

The logo for DNZ Property Fund. 'DNZ' is in a large, bold, blue sans-serif font. A small green square is positioned to the left of the 'D'. Below 'DNZ', the words 'Property Fund' are written in a smaller, blue sans-serif font, with 'Fund' in a green color matching the square.

DNZ

Property Fund

INTERIM RESULTS

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2011

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Agenda & Contents

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Chat Room

Chat Room

HIGHLIGHTS

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Highlights

- Increased cash dividend Q2 FY12
 - 2.1 cent cash dividend for the quarter (nil imputation credits)
 - 8.3 cent cash dividend expected for FY12
 - Full year distribution expected to remain within the dividend policy range of 75-85% of distributable profit
- Distributable profit of \$13.0m or 5.27 cents per share
- Net property income of \$25.9m
- Loan to value ratio (LVR) 37.8%
- 114 lease transactions over 147,750m²
- Occupancy 98.3%
- WALT extended to 4.5 years
- \$31.6m (gross) asset sales
- Asset values stable
- Total Shareholder returns of 35.9%
 - 16 August 2010 to 10 November 2011

Q2 DIVIDEND ↗ **2.1 CENTS**

LVR ↘ **37.8%**

OCCUPANCY ↗ **98.3%**

WALT ↗ **4.5 yrs**



Source: IRESS

Assumes the reinvestment of dividends (but not imputation credits) on the ex-date



FINANCIAL PERFORMANCE

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Distributable Profit – Consolidated Group

	Actual 30 Sept 2011 (\$ millions)	Actual 30 Sept 2010 (\$ millions)	Variance (\$ millions)
Net profit/(loss) before tax	11.0	(26.1)	37.1
NZ IFRS and other adjustments:			
- Net change in fair value of investment properties	1.0	(0.1)	1.1
- Net change in fair value of share subscription agreements	-	(1.1)	1.1
- Net change in fair value of investments	(0.3)	-	(0.3)
- Chief Executive option scheme	-	1.2	(1.2)
- Termination payment for manager	-	31.8	(31.8)
- Amortisation and impairment of fixed life intangible	-	3.6	(3.6)
- Loss on disposal of investment properties	1.2	0.2	1.0
- Net rent free incentives	(0.1)	(0.1)	-
- Net lease contribution incentives	0.1	0.1	-
- Other adjustments	0.1	0.7	(0.6)
Less: current taxation paid	-	(0.4)	0.4
Distributable profit after tax	13.0	9.8	3.2
Basic distributable profit per share - weighted	5.27 cents	4.69 cents	0.58 cents
Weighted average number of shares (millions)	247.4	208.9	

Financial Performance – Consolidated Group

	Actual 30 Sept 2011 (\$ millions)	Actual 30 Sept 2010 (restated) (\$ millions)	Variance (\$ millions)
Net rental income	25.9	25.9	-
Management fee income	0.6	0.3	0.3
Corporate expenses	(3.8)	(5.4)	1.6
Operating profit before net finance expenses and income tax	22.8	20.8	2.0
Net finance expenses	(9.2)	(11.8)	2.6
Operating profit before income tax	13.6	9.0	4.6
Non operating (expenses)/income	(2.6)	(35.1)	32.5
Net profit/(loss) before taxation	11.0	(26.1)	37.1
Income tax expense	(2.8)	(17.4)	14.6
Net profit/(loss) for the period	8.2	(43.5)	51.7

Notes:

1. Values in the table above are calculated to three decimal places and may not sum accurately due to rounding.
2. The results to 30 September 2010 have been restated to reflect the early adoption of the amendment to NZ IAS 12 Deferred Tax: Recovery of Underlying Assets.

Financial Summary

	As at 30 Sept 2011 (\$ millions)	As at 31 March 2011 (\$ millions)
Property values ¹	608.2	637.7
Bank debt drawn	222.0	252.9
Bank loan to value ratio ²	37.8%	40.4%
Equity	378.9	382.3
Shares on issue	247.6	246.6
NTA per share ³	\$1.52	\$1.54
Adjusted NTA per share ⁴	\$1.54	\$1.55

¹ Assets sales were completed during the period.

