



31 DECEMBER 2014 HALF YEAR RESULTS PRESENTATION

19 February 2015



iINDUSTRIAREIT

An APN Property Group fund



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RESULTS HIGHLIGHTS



Industria REIT Results Highlights

17
ASSETS

\$2.01
NTA Per Security

\$398 million
PORTFOLIO
VALUE

8.19%
AVERAGE
CAP RATE

161,272
NLA
(sqm)

93%
OCCUPANCY
(by area)

5.1yrs
WALE
(years, by area)

33.1%
GEARING



Half Year Highlights

Distribution forecast delivered

- Distribution of 8.36 cents per Security to be paid February 2015 (IPO forecast 8.36 cents per Security)
- 1H2015 Distributable Earnings 8.12 cents per Security
- Statutory profit of \$11.20 million
- Tax deferred component of 49% versus IPO forecast of 31% (first half distribution)

Portfolio remains well positioned to deliver stable cash income returns and potential growth

- Occupancy of 93% (by area)
- WALE of 5.1 years by Net Lettable Area increased from June 2014
- 99% of leases have contracted rental growth
- Well diversified tenant base

Property portfolio increased in value by 7.8% on a like-for-like basis since IPO

- Property portfolio increased \$2.8 million to \$398.4 million in the period
- NTA increased from \$2.00 at 30 June 2014 to \$2.01 as at 31 December 2014
- Weighted average cap rate of 8.19%, firming 10 bps from 8.29% as at 30 June 2014



Half Year Highlights (continued)

Conservative capital structure

- 33.1% gearing remains within 30% – 40% target range
- Solid balance sheet maintained
- Significant headroom on all banking covenants

Over 16,400 sqm of leasing transactions completed in period

- Extended RFS to ten year term at 32 Garden Street, Kilsyth
- Post reporting date Interactive Pty Limited have entered into a 13 year lease over 4,100 sqm at Brisbane Technology Park
- Attractive lease expiry profile

Sale of 53 Brandl St above book value

- \$10.25 million sale, \$1.0 million or 11.4% above book value
- Prudent approach to acquisition opportunities – focus remains on intensive asset management

FINANCIAL RESULTS





Income and distributions

- Statutory profit of \$11.2 million
- The net rental income before straight lining adjustments was \$0.5 million lower than the IPO forecast principally due to lower occupancy with longer than forecast void periods particularly in Brisbane as referenced at the AGM
- Underlying operating income for the six months to 31 December was \$10.2 million, being \$0.4 million lower than the IPO forecast
- Tax Deferred component higher than IPO forecast at 49%
- Distribution of 8.36 cents delivered

\$000s (unless otherwise stated)	Actual	IPO Forecast	Change
	1H15	1H15	
Statutory net profit	11,201	11,628	▼
Distributable Earnings	10,151	10,532	▼
Distributions	10,450	10,450	-
Securities on issue (millions)	125	125	-
Statutory Earnings per Security (cents)	8.96	9.30	▼
Distributable Earnings per Security (cents)	8.12	8.43	▼
Distribution per Security (cents)	8.36	8.36	-
Tax deferred component of Distribution	49%	31%	▲



Balance sheet

- Net tangible assets (“NTA”) total \$250.9 million, equating to \$2.01 per security
- Investment property balance lower due to sale of 53 Brandl Street, BTP
- Conservative capital structure
- Significant headroom on all banking covenants
- Solid balance sheet maintained
- Well positioned to capitalise on asset recycling opportunities

\$000s (unless otherwise stated)	Actual	Actual	Change
	1H15	FY14	
Investment properties ¹	398,435	403,971	▼
Total assets	404,895	410,219	▼
Total liabilities	154,020	160,095	▼
Net assets	250,875	250,124	▲
Securities on issue (millions)	125	125	-
Net Tangible Assets per Security	\$2.01	\$2.00	▲
Net Tangible Assets per Security (Excluding derivatives liability)	\$2.03	\$2.01	▲
Gearing ²	33.1 %	33.4%	▼

