



BUNNINGS WAREHOUSE PROPERTY TRUST

Full year results 2010

August 2010

Presentation outline

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Bunnings Property Management Limited

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Bunnings Property Management Limited

- Overview
- Results
- Portfolio
- Capital management
- Governance
- Outlook

Overview

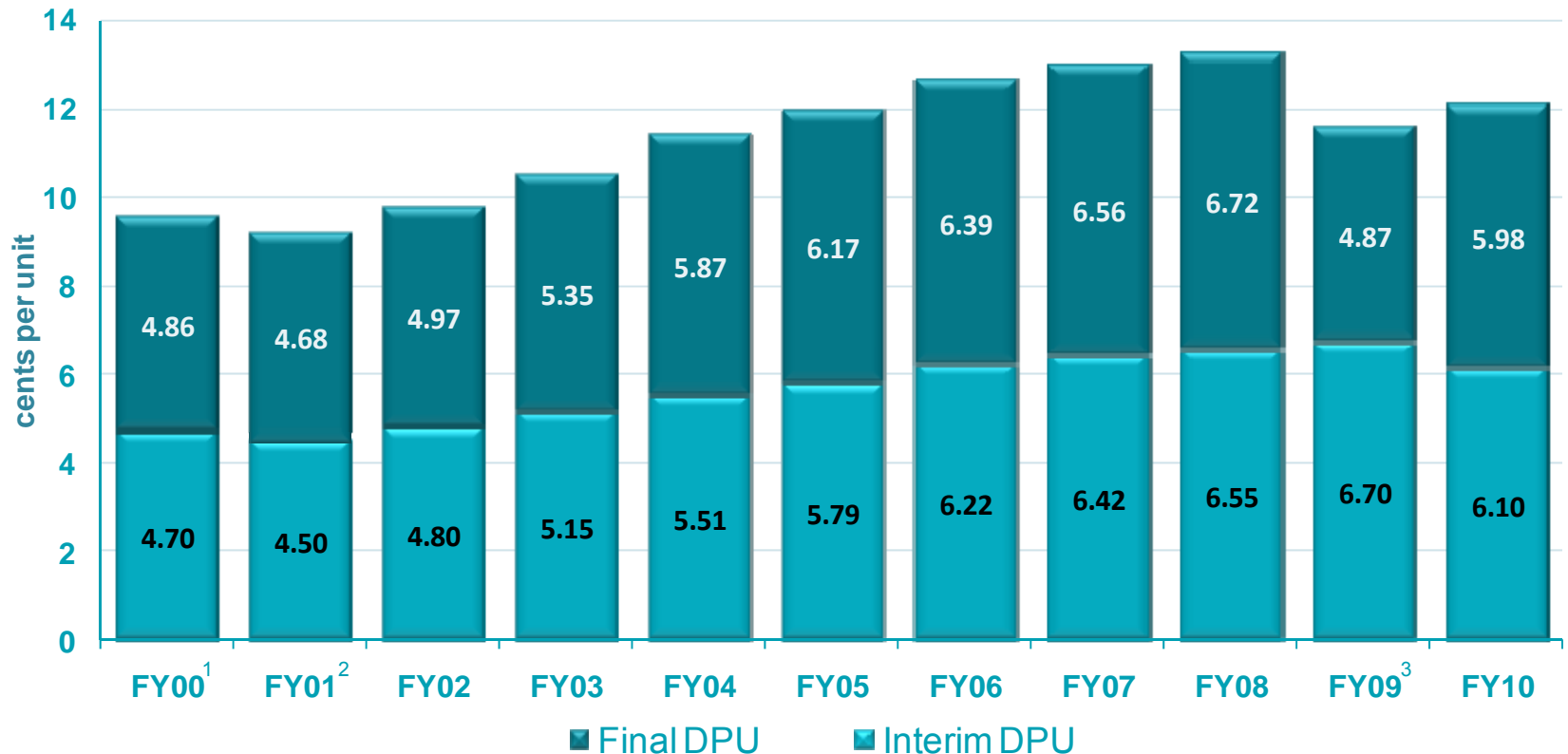
- Income growth and portfolio enhancements lift values
 - 9.1% increase from 10 market rent reviews helps lift income by 7.3% from previous year
 - Portfolio enhanced by extending leases of 35 Bunnings Warehouses
 - 9.3 year weighted average lease expiry
 - 99.2% occupancy
 - BWP outperformed the S&P/ASX 200 A-REIT Accumulation Index for the year ended 30 June 2010 (23.3% vs 20.4% for the Index)
 - BWP unit price outperformed indices (15.6% vs 12.6% for S&P/ASX 200 A-REIT)

