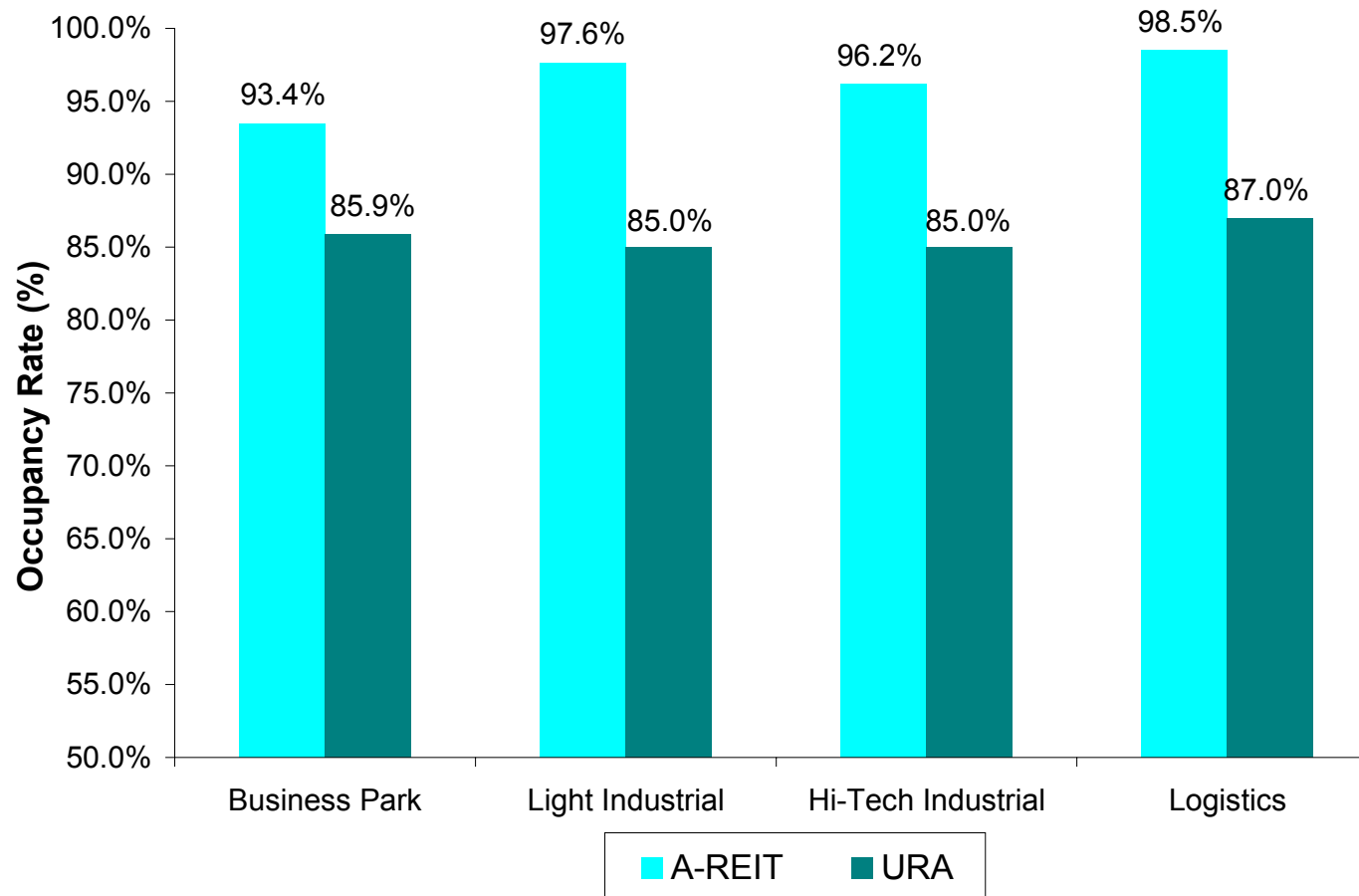
(3) For the 3 months ended 31 Mar 06

Sources of demand for new leases – broad based

Tenants sector by net lettable area (2Q FY06/07)

