INDEPENDENT REPORT
IN RELATION TO THE PROPOSAL BY KIWI PROPERTY GROUP LIMITED
TO RELEVANT BOND HOLDERS

GRANT SAMUEL & ASSOCIATES LIMITED

21 SEPTEMBER 2023

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GLOSSARY

TERM	DEFINITION
AFFO	Adjusted funds from operations
Bank Facilities	Bank debt facilities provided by ANZ, BNZ, CBA, Westpac, CCB, HSBC and MUFG
Bonds	Green Bonds traded on the NZDX (KPG030, KPG040, KPG050 and KPG060)
FY22	Financial year ending 31 March 2022
FY23	Financial year ending 31 March 2023
FY24	Financial year ending 31 March 2024
Gearing Ratio	Total Finance Debt of the KPG Consolidated Group divided by Total Tangible Assets of the KPG Consolidated Group
Gearing Ratio Amendment	Amend the Gearing Ratio covenant set out in the Master Trust Deed from 45% to 50%
Grant Samuel	Grant Samuel & Associates Limited
GSD	Global security deed dated 5 November 1998, as amended from time to time
Interest Bearing Liabilities	The Bonds and the amounts outstanding under the Bank Facilities
KPG or the Company	Kiwi Property Group Limited
KPG Consolidated Group	KPG and its subsidiaries
KPG Proposal	If the Special Resolution is passed and the Gearing Ratio Amendment is therefore approved, KPG will pay a Consent Fee to those Relevant Bond holders that vote in favour of the Special Resolution. The Consent Fee payable to such Relevant Bond holders will be equal to 0.50% of the aggregate principal amount of the Relevant Bonds ($1.00 per Relevant Bond) they held as at 5.00pm on 18 October 2023
Master Trust Deed	Master trust deed dated 30 June 2014, as amended from time to time
Relevant Bonds	KPG030, KPG040 and KPG050 Bonds
S&P	S&P Global Ratings Australia Pty Limited
Security Trust Deed	Security trust deed dated 30 June 2014, as amended from time to time
Supplemental Trust Deed	In relation to a series of Bonds, the deed that is supplemental to the Master Trust Deed, which constitutes and sets out the terms and conditions of that series of Bonds
Westgate	Westgate Lifestyle Shopping Centre

1 Introduction

1.1 Background to the KPG Proposal

Kiwi Property Group Limited (**KPG** or the **Company**) is a New Zealand listed company that owns and manages approximately $3.1 billion[1] of high quality property assets in New Zealand including Sylvia Park (Auckland), the Vero Centre (Auckland), ASB North Wharf (Auckland) and a 50% interest in The Base (Waikato). As at 21 September 2023 KPG had a market capitalisation of approximately $1.35 billion.

KPG typically funds the development and acquisition of property assets with a mix of equity and debt. As at 31 March 2023 KPG had approximately:

- $1.0 billion of bank debt facilities provided by ANZ, BNZ, CBA, Westpac, CCB, HSBC and MUFG (the **Bank Facilities**); and
- $625 million of Bonds (KPG020[2], KPG030, KPG040, KPG050 and KPG060 (the **Bonds**)),

collectively, the **Interest Bearing Liabilities**.

The financial covenants that apply to the Bonds are:

- a maximum Gearing Ratio of **45%** for the KPG030, KPG040 and KPG050 Bonds; and
- a maximum Gearing Ratio of **50%** for the KPG060 Bonds.

The Gearing Ratio is defined as:

- total Finance Debt of the KPG Consolidated Group divided by Total Tangible Assets of the KPG Consolidated Group (the **Gearing Ratio**).[3]

In November 2022, KPG agreed with its bank lenders to increase the maximum gearing ratio in the bank lending documentation to 50% (from 45%) once KPG no longer has any Bonds outstanding with a maximum Gearing Ratio of 45%. KPG issued the KPG060 Bonds in March 2023 with a maximum gearing ratio of 50%.

KPG is requesting that holders of KPG030, KPG040 and KPG050 Bonds (the **Relevant Bonds**) vote on a Special Resolution to amend the Gearing Ratio covenant set out in the Master Trust Deed from 45% to 50% (the **Gearing Ratio Amendment**).

To pass the Special Resolution at a meeting at which the requisite quorum[4] is present, Relevant Bond holders holding at least 75% of the principal amount of the Relevant Bonds who are entitled to vote and are voting at the meeting (either in person or by proxy) must vote in favour of the Special Resolution.

Holders of the KPG060 Bonds are not entitled to vote on the Special Resolution. This is because the KPG060 Bonds are already subject to a maximum Gearing Ratio of 50%.

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[1] Estimated as at 30 September 2023.

[2] The KPG020 Bonds were repaid on 7 September 2023.

[3] For the purposes of the Gearing Ratio, in summary, (a) Finance Debt means all indebtedness of the KPG Consolidated Group in respect of money borrowed or raised by any means (including bonds and bank debt) but excluding subordinated debt; (b) Total Tangible Assets means the total amount of all assets of the KPG Consolidated Group as disclosed in its latest financial statements but excluding intangible assets; and (c) unrealised exposures or gains under the KPG Consolidated Group's derivative contracts (for example, interest rate hedging) are excluded from Finance Debt and the Total Tangible Assets respectively.

[4] The quorum requirement will be satisfied if Relevant Bond holders (or their proxies) are present at the Meeting who hold Relevant Bonds with a combined principal amount of no less than 25% of the principal amount of Relevant Bonds held by all Relevant Bond holders who are entitled to vote on the Special Resolution.

1.2 Details of the KPG Proposal

If the Special Resolution is passed and the Gearing Ratio Amendment is therefore approved, KPG will pay a Consent Fee to those Relevant Bond holders that vote (including by proxy) in favour of the Special Resolution. For those Relevant Bond holders who are entitled to the Consent Fee, the amount of the Consent Fee will be equal to 0.50% of the aggregate principal amount of the Relevant Bonds ($1.00 per Relevant Bond) they held as at 5.00pm on Wednesday, 18 October 2023 (the **KPG Proposal**). For example, if a Relevant Bond holder owns Relevant Bonds with an aggregate principal amount of $25,000, KPG will pay that Relevant Bond holder a Consent Fee of $125 if the:

- Relevant Bond holder casts a valid vote at the Meeting in favour of the Special Resolution; and
- Special Resolution is passed.