Results - performance

| | <u>2009/10</u> | | <u>Previous corresponding period</u> |
|---|-------------------|--|--------------------------------------|
| Revenue | \$78.5 million |  | 7.3% on pcp |
| Net profit/(loss) including revaluations | \$92.2 million | | (\$11.7) million pcp |
| Distributable profit (excluding revaluations) | \$50.4 million |  | 24.6% on pcp |
| Full year distribution | 12.08 cpu |  | 4.4% on pcp |
| Total assets | \$1,026.4 million |  | 2.7% on pcp |
| Borrowings | \$193.5 million | | \$225.9 million pcp |
| Net tangible assets | \$1.88 per unit |  | \$0.09 on pcp |
| Weighted average cap rate | 7.65% | | 7.81% pcp |
| Gearing (debt to total assets) | 18.8% | | 22.6% pcp |
| Covenant gearing (debt + n.c.l to total assets) | 19.3% | | 23.1% pcp |

Results - distributions

Compound annual growth rate since inception of Trust 4.8%



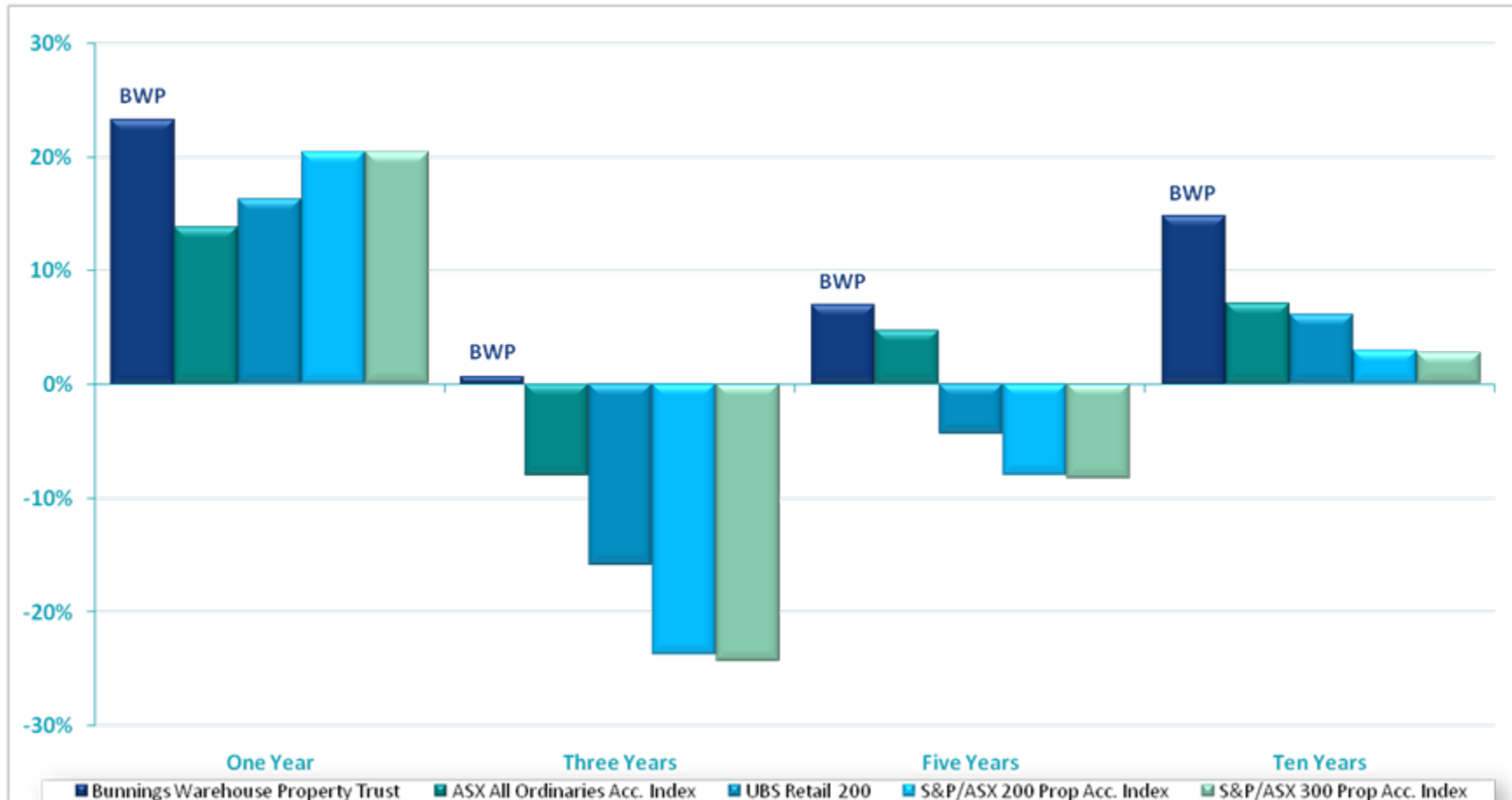
¹ BWP commenced trading in Sep 98

² end of concessional management fee

³ final distribution FY09 – impacted by additional units issued from \$150 million capital raising and one-off termination costs of interest rate derivatives closed out to pay down debt from capital raising

Results – total returns

BWP total returns compared to market – periods ended 30 June 2010

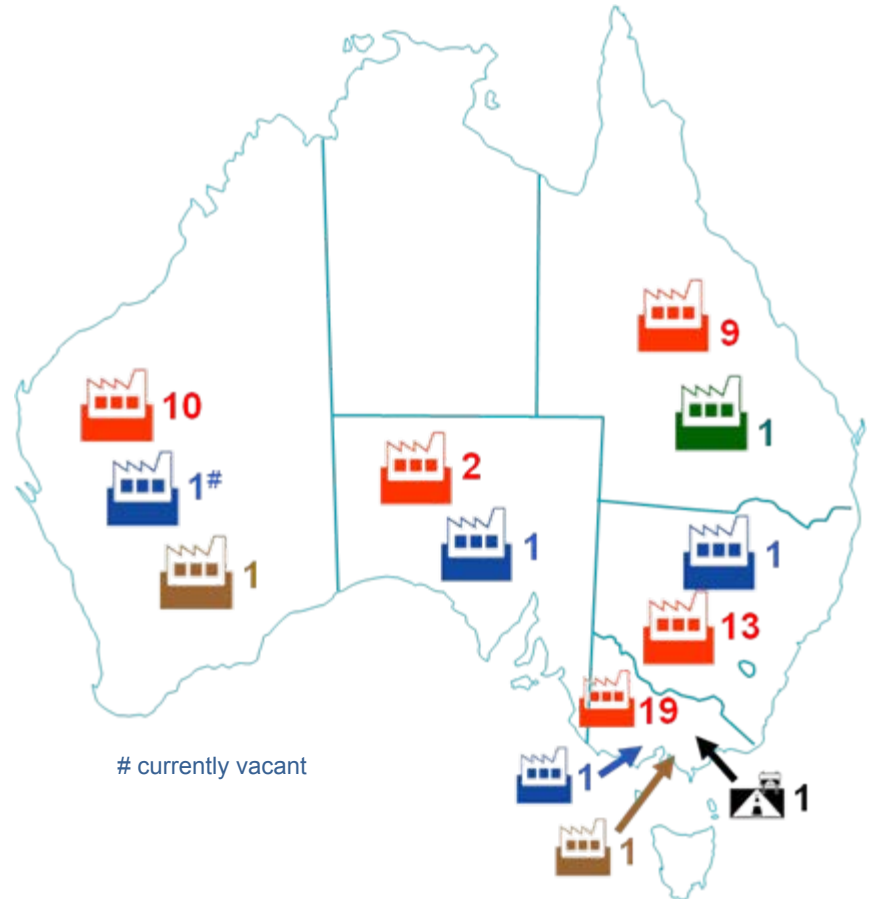
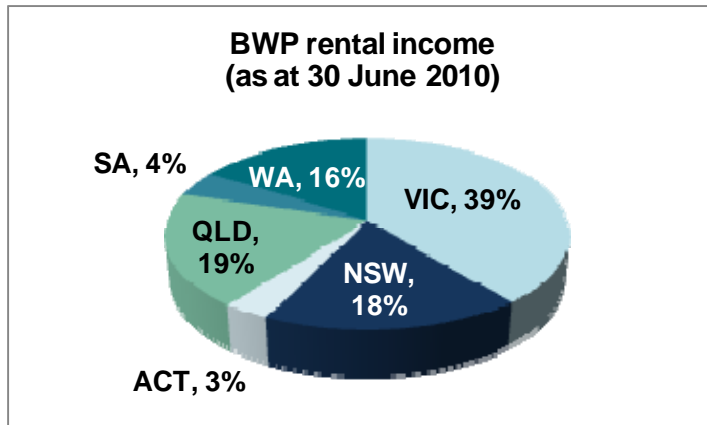


