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NZX RELEASE

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Strong growth in operating profit

Kiwi Property today announced that it has delivered an excellent interim financial result, made good progress on strategic investments and positively positioned itself to fund its future investment priorities whilst maintaining a strong financial position.

For the six months to 30 September 2015, Kiwi Property delivered an after tax profit[1] of $36.0 million, up 51.3% from $23.8 million in the prior corresponding period. Operating profit[1] increased $9.5 million (+22.6%), to $51.6 million and distributable income[1] grew to $42.4 million, up $2.1 million. This strong result was underpinned by solid rental income performance from existing and recently acquired assets, and lower borrowing costs due to active capital management.

Chair of the board, Mark Ford, said: "Our commitment to targeting superior risk-adjusted returns over time through the ownership and active management of a diversified high-quality portfolio has delivered another positive result for our shareholders."

Chief Executive, Chris Gudgeon, said: "In line with strategy, we have successfully progressed investments in attractive Auckland retail assets and core government office accommodation in Wellington."

Key highlights include: the acquisition of a large format retail centre currently under development in Auckland's north-west; the completion of a dining and entertainment expansion project at LynnMall; signing fashion retailer, H&M, with its first store in New Zealand at Sylvia Park; advancing the evaluation of expansion opportunities at Sylvia Park; and, progressing our 35,000 sqm government office accommodation project in Wellington.

"To assist with funding future investment and development opportunities, including the potential expansion of Sylvia Park, we successfully completed a 1 for 9 entitlement offer in June, raising proceeds of $148.1 million (net of costs). The proceeds were initially applied to reduce bank debt, which has led to substantial interest expense savings during the period," said Mr Ford.

Shareholders will receive an interim cash dividend of 3.30 cents per share, up 1.5% on the prior period and in line with guidance. Looking ahead, subject to a continuation of reasonable economic conditions, the board has maintained cash dividend guidance of 6.60 cents per share for the year ending 31 March 2016.

"The balance of the 2016 financial year promises to be another busy period for Kiwi Property as we execute on our present development activities, progress our plans to develop Sylvia Park into a world-class retail centre, and seek opportunities to create further investment value for our shareholders," said Mr Gudgeon.

"From a property market perspective, we expect retail sales to grow at least in line with GDP, while underlying demand matched with limited short-term supply will be positive for the Auckland office market. In Wellington our focus on securing long-term government leases at our core office assets positions us strongly for the future," said Mr Gudgeon.

This Announcement should be read in conjunction with the September 2015 Interim Result Presentation and September 2015 Interim Report, also released today.

[1] Refer to Appendix 1 of this announcement for definitions.

Strong financial performance

For the six months to 30 September 2015, Kiwi Property delivered an after tax profit of $36.0 million, up from $23.8 million in the prior corresponding period. Operating profit increased $9.5 million to $51.6 million and distributable income grew to $42.4 million, up $2.1 million. This strong result was underpinned by lower borrowing costs and solid rental income performance from existing and recently acquired assets.

Net rental income was $76.3 million, compared with $77.0 million in the prior period. This stable income performance was maintained despite several properties undergoing development resulting in temporary loss of income. Expansion works commenced at LynnMall in January 2015, 56 The Terrace has been 100% vacant for refurbishment works since November 2014, additional floors were held vacant at The Majestic Centre to facilitate temporary tenant relocations, and, from June 2015, two floors are being held vacant at 44 The Terrace to facilitate refurbishment works.

Offsetting this, positive contributions were provided from Sylvia Park's lifestyle precinct where a full six months of rental income was received, together with rental income growth at all properties not currently impacted by development.

On a comparable basis, like-for-like rental income was up $2.3 million or 4.3%.

In June 2015, Kiwi Property completed a 1 for 9 entitlement offer, raising $148.1 million (net of costs) to fund future potential development opportunities, including the potential expansion of Sylvia Park.

Net interest expense reduced $10.7 million to $16.8 million reflecting lower debt levels as a result of the entitlement offer, combined with favourable interest rates and conversion of the mandatory convertible notes in December 2014. The lower interest expense has contributed to a $9.5 million, or 22.6%, lift in operating profit to $51.6 million.

Non-operating expenses amounted to $6.6 million, comprising a combination of fair value movements on interest rate derivatives and investment properties, offset by litigation settlement income.