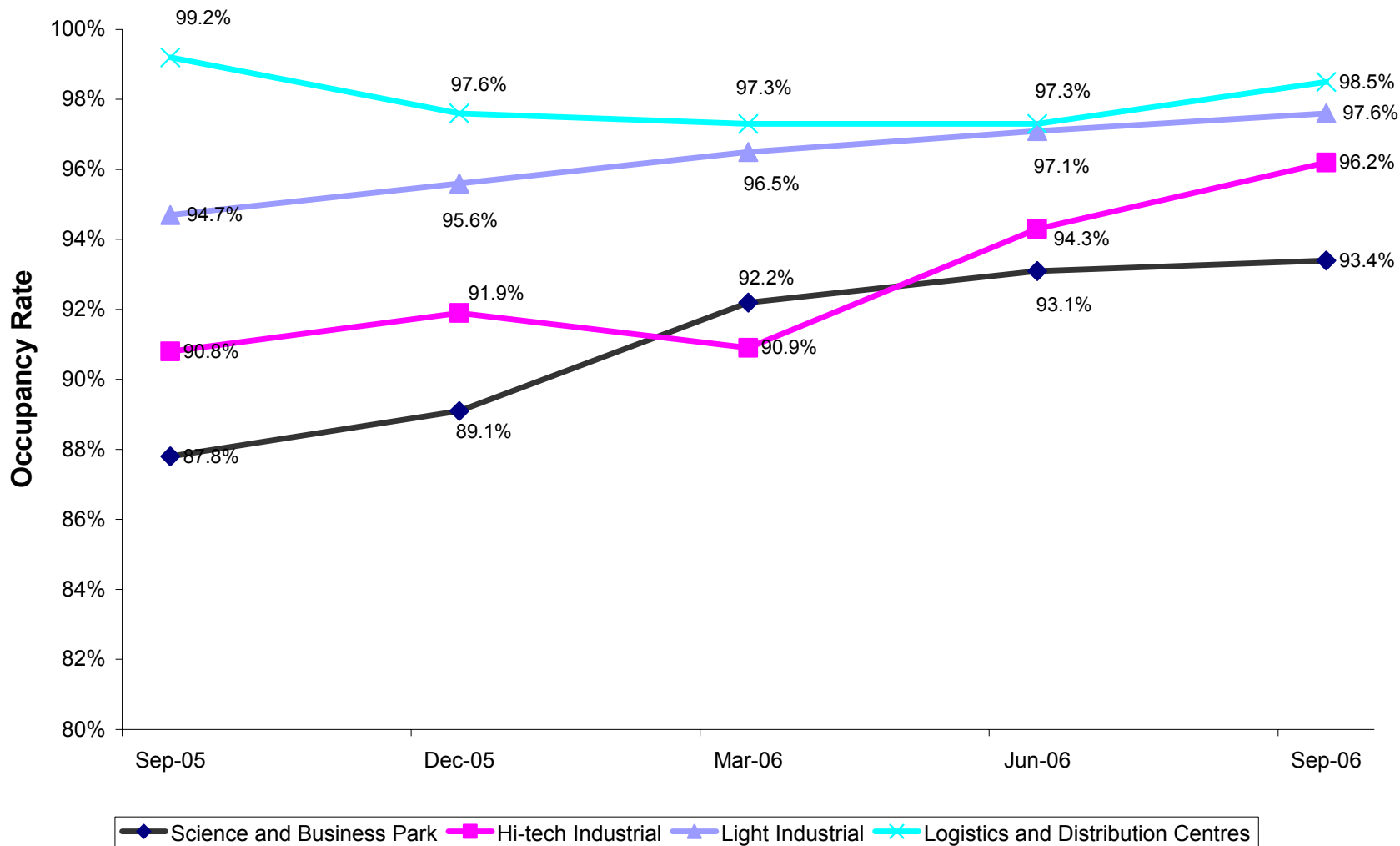


A-REIT Portfolio Occupancy Higher Than Market



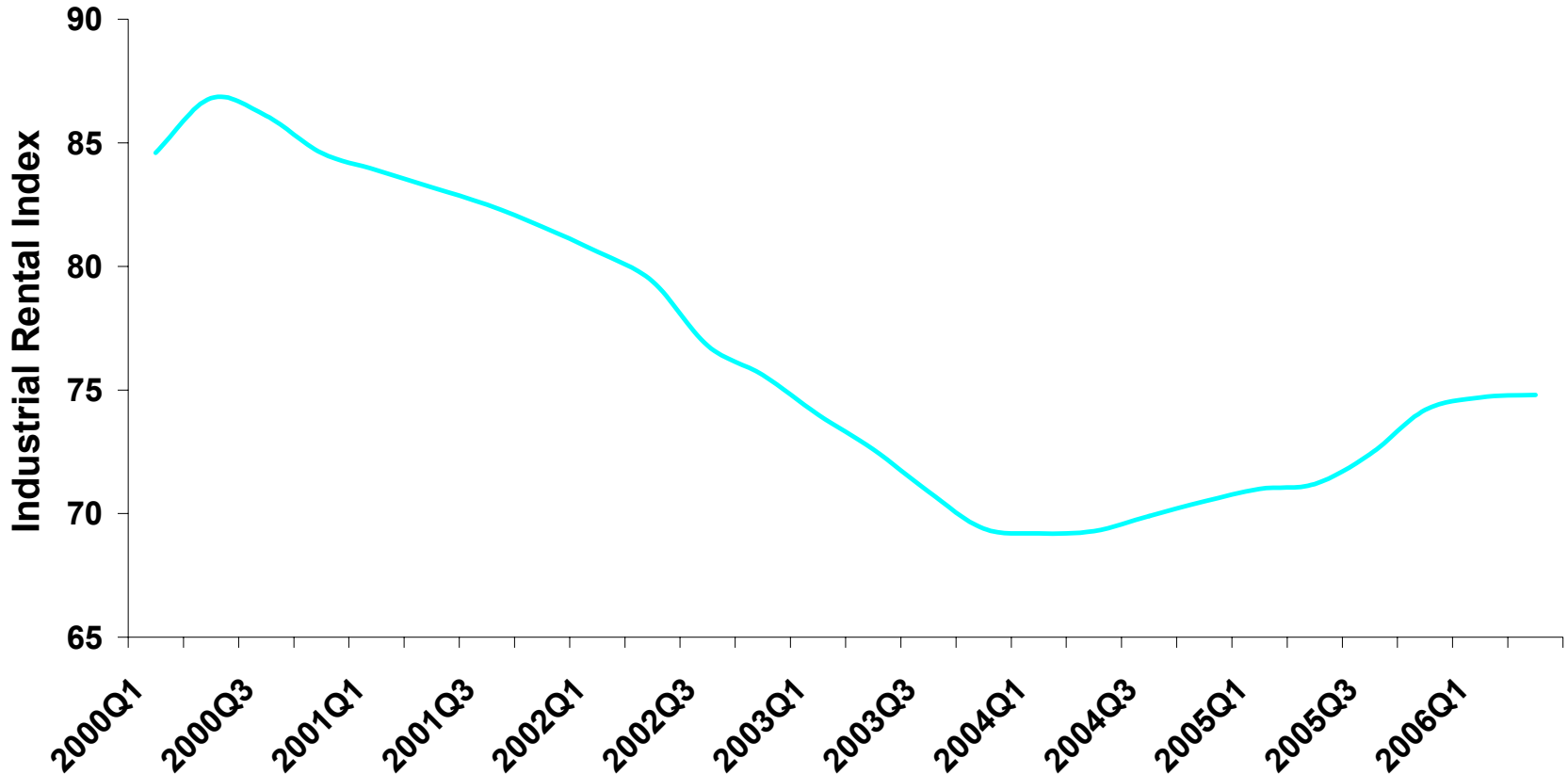
Source: Urban Redevelopment Authority Official Statistics as at June 2006 www.ura.gov.sg
and Ascendas-MGM Funds Management Limited as at Sep 2006

Organic Growth through Occupancy Rates Improvement



URA Industrial Rental Index

Rental index improved by 0.1% in Q2 2006 and by 8.1% since the trough in 2004



Source: Urban Redevelopment Authority: June 06

Organic Growth

Science & Business Parks and Hi-tech Industrial

- Organic growth from occupancy rate and rental rates improvements
- Q2 FY06/07 renewal rates are about 4% to 11% above existing rates; new leases and expansions worth a total of about \$2.3m were signed