Total returns include distributions and movement in price (assumes distributions are reinvested). Source: UBS

Portfolio – geographic spread

-  **53 Bunnings Warehouses**
-  **1 Bunnings distribution centre**
-  **1 Bunnings Warehouse development site**
-  **4 Industrial properties**
-  **2 Bulky goods showrooms***

* showrooms at Bayswater are on the same site as the Bayswater BWH



Portfolio - Extended Lease Tenure

- 35 leases extended by either 5 or 10 years (average 6 years)
- Secures future rental income
 - Approximately \$280m* over the average 6 years' increased committed term
 - Reduces re-leasing or vacancy risk
- Increases value of some subject properties
 - Approximately \$14m increase in portfolio value
- Enhances the Trust's Portfolio
 - “Locks in” high quality tenant
 - Secures existing lease terms and conditions beyond current expiry
 - Introduces 10 year optional terms on 7 properties
 - Smooths and extends lease expiry profile (refer to Appendix A)

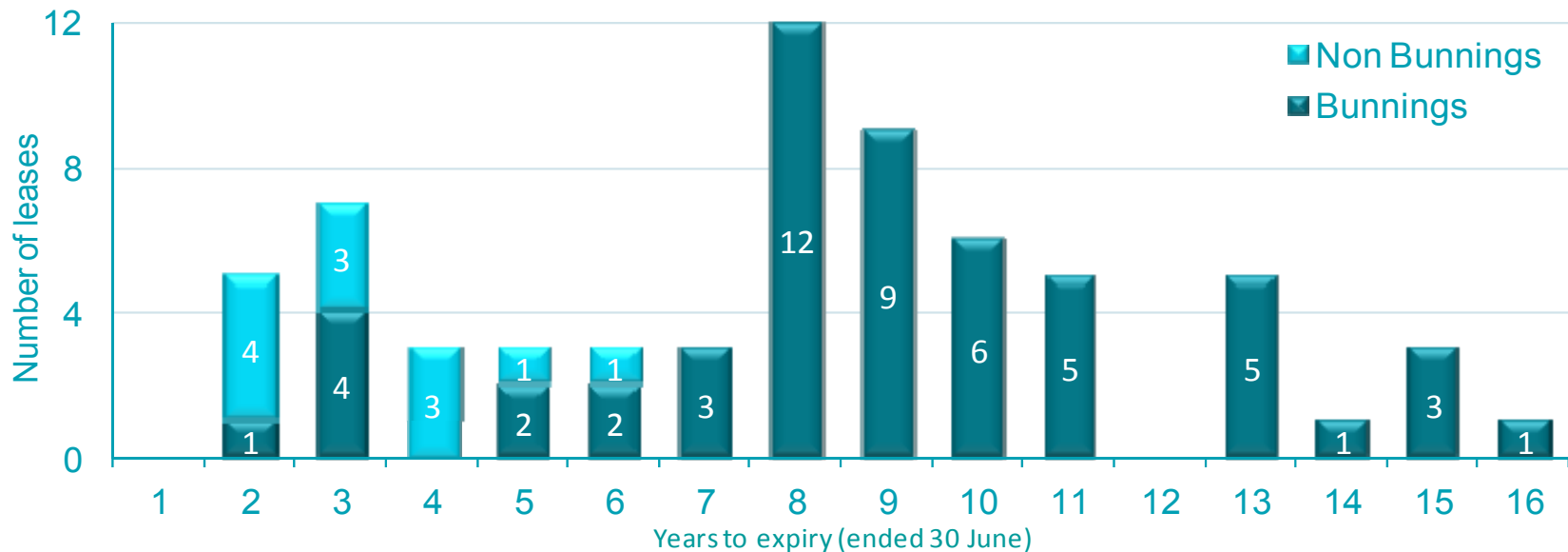
* ignores rental growth through CPI and market rent reviews

Portfolio - WALE

9.3 year weighted average lease expiry (by rental income)

Typical Bunnings Warehouse Property Trust lease features:

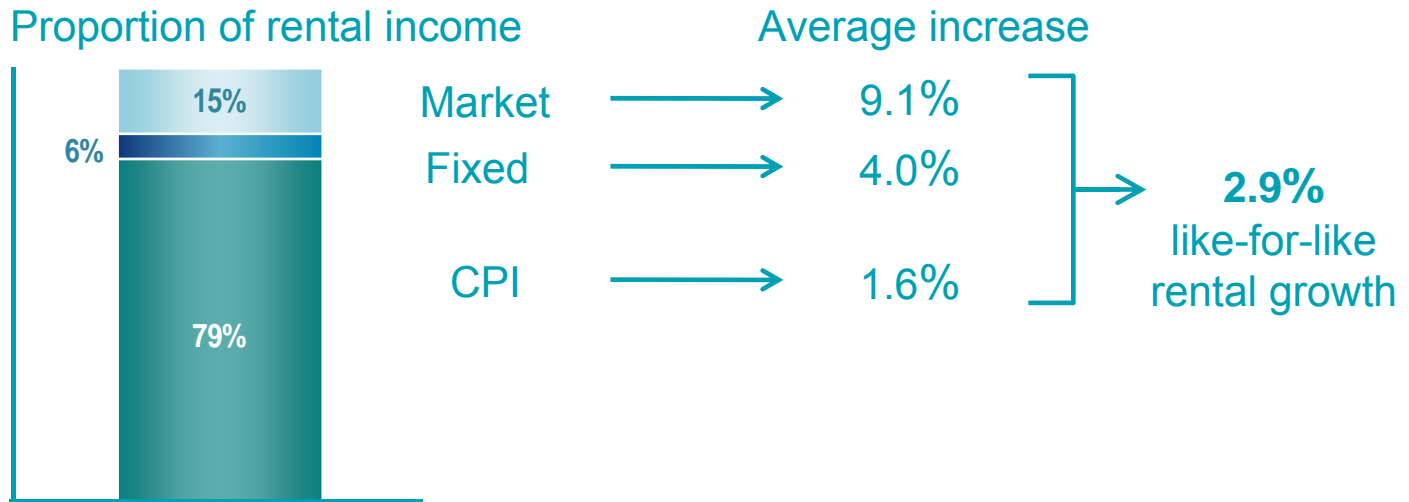
- 15 years (plus 2 x 5 year options)
- annual CPI escalation
- 5 yearly market rent reviews (majority uncapped)
- Wesfarmers covenant (BBB+ credit rating)



Non Bunnings rental income represents 3.7% of the portfolio rental income as at 30 June 2010

Canning Vale industrial property vacancy represents 0.8% of the portfolio rental income as at 30 June 2010

Portfolio – FY10 rent reviews



Like-for-like rental growth

| | FY04 | FY05 | FY06 | FY07 | FY08 | FY09 | FY10 |
|-----|------|------|------|------|------|------|------|
| BWP | 8.2% | 4.1% | 3.0% | 4.4% | 2.8% | 7.1% | 2.9% |

Note: Like-for-like rental growth excludes income from acquisitions, developments and non-reviewable rents in the relevant years

Portfolio – FY10 market rent reviews#

| Property location | Passing rent (\$'000) | Determined rent (\$'000) | Uplift (\$'000) | Uplift (%) | Effective date |
|-------------------------|-----------------------|--------------------------|-----------------|-------------|----------------|
| Albany, WA | 570 | 745 | 178 | +30.6 | 1 Nov 09 |
| Bibra Lake, WA | 1,217 | 1,489 | 272 | +22.3 | 1 Nov 09 |
| Fountain Gate, VIC* | 1,281 | 1,325 | 44 | +3.4 | 1 Feb 10 |
| Hoppers Crossing, VIC* | 1,127 | 1,163 | 35 | +3.1 | 22 Mar 10 |
| Maitland, NSW* | 1,088 | 1,160 | 72 | +6.6 | 18 Oct 09 |
| Minchinbury, NSW# | 1,402 | 1,525 | 123 | +8.8 | 31 Dec 08 |
| Morayfield, QLD^ | 1,368 | 1,508 | 140 | +10.3 | 22 Mar 10 |
| Mornington, VIC* | 1,374 | 1,450 | 760 | +5.5 | 13 Dec 09 |
| Nunawading, VIC | 1,927 | 2,065 | 138 | +7.2 | 11 Feb 10 |
| Thornleigh, NSW* | 1,128 | 1,190 | 62 | +5.5 | 6 Sep 09 |
| Weighted average | | | | +9.1 | |

* Negotiated outcome

Minchinbury determination was handed down subsequent to year-end but has been included for completeness

