

AMP NZ Office Limited (ANZO)

Annual Results

Twelve months ended 30 June 2011

11 August 2011



Agenda

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Highlights

Operating profit after tax of \$61.1 million (6.13cps)

- Net profit after tax of \$10.4 million
- Lower expenses offset by higher interest costs

Capital initiatives

- New \$400m debt facility
- Chews Lane sold at 3.3% premium to 2010 financial year valuation
- Dividend policy transitioning to 90% of earnings

Corporate initiatives

- Successful corporatisation and new fee regime implemented
- New ANZO Board with true independence
- New executive team appointed
- Property management to be in-sourced to manager

Leasing success and portfolio performance

- New lease with ANZ and redevelopment of ANZ Centre
- Sixty nine leasing transactions completed, over 64,500sqm representing 25 percent of portfolio income
- Occupancy increased to 94% from 90%
- Post balance date, PwC and Marsh Mercer retained on nine and ten year terms respectively
- WALT increased to 5.8 years from 4.5 years (6.2 years including PwC and Marsh Mercer)

**Section 01 –
Financial results and capital management**

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QUAY STREET

Financial performance

For the 12 months ending (\$m)	30 Jun 11 Audited	30 Jun 10 Audited ¹	Change
Total gross income	\$137.0 m	\$137.9 m	(\$0.9 m)
Property expenses	\$35.9 m	\$37.3 m	+ \$1.4 m
Net property income	\$101.1 m	\$100.6 m	+ \$0.5 m
Indirect expenses	\$1.4 m	\$1.1 m	(\$0.3 m)
Base fees	\$5.8 m	\$8.5 m	+ \$2.7 m
Performance fee	\$2.0 m	-	(\$2.0 m)
EBIT	\$91.9 m	\$91.0 m	+ \$0.9 m
Net interest expense	(\$22.3 m)	(\$20.9 m)	(\$1.4 m)
Operating profit before tax	\$69.6 m	\$70.1 m	(\$0.5 m)
Current tax expense	(\$8.5 m)	(\$9.4 m)	+ \$0.9 m
Operating profit after tax	\$61.1 m	\$60.7 m	+ \$0.4 m
Deferred tax	(\$4.4 m)	\$16.0 m	(\$20.4 m)
Revaluations	(\$36.3 m)	(\$115.3 m)	+ \$79.0 m
Realised gain on sale	\$0.2 m	\$0.7 m	(\$0.5 m)
Impairment loss on capitalised lease incentives	(\$8.2 m)	-	(\$8.2 m)
Fair value change in interest rate swaps	(\$2.0 m)	(\$5.1 m)	+ \$3.1 m
Net profit after tax and unrealised gains	\$10.4 m	(\$43.0 m)	+ \$53.4 m

¹ 30 June 2010 restated to incorporate the NZ IAS12 Amendments

Balance sheet

Financial Position as at (\$m)	30 Jun 11 Audited	30 Jun 10 Audited ¹	Movement
Assets			
Property Assets	\$1,254.2 m	\$1,276.8 m	(\$22.6 m)
Other	\$29.7 m	\$22.5 m	\$7.2 m
Total Assets	\$1,283.9 m	\$1,299.3 m	(\$15.4 m)
Liabilities			
Bank Debt	\$282.5 m	\$262.0 m	\$20.5 m
Deferred Tax depreciation	\$76.0 m	\$71.4 m	\$4.6 m
Fair value of swaps	\$22.4 m	\$20.3 m	\$2.1 m
Other	\$20.6 m	\$13.0 m	\$7.6 m
Total Liabilities	\$401.5 m	\$366.7 m	\$34.8 m
Equity	\$882.4 m	\$932.6 m	(\$50.2 m)
NIBD to Total Assets	22.1%	20.3%	1.8%
Liabilities to Total Assets - Loan Covenants	23.7%	21.3%	2.4%
Shares on Issue (m)	997.07 m	997.72 m	(0.65 m)
Net tangible assets per security	0.885	0.935	(0.05)

