

INTERIM RESULT

For the six months ended
30 September 2010

KIWI INCOME PROPERTY TRUST

12 November 2010

Chris Gudgeon Chief Executive
Gavin Parker Chief Financial Officer



Chris Gudgeon, Chief Executive

- **Interim result overview**

Gavin Parker, Chief Financial Officer

- **Financial review**

Chris Gudgeon, Chief Executive

- **Portfolio overview**

- **Review of operations**

- **Outlook**

Interim result overview

Interim result presentation for the six months ended 30 September 2010

Solid operating performance:

- Net operating income \$68.2 million, **up 1.5%**
- Distributable profit after tax \$33.0 million, **up 10.4%**
- Interim distribution after tax 3.50 cents per unit, in line with guidance

Strong balance sheet:

- Net gearing ratio of **24.9%**
- Bank debt facilities renewed for **\$302.5 million**, maturing FY15-FY17
- Weighted average term of bank debt facilities increased from 1.4 years to **2.9 years**

Index outperformance:

- Outperformed NZX 50 and NZX Property Indices

Robust portfolio performance:

- Core retail and office occupancy rate **97.0%**
- Weighted average lease term stable at **4.2 years**
- Active leasing program delivering results
- Retail sales recovering and affordability ratios improving
- Sylvia Park net operating income up **7.3%**
- Christchurch properties fully operational post Canterbury earthquake

Development program:

- ASB development on track: **8.5% yield** on \$126.2 million development cost
- Plan change provides expansion options for Sylvia Park (subject to appeals)

Interim result overview

Financial result



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| Financial performance For the six months ended | 30-Sep-10 | 30-Sep-09 | Variance | |
|---|-------------|-------------|--------------|--------------|
| | \$m | \$m | \$m | % |
| Gross rental income ¹ | 94.0 | 92.9 | +1.1 | +1.2 |
| Property operating expenditure | -25.8 | -25.7 | -0.1 | -0.4 |
| Net operating income¹ | 68.2 | 67.2 | +1.0 | +1.5 |
| Other operating expenses | -31.2 | -29.9 | -1.3 | -4.3 |
| Distributable profit before tax | 37.0 | 37.3 | -0.3 | -0.8 |
| Current tax expense | -4.0 | -7.4 | +3.4 | +45.9 |
| Distributable profit after tax | 33.0 | 29.9 | +3.1 | +10.4 |
| Property revaluations [fair value change] | -0.8 | -65.8 | +65.0 | +98.8 |
| Interest rate derivatives [fair value change] | -14.4 | 7.3 | -21.7 | -297.3 |
| Other non-operating items | -1.6 | 0.5 | -2.1 | -420.0 |
| Deferred tax benefit/(expense) | -134.7 | 9.9 | -144.6 | -1,460.6 |
| Reported loss after tax | -118.5 | -18.2 | -100.3 | -551.1 |
| Cash distribution [cpu] | 3.50 | 3.75 | -0.25 | -6.7 |

**Distributable
profit**

\$33.0m

1. Excludes rental income resulting from straight-lining of fixed rental increases and other non-cash rental adjustments

Total returns

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**Cumulative
average Total
Return¹ since
inception**

9.5%

**KIP has
outperformed
both NZX 50 and
NZX property
indices**

| Total returns For the periods to 30-Sep-10 | 1 year | 3 year | 5 year |
|---|------------|-------------|------------|
| | %pa | %pa cum | %pa cum |
| KIP [Unit price \$1.01] | 3.6 | -3.9 | 4.8 |
| NZX 50 Gross Index | 0.5 | -9.4 | -1.6 |
| NZX Property Gross Index | 1.8 | -5.1 | 2.7 |

1. Total Return means the return, including unit price movements and the reinvestment of all cash distributions and imputation tax credits