KPG will pay the Consent Fee within 10 Working Days of the Special Resolution being passed.

The Consent Fee is not payable to any Relevant Bond holder who votes against the Special Resolution or who does not cast a valid vote. The Consent Fee is also not payable to any Relevant Bond holders (regardless of how they voted) if the Special Resolution does not pass.

KPG's notice of meeting includes general information regarding the New Zealand tax implications of the Consent Fee[5]. The Consent Fee is not interest. Accordingly, New Zealand resident and non-resident withholding tax should not be applicable and will not be deducted from any Consent Fee paid to the Relevant Bond holder. If the Relevant Bond holder is a New Zealand resident, it is likely that the Consent Fee will be required to be included in their New Zealand income tax return. Relevant Bond holders should confirm this with their own professional tax adviser.

[5] The tax information is of a general nature and does not constitute tax advice to any Relevant Bond holder. The information is based on New Zealand law in force as at the date of this report and is limited to New Zealand taxation only.

2 Scope of the Report

2.1 Purpose of the Report

KPG's Directors have requested that Grant Samuel & Associates Limited (**Grant Samuel**) prepare an Independent Report to assist the holders of the Relevant Bonds in evaluating the KPG Proposal.

Grant Samuel is independent and appropriately qualified and does not believe that there are any facts or circumstances which could give rise to a conflict of interest, or which would otherwise affect its ability to provide the requested Independent Report. Grant Samuel did not participate in setting the terms of the KPG Proposal.

A copy of this report will be sent to the Relevant Bond holders. This report is for the benefit of the Relevant Bond holders. The report should not be used for any purpose other than as an expression of Grant Samuel's opinion as to the evaluation of the KPG Proposal. This report should be read in conjunction with the Qualifications, Declarations and Consents outlined at Appendix B.

2.2 Basis of Evaluation

Grant Samuel has evaluated the KPG Proposal by reviewing the following factors:

- analysing KPG's gearing ratios relative to the gearing/LTV ratios of comparable listed property companies;
- analysing the terms of comparable transactions;
- analysing KPG's bond terms relative to comparable listed companies;
- reviewing KPG's historical and forecast cash flow and financial metrics;
- reviewing the costs of the Consent Fee;
- considering any other identified advantages and disadvantages of the KPG Proposal; and
- considering the implications of accepting or rejecting the KPG Proposal.

Grant Samuel's opinion is to be considered as a whole. Selecting portions of the analyses or factors considered by it, without considering all the factors and analyses together, could create a misleading view of the process underlying the opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary. For the avoidance of doubt, appendices A and B form part of this report.

3 Profile of KPG's Capital Structure

3.1 Financial Position

The financial position of KPG as at 31 March 2022 and 2023 is summarised below:

FINANCIAL POSITION ($ MILLIONS)[6]

AS AT	31 MARCH 2022	31 MARCH 2023
Investment properties	3,359	3,064
Investment properties held for sale	209	130
Total Investment properties	**3,568**	**3,194**
Cash and cash equivalents	12	18
Other assets	15	27
Total assets	**3,595**	**3,238**
Interest bearing liabilities	(1,136)	(1,131)
Deferred tax liabilities	(108)	(104)
Other liabilities	(78)	(70)
Total liabilities	**(1,323)**	**(1,305)**
Net assets	**2,272**	**1,933**
Gearing Ratio	*31.6%*	*35.0%*
Pro forma Gearing Ratio after the sale of Westgate which settled May 2023	-	*33.3%*

Source: KPG Annual Accounts

The following comments are relevant when reviewing the table above:

- The value of investment properties declined by approximately 9.6% over the twelve month period to 31 March 2023 and KPG invested approximately $163.5 million in the portfolio through the period. The following table summarises the movement in the book value of investment properties over the twelve month period to 31 March 2023.

MOVEMENTS IN INVESTMENT PROPERTIES ($ MILLIONS)

Investment properties - March 22	**3,359**
Westgate Lifestyle (settled in May 2023)	(95)
44 The Terrace	(55)
Investment properties - March 23 before revaluation	**3,209**
Investment	163
Fair value gain / (loss)	(309)
Investment properties - March 23	**3,064**

- As at 31 March 2023 KPG had Interest Bearing Liabilities of approximately $1.1 billion and undrawn bank facilities of $494 million.

INTEREST BEARING LIABILITIES AS AT 31 MARCH 2023

	DRAWN	UNDRAWN	TOTAL
Bank loans	506	494	1,000
Fixed rate - Bonds	625	-	625
Interest bearing liabilities	**1,131**	**494**	**1,625**

[6] Figures in the financial tables are subject to rounding adjustments and therefore may not tally.

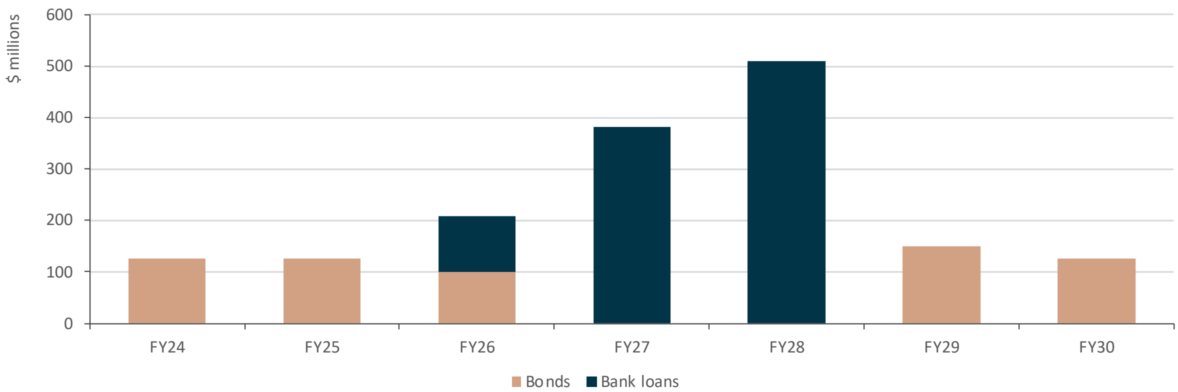
- As at 31 March 2023 KPG had five series of Bonds on issue with a face value of $625 million. On 7 September 2023 KPG repaid its KPG020 Bonds in full. The total value of the Relevant Bonds is $375 million.