^ Excludes amortised rent not subject to review

Portfolio - revaluations

- Cap rate compression following lease extensions
 - Consistent sales evidence (refer Appendix B for details):
CY 2009 – 11 sales average yield 7.79%, WALE 9.75 years; no sales in CY 2010
 - 17% of BWP portfolio independently valued in June 2010
 - Independent valuations = 13bps cap rate compression on 31 Dec 2009
 - 2.9% increase in fair value of portfolio (due to rental growth and cap rate tightening)
- June 2010 weighted average capitalisation rate 7.65%
 - Dec 09: 7.78% and June 09: 7.81%
 - Refer to Appendix C for valuation process and Jun 10 valuation summary by State/Territory

Portfolio – future revals and reviews

Future Bunnings Warehouse revaluations and market rent reviews

| | FY11 | FY12 | FY13 | FY14 | FY15 |
|---------------------|-----------|-----------|-----------|-----------|-----------|
| Rent reviews | 4 | 7 | 7 | 21 | 11 |
| % of total | 8% | 13% | 13% | 40% | 21% |
| Revaluations | 15 | 24 | 20 | 15 | 24 |
| % of total | 28% | 45% | 38% | 19% | 45% |

Refer Appendices C & D for outline of valuations and market rent review process

Portfolio – developments

- **Broadmeadows, VIC (\$5.7m)**
 - 433m² vacant site adjoining existing Trust owned Bunnings Warehouse acquired in May 2010
 - 1,287m² expansion of Bunnings Warehouse commenced in June 2010
 - expected completion date for expansion end of 2010 calendar year
 - incremental annual rent based on 8% of total acquisition (\$0.3m) and development cost (\$5.4m)
 - 8% access fee on acquisition of land until development complete
 - new lease to commence post development: 10 years + one 10 year option
 - annual CPI escalation
 - market reviews every 5 years (no caps/collars)

Capital management

- Balance sheet strength supported by:
 - low gearing - 18.8% at 30 June 10 (19.3% covenant gearing)
 - strong lease covenant in Bunnings/Wesfarmers
 - solid rental base with growth from CPI and programmed rent reviews
 - low level of committed capex
- Maintaining 100% pay-out ratio of distributable profit
- Distribution Reinvestment Plan (“DRP”) remains on
 - DRP for second half issued at \$1.8028 per unit (2.5% discount to 10 day VWAP)
 - 45.4% take up including 100% take up by Wesfarmers
- \$100m bank bill facility reduced by \$50m during half-year to reduce borrowing costs associated with holding excess debt capacity

Capital management - debt facilities

| As at 30 June 10 | Limit (\$m) | Drawn (\$m) ¹ | Expiry |
|------------------|-------------|--------------------------|------------------------|
| ANZ | 100 | 48.8 | 31 Jul 2013 |
| CBA | 100 | 49.9 | 14 Jan 2012 |
| WBC | 80 | 45.5 | 2 Jul 2012 |
| NAB | 50 | 50.0 | Evergreen ² |
| | 330 | 194.2 | |

¹ amount drawn includes accrued interest of \$0.7 million as at 30 June 2010

² facility is extended annually in March each year provided there has been no event of default or potential event of default with any change to pricing to apply from 1 April the following year

Interest cover: 3.7x (2009: 2.9x) at 30 June 2010

Average duration: 2.2 years at 30 June 2010

Capital management – interest rates

- \$192.0m hedged (99%) at 5.94% average
- 9.40% weighted average cost of net borrowings during the year after hedging and including margins and fees (2009: 6.55%)
- 3.26 years weighted average maturity, including delayed starts (2009: 3.07 years)

| Hedge book profile by half-year ending: | Jun 10 | Dec 10 | Jun 11 | Dec 11 | Jun 12 | Dec 12 | Jun 13 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Active swaps (\$ millions) | 192 | 192 | 180 | 170 | 145 | 140 | 125 |
| Swap rates (%) | | | | | | | |
| Maximum | 7.85 | 7.85 | 7.72 | 7.35 | 5.82 | 5.77 | 5.77 |
| Minimum | 5.61 | 5.61 | 5.61 | 5.15 | 5.15 | 5.15 | 5.15 |
| Weighted average | 5.94 | 5.86 | 5.77 | 5.46 | 5.44 | 5.42 | 5.39 |

Governance – structure

Responsible Entity: Bunnings Property Management Limited

Subsidiary of Wesfarmers Limited *but*...majority external directors

- **John Austin** (Chairman):
Leighton Properties (Chairman), MREEF, Ringmer Pacific (Chairman),
ex Jones Lang LaSalle
- **Peter Mansell**
- **Peter Johnston**
- **Rick Higgins**: Charter Hall (unlisted retail trusts)
- **Bryce Denison**: ex Wesfarmers (commenced 7 October 2009)