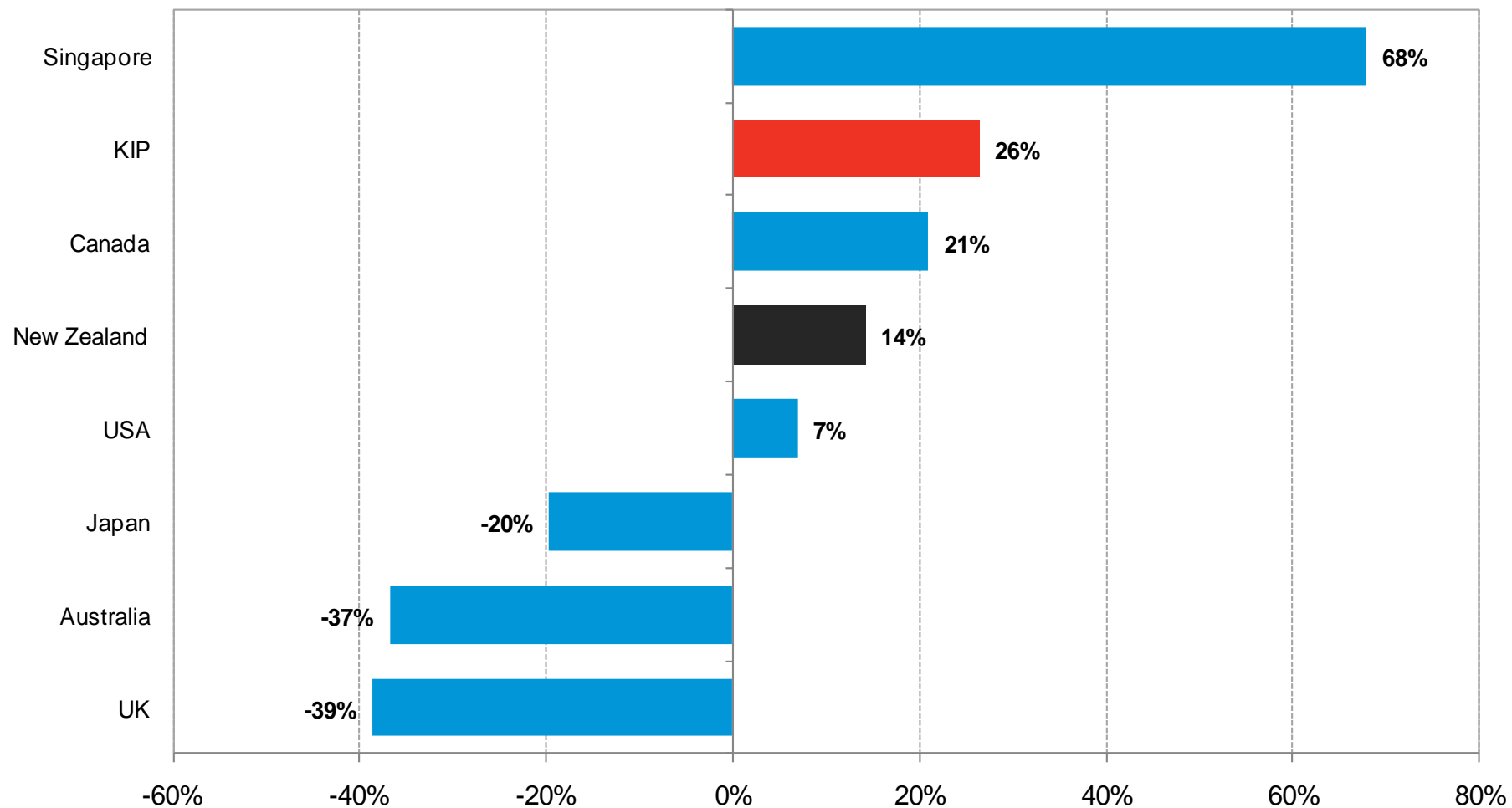
Interim result overview

LPT global total return



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Five years ended 30-Sep-10



Financial review

Interim result presentation for the six months ended 30 September 2010

Distributable profit

| Distributable profit For the six months ended | 30-Sep-10 | 30-Sep-09 | Variance | | |
|--|--------------|--------------|--------------|--------------|-------------|
| | \$m | \$m | \$m | % Total | % L4L |
| Net operating income - retail ¹ | 38.6 | 35.7 | +2.9 | +8.1 | -1.3 |
| Net operating income - office ¹ | 28.2 | 29.8 | -1.6 | -5.4 | -2.6 |
| Net operating income - other ¹ | 1.4 | 1.7 | -0.3 | -17.6 | -17.6 |
| Net operating income¹ | 68.2 | 67.2 | +1.0 | +1.5 | -2.4 |
| Net bank interest ² | -16.7 | -18.0 | +1.3 | +7.2 | |
| Mandatory convertible notes | -8.2 | -5.7 | -2.5 | -43.9 | |
| Management fees | -5.1 | -4.7 | -0.4 | -8.5 | |
| Other expenses | -1.2 | -1.5 | +0.3 | +20.0 | |
| Total expenses | -31.2 | -29.9 | -1.3 | -4.3 | |
| Distributable profit before tax | 37.0 | 37.3 | -0.3 | -0.8 | |
| Current tax expense | -4.0 | -7.4 | +3.4 | +45.9 | |
| Distributable profit after tax | 33.0 | 29.9 | +3.1 | +10.4 | |
| Weighted average no. units [m] | 889.7 | 792.1 | +97.6 | +12.3 | |
| Distributable profit: gross [cpu]³ | 4.16 | 4.71 | -0.55 | -11.7 | |
| Distributable profit: net [cpu]³ | 3.71 | 3.77 | -0.06 | -1.6 | |

– Net operating income increased by **1.5%** and distributable profit increased **10.4%**

1. Excludes rental income resulting from straight-lining of fixed rental increases and other non-cash rental income adjustments
2. Net of interest income and capitalised interest and excludes movement in cash flow hedge reserve
3. Calculated using the weighted average number of units on issue

Financial review

Financial position



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| Financial position As at | 30-Sep-10 | 31-Mar-10 | Variance | |
|--------------------------------------|----------------|----------------|--------------|-------------|
| | \$m | \$m | \$m | % |
| Assets | | | | |
| Property assets | 1,856.1 | 1,848.7 | +7.4 | +0.4 |
| Cash on deposit | 112.7 | 117.8 | -5.1 | -4.3 |
| Other assets | 23.1 | 18.3 | +4.8 | +26.2 |
| | 1,991.9 | 1,984.8 | +7.1 | +0.4 |
| Liabilities | | | | |
| Secured bank debt | 578.0 | 571.0 | -7.0 | -1.2 |
| Mandatory convertible notes | 117.3 | 261.7 | +144.4 | +55.2 |
| Deferred tax liability | 315.7 | 177.6 | -138.1 | -77.8 |
| Other liabilities | 76.2 | 65.9 | -10.3 | -15.6 |
| | 1,087.2 | 1,076.2 | -11.0 | -1.0 |
| Unit holder funds | 904.7 | 908.6 | -3.9 | -0.4 |
| Net gearing ratio¹ | 24.9% | 24.4% | | -0.5% |
| Adjusted NTA² | \$1.15 | \$1.22 | -\$0.07 | -5.7% |

The balance sheet remains strong and provides flexibility to explore value-added investment opportunities

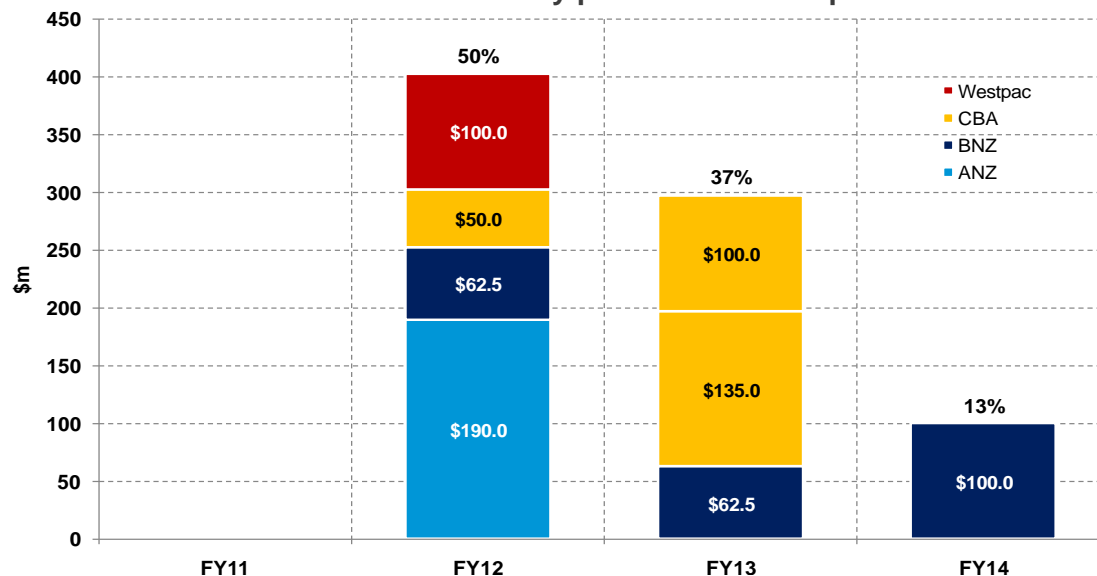
1. Calculated as bank debt less \$108.4 million (31-Mar-10 \$113.8 million) MCN proceeds on deposit over total assets (excluding MCN proceeds on deposit)
2. Adjustment of NTA refers to the exclusion of deferred tax on items that will not crystallise

