

ING Office Fund

Half Year Results Presentation – 31 December 2006

26 February 2007



PRESENTATION

Speakers



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Chief Executive Officer



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RESULTS SUMMARY


Financial highlights

Distributable income  11.7% to \$60.3m

Distributable earnings per unit  3.8% to 5.5 cpu

Distributions  1% to 5.2 cpu

Undistributed income  to \$15.2m

NAV  9.4% to \$1.52

Note: Distributable income and earnings exclude AIFRS entries.

Properties sold during the period are marked to market under AIFRS.

RESULTS SUMMARY

Asset managed and leased

- ▶ Over 12,300sqm leased in Australia, securing \$5.4m of annual income
- ▶ Over 236,400⁽¹⁾sqft leased in the US, securing US\$10.8m of annual income
- ▶ Leased 146,000sqft at Homer Building
- ▶ Leased 90,400sqft at 900 Third Avenue
- ▶ New rental benchmarks set

(1) 100% interest of co-owned assets.

RESULTS SUMMARY

Acquired

NVH Building, Paris (50%)
€78 million – 5% net yield



Neully Victor Hugo Building, Paris

ING Dutch Office Fund, Netherlands (20%)
€268 million – 6.4% net yield



ING Dutch Office Fund portfolio, Netherlands

- ▶ Introduced Paris to the portfolio – premier global office market
- ▶ Investment in high quality, diversified portfolio of Dutch office assets

RESULTS SUMMARY

Revalued (external)

| | Cap rate | |
|------------------------------------|--------------|--------------|
| | Current | Previous |
| 111 Pacific Highway – North Sydney | 7.00% | 7.50% |
| 388 George Street – Sydney | 5.75% | 7.25% |
| 347 Kent Street – Sydney | 5.75% | 7.00% |
| 1230 Nepean Highway – Cheltenham | 7.00% | 8.25% |
| 383 Latrobe Street – Melbourne | 7.25% | 9.00% |
| 628 Bourke Street – Melbourne | 7.25% | 8.00% |
| 1 Adelaide Terrace – Perth | 7.25% | 7.75% |

- ▶ **Average cap rates:**
- **Australia 6.9%**
 - **US 6.0%**
 - **Eurozone 6.1%**

RESULTS SUMMARY

Distributable income

| | Dec 06 | Dec 05 |
|----------------------|---------------|---------------|
| | (\$m) | (\$m) |
| Net property income* | 86.7 | 79.4 |
| Net interest | (21.0) | (20.6) |
| RE fee | (4.5) | (4.1) |
| Other costs | (0.9) | (0.7) |
| Distributable income | 60.3 | 54.0 |
| EPU (cents) | 5.5 | 5.3 |
| DPU (cents) | 5.2 | 5.1 |

- ▶ EPU growth of 3.8%
- ▶ Profit on sale of Belconnen & Penrith excluded

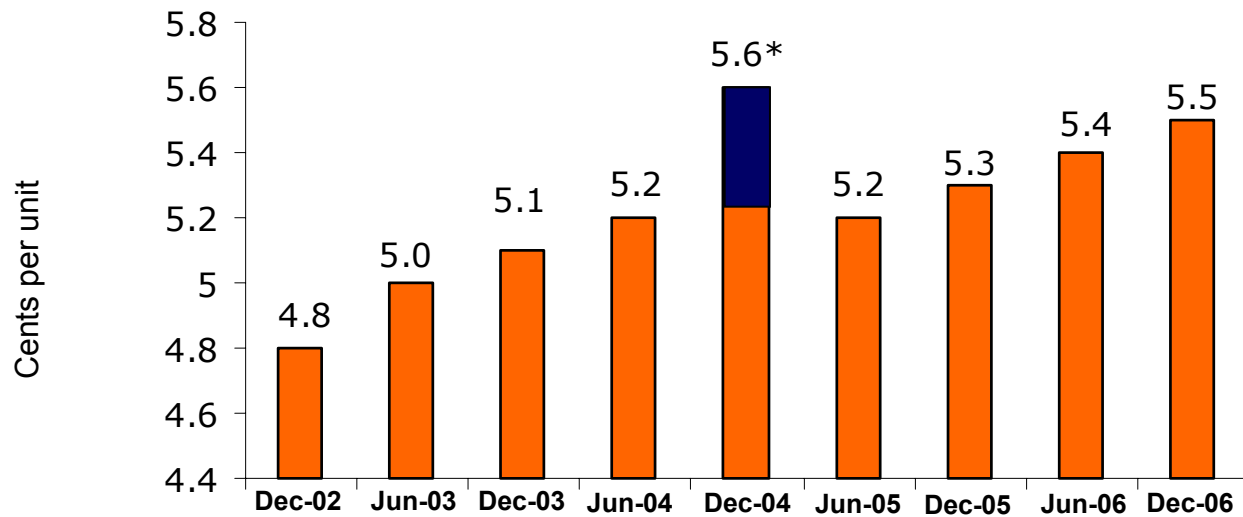
*Adjusted for minority interests and AIFRS entries