Income tax expense increased $6.3 million largely due to the tax credits associated with the deductibility of the internalisation payment being available in the prior period.

After adjusting for property and interest rate derivative fair value movements, other non-operating items and income tax, an after tax profit of $36.0 million was recorded, up 51.3% from $23.8 million in the prior period.

The 3.30 cents per share cash dividend to be paid to shareholders is in line with previous guidance and up from 3.25 cents per share in the prior period. Imputation credits of 0.78 cents per share will be attached to the interim dividend.

The record date for the interim dividend is 3 December 2015 and the payment date is 17 December 2015. The board has determined that the Dividend Reinvestment Plan is available for the period ended 30 September 2015, with a discount set at 2%. This means that eligible shareholders can acquire additional shares in the Company at a 2% discount to the average price at which the shares trade through the New Zealand Stock Exchange during the pricing period.

At period end, the property portfolio was valued at $2.39 billion, up $115 million on March 2015. The increase reflects the acquisition of Westgate Zone 7 and other capital expenditure over the six-month period. No properties were independently revalued at 30 September 2015.

Net tangible asset backing per share at period end was $1.21, in line with the March 2015 position.

Kiwi Property has continued to maintain a strong balance sheet. The gearing ratio improved to 30.3% compared to 33.5% at 31 March 2015, reduced by the lower level of bank debt following the entitlement offer.

At 30 September 2015, the weighted average cost of debt was 5.43%, down from 6.02% at 31 March 2015 and 6.27% at September 2014 due to the favourable interest rate environment, together with the positive impact of the interest rate hedging restructure.

In November 2015, all $775 million of Kiwi Property's bank debt facilities were refinanced on improved terms. The refinancing of these facilities has extended the weighted average term to maturity by 1.3 years and reduced fees and margins by approximately 20 basis points.

For a full summary of financial results, refer to Appendix 1 of this Announcement. This Announcement should be read in conjunction with the September 2015 Interim Result Presentation and September 2015 Interim Report, also released today.

Key strategic initiatives delivered

The Kiwi Property team remains keenly focused on delivering on our investment strategy which favours:

> acquisitions and developments in the Auckland region (specifically targeting expansion opportunities at LynnMall and Sylvia Park, and further attractive retail investment opportunities in locations favoured by the proposed Auckland Unitary Plan), and
> core government office accommodation in Wellington, supported by long-term leases to the Crown.

This strategic investment focus is evidenced through our investment activities. Highlights for the current reporting period include:

> the acquisition of Westgate Zone 7, a large format retail centre under development at Westgate, a new Metropolitan Centre in Auckland's north-west
> the opening of 'The Brickworks' dining and entertainment expansion project at LynnMall in the New Lynn Metropolitan Centre
> agreement with international fashion retailer, H&M, to open its first store in New Zealand at Sylvia Park, an important building block in our proposed retail expansion plans for New Zealand's largest and most successful retail asset, and
> the execution of new 12-year government leases for over 8,000 sqm at 44 The Terrace in Wellington, taking the total Crown lease commitment at our 44 and 56 The Terrace office assets to 32,000 sqm, with a weighted average lease term of 17 years.

We continue to evaluate a potential 20,000 sqm retail expansion of Sylvia Park in response to the centre's strong market position, underlying retailer demand and our desire to create a world-class retail offer, positioning the centre as Auckland's most attractive retail destination.

We also continue to pursue the acquisition of assets with strong fundamentals, in good locations and to consider joint venture opportunities with capital partners. At the same time, we seek to recycle capital out of non-core assets and in this respect, are continuing to work with parties who have expressed interest in buying Centre Place South in Hamilton.

We continue to embed 'best in class' environment, social and governance practices across our business. In early November 2015, we were the only New Zealand company to be named as a 'Climate A-lister' in the 2015 CDP awards. Only 113 out of 2,000 companies globally made the A List which has rewarded our actions on climate change mitigation, adaptation and transparency.

For a full discussion on the delivery of Kiwi Property's strategy during the interim reporting period, refer to pages 6 to 9 of the September 2015 Interim Report also released today.

Positive retail sales and quality leasing outcomes

Kiwi Property's portfolio of shopping centres, large format centres and office buildings was valued at $2.39 billion[2] at period end.