Light Industrial

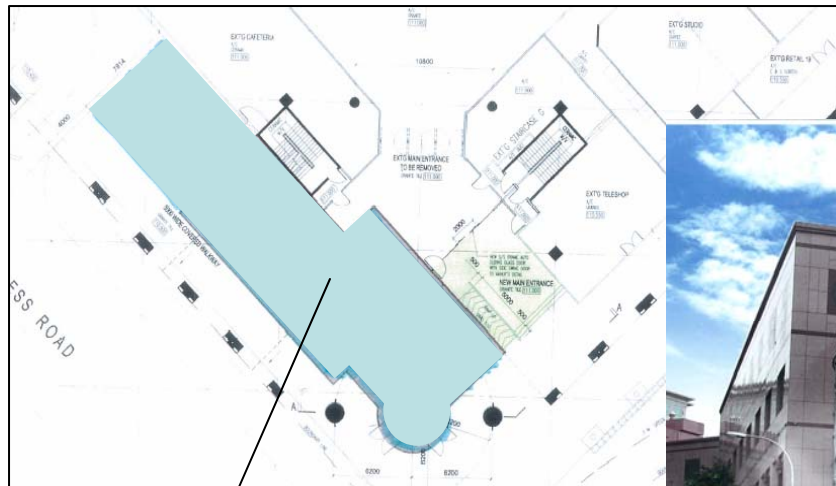
- Performed well due to quality and good location of properties
- Q2 FY06/07 renewal rates are about 4% above existing rates
- Occupancy rate @ 30 Sept 06 is 97.6%, vs market occupancy of 85.0%.

Logistics and Distribution Centres

- Expect to remain subdued due to potential new supply - about 167,300 sqm over the next one to two years

Asset Enhancement : Telepark at Tampines Central

- Acquired in Mar 05 for \$186m; property is a 9-storey data centre with some retail units on the 1st storey
- Maximise plot ratio by converting existing vehicle access to gross floor area – increase area by about 352 sqm, of which 72% is already pre-committed
- Total capex of between \$1.0m to \$1.7m; property yield to increase by between 20bp to 40bp after asset enhancement



Existing vehicle access to be converted to additional GFA



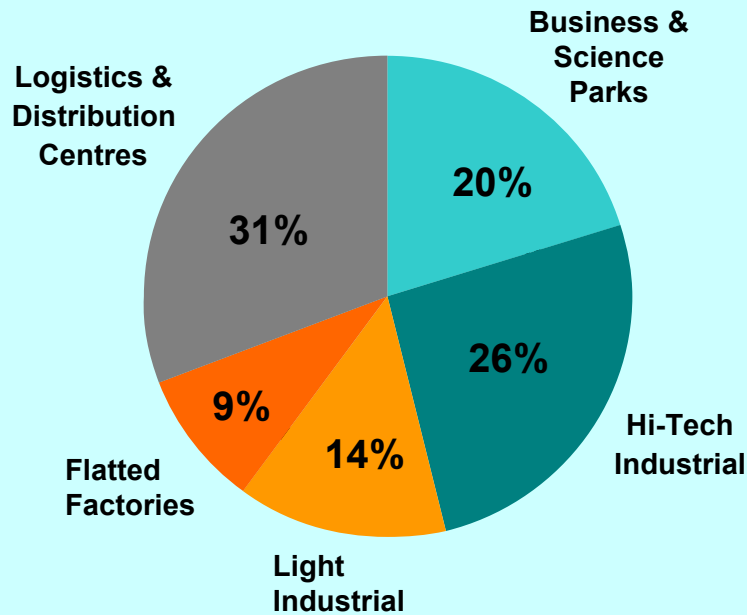
After enhancement



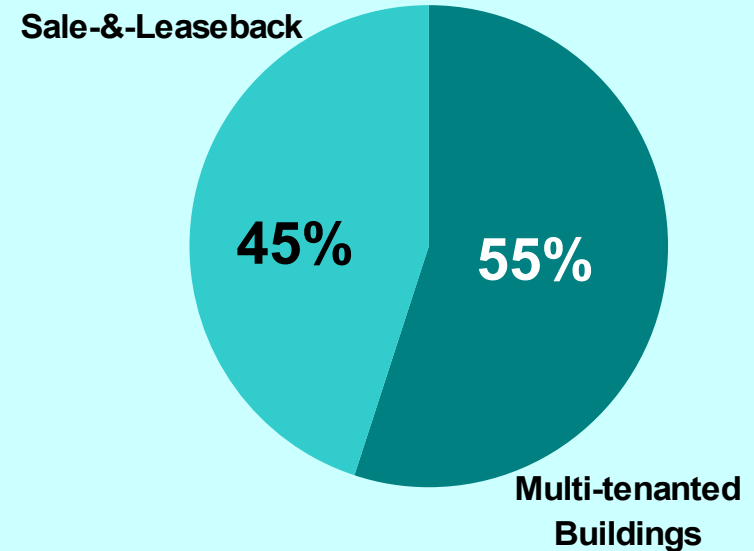
Enhanced lobby of Telepark

Portfolio Diversification by Value

**Asset Class
Diversification**



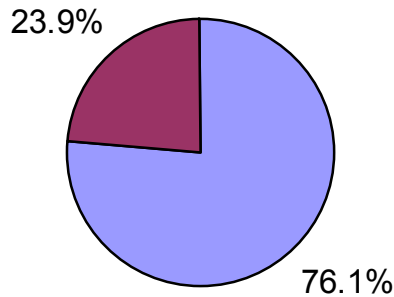
**Mix of Sale-&-Leaseback vs
Multi-tenanted Buildings**