Financial review

Debt summary

| Bank facilities | 30-Sep-10 | 31-Mar-10 |
|---|-----------|-----------|
| Bilateral facilities [ANZ, BNZ, CBA and Westpac] | \$800m | \$800m |
| Balance drawn | \$578m | \$571m |
| Balance undrawn | \$222m | \$229m |
| MCN proceeds on deposit | \$108m | \$114m |
| Weighted average cost of debt (incl. margin and line fees) | 6.68% | 7.07% |
| Weighted average term to maturity of facilities | 1.4 years | 1.9 years |
| Trust Deed gearing ratio [requirement: < 40%] ¹ | 29.0% | 28.8% |
| Bank covenant interest cover ratio [requirement: > 2.25 times] ² | 3.96 | 3.73 |

Bank debt maturity profile as at 30-Sep-10



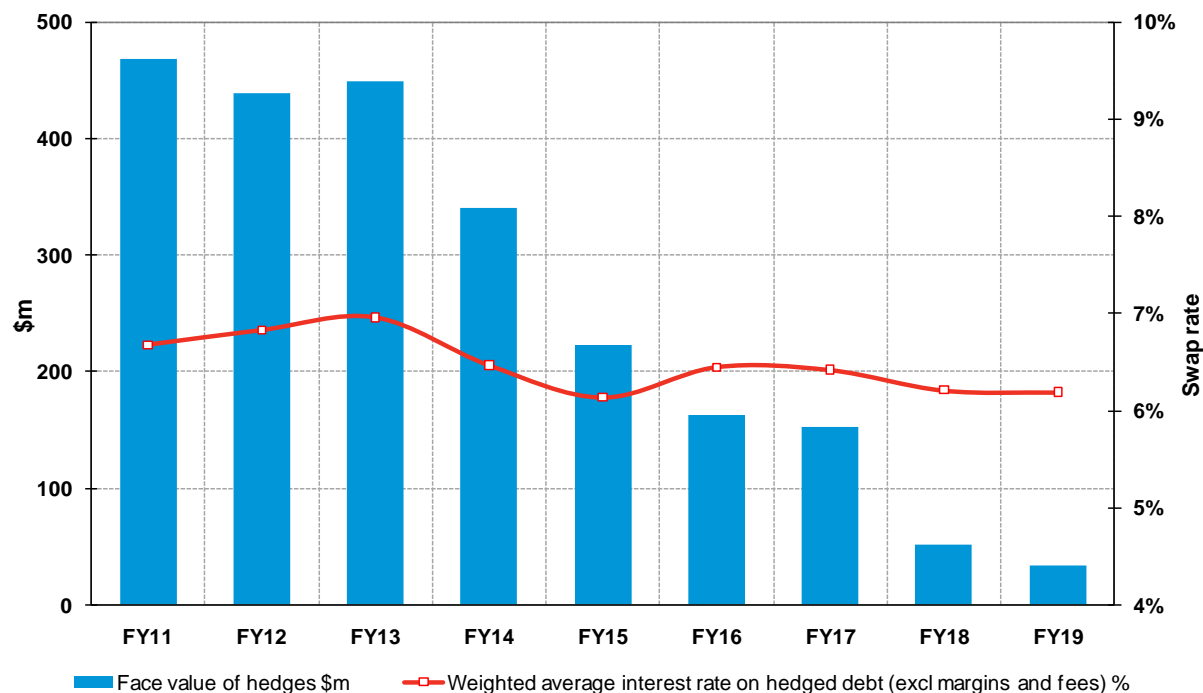
1. Calculated as bank debt over total assets
2. Calculated as net rental income over net interest expense (net interest excludes interest on mandatory convertible notes)