Active asset management of the portfolio resulted in a high occupancy rate of 98.5%[3] and a long weighted average lease term (WALT) of 4.7 years. The WALT will further lengthen by approximately one year at the conclusion of all current development activity.

The portfolio continues to be supported by a high level of structured rental increases, which underpins income growth and performance. Eighty per cent of all leases are either on fixed or CPI-linked review structures.

Retail portfolio performance

Portfolio statistics	**30-Sep-15**	**31-Mar-15**
Portfolio value	$1,562.5m	$1,531.8m
Occupancy	99.0%	99.3%
Weighted average lease term	3.5 years	3.4 years
> 288 rent reviews over 57,000 sqm providing an average uplift of 3.7%		
> 101 new leases and renewals over 19,700 sqm, resulting in an average uplift of 1.9% (excluding development leasing)		

Retail sales performance	**30-Sep-15**	**Variance**
Total retail sales	$1,318.4m	+4.6%
Comparable retail sales[4]	$1,229.5m	+4.7%
Specialty gross occupancy costs	16.3% (excl. GST)	

Note: Tenants within Sylvia Park's lifestyle precinct do not report sales.

Active asset management over the period resulted in improved rents, along with a stable portfolio occupancy rate and weighted average lease term.

In an active leasing period, 101 new leases were completed across all six shopping centres, producing a weighted average lease term of 5.1 years and resulting in a net rental increase of 1.9%.

Rent reviews across the retail portfolio continued to provide consistent uplift due to the predominance of fixed and CPI-linked review mechanisms, with the average 3.7% increase recorded to September 2015 translating to an additional $1.4 million in base rental.

Shopping centres within the portfolio delivered total sales of $1.32 billion for the 12 months to 30 September 2015. This reflects positive total sales growth over the prior year of 4.6%, or 4.7% if the effects of redevelopments are removed.

Sales growth was delivered at all shopping centres. Sylvia Park again delivered a particularly strong performance with sales increasing 8.1%. Sales growth was delivered in all spending categories.

[2] At 30 September 2015, includes properties under construction, adjoining properties and development land which had a combined value of $107.4 million (5% of total portfolio value).

[3] Tenancies vacated for development works are excluded from the occupancy statistics. At 30 September 2015, excludes 1,100 sqm at The Majestic Centre, all of 56 The Terrace and 1,500 sqm at 44 The Terrace.

[4] Comparable sales provide a more normalised picture of sales trends by excluding centres that have undergone redevelopment in either period of comparison, in this instance Centre Place.

Mr Gudgeon said: "It was particularly pleasing to see that positive results have again been achieved in categories consistent with our strategy to evolve the retail mix to include more dining, leisure and entertainment options and to provide facilities and services beyond conventional retail."

Stronger category performers (on a comparable basis) include:

- cinemas +10.7%
- mini-majors/general specialty +5.3%: reflecting strong sales in retail and personal services +8.1% and food +3.5%. The general/other sub-category (which includes home electronics and sound, books and music, giftware, cosmetics and outdoor and leisure), increased 10.8%
- commercial services +15.2%: predominantly reflecting sales through our mobile phone and travel stores, and
- department stores also performed strongly across the year, with sales up +4.7%.

Combined, these categories account for around 75% of total portfolio sales.

Acquisition of large format retail centre at Westgate

In September, we acquired a large format retail centre currently under development at Westgate in Auckland's north-west for $82.5 million. The centre, which is being developed by New Zealand Retail Property Group, will be anchored by Harvey Norman, Briscoes, Rebel Sport, Freedom Furniture and Hunter Furniture. The centre is expected to progressively open during the first half of 2016, with all stores open by mid-2016.

Westgate is a Metropolitan Centre under Auckland's Unitary Plan and we believe it will emerge as one of Auckland's favoured large format retail destinations, with positive attributes in terms of population growth, household formation and motorway accessibility. This acquisition follows our purchase in December last year of the Sylvia Park lifestyle precinct (formerly Apex Mega Centre), providing us further exposure to the large format retail sector.

The centre is now 90% leased with a weighted average lease term of 8.1 years.