Average US\$ = 0.764

Average € = 0.596

RESULTS SUMMARY

Earnings per unit



▶ Steady EPU growth over repositioning and rental reversion periods

* impacted by \$3.4m ATO payment at Cheltenham

RESULTS SUMMARY

Key financials

| | Dec 06 | Jun 06 |
|------------------------|-----------------|-----------------|
| Total assets | \$3.2b | \$2.6b |
| Gearing (look through) | 40.3%* | 39.4% |
| Undistributed income | \$15.2m | \$11.8m |
| NAV (per unit) | \$1.52 | \$1.39 |
| Units on issue | 1,217.8m | 1,075.3m |
| No. of unitholders | 29,576 | 29,833 |
| Avg lease duration | 5.6 yrs | 5.9 yrs |

* Increases to approx. 41.5% when NVH building is delivered in Apr-07

RESULTS SUMMARY

Major leasing

| Tenant | Property | Area | Face rent \$ sqf/sqm | Movement on previous rent |
|----------------------------|-------------------|-----------|-------------------------|---------------------------------|
| Amgen | Homer Building | 76,866sqf | \$45 n | ↑ 10% |
| Zweig Advisors | 900 Third Avenue | 45,000sqf | \$63 g | ↑ 31% |
| Permal Group | 900 Third Avenue | 11,481sqf | \$64 g | ↑ 21% |
| Spear Leeds & Kellogg | 900 Third Avenue | 16,120sqf | \$56 g* | ↑ 33% |
| State of Queensland | 239 George Street | 2,619sqm | \$415 g | ↑ 32% |
| Depart. of Foreign Affairs | 295 Ann Street | 1,211sqm | \$450 g | ↑ 50% |

- ▶ New leasing at 900 Third Ave and Homer Building set new rental benchmarks
- ▶ Brisbane reversions continuing

* Reflects rents for level 2

GLOBAL OFFICE MARKETS



GLOBAL OFFICE MARKETS

Recent global transactions

| Transaction | Date | Market | Value | Rate sqm / sqft | Net Yield |
|---------------------------|--------|-------------------|----------|--------------------|-----------|
| MPC Portfolio | Jan-07 | Netherlands | €1,060m | €1,979 sqm | 5.4% |
| Eudokiaplein | Feb-07 | Rotterdam | €24m | €2,300 sqm | 5.1% |
| Arthur Van Schendelstraat | Feb-07 | Utrecht | €30m | €2,590 sqm | 5.0% |
| BB Centrum | Dec-06 | Prague 4 | €170m | €7,943 sqm | 5.2% |
| Ave Charles de Gaulle | Feb-07 | Neuilly, Paris | €65m | €14,358 sqm | 4.3% |
| Grolier Building | Sep-06 | Midtown Manhattan | US\$416m | US\$664 sqft | - |
| Franklin Tower | Jan-07 | Washington DC | US\$148m | US\$698 sqft | - |