¹ 30 June 2010 restated to incorporate the NZ IAS12 Amendments

Capital management

- Strong balance sheet with significant headroom to covenants
- Bank facilities recently refinanced
 - \$400m unsecured facility
 - ASB, ANZ and BNZ
 - Weighted average term to expiry of 3.3 years
 - LTV covenant extended to 50%
- Disposal of Chews Lane above FY10 valuation
 - Gearing of 21% post sale
 - Increases to 25% post commitments

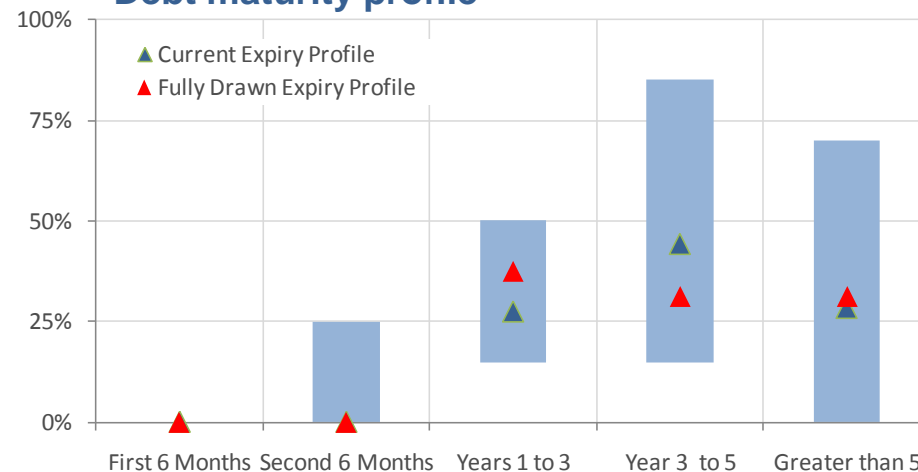
Key metrics

	30 June 2011
Debt drawn	\$282.5m
Gearing - Banking Covenant	23.7%
Weighted facility expiry	3.3 yr
Weighted average debt cost (incl margin & line fee)	7.82%
Hedged	88%
ICR	4.1 times

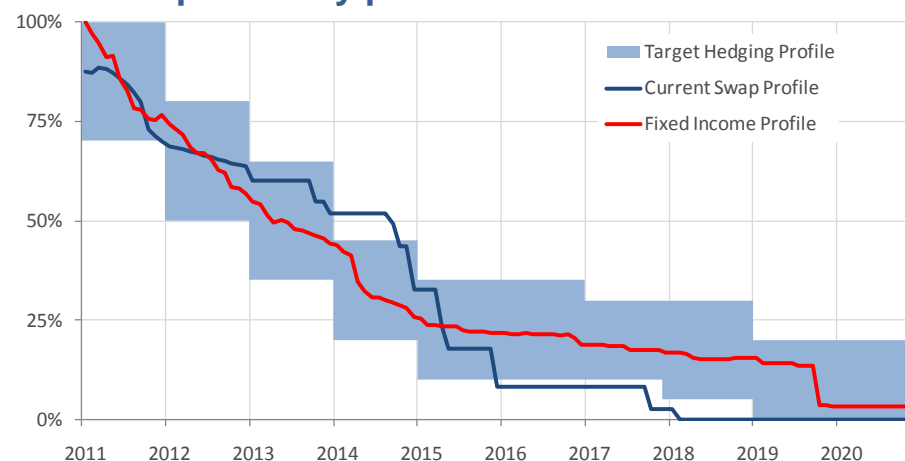
Capital management

- Revised financial risk management policy introduced
- Liquidity policy provides adequate time to pursue alternatives to refinancing where credit market conditions adversely change
- Maximum gearing level where ANZO can withstand a 25% valuation fall
- Interest rate policy aligns the interest rate re-pricing profile with the re-pricing profile of ANZO's rental income
- Financial risk management policy kept under review based on ANZO income profile and market conditions

Debt maturity profile



Swap maturity profile



Dividend

■ Previous policy

- Payout between 90% - 110% of distributable earnings

■ Revised policy

- Adopted an AFFO dividend policy
- Payout 90% of distributable income
- Maintenance capex will fluctuate overtime, revised policy provides for a more sustainable dividend

