NZX announcement – 20 February 2020

PCT Achieves Strong 1H20 Result

Performance summary for the six months ended 31 December 2019

Financial summary

- Strong leasing drives uplift in net property income (NPI) by 4.0% to $49.2 million (1H19: $47.3 million), after adjusting for development projects and sales, like for like NPI was 7.5% higher than the previous comparable period.
- Gross property income was $67.9 million, 5.1% higher than the previous year (1H19: $64.6 million).
- Net operating income[1] of $60.5 million (1H19: $37.7 million) or 4.61 cents per share (cps). Adjusting for liquidated damages[2], net operating income was $41.3 million which was $3.6 million or 9.5% higher than the comparable prior period.
- Total comprehensive income after tax of $53.6 million, up 110.2% (1H19: $25.5 million).
- Dividend guidance maintained at 6.30 cps representing a YoY increase of 5.0%.

Capital management

- Post balance date, refinanced $150 million bank debt facility due to expire in November 2020.
- Strong balance sheet position with gearing of 25.4% (30 June 2019: 22.4%).
- Conditional sale of Pastoral House in Wellington for $77.0 million.
  - Settlement expected end of April 2020.

Investment portfolio continues to achieve strong operational performance in 1H20

- High occupancy level maintained at 99% (30 June 2019: 99%) and a weighted average lease term (WALT) of 8.8 years (30 June 2019: 9.0 years).
- 21 leasing transactions, totalling 9,760 square metres secured over the period.
  - New leasing completed 9.2% above previous contract rent.
- Generator operating business continues to perform well with 95% occupancy, 1H20 gross operating revenue of $10.4 million (1H19: $7.6 million) and contribution to net operating income for the period of $1.2 million.
  - Announcing today, expansion of Generator's offering into Wellington following the acquisition of the Dunbar Sloane Building.

[1] Net operating income and Adjusted Funds from Operations (AFFO) are non-GAAP alternative performance measures which adjust net profit after tax for a number of cash and non-cash items as detailed in the reconciliation below (Note 1). Precinct's Dividend Policy is based on AFFO. These alternative performance measures are provided to assist investors in assessing Precinct's performance for the year.

[2] Included within the Fletcher Construction Company Limited (FCC) construction contract for Commercial Bay is the right of Precinct to liquidated damages if certain milestones are not met.

Commercial Bay update

- Commercial Bay nearing completion with key project outcomes secured:
  - Retail to open fully leased (30 June 2019: 95%) with office 92% leased (30 June 2019: 82%).
  - Good working relationship across construction team with no outstanding disputes/claims, a collaborative focus on completion and quality; and with a high degree of cost certainty.
  - Anticipated opening dates of late March 2020 for the retail centre and April 2020 for the new PwC Tower.
  - Strong investment returns maintained.
- One Queen Street on schedule to commence construction mid-2020 following Commercial Bay completion.

Other development progress

Wynyard Quarter

- Stage 2 progressing well with the office floors fully committed and on programme for completion in 2020.
- Design and procurement advanced for Stages 3 and 4 with opportunity to capitalise on strong occupier market conditions.

Wellington

- Bowen Campus Stage One successfully completed.
- Pastoral House and 1 The Terrace redevelopments successfully completed and new leases commenced.
- Bowen Campus Stage 2 design completed and construction procurement in place. Advanced negotiations continue with several occupiers to pre-commit the 21,400 square metre office development.

Environmental, Social and Governance (ESG) risks and opportunities

- Currently working to reduce PCT's carbon footprint through the measurement and management of our emissions.
- Precinct received a 2019 Global Real Estate Sustainability Benchmark (GRESB) score of 77 in 1H20 (1H19: 69).
  - Precinct is now trending ahead of the global average of 72.
- Rainbow Tick Certification received.
- Inclusion in the Bloomberg 2020 Gender-Equality Index (GEI).

Note: Further information can be found within the 2020 Interim Financial Statements and results presentation. You can find these at http:// www.precinct.co.nz/interim-reporting/2020-interim-results

Precinct Properties New Zealand Limited (Precinct) (NZX: PCT) reported its financial results for the six months ended 31 December 2019 today. Total comprehensive income after tax has increased by 110.2% to $53.6 million, this compares with $25.5 million for the same period last year. The increase was mainly attributable to the higher operating income during the period, the movement in financial instruments between comparable periods and the recognition of liquidated damages received to offset the costs of delay in the completion of Commercial Bay.