Financial review

Hedging summary

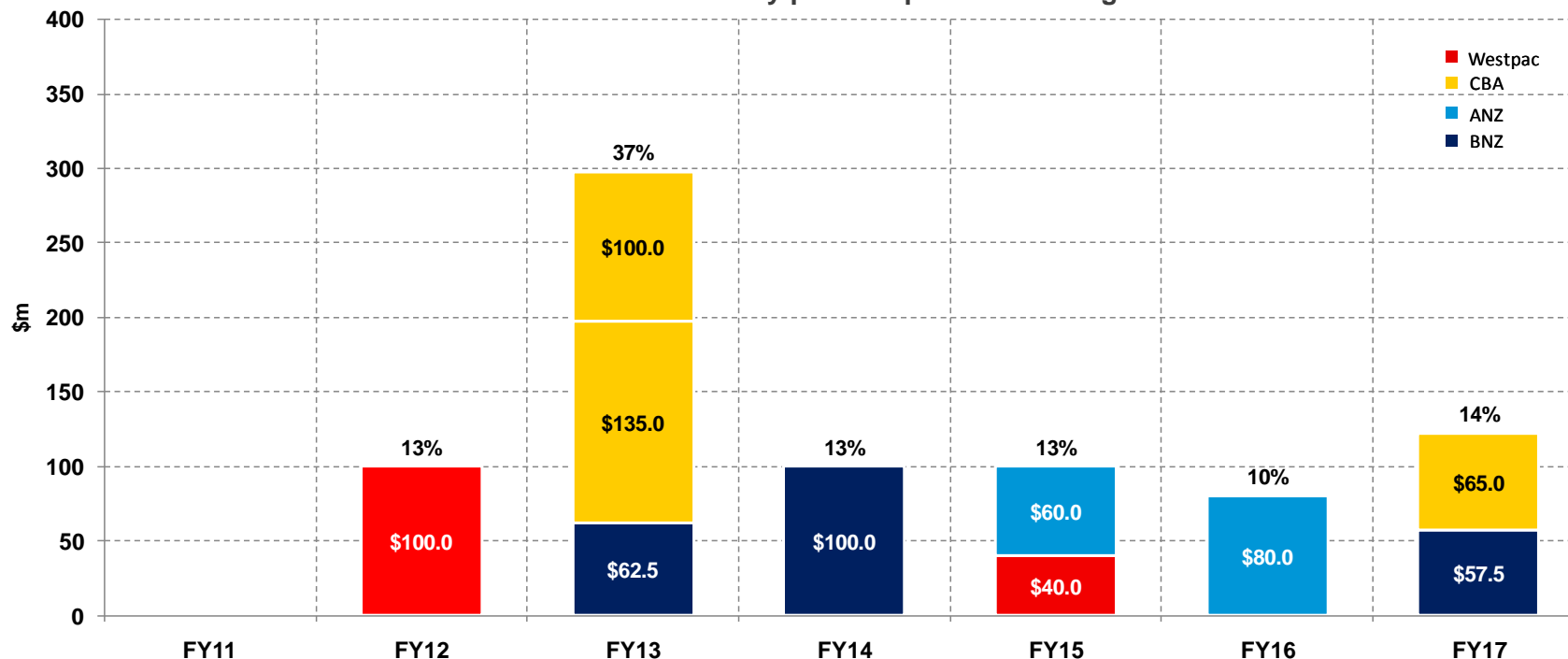
| Hedging profile | 30-Sep-10 | 31-Mar-10 |
|--|-----------|-----------|
| Percentage of drawn debt hedged [fixed rate] | 82% | 94% |
| Weighted average interest rate on hedged debt [excl margin and fees] | 6.66% | 6.67% |
| Weighted average term to maturity of interest rate hedges | 3.7 years | 3.6 years |

Hedge maturity profile



- **\$302.5 million in bank debt facilities renewed** post the reporting period, with \$800 million in bilateral bank debt facilities maintained
- Weighted average term to maturity has increased by 1.5 years to 2.9 years
 - Renewed facilities with ANZ, BNZ, CBA and Westpac spreads the maturities amongst the Trust’s financial years ending 31 March 2015, 2016 and 2017
- Following the extensions, allocation to each of the four banks will be – ANZ: \$140 million (17.5%), BNZ: \$220 million (27.5%), CBA: \$300 million (37.5%) and Westpac: \$140 million (17.5%)

Bank debt maturity profile – post refinancing



Portfolio overview

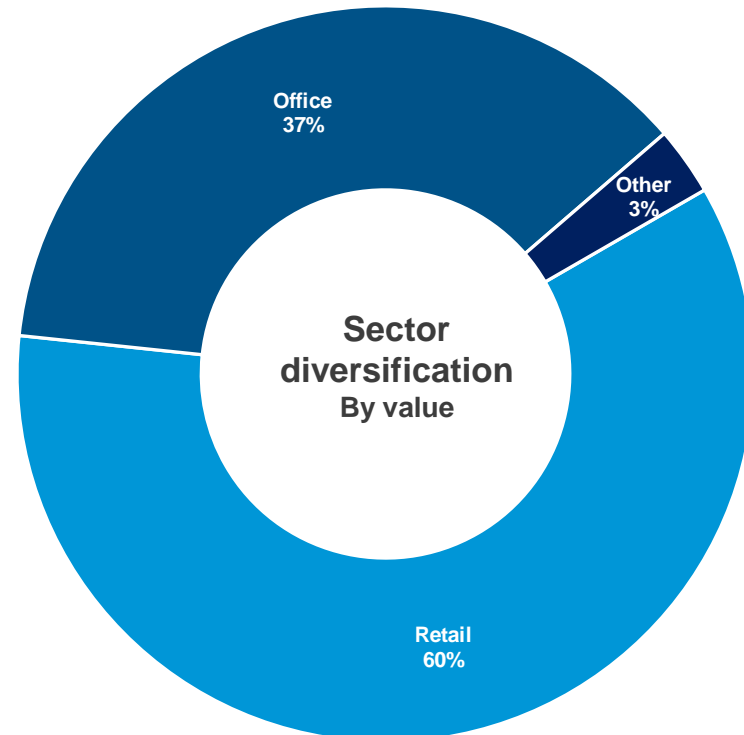
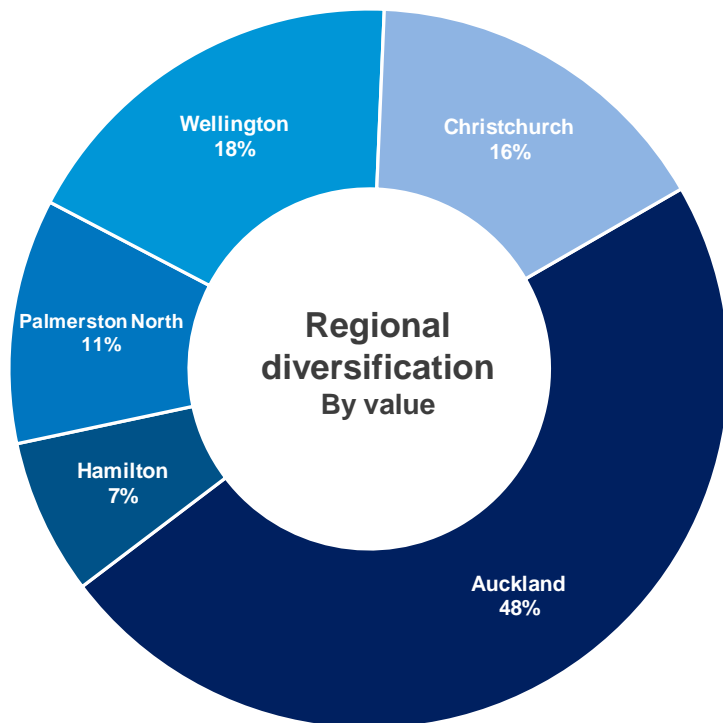
Interim result presentation for the six months ended 30 September 2010