1. Post sale of 53 Brandl Street, BTP

2. Industria's debt less cash, divided by the value of the Portfolio

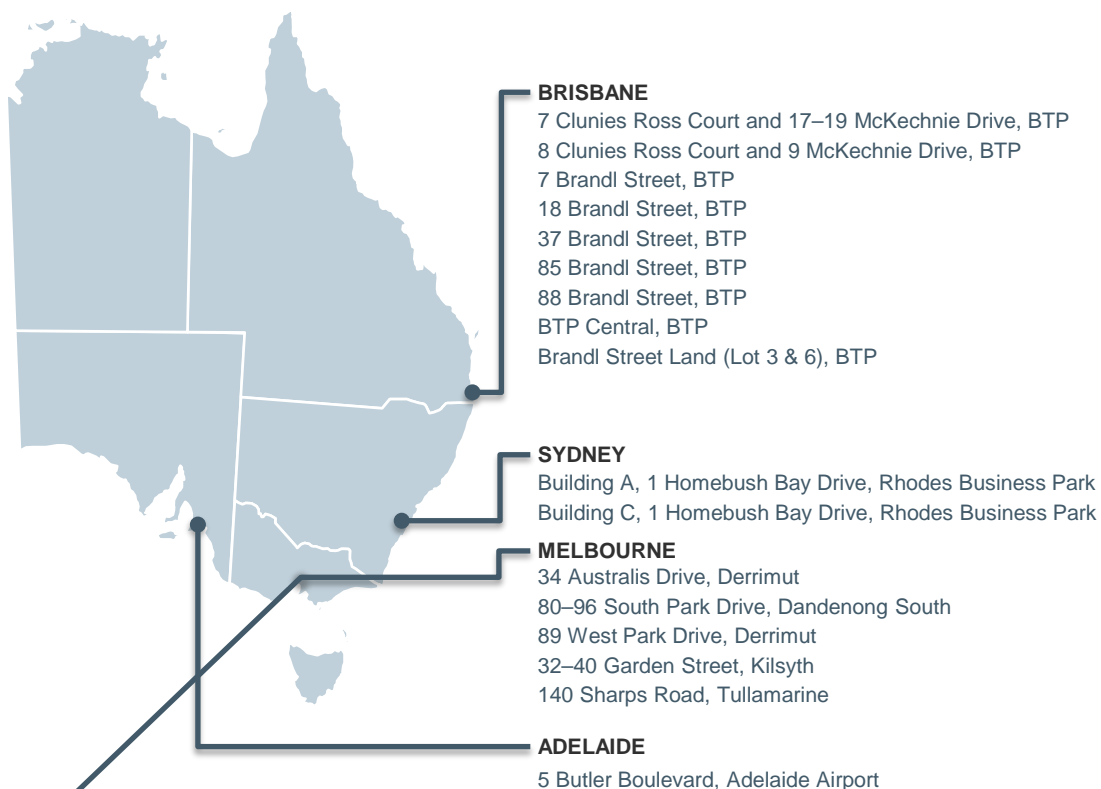
PORTFOLIO PERFORMANCE



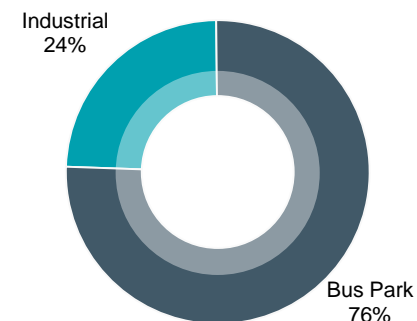


Portfolio overview

Modern industrial and business park assets located primarily in Australian capital city locations



Sector diversification (by value)



Key portfolio metrics

	31 Dec 2014	30 Jun 2014
Investment properties	17	18
Portfolio value (\$ million)	398	404
Weighted average cap rate	8.19%	8.29%
Occupancy	93%	93%
WALE (years by area)	5.1	5.0