Office portfolio performance

Portfolio statistics	**30-Sep-15**	**31-Mar-15**
Portfolio value	$720.5m	$673.0m
Occupancy	97.2%	96.1%
Weighted average lease term	8.0 years	7.6 years
> 15 new leases and renewals over 12,100 sqm resulting in an average uplift of 15.8%		
> 13 rent reviews for nearly 21,000 sqm providing an average uplift of 2.5%		

The three new 12-year Crown leases at 44 The Terrace assisted with the office portfolio occupancy and WALT statistics. These leases have improved the WALT to 8.0 years, the longest WALT in the office portfolio's history. The office portfolio WALT will increase by a further 1.7 years following completion of the refurbishment activity and commencement of the Crown lease at 56 The Terrace.

Office portfolio refurbishment and strengthening activity

A further key milestone was achieved in the seismic upgrade works at The Majestic Centre with the on-floor strengthening works now complete and all tenants relocated to their final tenancies. The remaining tower works are programmed to be complete by the end of 2015 and work on the podium will continue until the third quarter 2016. The forecast cost remains on budget.

Refurbishment and strengthening works at 56 and 44 The Terrace are progressing on schedule and on programme to conclude in time for the respective lease commencements.

For a full update on development activity, refer to pages 16 to 22 of the September 2015 Interim Result Presentation and pages 6 to 9 and 17 of the September 2015 Interim Report, also released today.

> Ends

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About us

Kiwi Property (NZX: KPG) is the largest listed property company on the New Zealand Stock Exchange and is a member of the NZX15 Index. We've been around for more than 20 years and we proudly own and manage a $2.39 billion portfolio of real estate, comprising some of New Zealand's best shopping centres and prime office buildings. Our objective is to provide investors with a reliable investment in New Zealand property by targeting superior risk-adjusted returns over time through the ownership and active management of a diversified, high-quality portfolio. To find out more, visit our website **kp.co.nz**

APPENDIX 1

Interim result for the six months ended 30 September 2015
Summary financial results

Financial performance **For the six months ended**	Note	**30-Sep-15** **$m**	**30-Sep-14** **$m**
Gross rental income		101.3	102.3
Property operating expenditure		(25.0)	(25.3)
Net rental income		**76.3**	**77.0**
Property management fee income		0.2	0.2
Net interest expense	1	(16.8)	(27.5)
Management and administration expenses		(8.1)	(7.6)
Operating profit	2	**51.6**	**42.1**
Fair value change to interest rate derivatives		(9.9)	(3.1)
Fair value change to investment properties		(2.6)	(5.1)
Loss on disposal of investment properties		-	(0.7)
Insurance adjustment		-	(4.7)
Litigation settlement income/(expenses)		5.9	(0.7)
Restructuring costs		-	(0.9)
Other non-operating expenses		-	(0.4)
Profit before tax		**45.0**	**26.5**
Tax expense		(9.0)	(2.7)
Profit after tax	3	**36.0**	**23.8**

Distributable income **For the six months ended**		**30-Sep-15** **$m**	**30-Sep-14** **$m**
Operating profit		51.6	42.1
Fixed rental income adjustments		(1.2)	(1.5)
Distributable income before tax		**50.4**	**40.6**
Current tax expense		(8.0)	(0.3)
Distributable income after tax	2	**42.4**	**40.3**

Dividends **For the six months ended**		**30-Sep-15** **cps**	**30-Sep-14** **cps**
Cash dividend		3.30	3.25
Imputation credits		0.78	0.26
Gross dividend		**4.08**	**3.51**

Financial position **As at**		**30-Sep-15** **$m**	**31-Mar-15** **$m**
Property assets		2,390.4	2,275.8
Total assets		2,414.6	2,295.6
Shareholders' funds		1,529.1	1,382.6
Gearing ratio	4	30.3%	33.5%
Net asset backing per share		$1.21	$1.21

Notes

1. Shown net of interest income and interest capitalised.
2. Operating profit before other income/(expenses) and tax (operating profit) and distributable income are alternative performance measures used to assist investors in assessing the Company's underlying operating performance and to determine income available for distribution.
3. The reported profit has been prepared in accordance with New Zealand generally accepted accounting practice and complies with New Zealand Equivalents to International Financial Reporting Standards. The reported profit information has been extracted from the interim financial statements which have been the subject of a review by Independent Auditors pursuant to the External Reporting Board's New Zealand Standard on Review Engagements 2410.
4. Calculated as finance debt (which includes secured bank debt and the $125 million face value of bonds) over total tangible assets (which excludes interest rate derivative assets). The gearing ratio limit is 45%.