■ FY11 dividend

- Operating income per share after tax of 6.13cps
- FY11 distribution per share of 5.47cps
- Payout ratio of 89% compared to 101% in FY10

<u>Dividend</u>	<u>30 Jun 11</u>	<u>30 Jun 10</u>
Distributable Profit after tax	\$61.1 m	\$60.7 m
Weighted average num of shares (m)	997.23 m	997.72 m
Distributable Profit - Net (cps)	6.13 cps	6.08 cps
Distribution Paid	5.47 cps	6.11 cps
Payout Ratio	89%	101%

Valuations

- Devaluation of \$36.3m or 2.8%
- Excluding the ANZ Centre the devaluation was \$19.6m or 1.8%
- 6.9% over rented across the portfolio however market rents in Wellington are stabilising with signs of growth in Auckland

	2010				2011			Weighted cap rate		
	Valuation	Additions ¹	Disposals	Book Value	Valuation	▲ \$m	▲ %	2011	2010	▲ bps
Wellington	\$671.8 m	\$9.4 m	(\$16.7m)	\$664.5 m	\$645.6 m	(\$18.9 m)	-2.8%	8.06%	8.09%	(3.1 bps)
Auckland	\$435.0 m	\$15.8 m	-	\$450.8 m	\$450.1 m	(\$0.7 m)	-0.2%	8.02%	8.16%	(14.0 bps)
Sub Total	\$1,106.8 m	\$25.2 m	(\$16.7m)	\$1,115.3 m	\$1,095.7 m	(\$19.6 m)	-1.8%	8.04%	8.12%	(8.0 bps)
ANZ ³	\$170.0 m	\$5.2 m	-	\$175.2 m	\$158.5 m	(\$16.7 m)	-9.8%	7.00% ²	8.25%	(125.0 bps)
Total	\$1,276.8 m	\$30.4 m	(\$16.7m)	\$1,290.5 m	\$1,254.2 m	(\$36.3 m)	-2.8%	7.91%	8.14%	(23.0 bps)

Note 1 - Additions include capitalised incentives of \$6.4m

Note 2 - Cap Rate on completion

Note 3 - Valuation includes a development margin

Earnings outlook

- FY12 operating earnings forecast at 5.1 cps to 5.4 cps
- Earnings outlook for FY12 impacted by:
 - Reduced portfolio occupancy due to Westpac and BNZ departure
 - Continued rental reversion
- Chews Lane sale impacts short term earnings; extent of impact dependent on timing of reinvestment
- Earnings growth potential beyond 2012 from:
 - Potential to increase occupancy to normalised levels (95% +)
 - Ability to deploy balance sheet capacity
 - Potential for market rental growth



**Section 02 –
Corporate change**

Corporate change

	Previous	Current
Structure	<ul style="list-style-type: none">▪ Unit Trust	<ul style="list-style-type: none">▪ Company
Governance	<ul style="list-style-type: none">▪ ANZO did not have a board of directors▪ Management company board with directors▪ Appointed by shareholders of the Manager	<ul style="list-style-type: none">▪ New board established for ANZO▪ Majority of Board comprises independent directors▪ Independent directors appointed by shareholders of ANZO
Fee Structure	<ul style="list-style-type: none">▪ 0.65% of total investment assets	<ul style="list-style-type: none">▪ 0.55% of first \$1b0.45% of \$1b-\$1.5b0.35% greater than \$1.5b▪ Performance fee based on shareholder returns relative to peer group benchmark

Executive team

■ Senior appointments

Andrew Stringer - General Manager – Property

Previously held senior executive roles within the property industry and has a deep understanding of property investment markets. Most recently led Colliers New Zealand professional services

Peter Walkinshaw - General Manager – Operations

Previous role with ANZO as Portfolio Manager, focus now on the operational performance of the portfolio including the redevelopment of the ANZ Centre

Trevor Wairepo - General Counsel and Company Secretary

Previously worked in the United Kingdom for 9 years and most recently in an in-house senior legal counsel role with Meridian Energy, based in Christchurch