Property portfolio valuation summary

Property	State	Sector	Valuation	Cap Rate
34 Australis Drive, Derrimut	VIC	Industrial	\$21.6m	7.75%
80-96 South Park Drive, Dandenong South	VIC	Industrial	\$18.6m	8.25%
89 West Park Drive, Derrimut	VIC	Industrial	\$15.7m	7.75%
32-40 Garden Street, Kilsyth	VIC	Industrial	\$14.8m	7.75%
5 Butler Boulevard, Adelaide Airport	SA	Industrial	\$12.8m	10.00%
140 Sharps Rd, Tullamarine	VIC	Industrial	\$13.1m	8.75%
7 Clunies Ross Court and 17–19 McKechnie Drive, BTP	QLD	Bus Park	\$34.0m	9.00%
BTP Central, BTP	QLD	Bus Park	\$42.1m	8.21%
8 Clunies Ross Court and 9 McKechnie Drive, BTP	QLD	Bus Park	\$24.6m	8.85%
7 Brandl Street, BTP	QLD	Bus Park	\$22.4m	8.50%
37 Brandl Street, BTP	QLD	Bus Park	\$13.5m	8.75%
18 Brandl Street, BTP	QLD	Bus Park	\$11.5m	9.15%
88 Brandl Street, BTP	QLD	Bus Park	\$14.0m	8.88%
85 Brandl Street, BTP	QLD	Bus Park	\$5.0m	9.25%
Building A, 1 Homebush Bay Drive, RBP	NSW	Bus Park	\$81.0m	7.50%
Building C, 1 Homebush Bay Drive, RBP	NSW	Bus Park	\$51.6m	7.75%
Land (Lot 3 & 6 Brandl Street)	QLD	Bus Park	\$2.0m	N/A
Total or Weighted Average			\$398.4m	8.19%



Leasing summary

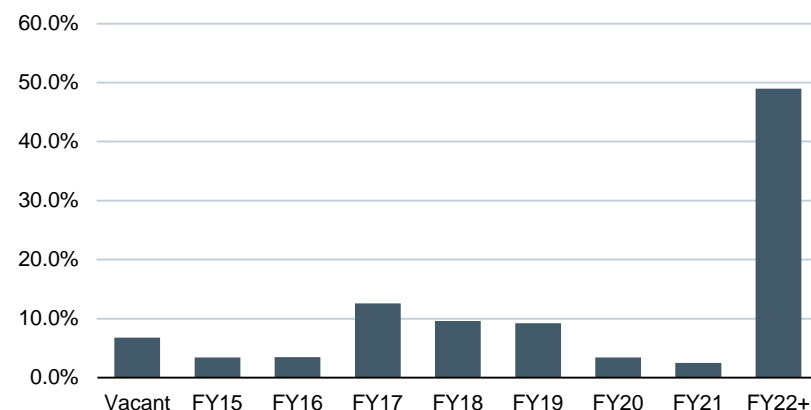
Good progress being made, expiry profile remains attractive

- Over 16,400 sqm of new and renewal leasing transactions completed over the period
- Post balance sheet date Interactive Pty Limited have committed to the Brisbane Technology Park by expanding into an additional 2,000 square metres and will now occupy over 4,100 square metres
- Modest expiry profile

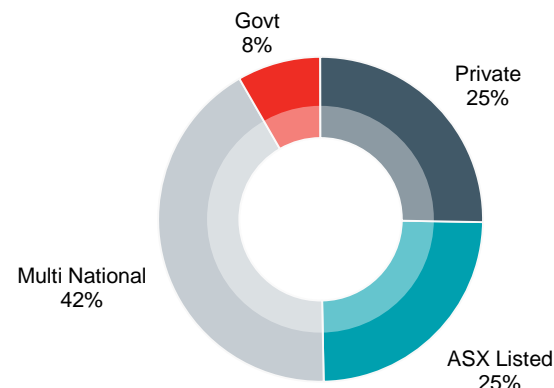
Key Leasing Transactions

Property	Tenant	NLA	Term
32 Garden Street, Kilsyth	RFS	10,647 sqm	10.0 years
6 Electronics Street, BTP	Nexon	385 sqm	6.0 years
7 Clunies Ross Crt, BTP	BTP services	1,641 sqm	1.5 years
Rhodes C	ABC Consulting	420 sqm	5.0 years