Source: ING Real Estate, company releases

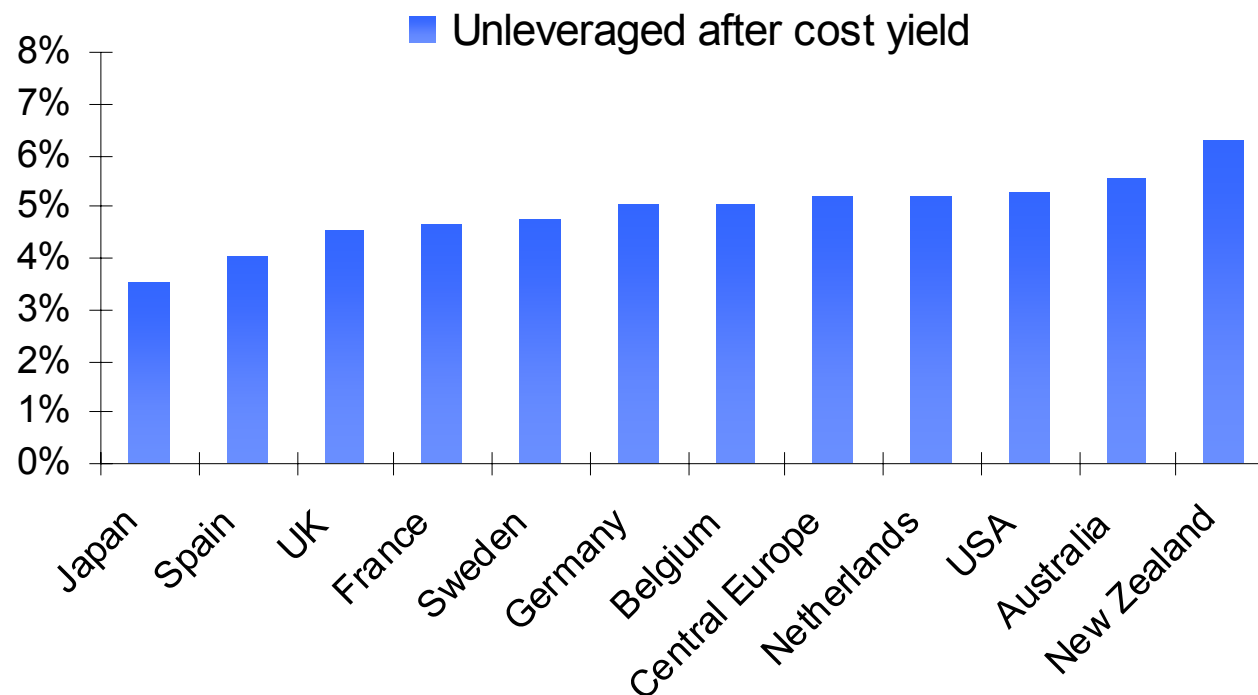
GLOBAL OFFICE MARKETS

Global transactions summary

- ▶ MPC portfolio sale reflects materially firmer pricing than DOF transaction
- ▶ Other recent Dutch sales confirm yield re-rating for the Netherlands
- ▶ Recent transactions in Prague & Paris show similar firming in yields
- ▶ Major U.S. sales reflect pricing based on actual & potential rent reversions
- ▶ U.S. pricing compares favourably with replacement cost
- ▶ Capital values continue to increase in the U.S.

GLOBAL OFFICE MARKETS

Global yield convergence

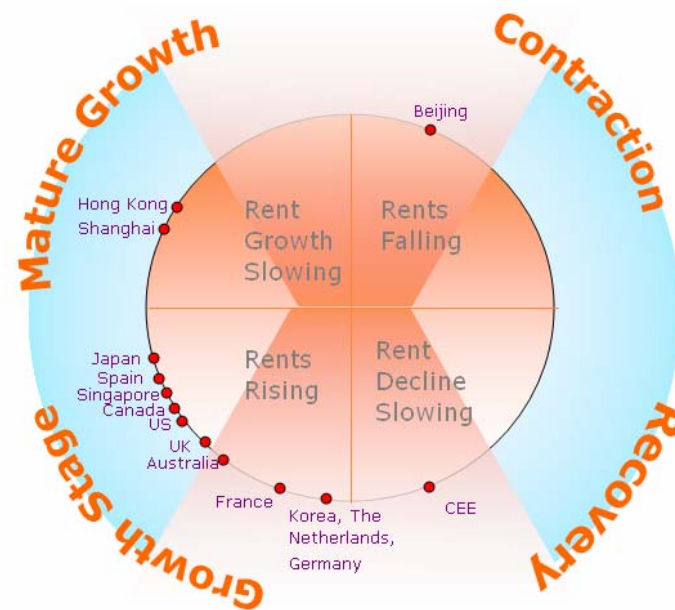


- ▶ Global market place characterised by minimal variation in yields
- ▶ Signs that synchronicity may be about to change, especially in supply side response