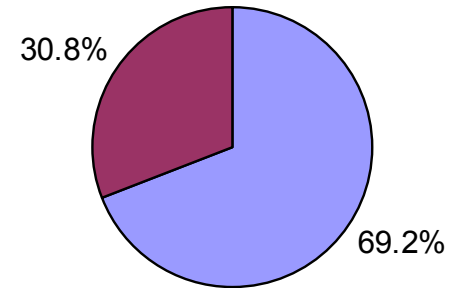
Spilt of short term & long term leases within sector

Majority of leases in high growth sectors of science and business park and hi-tech industrial are on short term basis. Hence, potential to enjoy positive rental reversion

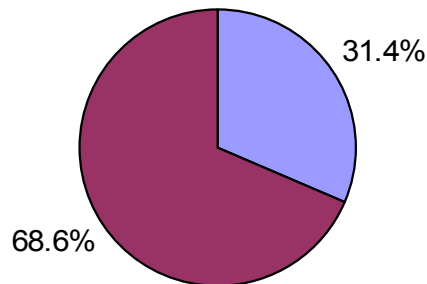
Science and Business Park



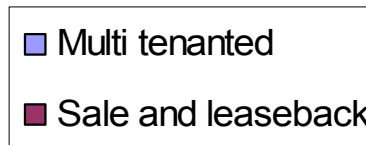
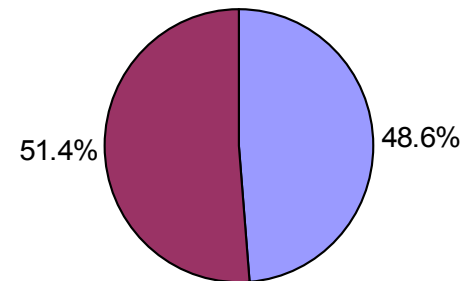
Hi-tech Industrial



