



Merger Proposal Overview

18 May 2011

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Overview

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Overview

- On 19 April 2011 Argosy Property Trust (“Argosy”) announced a proposal to internalise the rights to manage the Trust. The rights are currently owned by Onepath (NZ) Limited (“Manager”), a wholly owned subsidiary of Australia and New Zealand Banking Group Limited (“ANZ”)
- It has been proposed that a payment of \$32.5 million will be paid to the Manager as consideration for cancelling their management rights (the “Internalisation Proposal”)
- DNZ believes that the proposed alternative of merging Argosy into DNZ (the “Proposal”) has a number of benefits and provides a better value outcome for Argosy unitholders than the Internalisation Proposal, both immediately and over time
- The rationale and considerations for our Proposal are outlined in this presentation



Transaction Rationale

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Why this Proposal would provide a better outcome than the Internalisation Proposal

- #1 **DNZ believes potential synergies from the Proposal could be \$4m to \$5m per annum greater than under the Internalisation Proposal (refer following page)**
- #2 **Additional benefits and synergies expected to accrue through tenant management across the complementary portfolio of assets**
- #3 **Avoids the incremental cost of Argosy having to implement the necessary infrastructure and administrative function to manage the properties internally**
- #4 **Transfers Argosy unitholders out of a Trust and into a corporate structure without duplicating the additional cost associated with a corporatisation**
- #5 **Provides a more stable and sustainable dividend outlook, rather than continuing with material distributions of capital over and above distributable profit**
- #6 **Provides a more appropriate gearing level that would not require the entity to divest assets in the near term. The internalisation proposal would increase Argosy's gearing to a level that will require it to divest a material level of assets in the near term, which could lead to a reduction in earnings per unit**

Potential Synergies from the Proposal

DNZ believe the synergies associated with the merger Proposal could be approximately \$4m - \$5m per annum greater than the current Internalisation Proposal

- #1** \$3.0m to \$3.5m of savings per annum as a result of leveraging off DNZ's existing management structure to reduce the cost associated with managing the Argosy portfolio
- #2** \$1.0m to \$1.5m of savings per annum associated with costs incurred by Argosy in its current Trust structure that could be reduced in a combined entity operating under a corporate structure (e.g. Trust expenses, listing costs, audit , legal, etc)
- #3** Other synergies could include operational benefits from running the complementary portfolio of assets within a single entity and potential financing benefits
- #4** The ongoing synergies described in points 1 and 2 above could enhance shareholder value by approximately \$50m to \$60m (based on capitalising the earnings benefit at DNZ's current yield)

Key Strategic Rationale

There would be a number of compelling strategic benefits for both Argosy unitholders and DNZ shareholders

- #1 The portfolios are complementary in terms of their property assets, tenant mix and geographical spread**
- #2 The merged entity would have significant scale, positioned as NZ's second largest property vehicle by property assets, and would be strongly diversified by sector, region and tenant**
- #3 Increased depth in the shareholder base and indexation, leading to enhanced liquidity and incremental demand**
- #4 Greater access to funding to pursue further value enhancing growth opportunities**
- #5 A combined entity with best practice governance and strong management team**

Portfolio Characteristics of Combined Entity

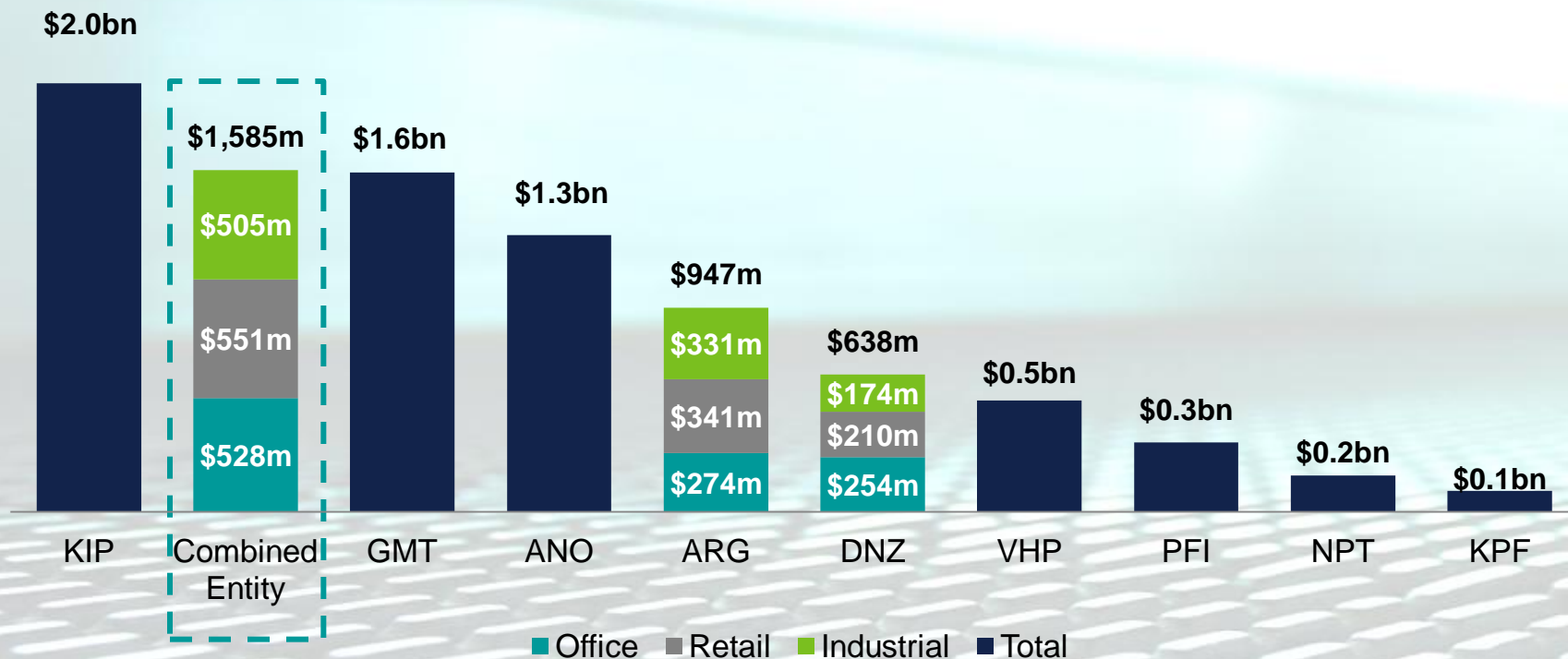
The combination of DNZ and Argosy would have a positive impact on the portfolio characteristics set out below