Source: ING Real Estate, Westpac

GLOBAL OFFICE MARKETS

Rental growth cycle



- ▶ Supply constraints & economic rents will likely determine market divergence*
- ▶ Benefits of global diversification should become more apparent

Source: ING Real Estate

* See "SynchroniCITY? Will office markets remain in sync?" ING Real Estate, Feb 2007

GLOBAL OFFICE MARKETS

Economic rents - Australia

| | Market rent (net, sqm) | Economic rent (net, sqm) | Economic rent vs. market rents |
|------------------------------------|-----------------------------------|-------------------------------------|---|
| Sydney A Grade CBD | \$550-\$800 | \$850 | Premium |
| North Sydney A Grade CBD | \$390-\$440 | \$530 | Premium |
| Melbourne A Grade CBD | \$300-\$400 | \$460 | Premium |
| Brisbane A Grade CBD | \$420-\$520 | \$480 | Discount |
| Perth A Grade CBD | \$400-\$500 | \$485 | Discount |

- ▶ Economic rents are at a premium to market rents in the majority of markets
- ▶ Market rents in Brisbane & Perth exceed current economic rents

Source: ING Real Estate

GLOBAL OFFICE MARKETS

Economic rents – United States

| | Market rent (net, sqft) | Economic rent (net, sqft) | Economic rent vs. market rents |
|--|----------------------------|------------------------------|-----------------------------------|
| New York Class A, Manhattan | \$45-\$60 | \$75 | Premium |
| Washington DC Class A, CBD | \$35-\$45 | \$50 | Premium |
| Boston Class A, Downtown | \$35-\$40 | \$40 | Discount |
| Los Angeles Class A, West L.A. | \$30-\$35 | \$35 | Discount |

- ▶ High economic rents in New York reflect scarcity of development sites
- ▶ Supply constrained markets to continue rental growth despite relative cost base*

* Inc. land & construction costs

Source: ING Real Estate

GLOBAL OFFICE MARKETS

Economic rents - Europe

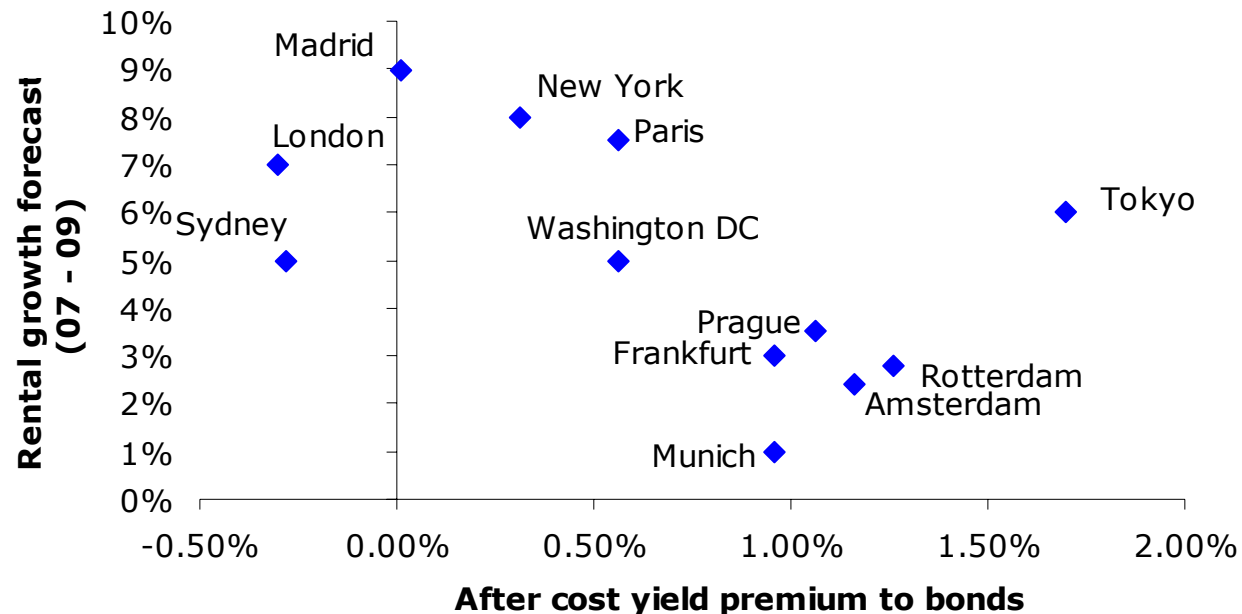
| | Market rent (net, sqm) | Economic rent (net, sqm) | Economic rent vs. market rents |
|--|-----------------------------------|-------------------------------------|---|
| Paris A grade, WBD | €580- €600 | €625 | Premium |
| Netherlands A grade, CBD major markets | €150- €220 | €264 | Premium |