Lease expiry (by area)



Tenant Diversification (by income)



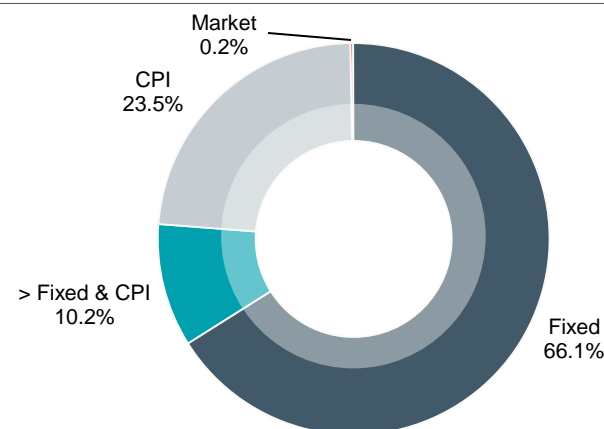


Portfolio diversity summary

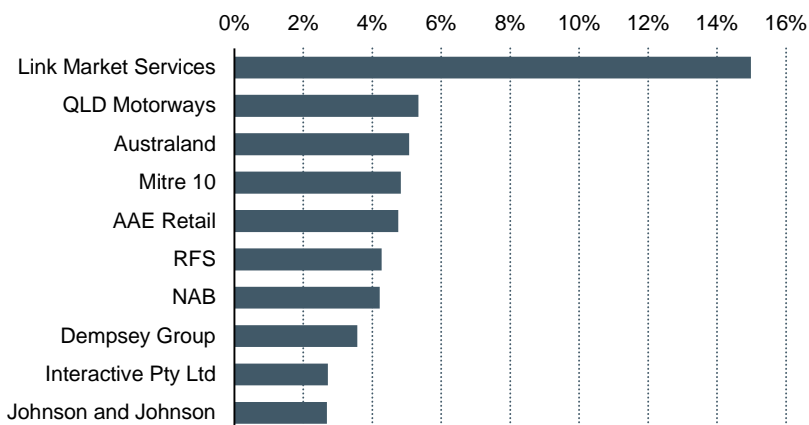
Industria's portfolio is well diversified

- Well diversified income profile
 - By sector
 - By geography
 - By tenant
- Well diversified tenant base
- Contracted growth: >99% of leases with fixed or CPI-linked increases
- Organic growth from BTP development pipeline

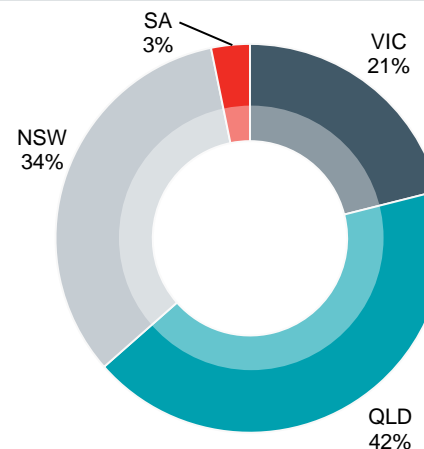
Rental Review Profile



Tenant diversification (top 10 tenants by income)

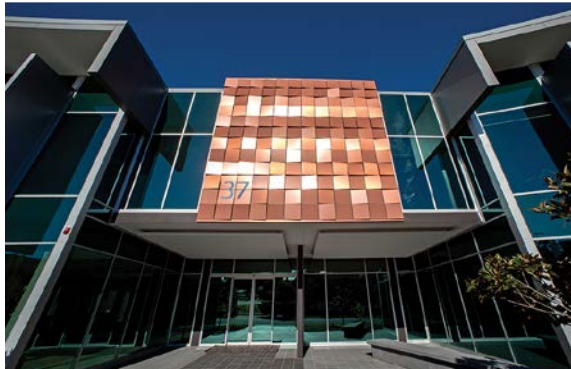


Geographic diversification (by value)





