



INTERIM RESULTS BRIEFING

DNZ PROPERTY FUND LIMITED INTERIM RESULTS FY11

11 NOVEMBER 2010

One entity **One vision** 

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DNZ PROPERTY FUND LIMITED
INTERIM RESULTS FY11

OVERVIEW

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Overview

- Successful IPO and capital raise of \$45 million
- NZX listing on 16 August 2010
- Positive share price growth
- September quarter cash dividend of 2 cents in line with previous guidance
- Completion of the asset sales programme
- Solid portfolio performance
 - 105 lease transactions completed
 - WALT of 4.4 years
 - Occupancy at 96%
- Only internally managed listed property entity

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FINANCIAL PERFORMANCE

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Financial Performance

- Distributable profit \$9.8m
- Net profit before one off items and tax \$8.1m
- Net loss after tax \$112.8m
 - Listed PIE from 1 July 2010 resulting in a deferred tax liability of \$86.3m
 - One off payment for termination of management contract \$31.8m
- September quarter cash dividend confirmed at 2.0 cents per share
 - Record date 26 November 2010
 - To be paid 10 December 2010

Financial Performance

Period Ended	30 Sept 10 (\$ millions)	30 Sept 09 (\$ millions)
Net rental income	25.9	27.8
Management fee income	0.3	-
Loss on disposal of investment properties	(0.2)	(0.1)
Corporate expenses (30 Sept 2010 includes corporate overheads, CEO option scheme, IPO and restructure costs)	(6.2)	(4.5)
Net profit before finance expenses, renegotiation payment, termination payment, changes in fair value and taxation	19.8	23.2
Net finance expenses	(11.7)	(10.6)
Net profit before renegotiation payment, termination payment, changes in fair value and taxation	8.1	12.6
Amortisation and impairment of renegotiation payment	(3.6)	(0.2)
Payment for termination of management contract	(31.8)	-
Change in fair value - share subscription	1.1	-
Change in fair value - investment property	0.1	(23.4)
Tax	(86.8)	-
Net loss after tax	(112.8)	(11.0)

Note: Values in the table above are calculated to three decimal places and may not sum accurately due to rounding

Distributable Profit

Period Ended	30 Sept 10 (\$ millions)	30 Sept 09 (\$ millions)
Net loss before tax	(26.0)	(11.0)
NZ IFRS and other adjustments		
- Termination payment for manager	31.8	-
- Impairment of fixed life intangible	3.6	0.2
- Net change in fair value of Investment Property	(0.1)	23.4
- Net change in fair value of Share Subscription	(1.1)	-
- Chief Executive option scheme	1.2	-
- Loss on disposal of investment properties	0.2	0.1
- Other adjustments	0.7	(0.1)
Less current taxation	(0.5)	-
Distributable profit after tax	9.8	12.6
Distributable profit per share (6 months) – weighted	4.69 cents	2.68 cents
Weighted average number of shares (millions)	208.9	470.4

Note: On 17 November 2009 shares in DNZ were consolidated on a 2 for 5 basis

Financial Summary

As at	30 Sept 10 (\$ millions)	30 Sept 09 (\$ millions)
Property Values	669.6	729.9
Bank Debt	291.1	347.3
Bank Loan to Value Ratio ¹	43.9%	48.7%
Shareholder Equity	314.3	389.6
Shares on Issue	244.9	471.2
NTA Backing per Share	\$1.28	\$0.82 ²
IFRS Adjusted NTA Backing per Share ³	\$1.57	\$0.84 ²

¹ Includes fair value of interest rate hedges and part Laminex Development for Sept 10 only

² On 17 November 2009 shares in DNZ were consolidated on a 2 for 5 basis

³ Excludes deferred tax on items that will not crystallise, intangibles and the after tax fair value of interest rate derivatives

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CAPITAL MANAGEMENT

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Capital Management

- Renegotiated debt facilities to 30 September 2013
- \$45 million capital raise
- \$150m of swaps entered into during the period
- Asset sales programme completed \$31.3m gross
 - 7-19 Croftfield Lane, Auckland (\$7.85m)
 - Cnr Cambridge Terrace & Hollands Crescent, Lower Hutt (\$8.35m)
 - 266 High Street, Lower Hutt (\$9.2m)
 - Tauriko Industrial Estate, Lots 71, 73-76, Tauranga (\$3.0m)
 - Airpark Business Centre, Lots 2 & 3, Auckland (\$2.9m)
- Additional \$39.7m gross unconditional sales with settlement in 2011 and 2012
 - Cnr First Ave & Cameron Road, Tauranga (\$5.5m)
 - 231 Bush Road, Auckland (\$7.1m)
 - 33-43 Jackson Street, Wellington (\$13.6m)
 - Cnr Tauroa & State Highway 1, Whangarei (\$13.5m)
- Asset sales programme completed near book value (-1.4%)