- ▶ Slow Parisian supply side response & planning restrictions to drive rental growth
- ▶ Dutch economic rents at a material premium to market rents

Source: ING Real Estate

GLOBAL OFFICE MARKETS

Yield spreads and rental growth



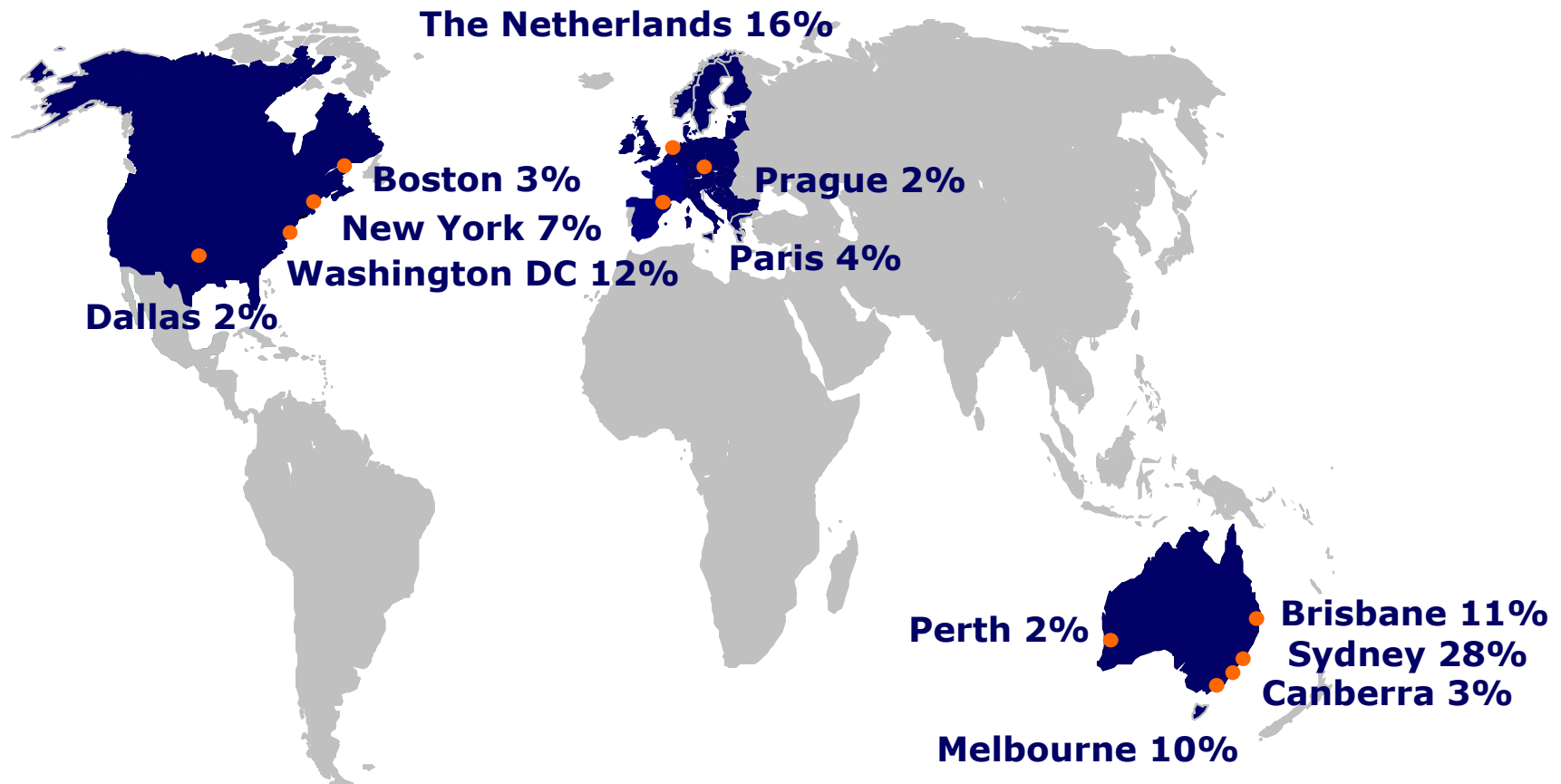
- ▶ Funding costs and rental growth outlook vary by market
- ▶ Markets with rising rents & low construction pipelines carry lower risk to total returns