■ New CEO and CFO

■ Manager drawing on global property skills of the managers shareholders

Property management

- Existing 'outsourced' contract due to expire 30 November
- ANZO and AHML have agreed terms for AHML to provide property management services
- Key terms include:
 - 3 year initial term
 - Cost recovery model for fees
 - ANZO board to have full transparency on service levels and costs
- Expect to enhance customer service to ANZO portfolio

Section 03 – Market overview

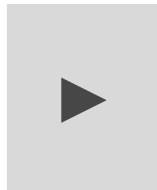


CBD office market

Wellington

Auckland

Occupier Demand



Corporate market stable with ongoing consolidation in Government sector



Market preference for quality. Auckland economy well placed to grow

Supply

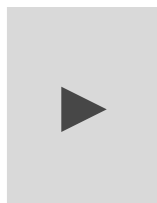


Lower quality buildings removed from market supply however focus on structural integrity may trigger a new build



Stable but still potentially influenced by new build

Rental Growth

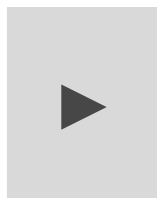


Stabilised but government sector cost focus remains. Small amount of prime assets ensures rental stability



Emerging growth following period of decline

Cap Rates



Stabilised. Investors seeking comfort in occupier market before firming will occur



Overall improving fundamentals support firming of required returns

Market snapshot

Grade	Total Stock	%	Total Vacancy	% of vacancy	Vacancy rate
Wellington					
Premium	94,000 m ²	7%	2,307 m ²	2%	2%
A Grade	266,000 m ²	19%	10,130 m ²	9%	4%
B & C Grade	899,000 m ²	64%	102,332 m ²	89%	11%
Total Stock	1,259,000 m²		114,769 m²		9%
Auckland					
Premium	109,000 m ²	8%	6,796 m ²	4%	6%
A Grade	425,000 m ²	33%	41,680 m ²	25%	10%
B & C Grade	716,305 m ²	55%	119,051 m ²	71%	17%
Total Stock	1,250,305 m²		167,527 m²		13%

Source: CBRE Auckland and Wellington Outlook June 11



Section 04 – Portfolio performance

Zurich fitout works, Zurich House

Portfolio performance

- **50** new leases securing 53,700m² of NLA
- **19** renewals/extensions securing 10,800m² of NLA
- **64,500m²** of leasing transactions or **24%** of the portfolio by NLA
- **8,000m²** leased to 16 new customers
- **96** rent reviews in the period over 54,000m² of NLA
 - Settled rent reviews **-1.7%** on previous contracted rents
- Occupancy increased to **94%** from 90% in June 2010
- WALT increased by 1.3 years to **5.8** years
 - Post reporting period ANZO secured a new nine year lease to **PwC** and a ten year lease to **Marsh Mercer**
 - Post balance date adjusted portfolio WALT increases to **6.2** years

Major leasing transactions

Secured **69** new leases/renewals and **16** new customers. Major leasing transactions include

Property	Customer	NLA (m ²)	Lease Term (yrs)
ANZ Centre	ANZ National Bank	19,579 m ²	15.0 Years
125 The Terrace	NZ Qualifications Authority	5,213 m ²	6.0 Years
Vodafone on the Quay	Russell McVeagh	3,150 m ²	3.0 Years
AMP Centre	Aon	3,231 m ²	13.0 Years
125 The Terrace	Minter Ellison Rudd Watts	2,279 m ²	12.0 Years
No. 1 The Terrace	Ministry of Health	2,166 m ²	6.0 Years
Zurich House	Guardians of NZ superannuation	1,518 m ²	6.0 Years
Zurich House	NZ Funds Management	1,161 m ²	6.0 Years
Zurich House	Zurich Insurance	1,111 m ²	6.5 Years
AMP Centre	OCG Recruitment	1,098 m ²	9.0 Years
AMP Centre	Perpetual Trust	1,098 m ²	6.0 Years
AMP Centre	Southern Cross Hospitals	1,098 m ²	6.0 Years
AMP Centre	Southern Cross Travel	1,097 m ²	9.0 Years
PwC Tower	Jones Lang LaSalle	1,019 m ²	3.5 Years
Zurich House	Willis	914 m ²	6.0 Years
Zurich House	Parsons Brinkerhoff	914 m ²	6.0 Years
Zurich House	AMP Capital Investors	914 m ²	9.0 Years
Zurich House	Serious Fraud Office	913 m ²	12.0 Years
Zurich House	Human Rights Commission	913 m ²	6.0 Years
Other	Various	15,115 m ²	5.2 Years
TOTAL		64,500 m²	8.4 Years