Net operating income, which adjusts for a number of non-cash items, of $60.5 million was also up 60.5% (1H19: $37.7 million) or 4.61 cps. Adjusting for liquidated damages, net operating income was $3.6 million or 9.5% higher than the comparable prior period with the uplift primarily due to the completion of Bowen Campus.

Scott Pritchard, Precinct's CEO, said "Achieving significant leasing and solid rental growth across our assets has delivered another strong result for Precinct in the first half of the 2020 financial year. Both our portfolio and balance sheet are in a great position. The high occupancy levels achieved across Precinct's portfolio reflects the strong demand for city centre office space in the markets we are invested in, Auckland and Wellington".

"We continue to enhance the portfolio through the successful completion of our development projects. The recently completed Bowen Campus Stage One in Wellington is a great example of this. The upcoming completion and opening of our most significant development project, Commercial Bay is a key focus for the business. We commenced this transformational project in 2016 and we are truly looking forward to welcoming clients into the building and Aucklanders into the retail and hospitality space".

"As our active projects complete and we reduce Precinct's risk profile, the business is now looking ahead to activate our future development pipeline. The next phase of development projects includes One Queen Street which will start this year, Stages Three and Four at Wynyard Quarter in Auckland, together with Bowen Campus Stage Two in Wellington. We have a strong balance sheet to pursue Precinct's future opportunities and we hope to start construction at Wynyard and Bowen soon".

Precinct Properties New Zealand Limited
E hello@precinct.co.nz
W www.precinct.co.nz

Head Office
Level 12, 188 Quay Street, Auckland 1010 **T** 0800 400 599
PO Box 5140, Auckland 1141, New Zealand **F** +64 9 927 1655

Wellington Office
Level 19, 157 Lambton Quay, Wellington **T** 0800 400 599
PO Box 2, Wellington 6140, New Zealand **F** +64 4 494 2267

Interim results

Strong leasing resulting in high occupancy levels across the portfolio and the completion of Bowen Campus Stage One have all contributed to the 4.0% increase in net property income (NPI) of $49.2 million (1H19: $47.3 million). Notably, leasing achieved at both AMP Centre in Auckland and AON Centre in Wellington have been significant contributors to the increase in Precinct's 1H20 NPI.

After adjusting for assets under development and asset sales, like for like NPI was 7.5% higher than the previous comparable period. Across the Auckland portfolio, NPI was up 8.7% and Wellington portfolio saw NPI increase by 5.1%, on a like for like basis.

As at 31 December 2019, Precinct has received $52.0 million of liquidated damages due to delays in the completion of Commercial Bay. $26.7 million of this has been recognised in profit and loss in the current period (30 June 2019: $2.0 million) with $23.3 million credited against the Commercial Bay development project cost. Precinct and FCC are enjoying a good working relationship focused on delivery of Commercial Bay to a high quality standard and there are no outstanding commercial disputes/claims.

The fair value loss in financial instruments has decreased to $2.0 million. A $12.6 million loss was recognised for the same period last year. The current tax expense increased due to recognition of liquidated damages to $7.6 million (1H19: $0.4 million).

Dividends attributable to shareholders for the six months ending 31 December 2019 totalled 3.15 cps (31 December 2018: 3.00 cps) representing an increase of 5.0%. The 1H20 dividend represented approximately 101% of Precinct's Adjusted Funds From Operations (AFFO) for the first half of the 2020 financial year of 3.11 cps. Precinct's AFFO deducts liquidated damages revenue which will be retained to offset costs of delay relating to the completion of Commercial Bay.

Generator recorded gross operating revenue of $10.4 million (1H19: $7.6 million) with contribution to net operating income of $1.2 million recorded for the period. The business has continued to achieve high occupancy rates with all sites operating near full capacity.

An internal review of the 30 June 2019 property valuations undertaken at 31 December 2019 indicated no material value movement in the period. Net Asset Value (NAV) per share at interim balance date was $1.50 (30 June 2019: $1.49). Further financial information can be found within the 2020 Interim Financial Statements.