Source: ING Real Estate, Westpac

GLOBAL OFFICE MARKETS

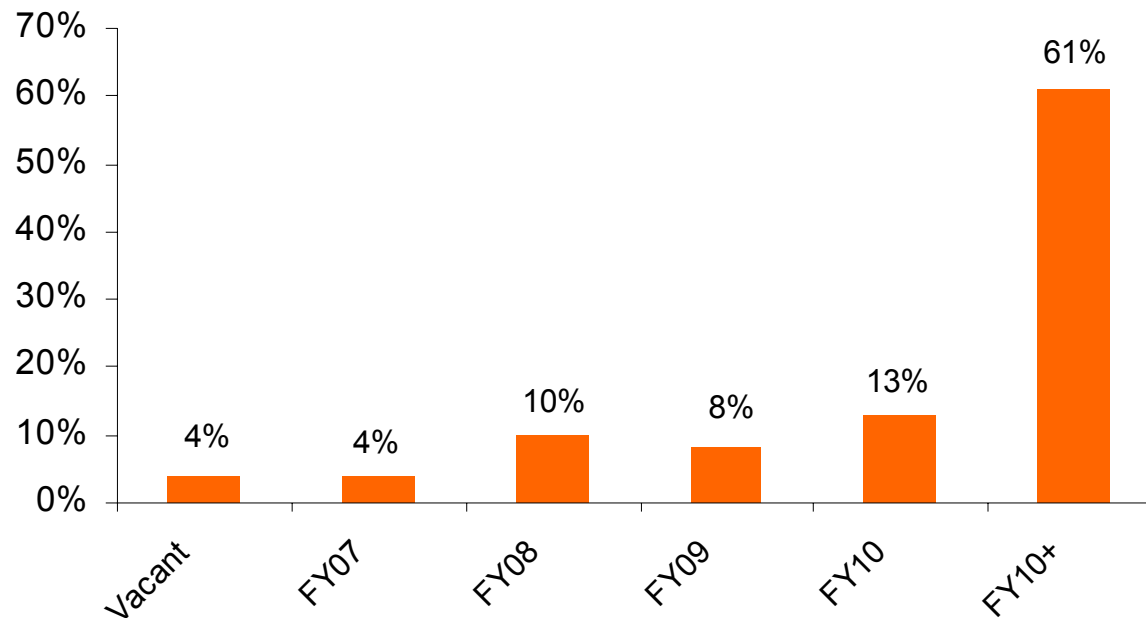
- ▶ Recent European sales show continued yield compression
- ▶ Despite global yield convergence, rental growth & funding costs vary by market
- ▶ Variations in supply side response may drive divergence in fundamentals
- ▶ Benefits of global portfolio diversification should become more apparent
- ▶ Economic rents and supply constraints to become key drivers of rental growth
- ▶ Select global office markets to continue to deliver strong total returns

PORTFOLIO SUMMARY



PORTFOLIO SUMMARY

Lease expiry profile (by income)



- ▶ Manageable lease expiry 2006 - 2007
- ▶ WALE 5.6 years with 61% expiry post 2010