Logistics and Distribution Centres

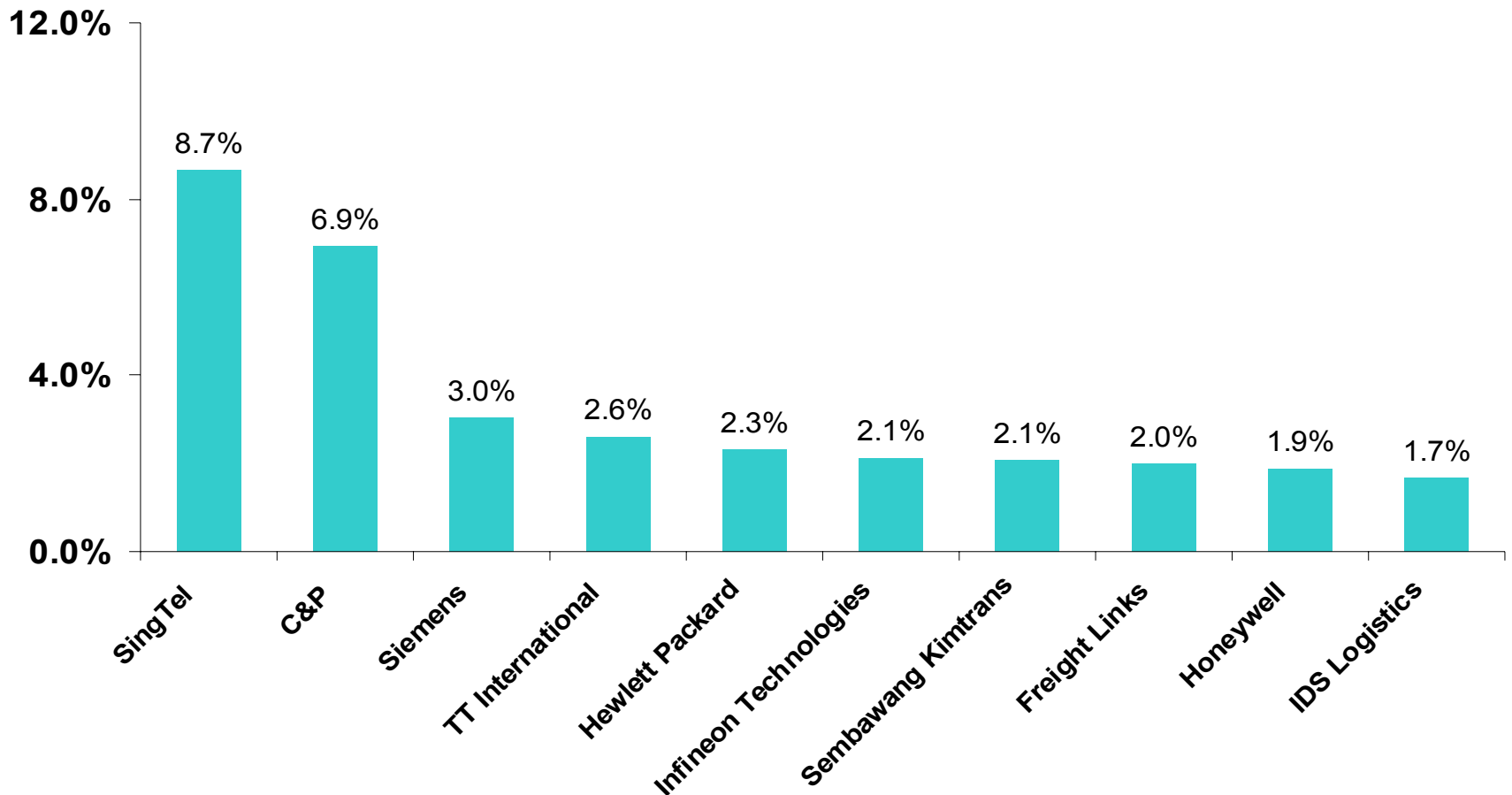


Light Industrial



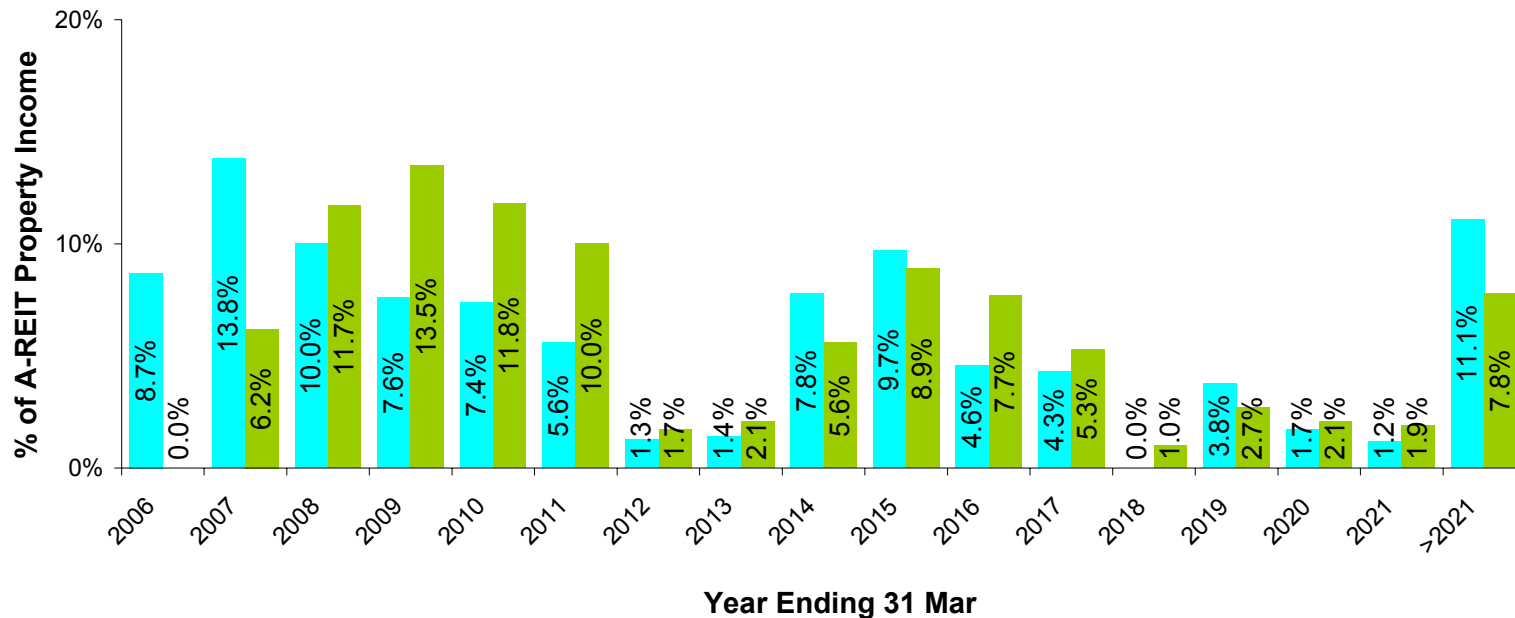
Tenant Concentration

Top 10 tenants make up 33% of the total portfolio income vs 41% at 30 Sept 05



Weighted Average Lease Term to Expiry

The lease expiry profile is well balanced and the weighted average term to expiry is one of the longest amongst REITs in Singapore



■ 45 properties @ 30 Sep 05 ■ 66 properties @ 30 Sep 06

	As at 30 Sep 2006	As at 30 Sep 2005
Weighted average lease term to expiry	6.1 years based on 66 properties	6.8 years Based on 45 properties

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- Good financial performance
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Investment highlights

- \$102m worth of acquisitions completed in FY06/07 YTD
- \$180m worth of investments awaiting completion as follows :

	Value (S\$m)	Expected completion
Courts Megastore	62 ⁽¹⁾	Nov 2006
Giant Hypermarket	66	Mar 2007
Plot 15 CBP	29	1Q 2008
Logistic & Distribution Centre at Pioneer Walk	23	1H 2008
Total	180	

- MOUs signed for investments worth \$178m in due diligence

(1) The development cost for Courts Megastore is estimated to be between \$55 million to \$62 million, pending confirmation of the differential premium.

Status of development projects

Courts

- on schedule to complete in Nov 2006



Status of development projects

Giant Hypermarket

- on schedule to complete in March 2007



Status of development projects

Plot 15 Changi Business Park

- Pre-marketing for balance space commenced. Enquires are good.
- Construction expected to commence in Nov 2006 and TOP in Q1 2008



Changi Business Park



Artist impression

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Investment Opportunities

- MOU signed for \$178m worth of acquisitions