You can find these at http:// www.precinct.co.nz/interim-reporting/2020-interim-results.

Investment portfolio performance

Positive leasing results in Auckland and Wellington have maintained Precinct's high occupancy of 99% and delivered a weighted average lease term of just under nine years at 31 December 2019. In addition to the 21 leasing transactions completed at 9.2% above previous contract rent, market rent reviews completed in the period generated a 9.5% lift over contract rents.

Generator expansion

Precinct is pleased to announce today that it will be opening its first Generator site in Wellington in mid-2021. Centrally located at 30 Waring Taylor Street, the five-level character building will be fully redeveloped and seismically strengthened to 100% NBS. The offering will comprise private offices, coworking spaces and a meeting and event suite. Having owned Generator for one year now, Precinct believe it is the right time to respond to the increased demand for flexible space in Wellington. With a site purchased and designed specifically for Generator, it will enable Generator to have direct input into the design and functionality of the building. The property will be well-positioned to drive value from the growing Wellington market. The total project cost is anticipated to be $25 million including building acquisition, seismic strengthening and Generator fitout.

Capital management

Announced today, Precinct has refinanced its $150 million bank debt facility which was due to expire in November 2020. The 5 year extension increases the tenor of the existing facilities, reducing refinancing risk and improves the weighted average term to expiry out to 4.4 years. Funding continues to be provided by Precinct's existing lenders ANZ, BNZ, CBA, Westpac and HSBC.

At balance date Precinct's total borrowings (including convertible notes) increased to $874.2 million (30 June 2019: $710.4 million) reflecting the United States Private Placement issue completed in July last year. Similarly, total assets at 31 December 2019 has increased to $3.1

billion (30 June 2019: $2.9 billion). Gearing as measured under borrower covenants, which disregards subordinated debt, is 25.4% (30 June 2019: 22.4%).

Development update

Commercial Bay

With the retail centre at Commercial Bay nearing completion, we are pleased to be preparing to open fully leased. This is a great outcome which reflects the strong demand from local and international retailers to be part of the unique retail composition and mix at Commercial Bay.

While the retail centre will open fully leased, the centre may open without a small number of retailers who are unable to complete their fitout due to a delay in the delivery of fitout materials as a result of the COVID-19 outbreak.

Office commitments have also increased over the last six months to 92% with the remaining vacancy consisting of one full floor and two part floors.

At One Queen Street, the detailed design phase is now complete. Construction is set to start in mid-2020 once the building is vacated by its current occupiers.

Wynyard Quarter Stage Two

Construction of Stage Two at Wynyard Quarter has advanced significantly in the last few months. This 8,290 square metre building is set to open later this year and will open fully leased over the office space.

Future development projects

In Auckland, Stage's Three and Four of Wynyard will provide a further 19,000 square metres of space. We are encouraged by the success of 10 Madden Street and intend to commit to the next phase of development at Wynyard in the coming months.

In Wellington, the remaining land at Bowen Campus will allow development of 21,400 square metres of office space. We expect the additional stages at Bowen Campus to further enhance this precinct and cater to the needs of both the corporate market and government occupiers.

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E hello@precinct.co.nz
W www.precinct.co.nz

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Level 12, 188 Quay Street, Auckland 1010 T 0800 400 599
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Dividend payment

Precinct shareholders will receive a second-quarter dividend of 1.575 cps (plus imputation credits of 0.254873 cps). Offshore investors will receive an additional supplementary dividend of 0.115657 cps to offset non-resident withholding tax (see note 2). The record date is 13 March 2020 with payment to be made on 27 March 2020.

Outlook and guidance

With a well-defined strategy and high-quality portfolio which continues to perform well, Precinct expects its full year normailised results to be consistent with earlier guidance provided. Pleasingly, Precinct's strategy is driving meaningful growth in cash earnings with an emerging strong growth profile for our AFFO.

Dividend remains unchanged at 6.30 cps, representing a 5.0% increase in dividends to shareholders.

We have reduced our risk profile over the last 18 months and maintained Precinct's high occupancy levels and strong balance sheet position. Looking ahead, delivering a successful opening at Commercial Bay to the highest quality standards is a key focus for the Precinct team.