**Portfolio
 occupancy
 97.0%**

| Portfolio / Property | NLA | Vacant | Occupancy |
|------------------------------------|----------------|---------------|-------------|
| | sqm | sqm | % |
| Sylvia Park | 71,225 | - | 100.0 |
| Centre Place | 15,133 | 1,319 | 91.3 |
| Downtown Plaza | 6,146 | - | 100.0 |
| The Plaza | 32,279 | - | 100.0 |
| North City | 25,795 | 447 | 98.3 |
| Northlands | 42,256 | 881 | 97.9 |
| Total: Retail | 192,834 | 2,647 | 98.6 |
| Vero Centre | 39,490 | 3,554 | 91.0 |
| National Bank Centre | 26,141 | 2,870 | 89.0 |
| 21 Pitt Street | 17,252 | - | 100.0 |
| The Majestic Centre | 24,387 | - | 100.0 |
| Unisys House | 22,158 | - | 100.0 |
| 44 The Terrace | 10,109 | - | 100.0 |
| 50 The Terrace | 2,442 | - | 100.0 |
| PricewaterhouseCoopers Centre | 16,082 | 1,581 | 90.2 |
| Total: Office | 158,061 | 8,005 | 94.9 |
| Total: Investment portfolio | 350,895 | 10,652 | 97.0 |

Diversification: Sector and regional

| By value | Auckland | Wellington | Christchurch | Palmerston North | Hamilton | TOTAL % Total by Sector |
|--------------------------------|------------|------------|--------------|------------------|-----------|-------------------------|
| Retail | 24% | 6% | 13% | 11% | 6% | 60% |
| Office | 22% | 12% | 3% | - | - | 37% |
| Other | 2% | - | - | - | 1% | 3% |
| TOTAL % Total by Region | 48% | 18% | 16% | 11% | 7% | 100% |

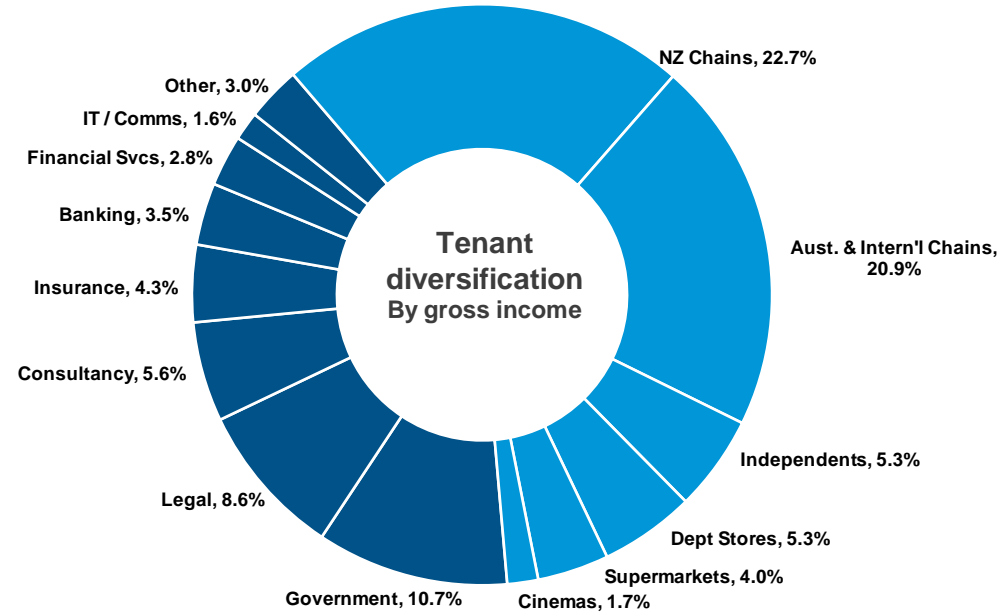


Portfolio overview

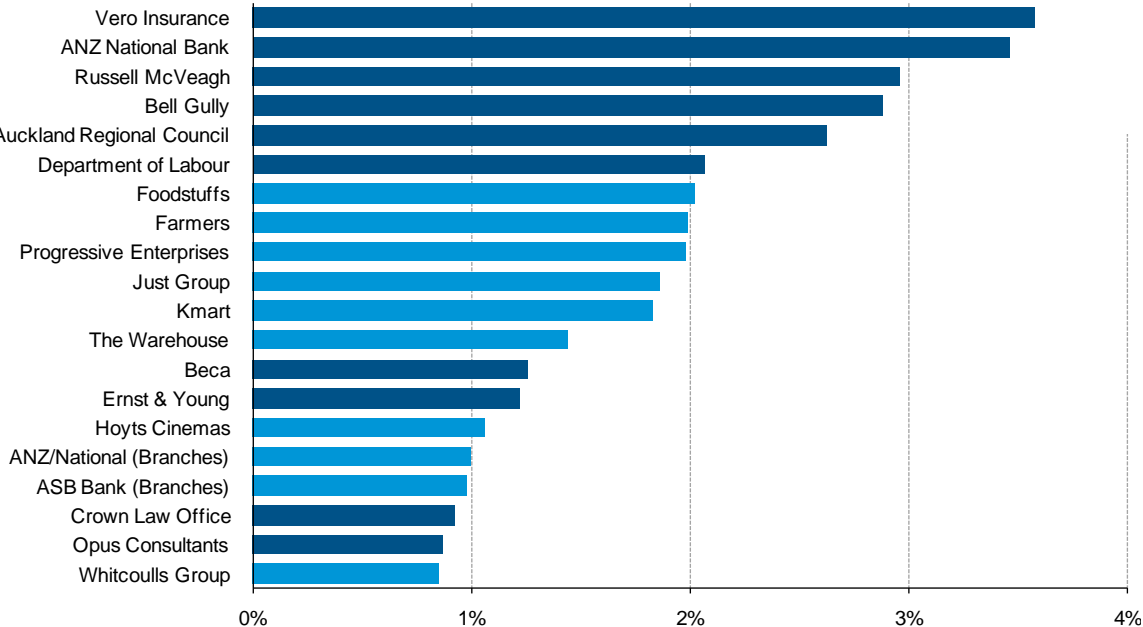
Diversification: Tenant

Analysis of property portfolio

| Portfolio | No. Tenants | NLA | Gross income |
|----------------|-------------|-----|--------------|
| Retail | 83% | 55% | 60% |
| Office | 17% | 45% | 40% |
| Top 20 tenants | 3% | 53% | 37% |



