

PRESS RELEASE

Keppel Land's Financial Highlights for the Year Ended 31 December 2008

21 January 2009

Earnings Affected by Weak Macroeconomic Conditions

- **Lower PATMI of \$227.7 million and \$213.3 million excluding revaluation gains, due mainly to slower sales of residential homes in Singapore and overseas**
- **Property trading fell by 41.8% to \$160 million**
- **Property investment rose 50.8% to \$46.6 million on the back of increased rental income and a higher share of profit from K-REIT Asia**
- **Contribution from fund management grew by almost 50% as a result of greater fee income from K-REIT Asia Management and Alpha Investment Partners**
- **No write-downs for residential landbank required and overall investment property values have held**

Summary of Results

PATMI (\$m)	Year Ended		% Chg	Quarter Ended		% Chg
	31 Dec 08	31 Dec 07		31 Dec 08	31 Dec 07	
<u>By Geographical Location</u>						
Singapore	150.4	168.6	(10.8)	47.2	33.8	39.6
Other Countries	62.9	110.8	(43.2)	14.3	38.3	(62.7)
Profit before Corp. Restructuring/ Revaluation/Others*	213.3	279.4	(23.7)	61.5	72.1	(14.7)
Profit after Corp Restructuring/ Revaluation/Others*	227.7	779.7	(70.8)	68.5	572.3	(88.0)
<u>By Business Segment</u>						
Property Trading	160.0	274.9	(41.8)	37.8	81.9	(53.8)
Property Investment	46.6	30.9	50.8	22.5	5.1	341.2
Fund Management	21.1	14.1	49.6	7.0	8.1	(13.6)
Hotels and Resorts / Others	(14.4)	(40.5)	nm	(5.8)	(23.0)	nm
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Profit after Corp Restructuring/ Revaluation/Others*	227.7	779.7	(70.8)	68.5	572.3	(88.0)

Key Ratios	Year Ended		% Chg	Quarter Ended		% Chg
	31 Dec 08	31 Dec 07		31 Dec 08	31 Dec 07	
Earnings Per Share (cts)						
- Before Corp. Restructuring/ Revaluation/Others*	29.6	38.8	(23.7)	8.5	10.0	(15.0)
- After Corp. Restructuring/ Revaluation/Others*	31.6	108.3	(70.8)	9.5	79.5	(88.1)
NTA Per Share (\$)	3.39	3.18	6.6	3.39	3.18	6.6
ROE (%)						
- Before Corp. Restructuring/ Revaluation/Others*	9.3	16.6	(44.0)	nm	nm	nm
- After Corp. Restructuring/ Revaluation/Others*	9.9	46.2	(78.6)	nm	nm	nm

* Refers to surplus from sale of the Group's one-third interest in One Raffles Quay, revaluation gain/impairment provision on investment properties, and gain on acquisition of additional interest in K-REIT Asia.

Lower Trading Profit Due to Difficult Market Conditions

Keppel Land achieved a profit after tax and minority interests (PATMI) of \$227.7 million, and \$213.3 million excluding revaluation items and others. The \$213.3 million profit was about 24% lower, compared with \$279.4 million in the previous year. 2007 was a bumper year which saw the sale of Keppel Land's one-third share of One Raffles Quay to K-REIT Asia and a net revaluation gain of \$265 million for its investment properties.

PATMI from property trading fell by 41.8% from \$274.9 million to \$160 million due to slower sales from difficult market conditions as well as the completion of several residential projects in Singapore and overseas.

The decline from property trading was mitigated by a higher contribution from property investment which provided a PATMI of \$46.6 million in 2008, up 50.8% year-on-year. This was due largely to higher rental rates achieved for Equity Plaza in Singapore and Saigon Centre in Vietnam, and a higher share of profit from K-REIT Asia.

Fund management continued to perform well, achieving a 49.6% increase in PATMI to \$21.1 million on the back of higher fee income from K-REIT Asia Management and Alpha Investment Partners. In total, the Group's assets under management (AUM) have grown by 60% from \$6.1 billion a year ago to \$9.8 billion as at end-2008.

Earnings from Singapore fell 10.8% from \$168.6 million to \$150.4 million supported by progressive recognition of projects sold in earlier years as well as income from investment properties. As the global economic crisis deepened, Keppel Land's regional markets were affected. As a result, earnings from overseas fell by 43.2% from \$110.8 million in 2007 to \$62.9 million in 2008. The proportion of overseas contribution to Group PATMI amounted to 29.5% of Group PATMI compared with 39.7% in the previous year.