Banking

- DNZ well within banking covenants
- Loan to value ratio 43.9%
- Interest times cover ratio 2.08x
- \$150m of swaps entered into during the period (including \$40m forward swap starting Feb 2011)
 - New swaps terms of 3-4 years
 - New swaps hedged at an average rate of 4.22% (excluding margin and line fee)
 - Drawn debt hedged at 81.4%
- Good liquidity with undrawn banking facility of \$59m

Banking Covenants

Covenant	Covenant	As at 30 Sept 2010
Gearing Ratio (Bank Debt / Property Values)	< 50%	43.9%
Interest Cover Ratio (EBIT / Interest and Financing Costs)	> 1.75 x	2.08x
Fully Leased Unexpired Term	> 3.5 years	4.16 years

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PROPERTY PORTFOLIO

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Portfolio Summary

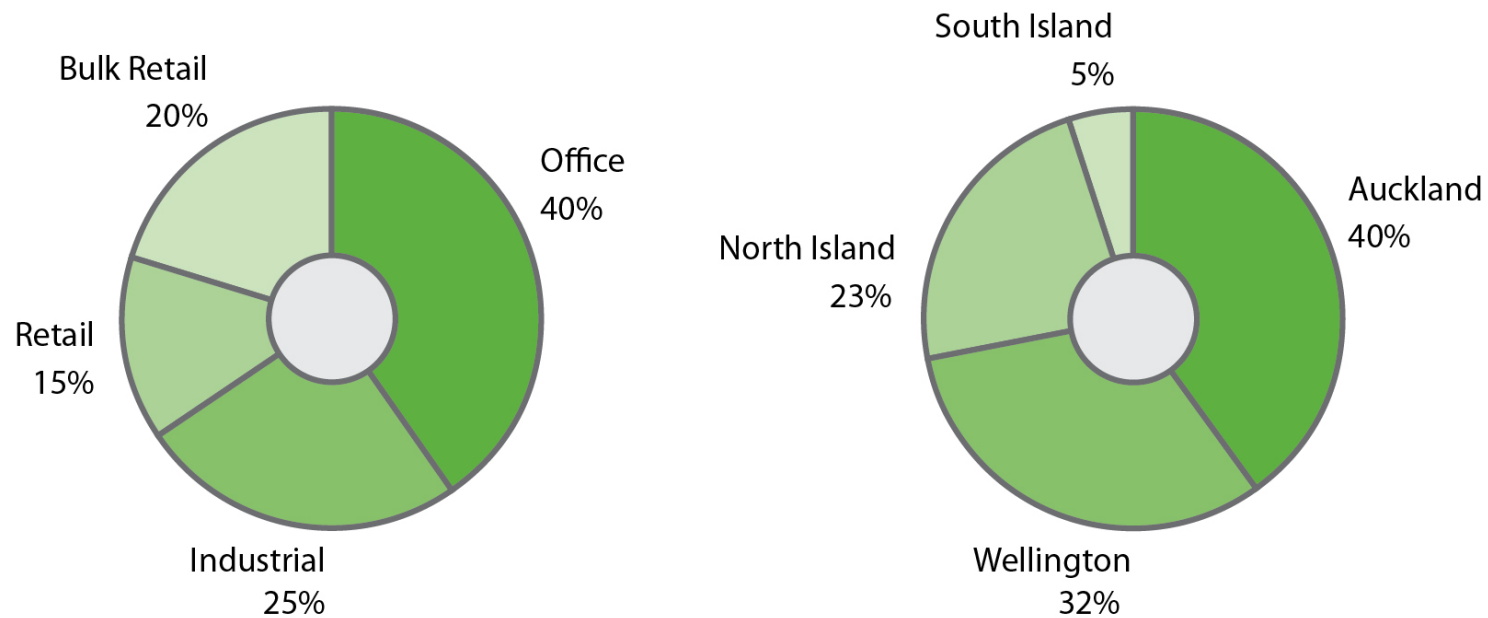
Properties	54
Tenants	279
Net Lettable Area (sqm)	379,934m ²
Net Contract Rental	\$55.7m
WALT (years)	4.40
Occupancy rate (by area)	96.1%
Portfolio Value	\$669.6m