² Includes fair value of interest rate hedges.

³ Excludes intangibles.

⁴ Excludes intangibles and the after tax fair value of interest rate derivatives.

A modern office interior featuring a reception desk with a glowing yellow circular light, a wall-mounted TV, and a large wall graphic with the text "I don't want people who do the right thing. I want people who do inspiring things." The foreground shows a white leather chair and a red armchair.

CAPITAL MANAGEMENT

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Capital Management

Covenant	Covenant	As at 30 Sept 2011
Loan to Value Ratio (Bank Debt / Property Values)	< 50%	37.75%
Interest Cover Ratio (EBIT / Interest and Financing Costs)	> 1.75 x	2.29 x
Fully Leased Unexpired Term ¹	> 3.5 years	4.39 years

- Banking facility reduced from \$350m to \$300m (28 September 2011)
 - Balance undrawn \$78m
 - Secured (post 30 September 2011) a revised \$300m term debt bank facility effective from 31 October 2011
- \$95m of forward starting swaps entered into during the period
- No swaps maturing until November 2012
- A further gross realisation of \$31.6m from asset sales (near book value)
- 95% of drawn debt hedged (following asset sales)
- Surplus cash used to fund capital works \$3m
- Implementation of Share Buyback Scheme

¹ The unexpired leased term in a property or portfolio, assuming the property or portfolio is fully leased. This is weighted by the income applicable to each lease and a current market rental with nil term for vacant space.

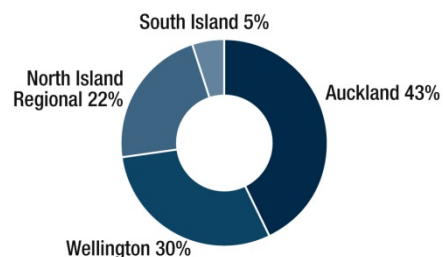
PORTFOLIO OVERVIEW

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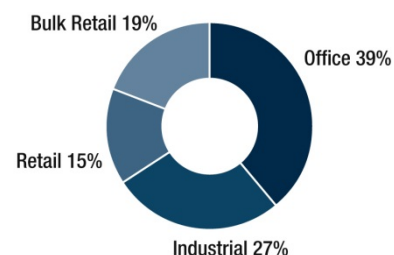
Portfolio Summary

Overview	30 Sept 2011	31 March 2011	30 Sept 2010
Properties	48	50	54
Tenants	261	283	279
Net Lettable Area (m ²)	360,683	371,481	379,934
WALT (years)	4.5	4.3	4.4
Occupancy Rate (by area)	98.3%	97.9%	96.1%
Asset Valuation	\$608m	\$638m	\$700m

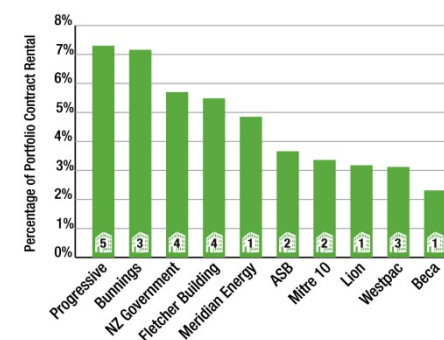
Portfolio Contract Rental by Region



Portfolio Contract Rental by Sector



Top 10 Tenants by Contract Rental



denotes number of properties

The above graphs are as at 30 September 2011

Major Lease Transactions Completed

Tenant	Commencement	Area m ²	Term	Contract Rental \$
Goodyear & Dunlop Tyres ¹	September 2015	9,730	6 years	Market 2015
New Zealand Post	September 2011	6,027	6 years	550,000
DDB	June 2012	3,659	6 years	921,000
Carter Holt Harvey	December 2012	3,340	6 years	363,000
healthAlliance	April 2012	2,141	3 years	684,000
Armourguard	December 2011	1,182	3 years	250,000
Serato	August 2011	1,068	6 years	228,000
NZ Association of Credit Unions	August 2011	819	9 years	244,000
Gibson Sheat	August 2012	789	9 years	346,000
Financial Markets Authority ²	July 2012	1,094	9 years	415,000