Major Tenant: Bunnings Group Limited

- subsidiary of Wesfarmers Limited

Register

- Wesfarmers 23%
- “institutions” approximately 29%
- retail, other approximately 48%



Governance - sustainability

- Adopted sustainability principles based on United Nations Principles for Responsible Investment
- Passive nature of BWP's operations result in relatively minor impacts
- Current focus: climate change priority, building knowledge/data, and improved reporting
- More details in new sustainability section of 2010 Annual Report

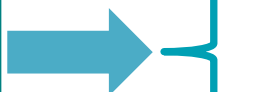
Outlook

- Strong balance sheet to fund growth
 - organic growth through rent reviews and upgrades of existing assets
 - focus on acquiring quality assets that meet the Trust's investment criteria
 - availability of appropriate properties will be a challenge
 - finance cost will continue to constrain earnings growth in the short to medium term: increased pricing offsets benefits of reducing limits

Outlook - FY11 rent reviews

Rent review type FY11

| | First half | Second half | FY11 |
|---------------|-----------------|-------------|-----------|
| CPI | 35 ¹ | 18 | 53 |
| Fixed | 3 | 5 | 8 |
| Market | 4 | 0 | 4 |
| Total | 42 | 23 | 66 |



| Market rent reviews ² |
|------------------------------------|
| Morley, WA |
| Rockingham, WA |
| Vermont South, VIC |
| Northland, VIC |
| 8% of portfolio³ |

1 11 CPI reviews completed Q1 FY11 with average 3.04% increase

2 Mile End, SA market rent review effective from 22 March 2010 also expected to be finalised in 1HFY11

3 percentage based on rental as at 30 June 2010

Further information

Visit: www.bwptrust.com.au

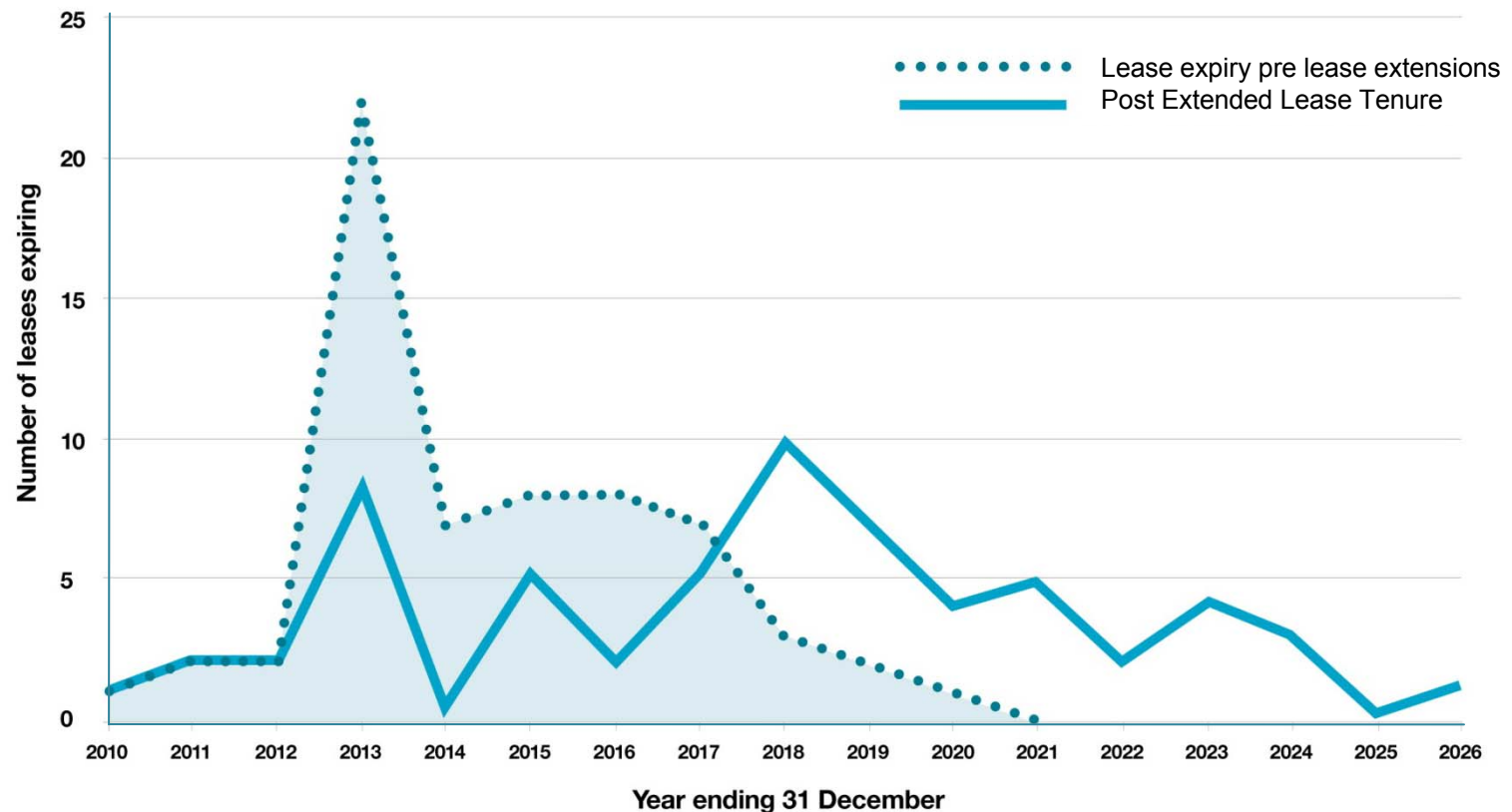
Responsible entity: Bunnings Property Management Limited
Tel: (08) 9327 4356
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The information provided in this presentation should be considered together with the financial statements for the period and previous periods, ASX announcements and other information available on the Trust's website.