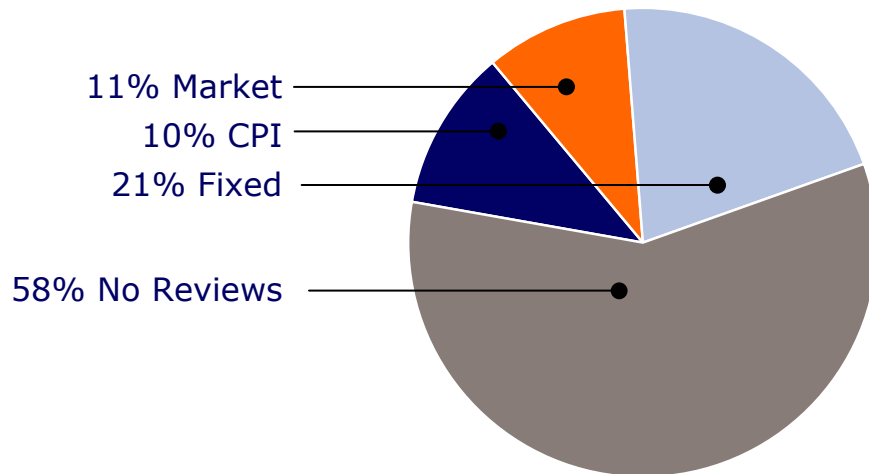
PORTFOLIO SUMMARY – LEASING FOCUS

| Tenant | Property | Vacant | FY07 | FY08 | FY09 | FY10 |
|------------------------|---------------------|--------|-----------|------------|-----------|------------|
| Vacant | 111 Pacific Highway | 1% | | | | |
| Vacant | NVH Building | 1% | | | | |
| Vacant | DOF portfolio | 2% | | | | |
| DEST | 16 – 18 Mort St | | | 3% | | |
| Kroll Associates | 900 Third Ave | | | 1% | | |
| Lycopodium | 1 Adelaide Terrace | | | 1% | | |
| BMC Software | Waltham Woods | | | | 2% | |
| AMP | 151 Clarence Street | | | | 1% | |
| Aust. Customs | 140 Creek Street | | | | 1% | |
| Macquarie Bank | 10-20 Bond Street | | | | | 4% |
| Tannenbaum | 900 Third Avenue | | | | | 1% |
| Telstra | 151 Clarence Street | | | | | 1% |
| Child Support | 295 Ann Street | | | | | 1% |
| Major expiries/vacancy | | 4% | 0% | 5% | 4% | 7% |
| Total expiries | | - | 4% | 10% | 8% | 13% |