FIXED RATE – BONDS PROFILE AS AT 31 MARCH 2023

	FACE VALUE ($M)	DATE ISSUED	DATE OF MATURITY	INTEREST RATE	MAXIMUM GEARING RATIO COVENANT
KPG030	125	19 Dec 17	19 Dec 24	4.33%	45%
KPG040	100	12 Nov 18	12 Nov 25	4.06%	45%
KPG050	150	19 Jul 21	19 Jul 28	2.85%	45%
Total – Relevant Bonds	**375**				
KPG020	125	07 Sep 16	07 Sep 23	4.00%	45%
KPG060	125	27 Mar 23	27 Sep 29	6.24%	50%
Total – All Green Bonds	**625**				

- As at 31 March 2023 the weighted average term to maturity for the Interest Bearing Liabilities was approximately 3.8 years. On the repayment of KPG020 in September 2023 the weighted average term to maturity increased to 4.2 years. Approximately 90% of the Bank Facilities volume has a date of maturity falling in either FY27 or FY28.

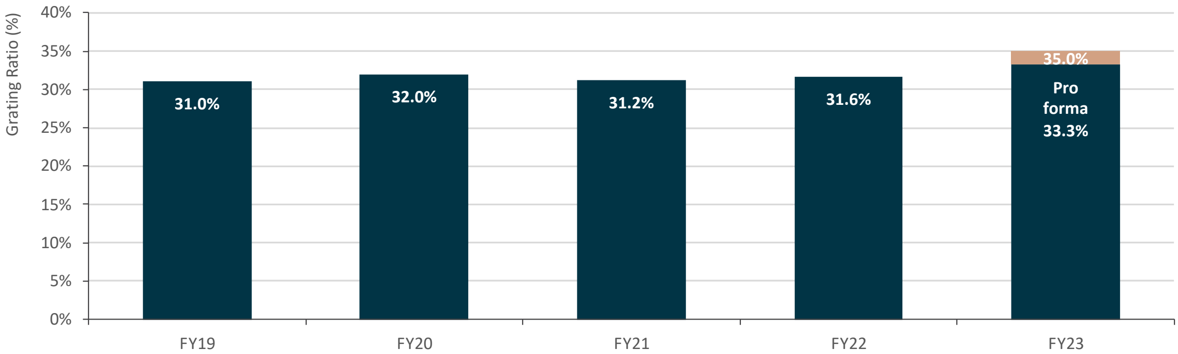
INTEREST BEARING LIABILIITIES VALUE BY MATURITY DATE AS AT 31 MARCH 2023 ($ MILLIONS)



- The weighted average interest rate for the Interest Bearing Liabilities (inclusive of Bank Facilities, Bonds, active interest rate derivatives, margins and line fees) increased from 3.85% in FY22 to 5.18% in FY23 which reflected the rising interest rate environment that occurred through the period.

- KPG sold Westgate Lifestyle Shopping Centre (**Westgate**) on 1 May 2023. KPG's pro forma Gearing Ratio after the sale of Westgate declined to 33.3%. Over the last five years KPG's Gearing Ratio has been between 31.0% and 35.0%, within KPG's target gearing range during that time of 25-35% and below the Gearing Ratio threshold covenant of 45%. KPG's target gearing range is not a contractual term of the Bonds. KPG's target gearing range is determined by KPG at its discretion (subject to the threshold covenant) and may be changed at any time.

HISTORICAL GEARING RATIOS



- As at 31 March 2023 S&P has assigned a corporate credit rating of BBB (stable) to the Company and an issue credit rating of BBB+ to each of the Bonds. On 26 June 2023 S&P announced that it had revised its outlook for KPG from stable to negative and it noted the following:

  "The negative outlook reflects our view that KPG's credit metrics will be constrained by diminished earnings, high interest rates, and elevated capex requirements over the next 12 months. That said, we expect the company will pursue capital management initiatives to restore weakened credit metrics without compromising its asset portfolio quality."

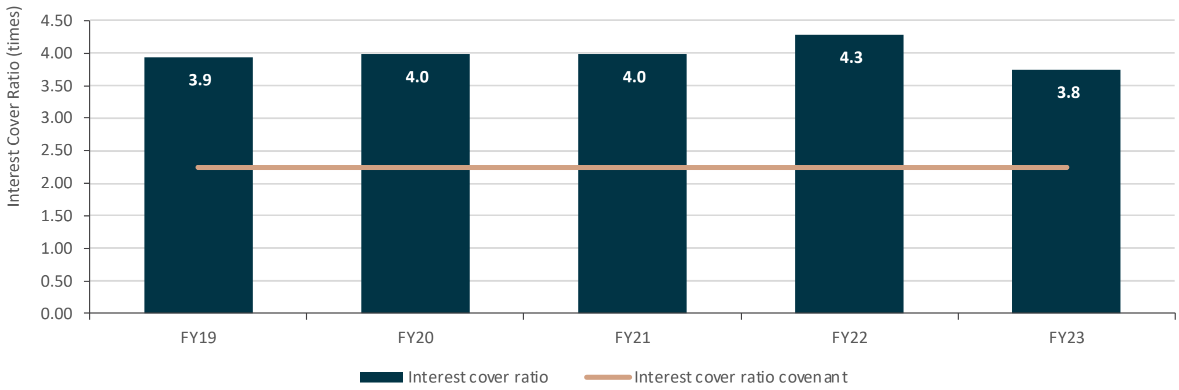
  It also noted:

  "KPG is making progress on its development program while trying to improve balance sheet flexibility amid tough operating conditions, in our assessment. We also believe KPG is committed to maintaining a financial profile consistent with the current 'BBB' rating and that it will deploy capital management initiatives to improve credit metrics."