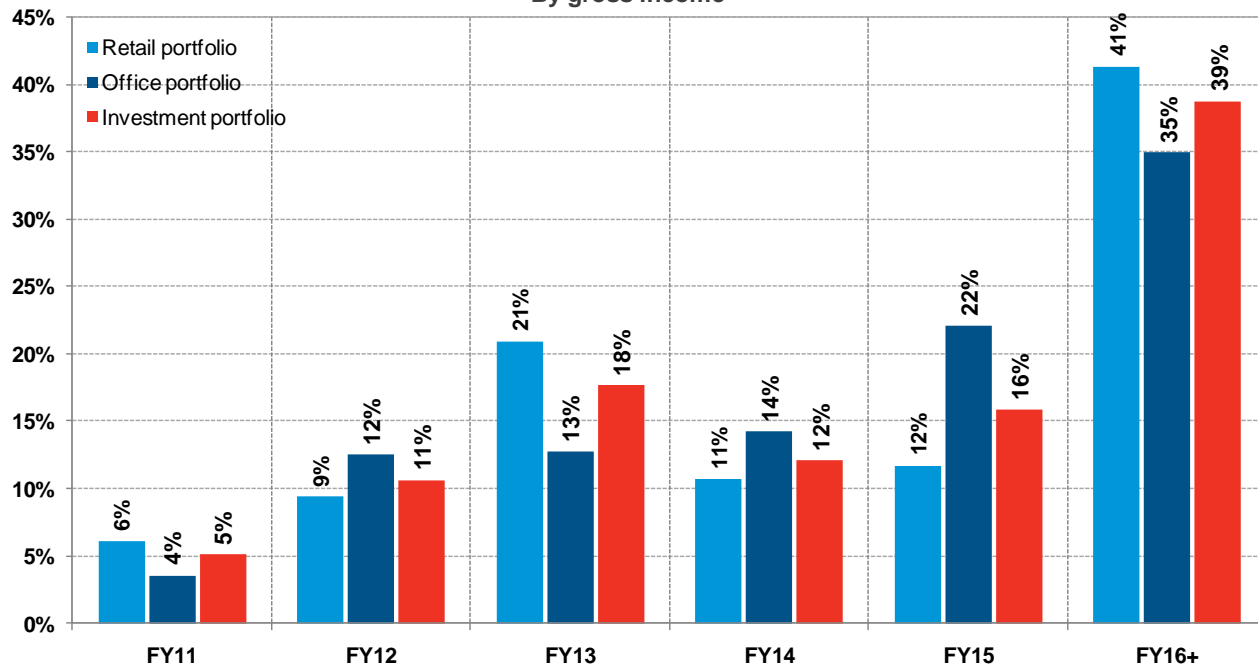
Top 20 tenants by gross income
% of investment portfolio



Portfolio overview

Lease expiry and WALT

Lease expiry profile
By gross income



**Portfolio
WALT
4.2 yrs**

- Retail WALT: 4.3 years
- Office WALT: 4.1 years

Key expiries forthcoming: Office

| FY | Property | Tenant | NLA sqm |
|----|----------------------|----------------------------------|---------|
| 11 | 44 The Terrace | Commerce Commission | 2,677 |
| 12 | National Bank Centre | ANZ National Bank [incl. retail] | 5,735 |
| 12 | 21 Pitt Street | Beca ¹ | 4,205 |
| 13 | Unisys House | Crown Law | 4,806 |
| 13 | Vero Centre | Russell McVeagh | 7,452 |

Key expiries forthcoming: Retail

| FY | Property | Tenant | NLA sqm |
|----|--------------|-----------------------|---------|
| 12 | Centre Place | Event Cinemas | 2,726 |
| 13 | Sylvia Park | ~100 specialty stores | ~12,000 |
| 13 | North City | Farmers | 4,589 |