All reasonable care has been taken in preparing the information contained in this presentation and it is intended to provide general information only and does not take into account individual objectives, financial situations or needs.

Appendix A: Extended lease tenure

- Extended and smoothed lease expiry profile



Appendix B: Sales evidence

| Bunnings Warehouse | | Sale price \$m | Yield % | Date |
|------------------------|-----|----------------|---------|--------|
| Rothwell | QLD | 16.70 | 7.93 | Mar 09 |
| Nerang | QLD | 16.35 | 7.60 | Jun 09 |
| Campbelltown | NSW | 21.35 | 7.66 | Jun 09 |
| Nowra | NSW | 11.60 | 7.75 | Jun 09 |
| Rockdale* | NSW | 25.35 | 8.15 | Dec 09 |
| Mill Park | VIC | 16.45 | 7.75 | Apr 09 |
| Box Hill | VIC | 21.50 | 8.00 | Jun 09 |
| Bendigo | VIC | 8.68 | 7.40 | Apr 09 |
| Keysborough | VIC | 19.15 | 7.54 | Nov 09 |
| Belconnen | ACT | 20.50 | 7.63 | Jun 09 |
| Kalgoorlie | WA | 6.10 | 8.20 | Jun 09 |
| Total/weighted average | | 183.73 | 7.79 | |

* Includes two showrooms; analysed yield for Bunnings Warehouse 8.15%

Appendix C: Valuations

- Process
 - entire portfolio revalued every 6 months
 - independent valuations on a 3 year cycle for each property
 - balance of portfolio – directors' valuation using recognised valuation methodology
 - directors' valuations methodology reviewed by an independent valuer and have regard to market evidence and the independent valuations completed at the time
- Valuations at 30 June 2010 by State/Territory

| | No. of properties | Rental \$/annum | Cap rate | Value \$m |
|--------------|-------------------|--------------------|--------------|----------------|
| VIC | 21 | 29.8 | 7.55% | 403.6 |
| NSW/ACT | 14 | 16.6 | 7.73% | 215.1 |
| QLD | 10 | 14.4 | 7.85% | 164.7 |
| WA | 12 | 13.1 | 7.62% | 170.9 |
| SA | 3 | 3.4 | 7.47% | 45.8 |
| Total | 60 | 76.1 | 7.65% | 1,000.1 |

Appendix D: Market rent reviews

- Typical Bunnings Warehouse market rent review clause
 - assumes free and open market with vacant possession
 - has regard to the rent paid by Bunnings at other Bunnings Warehouses
 - has regard to the rental value of other properties of a similar size and similar standard of construction and used for similar purposes
 - no regard to store turnover (i.e. no turnover or percentage rent)
- Process
 - Trust's asking rent based on advice from an independent valuer
 - negotiation period with Bunnings
 - if not agreed with Bunnings then referred to determination
 - determination by independent valuer jointly agreed or nominated by the President of the Australian Property Institute
 - results binding