- The Bank Facilities financial covenants also includes a net rental income ratio, which measures the ratio of the KPG Consolidated Group's net rental income to its net interest expense in any 12-month (the ratio must be no less than 2.25 when tested) (**Net Rental Income Cover ratio**). The terms of the Bonds do not include the Net Rental Income Cover ratio. However, the Net Rental Income Cover ratio regulates the amount of interest bearing debt the KPG Consolidated Group may incur and therefore provides indirect benefit for the Bond holders (in that KPG is required to comply with it under the bank documentation). Over the last five years KPG's Net Rental Income Cover ratio has ranged between 3.4 and 4.2 times, which is materially above the Bank Facilities financial covenant of 2.25 times. Rising interest rates are expected to progressively impact this ratio over the next three years. As at 31 March 2023 KPG had several favourable financial attributes that will minimise the risk of the net rental interest cover ratio falling below 2.25 times. This includes:

  - KPG property portfolio occupancy sitting is at 99.3%;
  - the weighted average lease expiry is at 4.4 years; and
  - 84% of drawn finance debt is at fixed rates as at 31 March 2023 with an average term to maturity of 2.8 years which will partially mitigate rising interest rates.

HISTORICAL NET RENTAL INCOME COVER RATIOS



3.2 Security and Event of Default

The documents that create or govern the security given by KPG and its subsidiaries that are party to a global security deed dated 5 November 1998 (**GSD**) as guarantors (the **Guarantors**) are the:

- GSD;
- Mortgages; and
- Security Trust Deed.

Kiwi Property's obligations for the Interest Bearing Liabilities are:

- guaranteed by its subsidiaries that are party to the GSD as Guarantors; and
- secured against all of the assets of the Guarantors, together with Mortgages over substantially all of the real property (being land and the buildings and other fixtures on that land) owned by the Guarantors.

Under the Security Trust Deed, each Guarantor undertakes that the total assets held by the Guaranteeing Group must not be less than 90% of the total assets of the Group.

Each series of Relevant Bonds will only become repayable before the relevant maturity date if an "Event of Default" occurs and the supervisor under the Master Trust Deed then declares the Bonds to be immediately due and payable. The Events of Default are set out in the Master Trust Deed and include the Gearing Ratio in the Master Trust Deed being breached and not remedied within the grace period. The grace period is approximately 13 months from the date of the event of default which is intended to provide KPG with sufficient time to remedy the breach.

3.3 Forecast Gearing Ratio Analysis

The following table provides a high level forecast Gearing Ratio analysis over the 19 months (from 31 August 2023[7]) after factoring in: an estimation of property devaluation for the six month period to 30 September 2023; and the estimated capital to be spent over the next two years on existing developments at Sylvia Park (Auckland), ASB North Wharf (Auckland), The Plaza (Palmerston North) and Drury (Auckland):

FORECAST GEARING RATIO ANALYSIS

	DEBT	TANGIBLE ASSETS	GEARING RATIO
As at 31 August 2023 (Unaudited)	**1,124**	**3,217**	**34.9%**
Estimated 2.4% property devaluation as at 30 September 2023	-	(77)	
Pro forma position after property devaluation	**1,124**	**3,140**	**35.8%**
Committed capital expenditure as at 30 September 2023	86	86	
Pro forma position as at 31 March 2025 (assuming no further movement in property valuations)	**1,210**	**3,226**	**37.5%**

The following comments are relevant when reviewing the table above:

- KPG's management have indicated the potential for a property devaluation of approximately 2.4% for the six month period ending 30 September 2023. KPG's Gearing Ratio is forecast to increase to approximately 35.8%.
- When factoring the committed capital expenditure on existing projects as at 30 September 2023 and no further movements in property values, KPG's gearing ratio would increase to approximately 37.5%. It should also be noted that actual capital expenditure over the period to 31 March 2025 may differ significantly from the estimated capital expenditure as at the date of this report.
- Future movements in property valuations will have the most material impact on the Gearing Ratio (see 3.4 below for sensitivity analysis).
- The analysis above and in section 3.4 below does not include the potential impact of retained profits over the next 24 months. KPG's target payout range is 90-100% of adjusted funds from operations (**AFFO**) so the impact of retained AFFO would be minimal. The AFFO for KPG for the twelve months ending 31 March 2022 (**FY22**) and 2023 (**FY23**) is summarised below:

AFFO ($ MILLIONS)

YEAR ENDING	31 MARCH 2022	31 MARCH 2023
Funds from operations	**106.8**	**121.5**
Maintenance capital expenditure	(3.0)	(6.6)
Tenant incentives and leasing fees	(3.4)	(2.2)
One off costs	-	3.8
AFFO	**100.4**	**116.5**
Cash Dividend payment	**87.9**	**89.5**
Cash dividend payout ratio to AFFO	*88%*	*77%*

Source: KPG Annual Accounts

- Over the last two years, KPG has paid cash dividends of $87.9 and $89.5 million in FY22 and FY23 respectively. Although the retention of dividend would assist in debt reduction it is not a key lever to mitigate risk from property value declines.

[7] This is based on the **unaudited** management accounts as at 31 August 2023, which includes the impact of the sale of Westgate.

3.4 Gearing Ratio Sensitivity Analysis

The following table summarises the potential impact on the forecast Gearing Ratio from hypothetical movements in KPG's property values and assuming there is no change in the amount of KPG's debt from the forecast position in the table in section 3.3 above:

GEARING RATIO SENSITIVITY ANALYSIS[8]

	DEBT	TANGIBLE ASSETS	MOVEMENT IN VALUE	TANGIBLE ASSETS AFTER VALUE MOVEMENT	ESTIMATED GEARING RATIO
-10% movement in KPG's property value	1,132	3,074	(310)	2,916	41.5%
-5% movement in KPG's property value	1,132	3,074	(155)	3,071	39.4%
Pro forma position as at 31 March 2025	**1,210**	**3,226**	**-**	**3,226**	**37.5%**
+5% movement in KPG's property value	1,132	3,074	155	3,381	35.8%
+10% movement in KPG's property value	1,132	3,074	310	3,536	34.2%

The following comments are relevant when reviewing the graph and table above:

- If KPG's property value declined by 10% over the next two years, the estimated Gearing Ratio would be 41.5%, approximately 3.5% below the existing maximum Gearing Ratio (45%) covenant for Relevant Bonds and 8.5% below the proposed maximum Gearing Ratio of 50%.
- For KPG to exceed a Gearing Ratio threshold of 45%, which is the current Gearing Ratio covenant of the Relevant Bonds, the pro forma property value would have to decline by more than 17%. As summarised in section 3.1, in the twelve months to 31 March 2023, property values declined by approximately 10% and the analysis in section 3.3 assumes a further 2.4% decline in the six months to 30 September 2023.