1. Subsequent to 30 September 2010, a new nine-year lease over 14,000 sqm was completed with Beca

Review of operations

Interim result presentation for the six months ended 30 September 2010

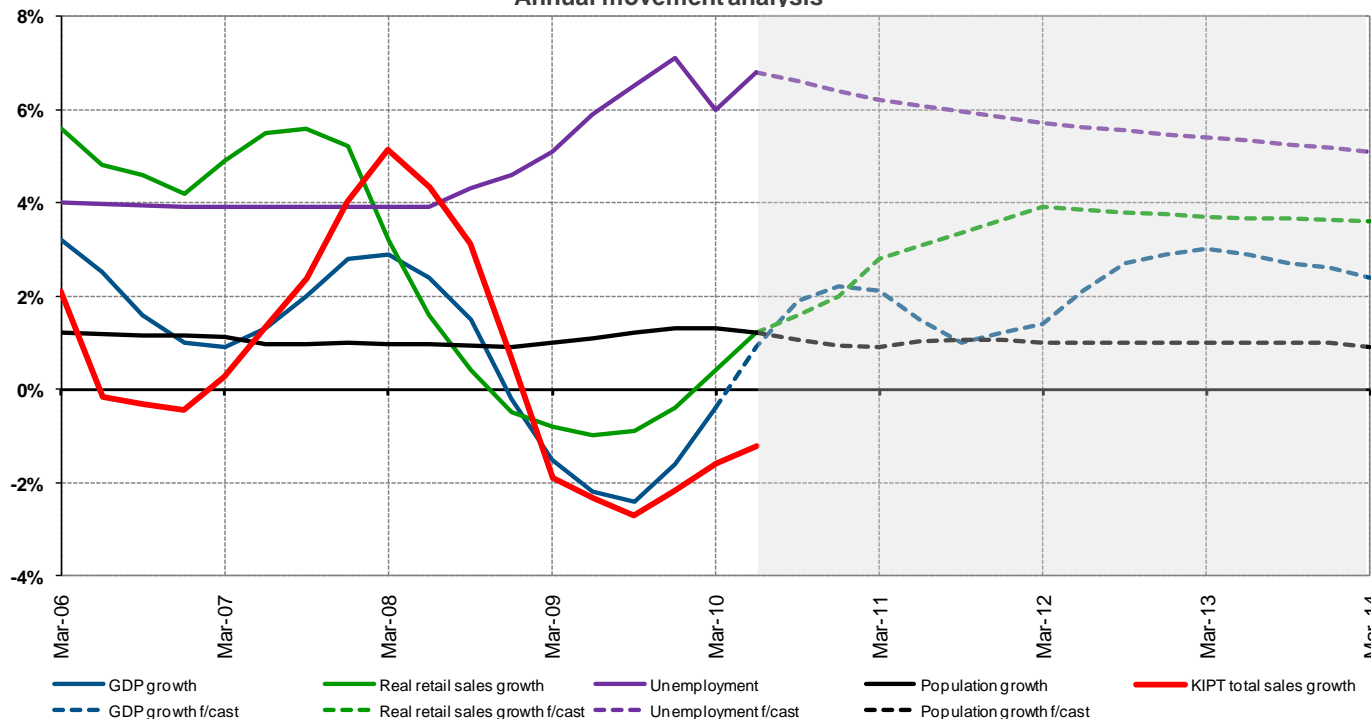
Review of operations

General economy

| Indicator For the year ended/as at 31 Mar | 2008A | 2009A | 2010A | 2011F | 2012F |
|--|-------|-------|-------|-------|-------|
| GDP Growth | 2.9% | -1.5% | -0.4% | 2.1% | 1.4% |
| Private Consumption Growth | 3.2% | -0.8% | 0.4% | 2.8% | 3.9% |
| Unemployment | 3.9% | 5.1% | 6.0% | 6.2% | 5.7% |

- Pace of recovery in global economy has slowed
- Growth in Australia and Asia offsets United States and EU weakness

New Zealand economic indicators
Annual movement analysis



- In New Zealand, economic recovery is export led
- New Zealand domestic economy subdued and household sector remains cautious
- Recovery in retail sales expected in 2011
- Unemployment rate stabilising around 6%

Source: Statistics NZ, NZIER Quarterly Predictions Sep-10

Review of operations

Retail sales and GOC

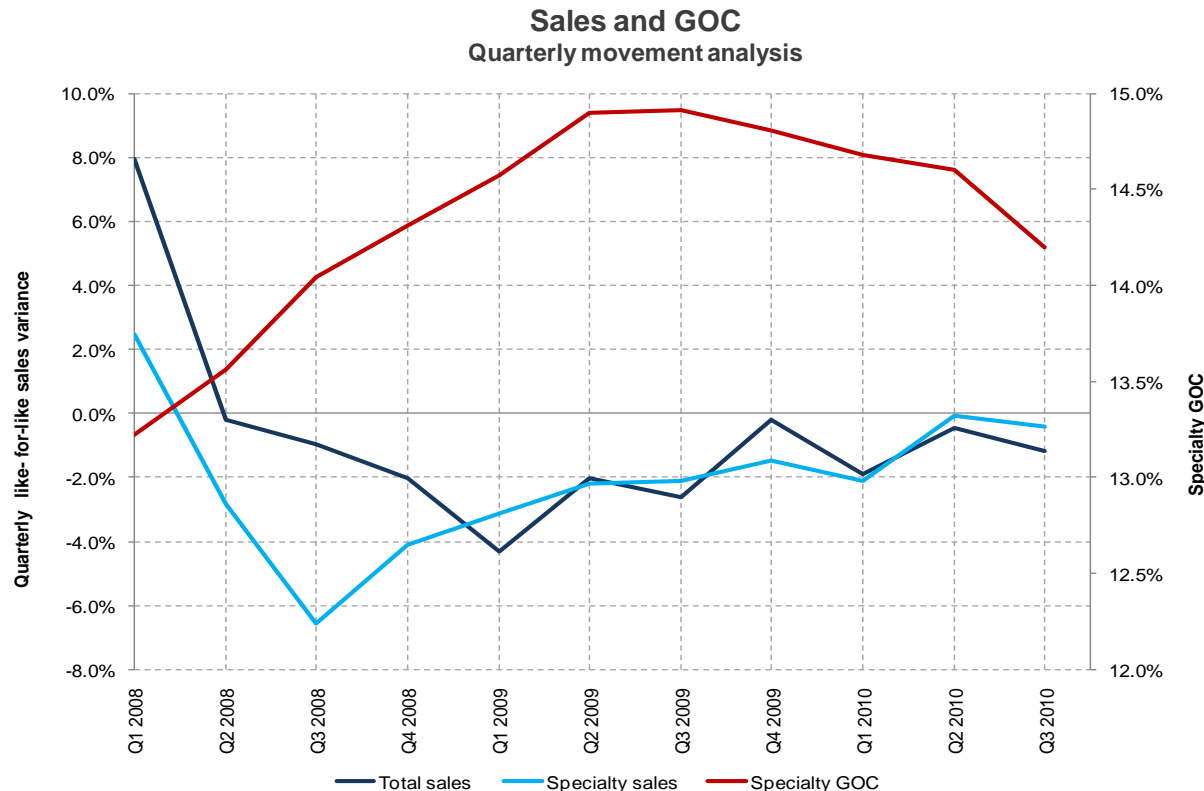
| Sales and gross occupancy costs For the year ended / as at [Incl. GST] | 30-Sep-10 | 30-Sep-09 | Variance | |
|---|-----------|-----------|----------|-------|
| Portfolio moving annual turnover [\$m] | 1,074.5 | 1,042.3 | +32.2 | +3.1% |
| Like-for-like moving annual turnover [\$m] | 918.5 | 925.9 | -7.4 | -0.8% |
| Specialty gross occupancy costs [GOC] | 14.2% | 14.7% | -0.5% | |