Note: Portfolio Summary excludes O'Rorke Rd Laminex Development

Portfolio Overview

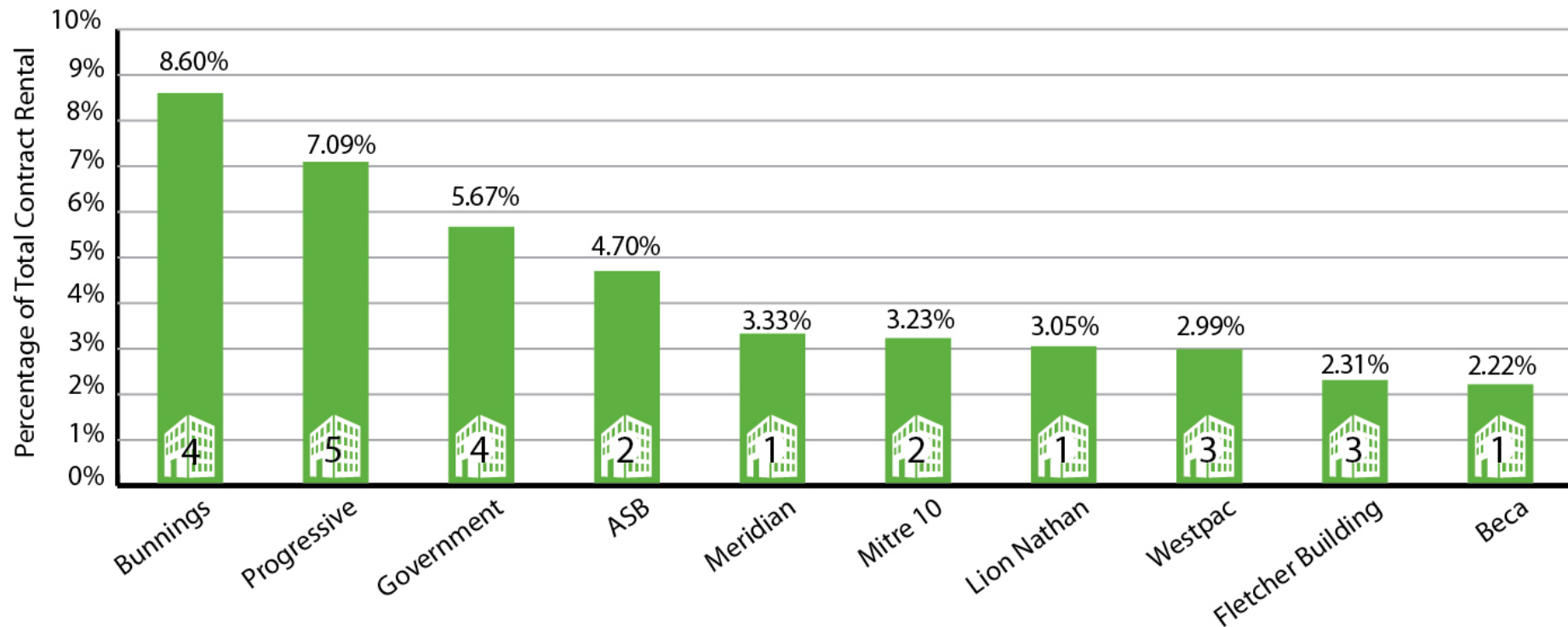
- Portfolio occupancy 96.1 %
- Portfolio underpinned by WALT of 4.4 years
- Strong portfolio performance
 - Rent reviews
 - 53 rent reviews over 109,013m² for a total rental of \$18.1m, of the remaining 55 rent reviews to be concluded prior to 31 March 2011, 24 are CPI based, 28 are market reviews and 3 are stepped increases
 - Lease renewals
 - 18 lease renewals completed over 7,558m² for a total rental of \$1.5m
 - New lettings
 - 34 new lettings completed over 18,018m² for a total rental of \$2.9m

Diversified Portfolio



Fund Sector Diversification (by Contract Rental) Fund Location Diversification (by Contract Rental)