As we look to activate our future developments, we believe Precinct is well positioned to continue to develop high quality real estate in strategic locations, further enhancing our portfolio and creating additional shareholder value.

Further information can be found within Precinct's 2020 Interim Financial Statements and results presentation. You can find this at:

https://www.precinct.co.nz/interim-reporting/2020-interim-results

Ends

For further information, please contact:

Scott Pritchard
Chief Executive Officer
Mobile: +64 21 431 581
Email: scott.pritchard@precinct.co.nz

George Crawford
Chief Operating Officer
Mobile: +64 21 384 014
Email: george.crawford@precinct.co.nz

Richard Hilder
Chief Financial Officer
Mobile: +64 29 969 4770
Email: richard.hilder@precinct.co.nz

About Precinct (PCT)

Precinct is New Zealand's only listed city centre specialist investing predominately in premium and A-grade commercial office property. Listed on the NZX Main Board, PCT currently owns Auckland's PwC Tower, AMP Centre, ANZ Centre (50%), Zurich House, HSBC House, Mason Bros. Building, 12 Madden Street, 10 Madden Street and Commercial Bay; and Wellington's AON Centre, NTT Tower, No. 1 and No. 3 The Terrace, Pastoral House, Mayfair House and Bowen Campus.

Precinct owns Generator NZ, New Zealand's premier flexible office space provider. Generator currently offers 13,600 square metres of space across four locations in Auckland.

Precinct

Note 1

AFFO is a non-GAAP financial measure that shows the organisation's underlying and recurring earnings from its operations and is considered industry best practice for a REIT. This is determined by adjusting statutory net profit (under IFRS) for certain non-cash and other items. AFFO has been determined based on guidelines established by the Property Council of Australia and is intended as a supplementary measure of operating performance.

Reconciliation of net profit after tax to adjusted funds from operations (AFFO)

Amounts in $millions unless otherwise stated	***Unaudited six months ended 31 December 2019***	*Unaudited six months ended 31 December 2018*	***Audited year ended 30 June 2019***
Net profit after taxation	**54.3**	24.6	**189.9**
Unrealised net (gain) / loss in value of investment and development properties	**-**	-	**(161.7)**
Unrealised net (gain) / loss on financial instruments	**2.0**	12.6	**44.3**
Net realised (gain) / loss on sale of investment properties	**-**	1.9	**1.7**
Net realised loss / (gain) on disposal of investment in joint venture	**-**	-	**(6.6)**
Depreciation - property, plant and equipment	**0.5**	-	**0.3**
Depreciation recovered on sale	**-**	10.7	**10.7**
Deferred tax (benefit) / expense	**2.5**	(12.9)	**(0.3)**
IFRS 16 lease adjustments	**1.2**	-	**-**
Share of (profit) / loss of joint ventures	**-**	0.8	**1.1**
Net operating income	**60.5**	37.7	**79.4**
Addback: amortisations	**4.0**	3.4	**7.1**
Less: straightline rents	**(0.4)**	-	**(0.3)**
Funds from operations (FFO)	**64.1**	41.1	**86.2**
Less: maintenance capex	**(2.0)**	(2.9)	**(7.2)**
Less: liquidated damages (net of tax impact)	**(19.2)**	-	**-**
Less: incentives and leasing costs	**(2.0)**	(2.9)	**(3.9)**
Adjusted funds from operations (AFFO)	**40.9**	35.3	**75.1**
Weighted average number of shares for net operating income per share (millions)	**1,313.8**	1,211.1	**1,246.7**
Net operating income per share (cents)	**4.61**	3.11	**6.37**
Adjusted funds from operations per share (cents)	**3.11**	2.91	**6.02**

This additional performance measure is provided to assist shareholders in assessing their returns for the period.

Note 2

A supplementary dividend is paid to non-resident shareholders to offset the amount of non-resident withholding tax ("NRWT") that New Zealand companies are required to deduct from dividends paid to non-resident shareholders. A supplementary dividend is paid to ensure equitable treatment between non-resident shareholders and resident shareholders (whose dividends are not subject to NRWT).

There's no disadvantage to Precinct or our shareholders, and non-resident shareholders don't get a larger cash dividend than an equivalent New Zealand resident shareholder.

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