Key:

new customer

increase occupied area

Zurich House leasing

- **8** new leases since 30 June 2010 including four new customers
- Occupancy now **70%** compared to 10% as at 30 June 2010, Building WALT of **7.4** years
- Leasing momentum expected to continue with **two** further floors under offer
 - Only **2** full floors remaining

Key leasing transactions

Customer	NLA (m ²)	Lease Term (yrs)
Zurich Insurance	1,111 m ²	6.5 years
NZ Funds Management	1,164 m ²	6.0 years
The Guardians of New Zealand Superannuation	1,518 m ²	12.0 years
Human Rights Commission	913 m ²	6.0 years
Parsons Brinkerhoff	914 m ²	6.0 years
Total	5,620 m²	7.7 years

Level 17	New Lease
	New Lease
Level 16	461 m ²
	New Lease
Level 15	New Lease
Level 14	Leased
Level 13	New Lease
	New Lease
Level 12	308 m ²
Level 11	914 m ² (under offer)
Level 10	914 m ² (under offer)
Level 9	New Lease
Level 8	Leased
Level 7	Leased
Level 6	Leased
Level 5	913 m ²
Level 4	913 m ²
Level 3	New Lease
Lobby	
Ground	

Portfolio composition

Property	Net Property Income	Book Value	NLA	Occupancy	WALT
Auckland					
PWC Tower	\$18.7 m	\$207.0m	31,314 m ²	95%	2.6 yrs
ANZ Centre	\$14.7 m	\$158.5m	32,794 m ²	99%	11.6 yrs
AMP Centre	\$7.8 m	\$98.3m	25,134 m ²	90%	6.8 yrs
151 Queen Street	\$4.0 m	\$73.3m	17,649 m ²	79%	3.1 yrs
Zurich House	\$0.2 m	\$71.5m	14,446 m ²	70%	7.4 yrs
Auckland	\$45.4 m	\$608.6m	121,338 m²	90%	6.5 yrs
Wellington					
State Insurance Building	\$9.7 m	\$124.6m	26,933 m ²	94%	3.6 yrs
Vodafone on the Quay	\$7.4 m	\$96.3m	16,768 m ²	97%	3.7 yrs
No.1 The Terrace	\$7.9 m	\$89.6m	18,851 m ²	100%	6.8 yrs
171 Featherston	\$5.8 m	\$65.0m	11,307 m ²	100%	4.1 yrs
125 The Terrace	\$5.3 m	\$64.2m	12,019 m ²	94%	6.3 yrs
Pastoral House	\$4.9 m	\$56.0m	15,466 m ²	100%	5.3 yrs
Deloitte House	\$4.2 m	\$48.7m	12,957 m ²	98%	3.7 yrs
Chews Lane	\$4.3 m	\$32.5m	7,299 m ²	100%	10.3 yrs
Mayfair House	\$3.2 m	\$38.3m	12,254 m ²	100%	4.2 yrs
AXA Centre	\$3.0 m	\$30.4m	10,565 m ²	90%	1.9 yrs
Wellington	\$55.7 m	\$645.6m	144,419 m²	97%	5.2 yrs
Portfolio	\$101.1 m	\$1,254.2m	265,757 m²	94%	5.8 yrs

