NZX ANNOUNCEMENT

IMMEDIATE - 22 May 2014

DNZ Annual Results for the year ended 31 March 2014

Lift in Operating Profit before Other Income and Income Tax of 11.6%
Portfolio Valuation Increase of $18.7m up 2.5% net
Portfolio Occupancy at 99.5%

DNZ Property Fund Limited (DNZ) has reported an 11.6% lift in operating profit before other income and income tax to $35.0m for the year ended 31 March 2014.

DNZ Chairman, Tim Storey said "This year's results are very pleasing, particularly as it has been a transformative period in a number of respects. Distributable profit per share is slightly ahead of last year, during a period where the Company has completed a capital raise and incurred costs in the appointment of Peter Alexander as CEO, the restructure and refocus of the management team and of course the acquisition of the Silverdale Centre."

"This strong operational performance provides DNZ shareholders a final quarter cash dividend of 2.25 cents per share and a full year cash dividend of 9.0 cents per share."

Highlights

For the year ended 31 March 2014 (FY14) (year ended 31 March 2013 (FY13) figures in brackets):

Financial Performance:

- Net rental income of $57.4m ($53.5m) up 7.2%.
- Operating profit before other income and income tax of $35.0m ($31.3m) up 11.6%.
- Distributable profit[1] before income tax of $35.0m ($29.8m) up 17.4%.
- Distributable profit after income tax of $27.7m or 9.67 cps ($24.0m or 9.64 cps) up 15.7% on an aggregate basis.
- Cash dividend of 9.0 cps for FY14:
    - 2.25 cps cash dividend for the fourth quarter (0.6224 cps imputation credits).

Bank Debt:

- Loan to value ratio (LVR) 34.4% (36.9%).

Portfolio:

- Net 2.5% property portfolio valuation increase on a like for like basis[2].
- Occupancy stable at 99.5% (99.6%).
- Weighted average lease term (WALT) 5.5 years (5.2 years).
- 199 lease transactions over 289,240m^2 for a total annual rental of $46.2m.
- FY15 lease expiries down from 16.58% (31 March 2013) to 8.44% (31 March 2014).
- Net Tangible Asset Backing (NTA) increased to $1.69 ($1.62).

Acquisitions, Developments and Divestments:

- Acquired Silverdale Centre, Auckland, for $78.0m.
- Acquired Westgate (Zone 5) Land, Auckland, for $25.0m.
- Hydraulink and AA Insurance developments at O'Rorke Road, Penrose, Auckland, completed.
- Divested four assets for a total realisation of $19.2m.

Financial Performance

DNZ has delivered a solid operating performance for FY14, driven by the acquisition of the Silverdale Centre, the completion of the AA Insurance and Hydraulink developments, DNZ's high occupancy rate, tenant retention and lower net finance costs.

Net rental income was $57.4m, $3.8m ahead of the previous year, and net finance costs were down $0.7m.

Distributable profit after income tax was $27.7m or 9.67 cps ($24.0m or 9.64 cps for FY13).

The NTA increased seven cents to $1.69 at year end ($1.62 as at 31 March 2013).

Capital Management

DNZ maintained a strong balance sheet position over the financial year through a series of prudent capital management initiatives including:

- Effective 31 October 2013, DNZ refinanced its bank facility with its banking partners, ANZ Bank New Zealand Limited, Commonwealth Bank of Australia, Bank of New Zealand, and Westpac New Zealand Limited. As part of this process, the total facility has been increased from $300m to $400m, split into two equal tranches of $200m fixed for terms of three and five years, which expire in October 2016 and October 2018 respectively.
- Raised a total of $69.8m in May/July 2013 through a Private Placement and Share Purchase Plan (at a price per share above 31 March 2013 NTA) to fund the acquisition of the Silverdale Centre and Westgate land.

DNZ's LVR as at 31 March 2014, calculated under its banking facility, was 34.4% (36.9%), with 71% of drawn debt hedged. This LVR sits comfortably in DNZ's target of a mid 30% to low 40% range, and well below DNZ's banking covenant limit of 50%. DNZ's weighted average cost of debt (including margins & line fees) was 5.75% as at 31 March 2014.

Portfolio Performance

Peter Alexander, DNZ Chief Executive Officer said "Operationally, DNZ has performed well and the portfolio continues to have a high occupancy rate, which for the year ended 31 March 2014 has been maintained at over 99%. This high occupancy rate is supported by a weighted average lease term of 5.5 years."