Industria REIT portfolio examples



CAPITAL MANAGEMENT

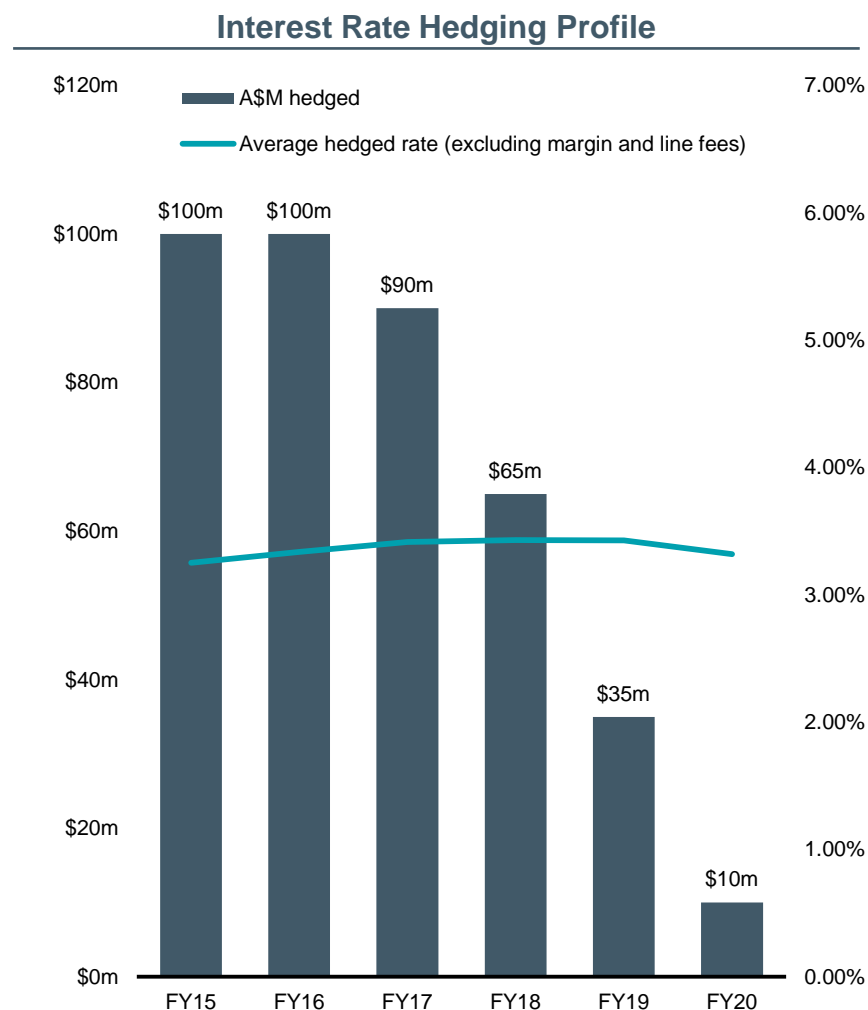




Capital Management

Conservative capital structure

- Finance facilities (excluding interest rate hedges) extended and repriced post balance date resulting in reduced interest margins and line fee costs, effective February 2015
- Gearing¹ of 33.1%
- Target gearing range of 30% to 40%
- Multiple lenders and staggered debt expiry profile
- Hedging profile consistent with stated policy
- Weighted average duration of debt 4.00 years
- Staggered debt maturity profile (equal 3 and 5 year original terms)



Debt terms

Banks	ANZ and NAB
Facility limit	\$155 million
Drawn	\$133.4 million
Average interest rate	4.39% p.a. (inc. margin and hedging)
Hedging policy	Range of 50% and 100% of drawn debt

1. Industria's debt less cash, divided by the value of the Portfolio



Debt covenants summary

Significant headroom maintained on all covenants

Covenant	Limit	Actual 31 December 2014	Headroom
Loan to valuation ratio (Total debt / Portfolio value)	55.0%	33.5%	21.5%
Gearing ratio (Total liabilities / Total tangible assets)	55.0%	37.3%	17.7%
Interest cover ratio	2.0 times	4.5 times	2.5 times
WALE (by income)	2.5 years	4.3 years	1.8 years