Portfolio metrics

Earnings source

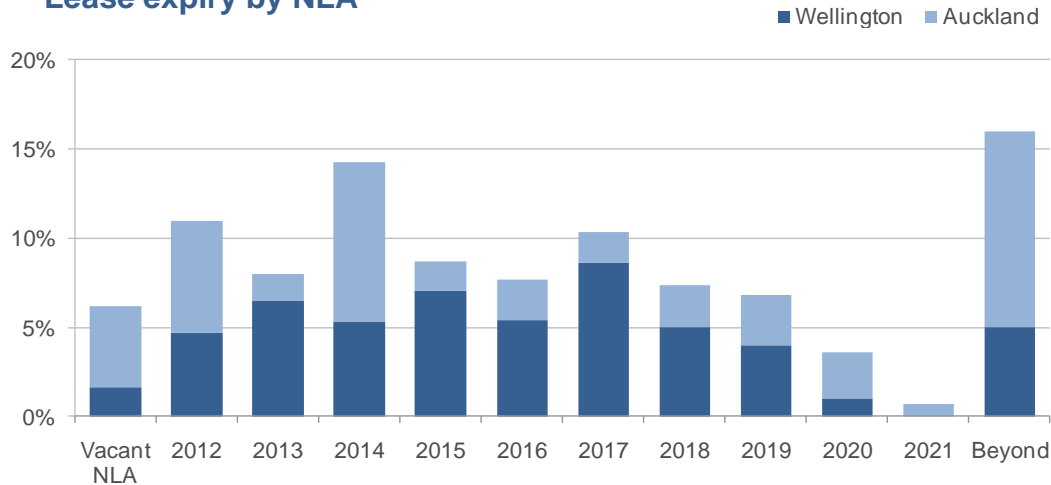


Sector	% of Rent Roll
Office	83%
Car Parks	10%
Retail	7%

Portfolio by industry

1	Govt. Dept.	28%
2	Legal	12%
3	Banking	11%
4	Insurance	9%
5	Financial Services	9%
6	Accounting	6%
7	Consultancy	5%
8	Retail	4%
9	Information Technology	4%
10	Primary Industry	3%

Lease expiry by NLA



Top ten customers by gross rental

1	Westpac	5.4%
2	Pw C	4.9%
3	MAF	4.1%
4	Buddle Findlay	3.7%
5	ANZ	3.5%
6	BNZ	2.3%
7	AMP	2.6%
8	Ministry of Health	2.9%
9	Treasury	2.6%
10	Chapman Tripp	2.6%

FY12 lease event profile

- One third of portfolio (by NLA) has a lease event in FY12
- **27%** of all portfolio income will be subject to market rental risk in FY12
 - 13% to market reviews with no/soft ratchet
 - 11% expiring

FY12 Lease event profile

Review mechanism	% by total NLA	% of total events
CPI	3%	9%
Fixed	5%	13%
Market - Ratchet	3%	8%
Market Review	13%	38%
Market - Expiry	11%	31%
Total	35%	100%

- Portfolio currently **6.9%** over rented based on 30 June 2011 market rental assessments
- Rent reviews completed during the year comprised 16% of annualised Contract Rental
 - Settled rents showed a **1.7%** decrease in contract rentals

The background of the slide is a circular, textured ceiling, possibly made of stone or concrete, with a central circular recessed area. Several small, bright lights are embedded in the ceiling, creating a starry effect. The overall tone is dark and moody.

Section 05 – Conclusion and outlook

Conclusion

- A year of significant improvement through:
 - Structural changes – unit trust to company structure with aligned fee
 - Dedicated ANZO board established with majority of independent directors
 - New executive team appointed
 - Fresh approach to relationships
- Changes resulted in:
 - Growth in occupancy
 - Growth in WALT
 - Business de-risked and well positioned
- Property market stabilising:
 - Auckland ahead of Wellington and positioned for rental growth
 - Wellington resilient with impact of structural issues yet to play out

Outlook

- Global economy remains uncertain
- Stability in property markets becoming more evident
- Property earnings lagging general economy
- ANZO well positioned to secure stability of earnings with potential for growth through:
 - Utilising balance sheet capacity
 - Reverting occupancy levels to normalised levels (95% +)
 - Market rental growth