Portfolio Valuation

The annual independent market valuations at year end resulted in the property portfolio value increasing by a net 2.5%, or $18.7m for the 12 month period on a like for like basis[2]. DNZ's property portfolio is now valued at $780.2m with the weighted average capitalisation rate across the portfolio of 7.94%[3].

Lease Transactions

DNZ completed 199 lease transactions in the 12 months to 31 March 2014, made up of the following:

- 120 rent reviews over 207,304m^2 for a total annual rental of $34.3m.
- 45 lease renewals over 29,974m^2 for a total annual rental of $4.6m.
- 34 new lettings completed over 51,962m^2 for a total annual rental of $7.3m.

The key components of rental income growth in the portfolio were lease renewals and rental reviews. DNZ has a target of 25-35% of the portfolio's rental reviews being fixed or having a stepped increase at a review date, or being linked to an increase in inflation based on movements in the Consumer Price Index.

Peter Alexander said "Leasing transactions of note include the renewal of the Westpac lease over five levels or 4,266m^2 at 1 Grey Street in Wellington. This lease was due to expire in January 2014 and has now been extended to April 2018. Auckland transactions included the six year extension with the Ministry of Health at 650 Great South Road, a three year extension with Lion at 11 Springs Road and the recently completed five year lease extension with DHL at 30 Airpark Drive."

"The remaining expiries due in the 2015 financial year represent 8.44% of contract rental."

Acquisitions and Development Projects

Westgate Mall

In 2014 financial year, DNZ purchased for $25.0m the Zone 5 development land designated for a new 27,000m^2 net (34,000m^2 gross) enclosed shopping centre (Mall) at the proposed Westgate town centre development in north-west Auckland.

In April 2014, DNZ announced it had secured leasing commitments for over 40% of the space and commenced construction of the Mall. The Mall, which is scheduled to open in October 2015, will feature approximately 90 specialty stores, 1,100 carparks, a Farmers department store (8,200m^2) and a Countdown supermarket (4,200m^2).

"The response from retailers has been very positive." said Peter Alexander. "It is just six weeks since we announced construction of the Mall and pre-leasing has already increased to over 45%."

The total development cost of the Mall is just over $155m, including land at cost, with the value on completion estimated at $160m. This represents a yield on cost of circa 7.75%, assuming the Mall opens fully leased.

The project is being funded from DNZ's current bank facilities. DNZ does not anticipate raising equity to fund the project. DNZ's LVR is not expected to exceed 40% during the project, allowing for potential divestment activity. It is anticipated that the dividends during the development phase will at least be maintained at the current level of 9.0 cps per annum.

DNZ's investment strategy has, as a general guiding principle, an intention not to have more than 15% of the value of its property portfolio, as measured by aggregate completion cost, held as investment properties under development, at any one time. This measure is forecast to peak at under 25% during execution of the Westgate project.

Mr Storey said "Westgate provides the opportunity to enhance the age, quality and growth orientation of the DNZ portfolio. This, combined with the experience and capability of DNZ's management team and pre-leasing already achieved, gave the Board confidence to approve an exception to the guideline."

Silverdale Centre

On 31 May 2013, DNZ purchased the Silverdale Centre, at 61 Silverdale Street, Silverdale, Auckland, for $78.0m. Situated on a 7 hectare site, and completed in October 2012, the Silverdale Centre is located adjacent to the existing Silverdale township and the master planned Millwater residential development. Millwater is projected to comprise over 3,000 dwellings and over 10,000 residents on completion.

The Centre has 36 bulk and specialty retailers including Warehouse Stationery, Noel Leeming, Number One Shoes, Supercheap Auto, Postie, Lighting Plus, Beds R Us, OPSM, ANZ and BNZ, anchored by The

Warehouse and a Countdown supermarket. The Centre comprises 22,978m^2 of retail floor area, 980 on-grade and basement car parks and a WALT of approximately 9 years.

Mr Alexander said “The Silverdale Centre’s retail mix is predominantly established national chains with a strong convenience element. Located adjacent to the Millwater residential development, this was an exceptional opportunity for DNZ to invest in a retail centre in a fast growing residential catchment.”

AA Insurance Limited

The new AA Insurance Limited 1,400m^2 warehouse and office facility at O’Rorke Road in Penrose, Auckland, was completed in October 2013. The property has a nine year lease with AA Insurance and was valued at $3.35m as at 31 March 2014.