Portfolio sales

- Total sales have increased due to new store openings
- Household spending subdued. Same store sales down **-0.8%**
- Like-for-like sales movement:
 - Supermarkets **+0.5%**
 - Department stores **+0.3%**
 - Disc. Dept. stores **-3.0%**
 - Cinemas **+18.3%**
 - Mini majors **-6.0%**
 - Specialty **-0.8%**

Specialty GOC

- Reduced to **14.2%**



Review of operations

Office markets



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| | AUCKLAND | | WELLINGTON | |
|---------|--|---|---|--|
| | Current | Forecast | Current | Forecast |
| Supply | ~32,000 sqm new Telecom head office recently completed | ~52,000 sqm of new space forecast for 2011 with 60% pre-commitment ² | | ~99,000 sqm of new space over 2010/2011. 89% pre-committed ⁵ |
| Vacancy | Current / (Prior year): ¹ - Core CBD total 12.2% (9.6%) - Core Premium 6.7% (2.2%) - Core A-grade 15.7% (11.2%) | Peak at 14.8% in 2011 and recover thereafter albeit with a spike in 2013 as new developments complete ² | Current / (Prior year): ⁴ - Core CBD total 8.1% (5.8%) - Core Premium 2.9% (3.7%) - Core B-grade 5.3% (7.1%) | Increasing to a peak of 11.7% during 2011 with steady recovery thereafter ⁵ |
| Rents | CBD avg <u>net</u> effective: ¹ Current / (Prior year) - Premium \$375/sqm (\$424) - A-grade \$232/sqm (\$266) | Further falls in 2010 but forecast to increase in 2011. Premium grade will continue to improve thereafter with improving vacancy. A-grade recovery will flatten in 2013 with vacancy spike ² | CBD avg <u>gross</u> effective: ⁴ Current / (Prior year) - Premium \$452/sqm (\$475) - B-grade \$287/sqm (\$304) | Premium: Further falls expected in 2010/11 with return to 2009 levels by 2014. B-grade: Further falls expected through to 2012 with subsequent strong rebound ⁵ |
| Sales | Activity still subdued. Deloitte House (80 Queen St) still latest transaction of note. Sold 1H 2010 for \$177m or 7.67% equivalent yield ³ | Investment yields forecast to firm by 80bps to 90bps over the next four years ² | Some recent sales following long period of inactivity. 180 Molesworth St sold for \$38.2m at equivalent yield of 8.68% ⁶ | Investment yields for all grades expected to firm over the next four years, Premium by 80bps and B-grade by 42bps ⁵ |

1. Auckland Property Market Monitor (CBRE, Jul-10)
 2. Auckland Property Market Outlook (CBRE, May-10)
 3. Colliers International analysis

4. Wellington Property Market Monitor (CBRE, Jun-10)
 5. Wellington Property Market Outlook (CBRE, Jun-10)
 6. Bayleys Valuations Limited analysis

Review of operations

Lease and rental activity

| Portfolio | No. | NLA | Rental uplift | | |
|---|------------|----------------|---------------|-------------|------------|
| | | sqm | \$000 | % | CAGR |
| NEW LEASES AND RENEWALS | | | | | |
| Retail | 62 | 7,459 | -104 | -1.8 | N/A |
| Office | 25 | 16,192 | -9 | -0.2 | N/A |
| Total: New leases and renewals | 87 | 23,651 | -113 | -1.0 | N/A |
| RENT REVIEWS | | | | | |
| Retail | 273 | 56,564 | 1,394 | 4.3 | 4.0 |
| Office | 21 | 24,122 | 741 | 11.1 | 4.1 |
| Office [renewals where rent not concluded] | 4 | 7,312 | - | - | N/A |
| Total: Rent reviews | 298 | 87,998 | 2,135 | 5.4 | 4.0 |
| Total [excl.renewals where rent not concluded] | 381 | 104,337 | 2,022 | 4.0 | N/A |
| Total | 385 | 111,649 | | | |

New leases,
renewals and
rent reviews

385

Uplift over
previous rental

4.0%

Review of operations

New lease to Beca

- New nine-year lease agreement for 14,000 sqm of space with Beca Corporate Holdings
- Lease to commence March 2012
- Auckland Regional Council to surrender bulk of its lease. Final tenancy is exited in 2015
- Transaction highlights leasing team's forward solving abilities
- Increases building's weighted average lease term to 9.5 years from 3.5 years
- General amenities upgrade will be undertaken as part of lease agreement



ASB Head Office



- Satisfied key Board and Trustee approvals contained in the conditional development agreement in August
 - Proposed development remains conditional on a number of procedural matters including obtaining resource consent
- Construction expected to commence by mid-2011

Potential project statistics Based on conditional contract

| | |
|--------------------------|------------------|
| Development budget - \$m | 126.2 |
| Target initial yield | 8.5% |
| Net lettable area – sqm | 18,000 |
| ASB net lettable – area | 93% |
| ASB lease term – years | 18 |
| Construction period | Jun-11 to Jun-13 |

Sylvia Park

- Auckland City Council approved the Trust's plan change in September (subject to any appeals received). This allows:
 - An increase in gross floor area (GFA) from 148,000 sqm to 250,000 sqm (included within this is an increase in allowance for retail and entertainment activities from 75,000 sqm to 130,000 sqm). The existing shopping centre has a GFA of 72,500 sqm
 - Increased height limits
- The successful conclusion of this plan change is an important and necessary step in the long-term strategic planning of the Trust's most valuable asset



Outlook

Interim result presentation for the six months ended 30 September 2010

Moderate pace of economic recovery

Trust's defensive characteristics

Distribution cents per unit

7.00

- Economic recovery export led – strong growth in Australia, China and emerging Asia
- Household sector cautious with soft consumer spending
- Recovery in retail sales and employment in 2011
- Strong financial position
- Active management maintaining high occupancy rates
- Premium assets, diversified portfolio, solid tenant base
- Platform to explore investment opportunities
- Based on the outlook for the Trust, and subject to economic conditions, we are projecting an after tax cash distribution of 7.00 cents per unit for the year ended 31 March 2011

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