	DNZ		Argosy		Combined Entity
Market Value of Properties	\$638m	+	\$946m	▶	\$1,584m
Number of Properties	50	+	81	▶	131
Average value of properties	\$12.8m	+	\$11.7m	▶	\$12.1m
Net Lettable Area	371,481m ²	+	549,881m ²	▶	921,362m ²
WALT	4.3 years	+	5.3 years	▶	4.9 years
Occupancy	97.9%	+	95.7%	▶	96.6%
# of Tenants	285	+	280	▶	565

Source: DNZ and Argosy latest publicly available information, DNZ estimates

NZ Listed Property Vehicle Landscape by Property Assets (NZ\$m)

The combined entity would be the second largest listed property vehicle (by asset value). The portfolio would be comprised of \$551m retail (35%), \$528m office (33%) and \$505m industrial (32%)



Source: Latest publicly available information, Argosy portfolio split based on DNZ estimates



Key Elements of the Proposal

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Key Elements of the Proposal

A potential transaction consisting of the following key elements could provide an optimal outcome for Argosy unitholders and DNZ shareholders

- #1 Argosy would be merged into the DNZ corporate structure
- #2 Argosy unitholders would receive shares in DNZ at a fixed Exchange Ratio based on the relative value of each entity at the time of the transaction (refer following page)
- #3 The external management arrangement of Argosy would be exited as part of the transaction, with the shareholder of the Manager receiving compensation
- #4 DNZ would continue as the ongoing listed corporate entity, managing the combined portfolio internally
- #5 Certain members of the Argosy board and management team would be offered an opportunity to join the DNZ board and management team

Illustrative Exchange Ratio

- The Exchange Ratio will be agreed between Argosy and DNZ based on the relative Adjusted NTA of each entity at the time of a transaction, and would allow a degree of flexibility to ensure that the agreed Exchange Ratio would achieve an accretive outcome for both Argosy unitholders and DNZ shareholders
- The Exchange Ratio will be impacted by the level of consideration paid by Argosy to exit the management rights, as Argosy's Adjusted NTA and equity value will be reduced to reflect the consideration paid
- The table below illustrates how the Exchange Ratio could be determined based on the latest publicly available information
- On the basis that Argosy pays \$32.5 million to exit the management rights, this would provide an Exchange Ratio of 0.5570 DNZ shares for every Argosy unit held, but this could be adjusted, if necessary, to achieve an accretive outcome

	DNZ	Argosy
Last Reported Adjusted NTA per share / unit	\$1.571	\$0.934
Argosy NTA adjusted for \$32.5m payment to Manager		\$0.875
Exchange Ratio (Argosy NTA : DNZ NTA)		0.5570

Merger Implementation Agreement / Conditions

- #1 Satisfactory completion of due diligence
- #2 Agreement on terms for exit of the Manager and ability for DNZ to assume the management of the properties currently owned by Argosy
- #3 Entry into a Merger Implementation Agreement, which would set out the principal terms of the merger, acceptable to the DNZ Board
- #4 The Board of Argosy unanimously recommending the proposal to Argosy unitholders, without qualification, and not withdrawing or changing that recommendation once made, subject to an independent expert concluding that the Proposal is in the best interests of its unitholders
- #5 All necessary unitholder, shareholder and other approvals being obtained
- #6 All necessary approvals from regulatory bodies



Key Process Steps

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Key Process Steps

Obtaining unitholder and shareholder approvals is the key objective of these process steps

#1	Determine Commercial Elements of Proposal	<ul style="list-style-type: none"> Evaluate the potential business combination synergies Determine merger transaction pricing and key metrics, including assessment of Argosy's sustainable earnings Engage with the banking syndicate to agree potential financing arrangements Determine Board and management roles for the merged entity
#2	Deal Structuring	<ul style="list-style-type: none"> Confirm optimal transaction structure, post legal and tax advice DNZ and Argosy to negotiate and prepare Merger Implementation Agreement Confirmatory due diligence
#3	Third Party Assessment / Transaction Documentation	<ul style="list-style-type: none"> Independent Expert Reports for both DNZ shareholders and Argosy unitholders Preparation of Documentation, Notice of Meeting and Explanatory Memorandum
#4	Shareholder / Regulatory Approvals	<ul style="list-style-type: none"> Approvals would be required by both DNZ shareholders and Argosy unitholders <ul style="list-style-type: none"> Approved by special resolution (75% of those entitled to vote and voting) from both groups of shareholders / unitholders Other regulatory considerations (OIO, NZX)
#5	Execution and Transition	<ul style="list-style-type: none"> The merger of DNZ and Argosy would be executed post the shareholder approvals A transition into the DNZ entity would need to occur i.e. integration of staff and assets
#6	Indicative Timing	<ul style="list-style-type: none"> On the basis that there is good engagement with Argosy, we believe that this transaction could be completed on the same timeframe as the proposed internalisation (i.e. completion in August)

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