Keppel Land is proposing a dividend reinvestment scheme, under which shareholders can choose to receive shares instead of cash for dividends. The proposed scheme will provide more alternatives for shareholders and allows them to reinvest in the Company without incurring transaction costs. The proposed scheme will be subject to shareholders' approval at an extraordinary general meeting to be convened and the in-principle approval from the SGX-ST for the listing and quotation of the new shares issued under the scheme.

Challenges in Singapore Market

With Singapore entering into recession and GDP growth for 2008 revised to 1.2%, the latest residential and office figures are reflecting the decline. Figures from the Urban Redevelopment Authority show a weak take-up of about 4,300 new residential units for the year while flash estimates predict a drop of 4.3% in private residential prices from a year ago. Keppel Land will monitor the market and selectively launch projects. Given their good quality and prime locations, these projects will realise better value when the market recovers.

With weaker business sentiments, the full year take-up of office space is expected to be markedly lower than the 15-year historical average annual take-up of about 1.6 million sf as the first three quarters of 2008 chalked up just 0.56 million sf. Office occupancy in the CBD dipped to 95.4% in 4Q08 from 97.6% a year ago. Meanwhile, average Grade A and prime office rentals have eased 12.5% and 14% year-on-year to \$15.00 psf and \$12.90 psf per month respectively in 4Q2008.

Although rents have softened, Keppel Land's portfolio of prime office buildings in the CBD has seen positive rental reversions as some leases were signed at lower rates a few years ago. Occupancy of Keppel Land's office buildings stood at 95.4%.

Keppel Land's joint venture development Marina Bay Financial Centre Phase 1 and 2 are 66% and 55% pre-committed ahead of their completion in 2010 and 2012 respectively. As most leases committed are long-term leases of between 6 and 12 years, they provide some stability of income.

Consolidation in Overseas Property Markets

With many economies in the region facing difficult market conditions, some Asian governments have been proactive in introducing stimulus packages for the property sector. In China, measures including smaller downpayments, lower mortgage rates, tax incentives and easing of rules on home sales were introduced to encourage home purchases.

In the medium to long term, housing demand will be supported by favourable demographics and rising urbanisation rate. Capitalising on this, the Group will continue its strategy of focusing on township projects and lifestyle developments which will provide a steady earnings stream.

Growth in Fund Management

The Group's fund management business continued to perform well, growing its AUM by 60% from \$6.1 billion to \$9.8 billion. K-REIT Asia has achieved a 167% growth in distributable income in 2008. In addition to a rights issue which raised \$551.7 million, K-REIT Asia has set up a \$1 billion multicurrency medium-term note programme, which will provide additional funding capacity and flexibility for its capital requirements.

During the year, Alpha Investment Partners raised US\$1.2 billion for its new Alpha Asia Macro Trends Fund, which will put it in good position to selectively acquire quality assets. The new fund focuses on prominent trends in Asia such as the rise in education hubs, home ownership and consumerism, with target markets such as the developed countries of Singapore, Japan, Taiwan, South Korea and Hong Kong, as well as the fast emerging markets of China, India and Vietnam.

Both K-REIT Asia and Alpha Investment Partners will look for opportunities to acquire quality assets that may arise.

Building Sustainable Developments

Keppel Land is committed to promoting sustainable developments and environmental protection. During the year, the Group attained the ISO 14001:2004 certification for its Singapore projects. The Building and Construction Authority's Green Mark Gold is now the minimum standard for all the Group's projects.

Ocean Financial Centre is the first office development in Singapore to be awarded the Platinum Green Mark Award, while Marina Bay Financial Centre (Ph 1-Commercial) and Reflections at Keppel Bay in Singapore were awarded the Green Mark Gold Awards. As a result of its environmental initiatives, the Group will have potential savings of more than \$1 million per annum.

Going Forward

No provisions or write-downs are required for Keppel Land's residential projects as their breakeven prices are lower than market prices. Overall, its investment buildings have also held their values.

The Group will monitor the markets, and selectively launch projects. With its prudent cashflow management and healthy balance sheet, the Group is in a position to ride through the economic slowdown and to seize opportunities to acquire quality assets as the markets stabilise. It will focus on its strategy of developing townships, lifestyle projects and sustainable developments to tap on longer-term demand for quality housing across Asia.

Disclaimer

This release may contain statements which are subject to risks and uncertainties that could cause actual results to differ materially from such statements. You are cautioned not to place undue reliance on such statements, which are based in the current views of Management on future developments and events.