- 114 lease transactions over 147,750m²
 - 53 rent reviews over 93,400m² for a total annual rental of \$14.8m
 - 29 new lettings over 22,345m² for a total annual rental of \$4.7m
 - 32 lease renewals over 32,005m² for a total annual rental of \$5.0m

¹ Sublease from Chrisco Hampers from April 2011 to September 2015.

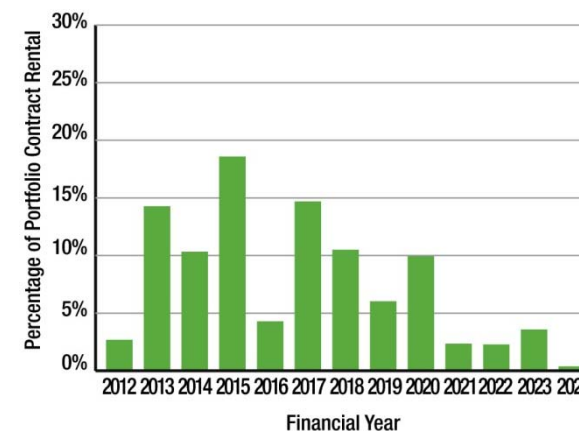
² Post 30 September 2011 balance date.

Major Lease Expiries

FY	Property	Tenant	NLA m ²
2013	Columbia Avenue, Christchurch	Progressive	12,665
2013	20 Rockridge Ave, Auckland	CEVA	10,239
2013	35 Maclaggan Street, Dunedin	The Warehouse	6,433
2013	1 Grey Street, Wellington	Westpac	4,266
2013	1 Grey Street, Wellington	MFAT	1,586
2013	1 Grey Street, Wellington - LEASED TO FMA POST BALANCE DATE	Optimisation	1,094
2013	Johnsonville Shopping Centre & Adjoining Properties, Wellington	Various Tenancies	1,132

- 2.7% of contract rental expires in FY12
- Focus is now moving to expiries in FY13 & FY14

Lease Expiry Profile by Contract Rental



Portfolio Occupancy

Property	Occupancy (%) 31 March 2011	Occupancy (%) 30 Sept 2011	Vacancy (sqm) 30 Sept 2011	Net Lettable Area (sqm) 30 Sept 2011
8 Rockridge Avenue, Penrose	74%	74%	811	3,112
650 Great South Road, Greenlane	93%	75%	2,095	8,390
80 Greys Avenue	87%	100%	-	5,457
7 - 9 Fanshawe Street	69%	70%	1,432	4,818
21 - 25 Teed Street, Newmarket	59%	89%	466	4,071
OFFICE TOTAL	92.6%	93.8%	4,805	77,173
INDUSTRIAL TOTAL	100.0%	100.0%	-	163,814
Cnr Ward, Bryce and Tristram Streets	92%	92%	632	8,119
Johnsonville Retail	96%	91%	605	6,921
RETAIL TOTAL	96.1%	95.0%	1,237	23,930
65 Chapel Street	99%	99%	238	16,367
BULK RETAIL TOTAL	99.8%	99.8%	238	95,766
INVESTMENT PROPERTIES TOTAL	97.9%	98.3%	6,280	360,683

- Occupancy has improved to 98.3% over the last six months.