INDUSTRIA REIT OVERVIEW





Industria REIT Overview

Overview

- Modern, well-located, high quality portfolio of Australian workspace assets – industrial, technology park and business park properties providing a stable cash income return
- 17 assets valued at \$398 million in Melbourne, Sydney, Brisbane and Adelaide
- Income focussed REIT with simple capital structure

Earnings

- Attractive cash Distribution yield backed by a secure rental income stream and structured growth
- Contracted growth – >99% of leases with fixed and / or CPI-linked increases

Portfolio

- Weighted average lease expiry (by area) of 5.1 years and 93% occupancy
- Diversified tenant base
- Benign near term lease expiry profile
- Well diversified by sector and geography

Capital Structure

- Conservative capital structure
- 33.1% gearing (30% - 40% target range)
- Multiple lenders and staggered debt expiries, weighted average debt expiry of 4.00 years



Asset Recycling Strategy

- 53 Brandl Street sold at \$10.25 million sale, \$1.0 million or 11.4% above book value
- Prudent approach to acquisition opportunities
- Focus remains on intensive asset management to reduce vacancy and improve portfolio WALE
- Exploring further asset recycling opportunities to improve sector diversification



Key metrics	IPO	31 Dec 2014
Portfolio value (\$m)	378.0	398.4
Portfolio capitalisation rate	8.44%	8.19%
Weighted average lease expiry	5.8 years	5.1 years
Occupancy	97%	93%
Net lettable area	164,215sqm	161,272sqm
NTA per Stapled Security (\$)	1.94	2.01
Gearing	33.8%	33.1%
Weighted average debt expiry	4.0 years	4.0 years