PORTFOLIO SUMMARY

Rent reviews

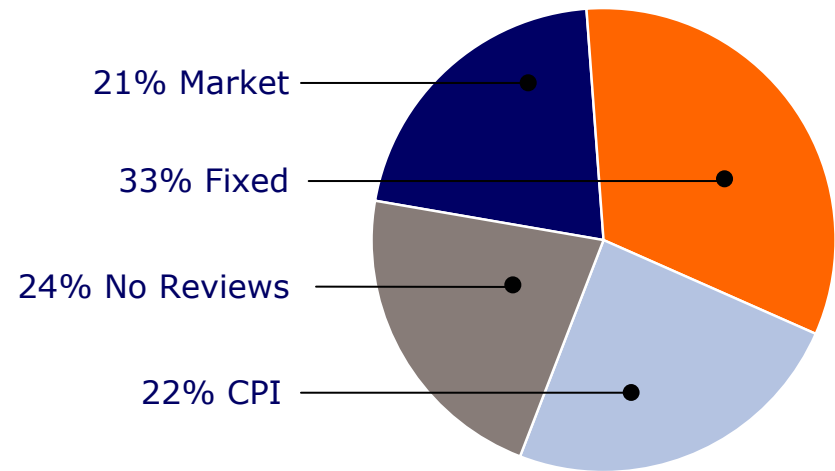
FY07



▶ Fixed ave. increase = 4.3%

▶ CPI ave. increase = 2.0%

FY08



▶ Fixed ave. increase = 3.8%

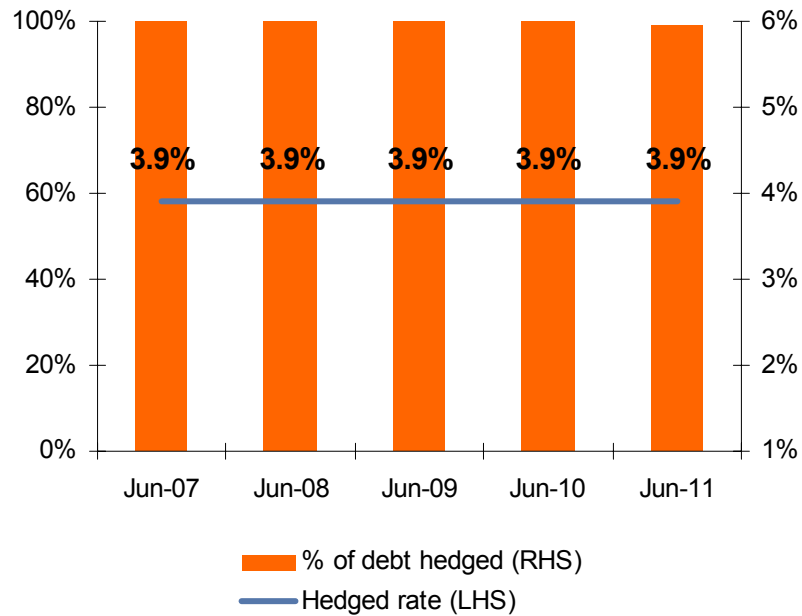
▶ CPI ave. increase = 2.3%

Note: Market reviews incl. expiries

PORTFOLIO SUMMARY

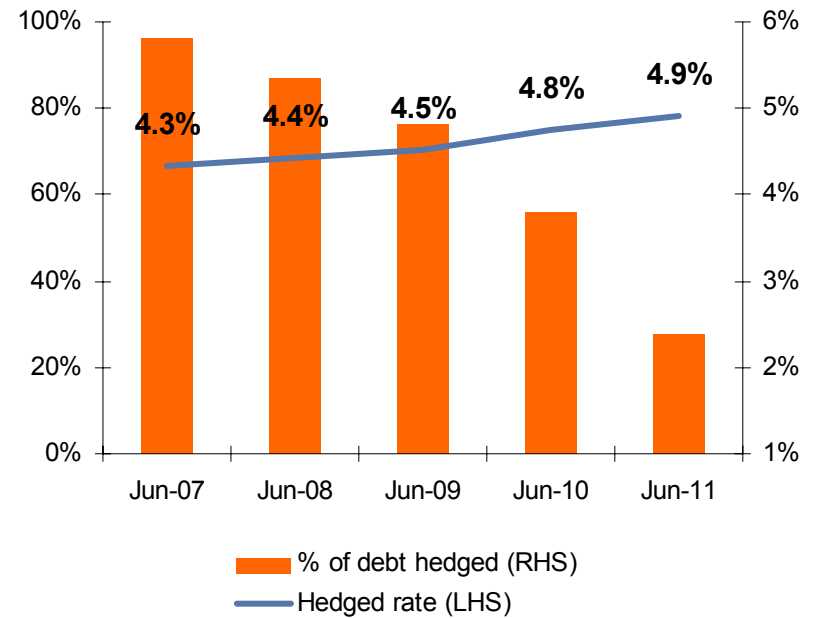
Interest rate hedging

€



Hedged for ave. 6.4 yrs @ 3.9%*

US\$



Hedged for ave. 3.2 yrs @ 4.4%*

* excludes margins

PORTFOLIO SUMMARY

Debt update

- ▶ CMBS refinanced into new unsecured bridge facility of \$1.1b
- ▶ Other offshore secured facilities also incorporated into new bridge
- ▶ To be taken out with unsecured multi-currency syndicated loan
 - economies of scale using global property portfolio
 - cost savings on current total margins
 - greater flexibility funding offshore acquisitions
 - capacity to access global capital markets
- ▶ Homer Building recently refinanced @ 5.4%* fixed for 5 years

* Incl. margins

PORTFOLIO SUMMARY

Currency hedging

| | Dec 06 to Jun 09 | Jun 10 |
|--------------------------------|-------------------------|---------------|
| US\$ ave. FX rate | 0.67c | 0.70c |
| - % of forecast revenue hedged | 100% | 100% |
| € ave. FX rate | 0.55€ | 0.55€ |
| - % of forecast revenue hedged | 100% | 100% |

OUTLOOK AND STRATEGY

- ▶ Total return focus without compromising security of underlying earnings
- ▶ Access to global value opportunities through ING Real Estate's unique platform
- ▶ Continued portfolio enhancement and recycling of capital
- ▶ Active asset management to further capture rental growth
- ▶ Forecast DPU up 2.9% for 2nd half
- ▶ Deliver sustainable distribution growth