The above focuses on the impact of property valuations only and assumes that there is no further change in the amount of KPG's debt over any relevant period.

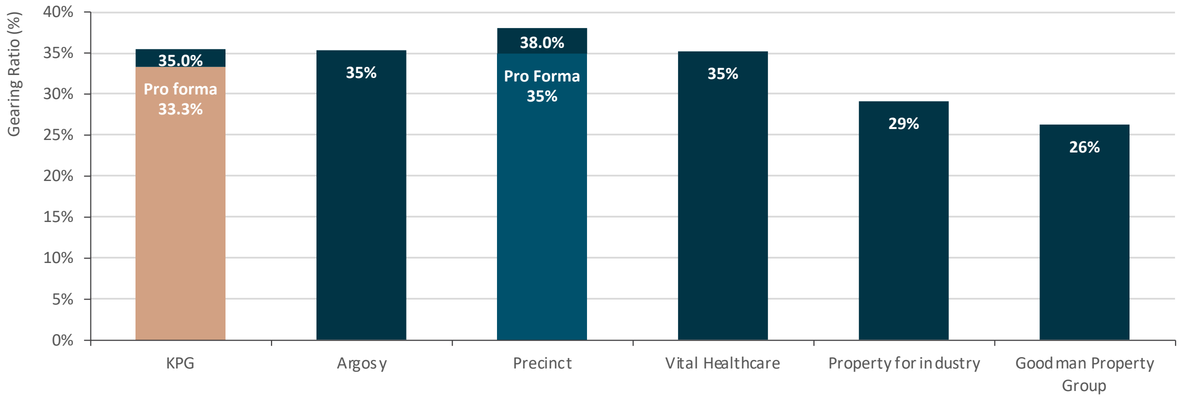
[8] Grant Samuel selected the percentage movements in property value for purposes of the sensitivity analysis.

4 Comparable Analysis

4.1 Gearing Ratios/LTV ratios of Comparable Listed Companies

The following graph provides a comparison of comparable listed property companies most recently published gearing/LTV ratios :

COMPARISON OF COMPARABLE LISTED COMPANIES GEARING/LTV RATIOS



KPG's Gearing Ratio of 35% (33.3% on a pro forma basis after the sale of Westgate in May 2023) is generally in line with the gearing/LTV of comparable listed property companies.

4.2 Covenant Terms of Comparable Listed Companies

The following table provides a summary of comparable listed property companies:

- Gearing/LTV ratio covenants for bank borrowings and public bonds; and
- Gearing range target.

SUMMARY OF NEW ZEALAND LISTED COMPANIES GEARING RATIO/LTV COVENANTS

	CURRENT RANGE TARGET	BANK COVENANT	BOND COVENANT
KPG	**25-35% Gearing Ratio**	**Gearing Ratio must not exceed 45% (until all Bonds are subject to a maximum Gearing Ratio of 50%)** **The Gearing Ratio will increase to 50% once KPG no longer has any Bonds with a 45% Gearing Ratio**	**Gearing ratio must not exceed 45% for the Relevant Bonds** **Gearing ratio must not exceed 50% for the KPG060 Bond**
Argosy[9]	30-40% Debt to Total Assets	Loan value does not exceed 50% of the fair value of property (**LTV**)	LTV does not exceed 50% of mortgage property value

9 Argosy Annual Report 2023 & Argosy Product Disclosure Statement dated February 2019

	RANGE TARGET	BANK COVENANT	BOND COVENANT
Precinct [10]	Ensure no capital commitment is entered into without funding in place Maintain adequate headroom in relation to gearing covenants to withstand portfolio devaluations which may be anticipated through the property cycle	Total liabilities (excluding deferred tax, derivative financial instruments and sub-ordinated debt liability) to not exceed 50% of total assets	Loan does not exceed 50% of the mortgage property value.
Vital Healthcare[11]	Total borrowings do not exceed 50% of the gross value of the Trust Fund	LTV does not exceed 55%	Not applicable
Property for Industry[12]	LTV does not exceed 40%	LTV does not exceed 50%	LTV does not exceed 50%
Goodman Property Group[13]	LTV between 20% 30%	LTV does not exceed 50%	LTV does not exceed 50%
Stride[14]	Not available	LTV does not exceed 50%	Not applicable
Investore[15]	Not available	LTV does not exceed 52.5%	LTV does not exceed 52.5%[16]

Source: Comparable Company's Annual Accounts and Recent Bond Product Disclosure Statements

The comparable listed companies have reasonably consistent gearing ratio/LTV covenants. The definitions are slightly different, but due to the nature of the balance sheets are relatively comparable. With the exception of KPG's Relevant Bonds the gearing ratio or LTV ratio threshold is 50% (with the exception of Vital Healthcare and Investore which is 55% and 52.5% respectively). The Gearing Ratio Amendment is generally consistent with the gearing/LTV ratios of comparable listed property companies in New Zealand.

The gearing/LTV covenant target ranges of comparable listed property companies in New Zealand are not consistent. Overall KPG's current target range is towards the centre of the five comparable companies, with a target gearing ratio being 10-15% below the gearing ratio covenant.

Relevant Bond holders should note that the target gearing range is not a contractual term of the Relevant Bonds. KPG's target gearing range is determined by KPG at its discretion (subject to the threshold covenant) and may be changed at any time. There are no consequences under the Master Trust Deed if KPG's actual gearing is outside its target range.

10 Precinct Annual Report 2023 & Precinct Indicative Terms Sheet dated April 2022.

11 Vital Healthcare Annual Report 2023.

12 Property for Industry Annual Report 2022 & Property for Industry Indicative Terms Sheet dated September 2018.

13 Goodman Property Group Annual Report 2023.

14 Stride Property Group Annual Report 2023.

15 Investore Annual Report 2023 & Property for Investore Final Terms Sheet dated February 2022.

16 In FY23 as part of Investore's refinancing, Investore renegotiated its banking covenants with its banking syndicate, removing the covenant relating to the weighted average lease term of Investore's portfolio, and reducing the LVR covenant from 65% to 52.5%. Grant Samuel is not aware of this change also being made to the covenant for the bonds.