- First right over Ascendas' properties in Singapore (about \$400m - \$500m)
- Given increased competition and in line with global trend of capitalisation rate compression, current cap. rate for business space properties is in the range of 6.5% - 7.0%.
- Given current market conditions, it is important to balance between short-term acquisition accretion to DPU vs longer term property fundamentals and sustainability of earnings
- Increasing focus on built-to-suit / development projects

Development Activities

- A-REIT can deliver greater value to unit holders by creating own product (eg Build-to-Suits, etc)
- Track record of numerous BTS projects done in partnership with Ascendas (eg. Infineon, Hamilton Sunstrand, HP, Thales)
- With relaxation in MAS' guidelines, A-REIT can undertake development projects for up to 10% of assets (ie \$290m)
 - 2 BTS projects worth \$128m for Courts and Giant
 - Changi Business Park Plot 15 worth \$29m
 - Additional capacity for another \$133m
- Development risk mitigated due to pre-committed lease, fixed price construction contracts
- Healthy Built-to-suit / development pipeline to maximise development capacity

JTC Divestment of Properties

- Intends to divest 1.7 million sqm of properties via a combination of trade sale and REIT. Composition of portfolio for trade sale and REIT yet to be determined
- Properties to be divested include :
 - 3 business parks properties – estimated total area of 126,000 sqm
 - 1 warehouse property – estimated total area of 20,000 sqm
 - Flatted factories, ramp-up and stack-up factories
- JTC properties comprise primarily flatted factories, where A-REIT has only a 9% exposure and 2.8% market share
- Nonetheless, portfolio for trade sale provides acquisition opportunity for A-REIT
- Divestment exercise expected to take at least 18 months to complete