Foodstuffs Portfolio



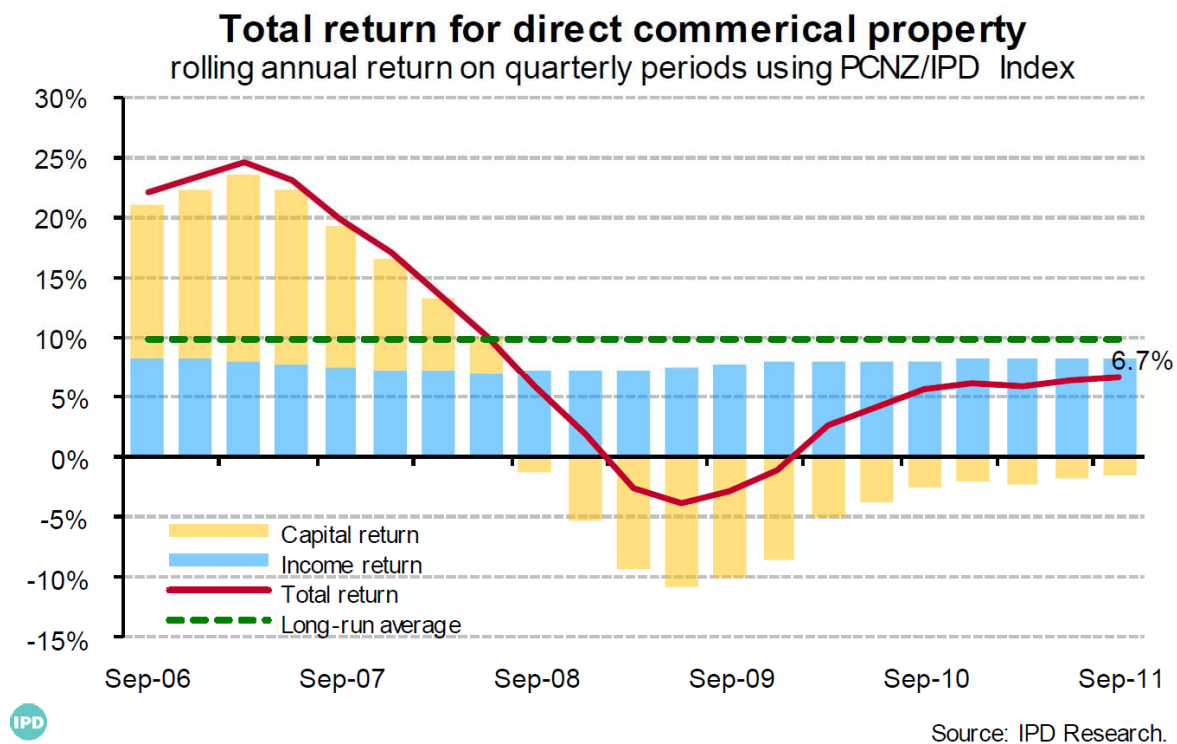
- Three properties in Napier, New Plymouth and Wellington
- Settled 4 October 2011
- \$40.7m
- 18 year leases to Foodstuffs (Wellington) Co-op Limited
- WALT increases to 5.23 years equivalent as at 30 September 2011