4.3 Comparable Transaction Evidence

The amendment of terms of publicly listed bonds has not been very common in Australia and New Zealand. In most situations, the amendment of terms required approval of debt or bond holders by way of a Special Resolution. A summary of recent transaction evidence is summarised below:

CONSENT FEES OF COMPARABLE TRANSACTIONS

YEAR	COMPANY	EVENT	CONSENT FEE AS A PERCENTAGE OF THE BOND'S FACE VALUE
2011	Telecom	Demerger, major transaction	0.50%
2016	NAB	Alignment of terms	0.05%
2017	UDC	Company divestment condition	0.10%
2017	Transurban	Alignment of terms with market and business operations	0.10%
2018	Barminco	Company divestment condition	0.25%
2021	Stockland	Alignment of terms	0.10%
Average			**0.18%**
Average (exc Telecom)			**0.12%**
Median			**0.10%**

Source: Grant Samuel analysis[17]

Further details on these transactions are set out in Appendix A.

KPG's Proposed Consent Fee is higher than the transaction evidence where the primary purpose of the transaction was to amend terms to align with existing covenants or to update the terms to better align with the market.

The consent fees paid by:

- Telecom reflected the complexity of the transaction, which included a material change in the underlying business and the assets providing security. If Telecom's domestic debt security holders did not vote in favour of Telecom's proposal, the separation of Telecom into Spark and Chorus may not have proceeded.
- Barminco reflected that the noteholders consenting to amend the terms of the notes to remove a condition of Ausdrill's acquisition of Barminco.

17 Grant Samuel's analysis is based on company announcements.

5 Evaluation of the KPG Proposal

In Grant Samuel's opinion the KPG Proposal is fair and reasonable. A summary of key areas of assessment to form this opinion are summarised in the points below.

5.1 Aligns the Financial Covenants across KPG's Interest Bearing Liabilities

- The Gearing Ratio Amendment will generally align the Gearing Ratio of the Relevant Bonds with the gearing/LTV covenant ratios that are adopted by comparable listed companies in the New Zealand market.
- The Gearing Ratio Amendment will also mean that a maximum Gearing Ratio of 50% will apply to all of KPG's Interest Bearing Liabilities.

5.2 KPG operates well withing its existing Financial Covenants

- Over the last five years KPG's Gearing Ratio has been between 31.0% and 35.0%, within KPG's current target Gearing Ratio range of 25-35% and below the Gearing Ratio threshold covenant of 45%.
- There is no certainty that KPG will retain this target gearing range band indefinitely in the future. This target ratio is not a contractual term and is determined by KPG at its discretion. The target Gearing Ratio is a key variable for S&P's credit rating for the Relevant Bonds. If KPG elected to increase its target Gearing Ratio and the capital expenditure outlook remained unchanged, we would expect this would most likely result in a credit rating downgrade for the Bonds. The KPG Proposal does not trigger an S&P credit rating review.
- In the event KPG was at material risk of breaching the Gearing Ratio, we expect that KPG would seek to implement a range of initiatives to reduce the Gearing Ratio. KPG's initiatives may include a capital raise, a reduction in dividend payments and the selling of assets.
- Based on KPG's forecast Gearing Ratio analysis for the next two years, it would require a material decline in property values for KPG to exceed the existing 45% Gearing Ratio covenant of the Relevant Bonds.
- In our opinion, the Gearing Ratio Amendment is unlikely to have any discernible impact on the tradability and pricing of the Relevant Bonds on the NZX Debt Market.
- The Gearing Ratio Amendment provides KPG with some additional headroom, including to manage any further property value declines.
- ***In our opinion, the Gearing Ratio Amendment does not materially change the risk profile of the Relevant Bonds.***

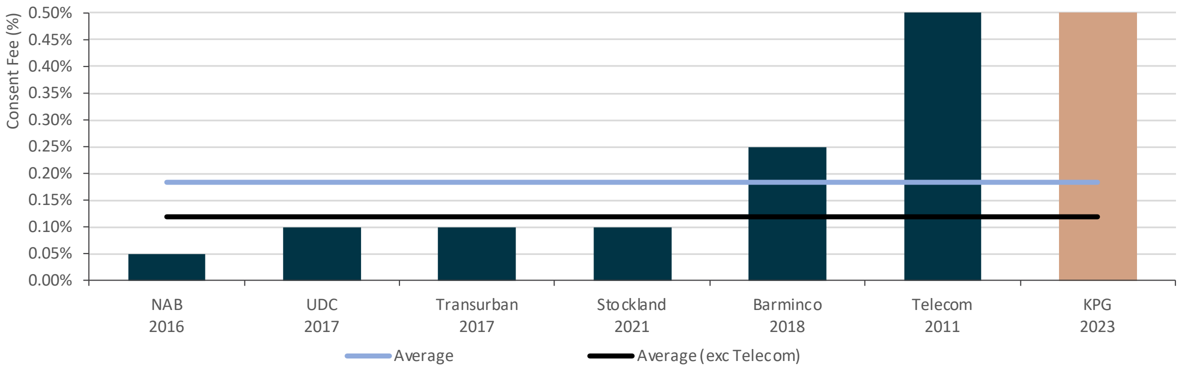
5.3 The Consent Fee provides Relevant Bond holders with some compensation for the change to the Gearing Ratio covenant.

- If the Special Resolution is passed, KPG will pay a Consent Fee to those Relevant Bond holders that vote (including by proxy) in favour of the Special Resolution. For those Relevant Bond holders who are entitled to the Consent Fee, the Consent Fee will be equal to 0.50% of the aggregate principal amount of the Relevant Bonds ($1.00 per Relevant Bond) they held as at 5.00pm on Wednesday, 18 October 2023.
- The total cost to KPG of the Consent Fee if the Special Resolution is passed will not exceed $1,875,000[18]. This cost is ultimately borne by KPG and it does not increase KPG's credit risk profile.