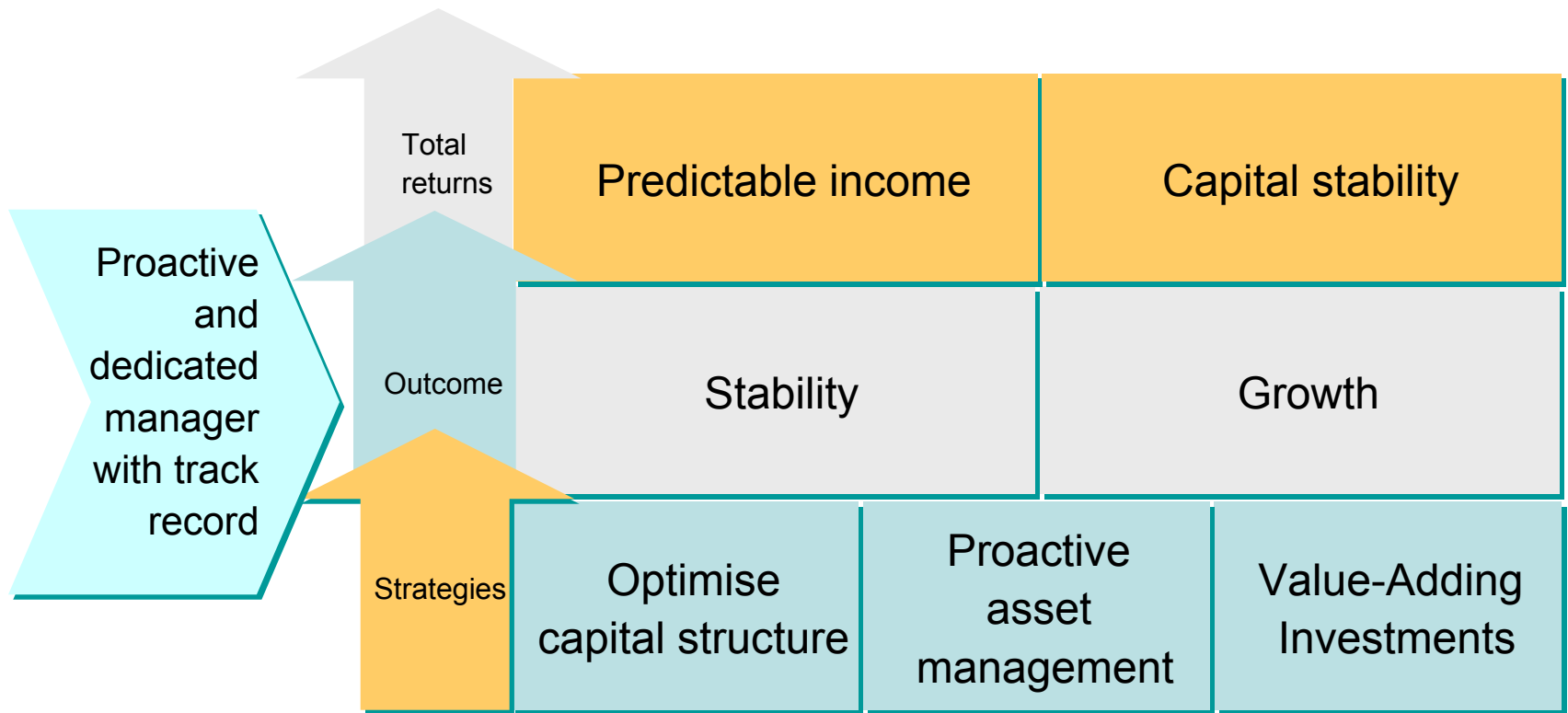
A-REIT's strengths

- Well diversified:
 - ✓ Focus in business space and industrial property sector
 - ✓ Four property asset classes
 - ✓ Well-located quality properties
 - ✓ Balance of long term vs short term leases provides stability and potential for positive rental reversions
 - ✓ No single property accounts for more than 6% of Monthly Gross Revenue
 - ✓ High predictability in income – currently 6.2% of leases due for renewal for balance of FY06/07, vs 13.4% at start of financial year

A-REIT's strengths

- **Market leader**
 - ✓ Ascendas has a track record of more than 20 years
 - ✓ Committed sponsors
- **Operational platform**
 - ✓ Dedicated sales/marketing, leasing and property management team of over 80 people
 - ✓ Possess in-depth understanding of this property sector
- **Customer focus**
 - ✓ Track record of customers growing with us
 - ✓ High retention ratio
- **Size advantages**
 - ✓ Market capitalization in excess of \$2.7bn, ranked 32nd by market cap on Singapore Exchange Securities Trading Limited
 - ✓ 16% of S-REIT sector
 - ✓ 10% of Asian REIT sector ex Japan
 - ✓ Included in major indices (eg. MSCI, STI)

A-REIT's strategies



Thank you

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