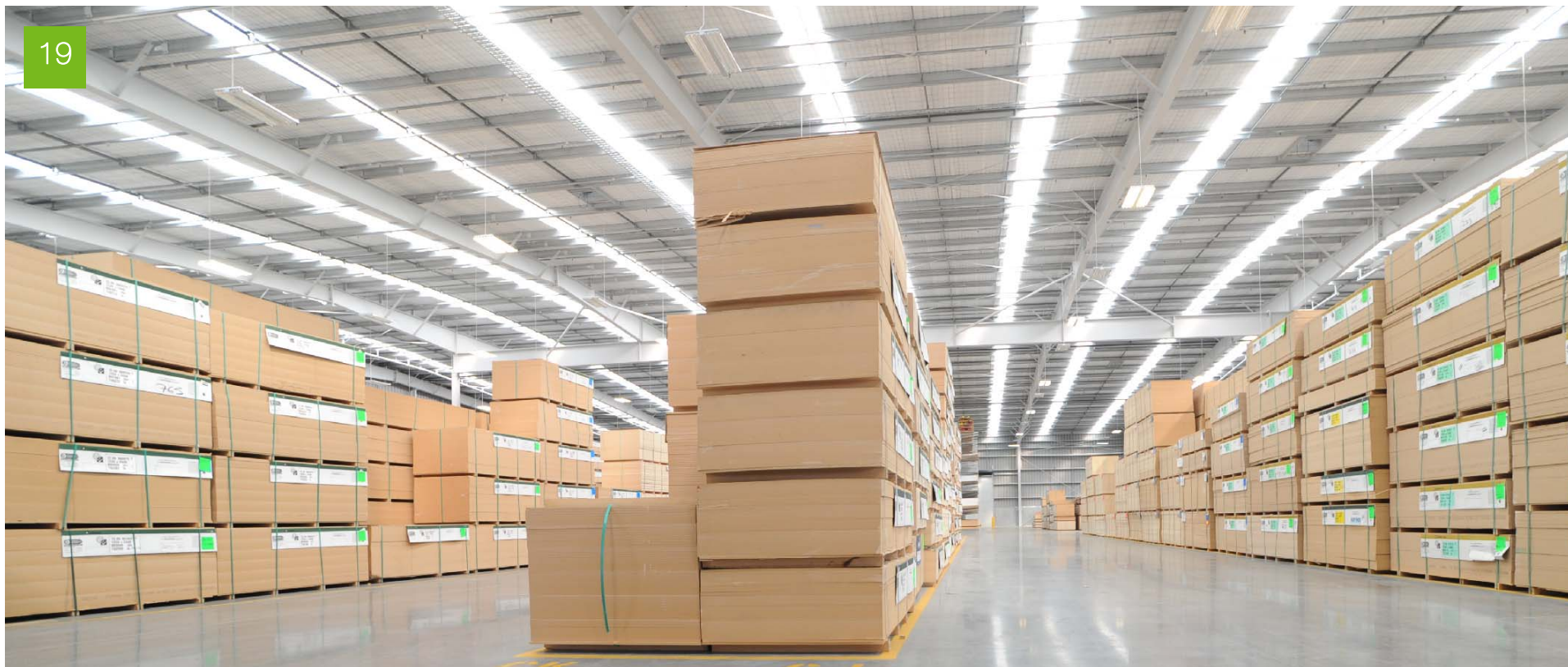
MARKET OVERVIEW

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Total Returns



- Wellington yields have begun to soften, with earthquake risk becoming more paramount
- Auckland yields have stabilised during the year and are expected to improve as confidence returns and vacancy is absorbed
- DNZ asset values remain stable as at 30 September 2011



OUTLOOK

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Capital Management

- Secured (post 30/09/2011) a revised \$300m bank term debt bank facility effective from 31/10/2011
 - Evenly split with existing bankers ANZ, BNZ and CBA
 - The facility comprises a \$150m three year tranche and a \$150m four year tranche, expiring in October 2014 and October 2015 respectively
 - Resulting in approximately \$2m annual savings in finance costs for DNZ from 31/10/2011

Strategy

- Leverage off existing portfolio opportunities to maximise cashflow
- Acquisitions that further enhance the portfolio – Foodstuffs portfolio post 30/09/2011 \$40.7m
- Realise the potential of the Penrose development land through securing design build opportunities
- Pre-development planning for Johnsonville Shopping Centre

Outlook

- Slow economic recovery
- Insurance premium pressure
- FY13 & FY14 lease expiry focus

Summary

- Competitive business environment
- Cash dividend of 2.1 cents for Q2 FY12 - 8.3 cent cash dividend expected for full year FY12
- Expected tax payable position in FY13
- Implementation of a Share Buyback Scheme

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THANK YOU

Important Notice: Certain statements in this presentation constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors (many of which are beyond the control of DNZ) which may cause the actual results, performance or achievements of DNZ, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

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