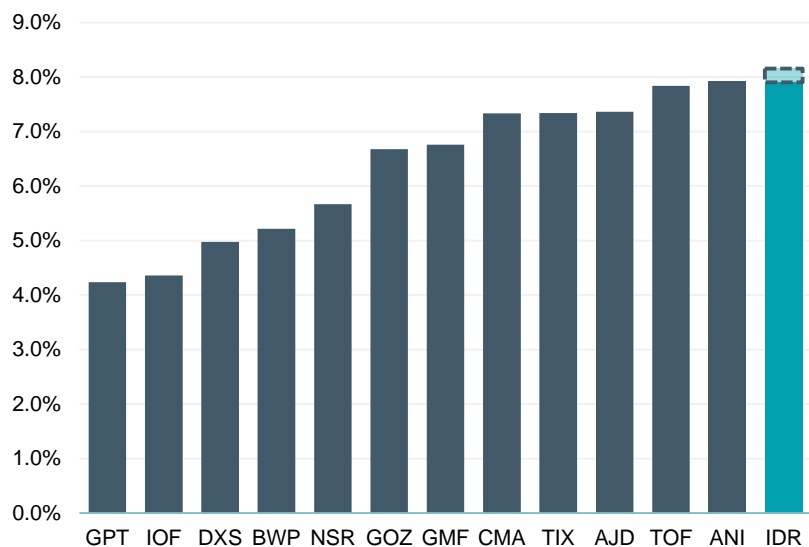




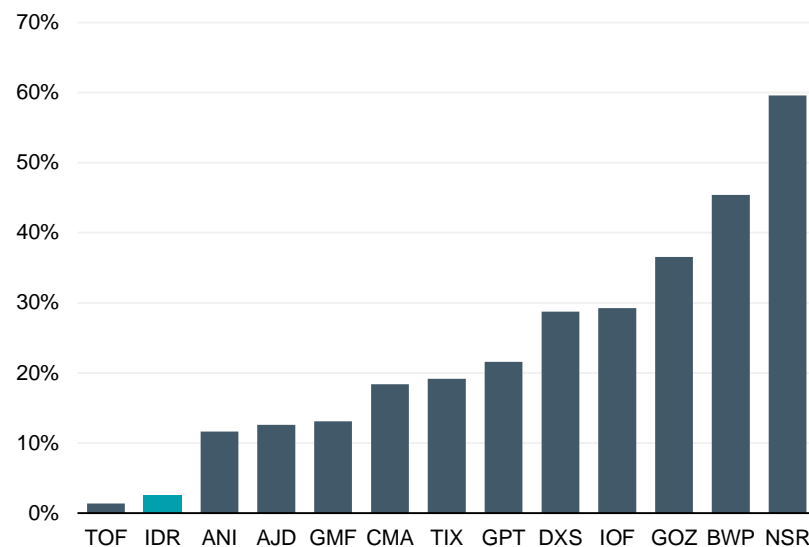
Attractive Comparative Distribution Yield

- Attractive distribution yield supported by quality tenants
- Modest capital structure
- Well positioned for future growth
- Trading at modest premium to NTA
- Included in the S&P / ASX 300 A-REIT index

AREIT FY2015 Forecast Distribution Yields



AREIT Premium to NTA



Source: APN, Bloomberg and company announcements/estimates based on unit prices as at market close on 13 February 2015

OUTLOOK & GUIDANCE





Outlook & Guidance

Industria remains focussed on its objective of delivering stable cash returns with the potential for income and capital growth

- **A modern portfolio of workspace assets underpins Industria REIT**
 - Focus on industrial and business park assets that provide tenants with modern, cost effective and practical spaces to meet their business needs
 - The portfolio is well positioned for growth underpinned by an attractive distribution yield
- **Leases to a diversified tenant base providing a secure and growing income stream**
 - Rental income underpinned by high occupancy and long leases to reputable tenants
 - Majority of income growth derived from fixed and / or CPI-linked rental increase
 - Continue to focus on asset management initiatives and leasing objectives
- **FY15 distribution guidance**
 - Weak operating conditions, particularly in Brisbane, as referenced at the Annual General Meeting in November 2014 have continued to slow leasing progress relative to IPO forecasts
 - Subject to current market conditions and forecast assumptions, Distributions per Security are expected to be within a range of 16.20 to 16.72 cents for the full year FY15 equating to 97% - 100% of IPO forecasts

APPENDICES



APPENDIX A

Detailed Property Portfolio





Portfolio details

Property	State	Ownership	Sector	Valuation	Cap Rate	NLA (sqm)	Occupancy (by area)	WALE (by area)	NOI \$m
140 Sharps Road	VIC	100%	Industrial	13,100,000	8.75%	10,508	100%	7.75 yrs	0.74
34 Australis Drive	VIC	100%	Industrial	21,650,000	7.75%	25,243	100%	7.92 yrs	0.89
32 Garden Street	VIC	100%	Industrial	14,800,000	7.75%	10,647	100%	9.97 yrs	0.76
89 West Park Drive	VIC	100%	Industrial	15,750,000	7.75%	17,024	100%	7.66 yrs	0.66
80-96 South Park Drive	VIC	100%	Industrial	18,650,000	8.25%	20,245	100%	2.97 yrs	0.81
5 Butler Boulevard	SA	100%	Industrial	12,800,000	10.00%	12,257	100%	2.05 yrs	0.68
Rhodes C, 1 Homebush Bay Drive	NSW	100%	Business Park	51,600,000	7.75%	10,580	75%	2.36 yrs	1.34
Rhodes A, 1 Homebush Bay Drive	NSW	100%	Business Park	81,000,000	7.50%	14,644	100%	6.24 yrs	3.04
18 Brandl Street	QLD	100%	Tech/Bus Park	11,500,000	9.15%	4,174	52%	0.99 yrs	0.34
37 Brandl Street	QLD	100%	Tech/Bus Park	13,500,000	8.75%	3,323	100%	2.76 yrs	0.64
BTP Central (Incl vacant land)	QLD	100%	Tech/Bus Park	42,100,000		7,794			1.46
7 Brandl Street	QLD	100%	Tech/Bus Park	22,400,000	8.50%	5,264	88%	5.22 yrs	0.95
7 Clunies Ross Court	QLD	100%	Tech/Bus Park	34,000,000	9.00%	8,937	59%	1.35 yrs	0.71
8 Clunies Ross Court	QLD	100%	Tech/Bus Park	24,600,000	8.85%	5,722	100%	1.67 yrs	1.18
85 Brandl Street	QLD	100%	Tech/Bus Park	5,000,000	9.25%	1,627	0%	-	(0.02)
88 Brandl Street	QLD	100%	Tech/Bus Park	14,000,000	8.88%	3,283	100%	2.94 yrs	0.53
Land (Lot 3 Brandl Street)	QLD	100%	Other	995,000	-	-	-	-	-
Land (Lot 6 Brandl Street)	QLD	100%	Other	990,000	-	-	-	-	-
Total				398,435,000	8.19%	161,272	93%	5.1 yrs	
53 Brandl Street (property sold in period)									0.21
Total investment property income									14.92