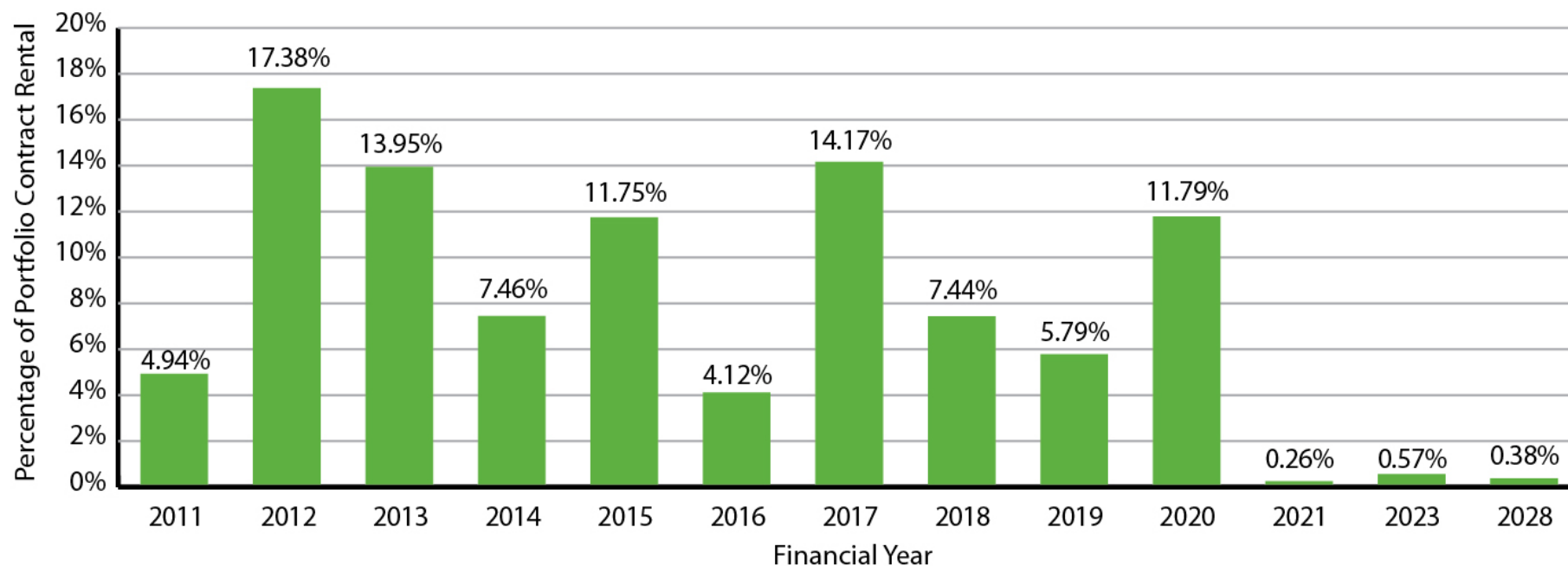
Top 10 Tenants



Major Lease Transactions

Tenant	Area m ²	Term	Contract Rental
<i>New Leases</i>			
Fletcher Steel, Penrose	5,978	9 years	\$477,000
Reyrolle Pacific Switchgear, Lower Hutt	3,978	6 Years	\$439,048
Beam Global, Newmarket	818	6 Years	\$276,009
Colorite, Auckland	2,271	6 Years	\$321,000
<i>Renewals</i>			
Briscoes, Tauranga	2,588	6 Years	\$334,278
Rebel Sport, Tauranga	2,011	6 Years	\$284,909

Lease Expiry Profile



Management is addressing the major lease expiries in 2012

Development

- Development activity is only undertaken with appropriate levels of risk mitigation
 - Tenant pre-commitment
 - Appropriate investment returns
- Less than 2% of the total portfolio value is represented by development land (Penrose and Tauranga)



Fletcher Building Laminex Group

- The new 12,000m² warehouse and 1,800m² office building are nearing completion at O'Rorke Rd in Penrose consolidating Laminex Group's operations
- Practical completion scheduled for 19 November 2010
 - New 12 year lease commencing from this date



Fletcher Building Laminex Group

- Built by Fletcher Construction three weeks ahead of schedule
- Various design/build opportunities for the residual 2.28 hectares of the site



Property Market Overview

- The office market remains the most challenging of the property sectors
 - Auckland high level of quality surplus office space
 - Wellington market continues to feature the government sector centralising
- Despite the challenging retail climate proactive leasing strategies are maintaining both income and occupancy levels within DNZ's retail portfolio.
 - Retailers remain cautious regarding expansion planning but there are encouraging signs of a modest upturn in retail leasing activity
- Bulk retail and industrial occupancy has been the most robust through this real estate cycle and these sectors leading the way with early signs of recovery
- DNZ portfolio is however well positioned with properties across the sectors creating a defensive platform to deliver sustainable earnings

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OUTLOOK

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Outlook

- Maintain high occupancy levels
- Prudent capital expenditure
- Value add opportunities
- Identify low risk design/build opportunities within portfolio
- Recycling of assets
- Maintain earnings per share



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THANK YOU

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