[18] Based on 100% voting in favour.

- ***The Consent Fee is designed to encourage Relevant Bond holders to vote in favour of the Special Resolution. KPG's Proposed Consent Fee is higher than the transaction evidence where the primary purpose of the transaction was to amend terms to align with existing debt facilities or to align the terms with the market.***

KPG'S PROPOSED CONSENT FEE VERSUS THE TRANSACTION EVIDENCE



5.4 Voting for, not voting or voting against the Special Resolution

- If Relevant Bond holders elect to vote for the Special Resolution and the Special Resolution is passed, the Relevant Bond holders that voted for the Special Resolution will receive the Consent Fee.
- If Relevant Bond holders elect to vote against the Special Resolution and the Special Resolution is passed, the Relevant Bond holders that voted against will not receive the Consent Fee. In this situation the Relevant Bond holders that elect to vote against the Special Resolution will still be impacted by the proposed amendments but they will not receive the Consent Fee. The same outcome will apply to Relevant Bond holders that do not vote.
- If Relevant Bond holders elect to vote against the Special Resolution and the Special Resolution is not passed, the status quo will remain and Relevant Bond holders that voted for the Special Resolution will not receive the Consent Fee.
- Acceptance or rejection of the KPG Proposal is a matter for individual holders of Relevant Bonds based on their own views regarding the terms of the KPG Proposal. Holders of Relevant Bonds will need to consider the consequences of voting for or against the KPG Proposal and, if appropriate, consult their own professional adviser(s).

GRANT SAMUEL & ASSOCIATES LIMITED

21 September 2023

APPENDIX A – TRANSACTIVE EVIDENCE

2011 – Telecom

On 24 May 2011 Telecom Corporation of New Zealand Limited (**Telecom**) announced that it was proposing a demerger of its fixed line access and network infrastructure business to create two separately listed companies Chorus and Telecom[19]. The demerger was a requirement of entering into an agreement with Crown Fibre Holdings Limited in relation to the Government's Ultra Fast Broadband Initiative.

TCNZ Finance Limited, a wholly owned subsidiary of Telecom, was the funding arm for Telecom and its subsidiaries and had a number of debt instruments on issue denominated in various currencies (the **Domestic Debt Securities**).

The demerger was subject to a number of conditions including the approval of Domestic Debt Securities holders.

Under the proposed demerger, the Domestic Debt Securities became the obligations of Telecom and the asset base of the guaranteeing group changed significantly when the existing copper and fibre network, the majority of the exchanges and network electronics were transferred to Chorus. However, offsetting this, the indebtedness of the guaranteeing group also reduced as a proportion of debt obligations were repaid and/or transferred to Chorus.

Initially Telecom proposed to pay a one off consent fee of 0.25% of the face value of the debt securities to Domestic Debt Security holders that vote in favour of the extraordinary resolution, if it is approved and the proposed demerger subsequently takes place.

After negotiations with Domestic Debt Security holders Telecom increased its Consent fee to 0.50% and added the following terms to address the potential impact on pricing for a rating downgrade:

- Spark's credit ratings from Standard & Poor's falls to BBB+ and Telecom's credit rating from Moody's falls to Baa1, the interest rate applicable to the bonds existing at the date of the demerger increased by 0.50% per annum; and
- If Spark's credit ratings from Standard & Poor's falls to BBB (or lower) and Telecom's credit rating from Moody's falls to Baa2 (or lower), Telecom proposes that the interest rate applicable to the bonds existing at the date of the demerger increased by a further 0.50% per annum.

2016 – National Australian Bank

In September 2016 National Australia Bank (**NAB**) announced that it wanted to align the terms and conditions of a US$150 million bond with comparable bonds in the market to ensure ongoing cost efficiency of this funding programme. The changes to the terms and conditions required approval by an Extraordinary Resolution. Eligible bondholders that voted in favour of the Extraordinary Resolution were paid 0.05% of the face value of the eligible bonds.

2017 – UDC Finance

In January 2017 ANZ Bank announced it agreed to sell its New Zealand asset finance business, UDC Finance for NZ$660 million to HNA Group (ultimately, the sale transaction did not complete due to New Zealand's Overseas Investment Office (OIO) rejecting HNA Group's application). The UDC sale was subject to closing steps and conditions including engaging with investors on the repayment of UDC secured investments and regulatory approvals.

The repayment of UDC secured investments was to enable HNA Group to fund UDC using alternative sources of capital.

[19] After the Demerger the company name was Telecom. The name of the company changed to Spark in 2014.

In 21 June 2017 ANZ held a meeting with UDC secured investment holders to vote on a special resolution to amend the UDC trust deed which would enable the UDC secured investments to be repaid. The special resolution was passed and the UDC secured investment holders were given the option to:

- roll their UDC secured investments into a comparable ANZ product;
- have their UDC secured investments repaid; or
- apply the proceeds of the UDC secured investments to subscribe for any new investment that might be offered by UDC under its HNA ownership.

ANZ paid a success based participation fee of 0.10% of the face value of secured investments on the date on which the special resolution was passed to UDC secured investment holders that voted at the meeting.

2017 – Transurban

In 2017 Transurban sought the consent of noteholders to amend the security trust deed related to a series of notes with a face value of approximately NZ$4.7 billion. The Transurban group had undertaken a review of its corporate financing arrangements and had proposed the relevant amendments to reflect its current business and to align with market terms. The note documentation contained various impractical and administratively burdensome provisions, which were no longer considered appropriate for the scale of the Transurban's business and operations. The noteholders that approved the amendments received a consent fee of 0.10% of the face value.

2018 – Barminco

On 15 August 2018, Ausdrill announced the proposed strategic acquisition of Barminco for approximately A$700 million. The acquisition was subject to several conditions, including the consent of Barminco noteholders to amend the terms of Barminco's senior secured notes.

The terms of the notes were changed so that the proposed acquisition of Barminco by Ausdrill would not constitute a "change of control" event. The consent was conditional on completion of the acquisition and payment by Barminco of a 0.25% consent fee to noteholders.