APPENDIX B

Financial Information





Financial Position

31 December 2014

\$'000s

Assets

Cash and cash equivalents 1,545

Trade and other receivables 4,285

Other current assets 547

Total current assets 6,377

Investment properties 398,435

Other non-current assets 83

Total non-current assets 398,518

Total assets 404,895

Liabilities

Trade payables and other provisions (16,254)

Total current liabilities (16,254)

Trade and other payables (2,435)

Deferred tax liability (2,823)

Long-term borrowings (132,508)

Total non-current liabilities (137,766)

Total liabilities (154,020)

Net assets 250,875

Equity

Contributed equity 224,619

Retained earnings 26,256

Total Equity 250,875

Number of Stapled Securities (millions) 125

NTA per Stapled Security (\$) 2.01



Profit & Loss

	Actual 1H15 \$'000	IPO 1H15 \$'000	Variance \$'000
Income			
Net rental income and share of equity accounted profit ¹	14,921	16,043	(1,122)
Expenses			
Fund management fee	(1,163)	(1,070)	(93)
Recurring fund costs	(367)	(289)	(78)
Net operating income (EBIT)	13,391	14,684	(1,293)
Interest expense (net)	(3,317)	(2,980)	(337)
Net income before tax	10,074	11,704	(1,630)
Income tax – deferred	(442)	-	(442)
Net income after tax	9,632	11,704	(2,072)
Other items:			
Net gain / (loss) in fair value adjustments on investment properties	2,803	(76)	2,879
Gain on sale of investment property	565	-	565
Fair value loss on derivatives	(1,799)	-	(1,799)
Net profit attributable to security holders of Industria REIT	11,201	11,628	(427)

Notes

1. Net rental income includes rental income and other income after straight lining adjustments, net of outgoing recoveries and costs



Distribution reconciliation

	Actual 1H15	IPO 1H15
	\$'000	\$'000
Net profit attributable to security holders of Industria REIT	11,201	11,628
Reverse net gain / loss in fair value adjustments on investment properties	(2,803)	76
Add back fair value loss on derivatives	1,799	-
Reverse straight lining of rental income adjustments	(660)	(1,271)
Add back amortised borrowing costs	172	99
Add back deferred tax	442	-
Distributable Earnings	10,151	10,532
Distribution	10,450	10,450
Securities on issue (millions)	125	125
Distributable Earnings per Security (cents)	8.12	8.43
Distribution per Security (cents)	8.36	8.36
Payout ratio (Distribution / Distributable Earnings)	102.9%	99.2%
Tax deferred component of Distribution	49%	31%

Note: The distribution reconciliation above excludes the add back of amortised lease incentive costs as permitted under PCA Funds From Operations (FFO) guidelines. The impact to the 1H15 payout ratio if the PCA FFO definition is followed is shown below:

Distributable Earnings	10,151
Add back amortised lease incentives	484
FFO Distributable Earnings	10,635
Payout ratio (Distribution / FFO Distributable Earnings)	98.3%



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