

Extraordinary General Meeting

17 April 2025

Proposed Trust Deed Amendment in Relation to Distributions

*The Plaza Buildings
Bellevue, Washington*



Background on KORE's Recapitalisation Plan

In February 2024, the Manager had announced plans to recapitalise via the suspension of distributions⁽¹⁾, which is expected to last through to the second half of 2025 in respect of distributions that would otherwise be paid in first half of 2026.

Existing terms of the Trust Deed:

- The Manager shall make regular distributions of 100% (or such lower percentage as determined by the Manager) of its Annual Distributable Income⁽²⁾ at quarterly, half-yearly, yearly intervals, or at such other intervals as the Manager shall decide in its absolute discretion.
- There is a distribution of a minimum 90% of Annual Distributable Income and;
- The Manager will endeavour to ensure that for each financial year there is at least one distribution and the last distribution covers the period up to the last day of the financial year.

- (1) The drop in valuation of KORE's assets at the end of 2023 created a loss pursuant to which any distribution would be in excess of the combination of profits and the US\$75 million loans due for refinancing by 4Q2024. Paragraph 7.3 of the Property Funds Appendix which states that if "the manager declares a distribution that is in excess of profits, the manager should certify, in consultation with the trustee, that it is satisfied on reasonable grounds that, immediately after making the distribution, the property fund will be able to fulfil, from the deposited property of the property fund, the liabilities of the property fund as they fall due". Accordingly, distributions were suspended.
- (2) "Annual Distributable Income" means the amount calculated by the Manager (based on the financial statements of KORE for that financial year) as representing the consolidated net profit after tax of KORE (which includes the net profits of the special purpose vehicles held by KORE for the financial year, to be pro-rated where applicable to the portion of KORE's interest in the relevant special purpose vehicle) for the financial year, as adjusted to eliminate the effects of adjustments. After eliminating the effects of these adjustments, the Annual Distributable Income may be different from the net profit recorded for the relevant financial year.

Proposed Trust Deed Amendment

In anticipation of the time when KORE re-commences distributions, originally planned to be 2H 2026 or possibly earlier if market conditions allow, and taking into account the necessary capital investments for KORE in relation to its portfolio, **the Manager proposes to amend the Trust Deed to allow the Manager greater flexibility in determining the frequency and the amount of distributions declared.**

- The amount may range from 0% to 100% of distributable income, in contrast to the existing trust deed where the amount of distribution is fixed at a minimum 90% of the annual distributable income, subject to applicable laws.
- The Manager will only halt distributions if not doing so may possibly affect the viability of KORE.
 - Such examples include KORE facing difficulties in refinancing its loans or financing its day-to-day operations.

The Manager is required to consider the interest of KORE and its Unitholders when determining the amount of distribution to declare.

Long-term Interest of KORE and Unitholders Aligned

Preserve capital to meet capital requirements for the United States (US) office

- US office market requires substantial capital injection from landlords as landlords are responsible for funding capital expenditure.
- Essential for KORE to retain and attract new tenants, thereby maintaining and improving net property income and valuations of properties.
- *Example:* KORE's portfolio committed occupancy stood at 90% as at end-2024, above the US average of 86.2% and the average of 83.4% across gateway cities⁽¹⁾.

Leverage considerations

- It is not sustainable for the Manager to fund 100% of its capital expenditure through debt.
- This reduces reliance on debt financing and would improve KORE's financial flexibility.
- Prudent to preserve a comfortable debt headroom with a stronger balance sheet, thereby reducing long term risks for Unitholders.
- *Example:* KORE had substantially refinanced its 2024 and 2025 debt obligations and have also kept leverage below 45%.

Sustainable long-term returns

- Funds not distributed can be channelled to capital expenditure needs that will yield stable recurring income for KORE.
- KORE will be better positioned with respect to urgent financing requirements.

Objective of Proposed Trust Deed Amendment
is to provide Unitholders with more certainty of a stable distribution level in the long run.

Thank You

For more information,
please visit www.koreusreit.com

Connect with us on: 

*Westmoor Center
Denver, Colorado*