2021 - Stockland Trust Management Limited

In early 2019 Australian listed property company Stockland announced that it intended to modify the terms and conditions of its debt securities. The intention of these changes was to align the terms and conditions with Stockland's new bank debt documentation and covenant package which was more closely with market precedents.

Stockland offered note holders that voted in favour of the extraordinary resolution an early consent fee of 0.10%. Note holders that voted against the extraordinary resolution did not receive any payment.

APPENDIX B – QUALIFICATIONS, DECLARATIONS AND CONSENTS

1. Qualifications

The Grant Samuel group of companies provides corporate advisory services in relation to mergers and acquisitions, capital raisings, corporate restructuring and financial matters generally. One of the primary activities of Grant Samuel is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 400 public expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Michael Lorimer, BCA, Simon Cotter, BCom, MAppFin, and Christopher Smith, BCom, PGDipFin, MAppFin. Each has a significant number of years of experience in relevant corporate advisory matters.

2. Limitations and Reliance on Information

Grant Samuel's opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. The report is based upon financial and other information provided by the director and management of KPG. Grant Samuel has considered and relied upon this information. Grant Samuel believes that the information provided was reliable, complete and not misleading and has no reason to believe that any material facts have been withheld.

The information provided has been evaluated through analysis, enquiry, and review for the purposes of forming an opinion as to the KPG Proposal. However in such assignments time is limited and Grant Samuel does not warrant that these inquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose.

Grant Samuel has not undertaken a due diligence investigation of KPG. In addition, preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of KPG. It is understood that, where appropriate, the accounting information provided to Grant Samuel was prepared in accordance with generally accepted accounting practice and in a manner consistent with methods of accounting used in previous years.

An important part of the information base used in forming an opinion of the kind expressed in this report is the opinions and judgement of the management of the relevant enterprise. That information was also evaluated through analysis, enquiry and review to the extent practicable. However, it must be recognised that such information is not always capable of external verification or validation.

The information provided to Grant Samuel included projections of future revenues, expenditures, profits and cash flows of KPG prepared by the management of KPG. Grant Samuel has used these projections for the purpose of its analysis. Grant Samuel has assumed that these projections were prepared accurately, fairly and honestly based on information available to management at the time and within the practical constraints and limitations of such projections. It is assumed that the projections do not reflect any material bias, either positive or negative. Grant Samuel has no reason to believe otherwise.

However, Grant Samuel in no way guarantees or otherwise warrants the achievability of any projections for KPG. Projections are inherently uncertain. Projections are predictions of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of management. The actual future results may be significantly more or less favourable.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue. In forming its opinion, Grant Samuel has assumed, except as specifically advised to it, that:

- the title to all such assets, properties, or business interests purportedly owned by KPG is good and marketable in all material respects, and there are no material adverse interests, encumbrances, engineering, environmental, zoning, planning or related issues associated with these interests, and that the subject assets, properties, or business interests are free and clear of any and all material liens, encumbrances or encroachments other than those created by the GSD and the other security documents described in this report);
- there is compliance in all material respects with all applicable national and local regulations and laws, as well as the policies of all applicable regulators other than as publicly disclosed, and that all required licences, rights, consents, or legislative or administrative authorities from any government, private entity, regulatory agency or organisation have been or can be obtained or renewed for the operation of the business of KPG, other than as publicly disclosed; and
- there are no material legal proceedings regarding the business, assets or affairs of KPG, other than as publicly disclosed.

3. Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion that the KPG Proposal is fair and reasonable.

Grant Samuel expressly disclaims any liability to any Relevant Bond holder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

This report has been prepared by Grant Samuel with care and diligence and the statements and opinions given by Grant Samuel in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Grant Samuel or any of its officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Grant Samuel from liability arising from an opinion expressed recklessly or in bad faith.

Grant Samuel has had no involvement in the preparation of the Notice of Meeting issued by KPG and has not verified or approved any of the contents of the Notice of Meeting. Grant Samuel does not accept any responsibility for the contents of the Notice of Meeting (except for this report).

4. Independence

Grant Samuel and its related entities do not have any shareholding in or other relationship or conflict of interest with KPG that could affect its ability to provide an unbiased opinion in relation to the KPG Proposal. Grant Samuel had no part in the formulation of the KPG Proposal. Its only role has been the preparation of this report. Grant Samuel will receive a fixed fee for the preparation of this report. This fee is not contingent on the outcome of the KPG Proposal. Grant Samuel will receive no other benefit for the preparation of this report.

5. Information

Grant Samuel has obtained all the information that it believes is desirable for the purposes of preparing this report. Grant Samuel confirms that in its opinion the information provided by KPG and contained within this report is sufficient to enable Relevant Bond holders to understand all relevant factors and make an informed decision in respect of the KPG Proposal. The following information was used and relied upon in preparing this report:

5.1 Publicly Available Information

- KPG Annual Reports 2019 to 2023;
- KPG Investor Presentations;
- KPG060 Bond Product Disclosure Statement;
- Master Trust Deed;
- S&P Global Ratings Research Update KPG 27 June 2023;
- Annual Reports of comparable listed companies; and
- Broker research, industry reports and press articles.

5.2 Non Public Information

- Notice of Meeting for the KPG Proposal;
- KPG cash flow forecast analysis;
- Security Trust Deed;
- Supplemental Trust Deeds;
- Terms of Mortgage; and
- Global Security Deed.

6. Declarations

KPG has agreed to indemnify Grant Samuel and its employees and officers for time spent producing documents for, giving evidence in, responding to, or defending, and reasonable legal costs and expenses incurred in relation to, any inquiry or proceeding initiated by any person as a result of or in connection with this report or the services provided by Grant Samuel in connection with this report. Where Grant Samuel is found to have been negligent or engaged in misconduct Grant Samuel shall reimburse KPG the proportion of such amount paid by KPG that is attributable to the negligence or misconduct. Any claims by KPG or Grant Samuel are limited to an amount equal to the fees paid to Grant Samuel.

Advance drafts of this report were provided to the executive management of KPG. Certain changes were made to the drafting of the report as a result of the circulation of the draft reports. There was no alteration to the methodology, evaluation, conclusions or opinions as a result of issuing the drafts.

7. Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included with the Notice of Meeting to be sent to Relevant Bond holders. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.