Hydraulink Fluid Connectors Limited

The new Hydraulink Fluid Connectors Limited 3,390m^2 warehouse and office facility at O’Rorke Road in Penrose, Auckland, was completed in December 2013. The 12 year lease with Hydraulink has two yearly rent reviews to market. The property was valued at $6.60m as at 31 March 2014.

Peter Alexander said “Post balance date, DNZ has secured a six year lease with Capital S.M.A.R.T Repairs New Zealand Pty Limited, for a design build on part of the remaining development land at O’Rorke Road. The 1,400m^2 Warehouse & office facility, complete with a 430m^2 canopy, is scheduled for completion in October 2014 with a development cost of $2.46m including land. On completion this will leave just 7,600m^2 of land available for development on this 5.2 hectare site owned by DNZ.”

Organisational Restructure

Tim Storey said “Peter has made significant progress in reviewing all aspects of the business, with particular focus on resources, people and processes. This has included implementing a revised organisational structure designed to give single point accountability for investment performance and reduced operating costs. Looking forward, DNZ believes that the new structure applies resources more efficiently for management of the portfolio and better serves shareholder interests whilst maintaining our high service levels to tenants. The restructuring is expected to provide savings in respect of fixed annual remuneration of approximately $1m per annum, with the full effect of the savings commencing from the 2015/16 financial year.”

FY14 Fourth Quarter Dividend

For the fourth quarter of the 31 March 2014 financial year, the Board has approved a cash dividend of 2.25 cps. This dividend will carry 0.6224 cps imputation credits. The record date for this dividend is 6 June 2014, with payment to shareholders to be made on 20 June 2014.

The final quarter dividend takes the full year cash dividend to shareholders to 9.0 cps. The Board has suspended the Dividend Reinvestment Plan for this FY14 fourth quarter dividend.

Summary

Mr Storey concluded by saying “DNZ is well placed with high occupancy rates and long-term contracted rental income streams. Our property portfolio is diversified by sector, and located throughout New Zealand. This provides a solid base to take advantage of what is forecast to be a more positive economic environment going forward.

"The Board and Chief Executive are reviewing the Company's strategy, which has as a key objective the delivery of growth in total shareholder returns. DNZ will continue to look for new initiatives to add value, whilst remaining focussed on delivering the Westgate Mall development. We expect that development to be a strong performing investment for DNZ and its shareholders."

Notes

1 Distributable profit is a non-GAAP financial measure adopted by DNZ to assist DNZ and investors in assessing DNZ's profit available for distribution. It is defined as a net profit/(loss) before income tax adjusted for non-recurring and/or non-cash items and current tax. Further information, including the calculation of distributable profit and the adjustments to net profit before income tax is set out in note 9 to the audited financial statements for the year ended 31 March 2014.

2 The valuations of all properties disposed of (four) during the 12 months from 1 April 2013 have been disregarded in this calculation. The valuation movement includes the movement on those properties purchased during the year. As at 31 March 2013, the portfolio was independently valued at $667.0m.

3 Development land has been excluded from this calculation.

END

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DNZ Property Fund Overview

DNZ Property Fund Limited owns one of New Zealand's largest diversified investment property portfolios with $780.2m (as at 31 March 2014) of commercial office, retail and industrial properties located in the main urban areas throughout New Zealand. As at 31 March 2014, DNZ Property Fund owned 46 properties with 292 tenants, a weighted average lease term (WALT) of 5.5 years and an occupancy rate of 99.5% over a net lettable area of 364,916m^2.

DNZ Property Fund Limited is a Portfolio Investment Entity in which investors hold shares and is managed by its own internal management team. DNZ also holds management rights to Diversified NZ Property Fund Limited, a $115.9m (as at 31 March 2014 (subject to audit)) commercial property portfolio.

DNZ's top 10 tenants as at 31 March 2014: Bunnings, Progressive Enterprises (Countdown), Foodstuffs (PAK'nSAVE & New World), ASB, Fletchers, NZ Government, The Warehouse, Westpac, Meridian and Lion. These 10 tenants represent 50% of the Company's total contract rental.

Attachments provided to NZX:

1. NZX Appendix 1
2. NZX Appendix 7 – Dividend
3. DNZ FY14 Results Presentation
4. DNZ FY14 Financial Statements