

4 April 2017

Dear Shareholder,

Further to the recent Notice of Special Meeting and information mailed to you, the NPT Board wishes to respond to recent public statements made by Salt Funds Management (Salt) regarding Kiwi Property Group's (Kiwi Property) proposal for the future of NPT, and to offer some context and perspective.

**We wish to highlight that the views expressed by Salt, opposing the Kiwi Property Proposal, are at odds with independent advice, feedback received from the market including other major shareholders, as well as the views of the Board.**

The NPT Board remains confident in the strength of the Kiwi Property Proposal and the benefits it provides for shareholders, as well as the longer term future of NPT. It is the Board's view that the Kiwi Property Proposal unlocks a new future for NPT.

Major shareholders of NPT - including Salt - expressed qualified support for the development of the Kiwi Property Proposal when it was first announced in December last year. The fundamental terms of that transaction have not changed from what was publicly released so we were very surprised to find Salt changing its position in its recent open letter. We had progressed the development of the proposal, in part, on the basis of this support.

The NPT Board is recommending the Kiwi Property Proposal to shareholders on the basis that it:

- is expected to drive a 7% uplift in dividends in this financial year (FY18);
- more than doubles the size of the NPT Group's portfolio through a single transaction, to over \$400m, addressing the current limitations arising from lack of scale;
- increases NPT's market capitalisation, which is expected to enhance liquidity and market coverage, and over time we would also expect to reduce the discount to net asset backing that has been a feature of our share price for many years;
- will allow NPT to benefit from the considerable resources and expertise of Kiwi Property;
- aligns the interests of NPT and Kiwi Property, with Kiwi Property becoming a cornerstone (19.9%) shareholder. This is expected to incentivise Kiwi Property's performance as manager;
- offers commercial certainty, with all agreements now in place between NPT and Kiwi Property and, as such, is ready to progress immediately subject to shareholder approval.



In the event that the Kiwi Property Proposal is not accepted, not only will NPT not realise the benefits of the proposed transactions, but it will also perpetuate the status quo limiting NPT's ability to grow and deliver increased returns to shareholders. We also note that in the process of evaluating proposals received last year, the NPT Board considered alternative strategies for maximising shareholder value including winding-up NPT and returning the net proceeds to shareholders. Under all reasonable assumptions, the Kiwi Property Proposal delivers significantly better value to shareholders.

**There is currently no alternate strategy or proposal on the table for the future of NPT that the Board considers comes close to the Kiwi Property Proposal.**

It is somewhat surprising that Salt previously supported a competing proposal submitted by Augusta Capital (Augusta) on 28 October 2016 (since withdrawn by Augusta as recently as March 2017), which was significantly weaker than the Kiwi Property Proposal in key evaluation measures (as demonstrated in the table below), yet Salt is now opposing the demonstrably superior Kiwi Property Proposal.

## SUMMARY OF ALTERNATIVES

	Status Quo	Proposals	
		Kiwi	Augusta
FY18 dividends (cents per share)	3.60	3.85	3.25
Increase / (decrease) relative to FY17 dividend	0%	7%	(10)%
Equity capital raising requirements	NA	\$94m	\$193m
Transaction costs	NA	\$4.4m	\$8.0m
Payment to NPT for management rights	NA	\$6.0m	\$3.5m

<sup>1</sup> From Kiwi Property Proposal as detailed in Notice of Meeting to shareholders.

<sup>2</sup> From Augusta Proposal dated 28 October 2016 adjusted for an assumed rights price of \$0.58 per share consistent with the Kiwi Property Proposal.



Resolutions by Augusta to replace current NPT Board members with Augusta's own nominees should be very carefully considered. Shareholders may note that:

- there is currently no information regarding proposed new directors' intentions for NPT, which creates considerable uncertainty, compared to the clear strategy of the existing Board which is ready to be implemented;
- changes to the Board at this time carry a very high risk of derailing the Kiwi Property Proposal, even if shareholders vote in favour of the proposal;
- if nominees of Augusta are successful in assuming Board positions they can make important decisions for the future of NPT. Such decisions could include agreeing to a perpetual management agreement with another party (not Kiwi Property) without the need for a shareholder vote. This could pave the way for an effective backdoor takeover, without any of the controls surrounding the current process;
- it would likely result in wholesale Board changes and therefore the loss of all institutional knowledge at Board level;
- the existing Board has already been significantly refreshed, including the recent change of Chair. Incoming Chair, Tony Sewell, brings superb, directly relevant experience growing property investment companies which will benefit NPT.

Thank you for your consideration of these important matters. If you have any questions or concerns, please contact your broker, Link Market Services or NPT directly.

We hope as many shareholders as possible attend the Special Meeting on 21 April and strongly urge you to exercise your vote - either in person or by proxy - in support of the future of NPT, by voting in favour of the Kiwi Property Proposal. Your vote will really make a difference.

Yours sincerely,



Tony Sewell  
Chairman

