



PROPERTY ACQUISITION AND EQUITY RAISING

1 September 2016

www.industriareit.com.au
ASX CODE: IDR



iINDUSTRIAREIT



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Agenda

01 Executive summary

02 Acquisition overview

03 Funding summary and equity raising details

Appendices

01 Executive summary



Executive summary

- Industria has contracted to acquire the WesTrac Newcastle facility for \$158.6m
- The acquisition will be funded via:
 - A fully underwritten capital raising comprising a \$19.8m institutional placement and a \$65.2m non-renounceable entitlement offer of 1 New Stapled Security for every 4 existing stapled securities at an offer price of \$2.12; and
 - Existing debt capacity and new bank debt totalling \$85.4m (accompanied by a refinancing of existing facilities)
- The acquisition provides a range of benefits to Industria, including:
 - Attractive initial yield of 7.25% growing at 3% per annum¹
 - 18 year triple net lease to WesTrac underpinning a 7.9 year portfolio WALE²
 - Significant increase in scale and liquidity, increasing both assets and market capitalisation
 - Enhanced portfolio metrics including occupancy and diversification
- Upgraded FY17 forecast DPS³ of 16.0 cents equates to a yield of 7.5% based on the offer price of \$2.12 per stapled security
- The manager, APN Property Group Limited (“APN Property Group”), which holds approximately 13.9% of Industria stapled securities⁴, has agreed to subscribe for its full pro-rata entitlement under the Entitlement Offer and to sub-underwrite up to \$6 million of the Entitlement Offer⁴
- Settlement of the property is anticipated to occur in late September 2016

1. Rent increases at the greater of 3% or CPI per annum

2. WALE refers to weighted average lease expiry as at 30 June 2016 (pro-forma)

3. DPS refers to distributions per stapled security

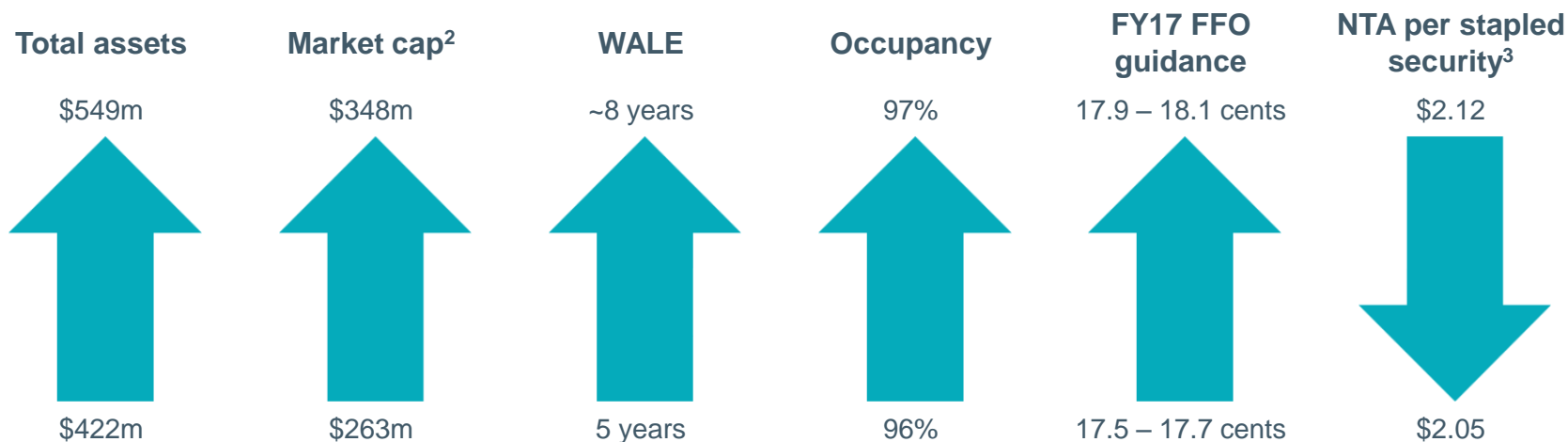
4. Separate to APN Property Group's holding, APN FM also holds 5.0% of Industria stapled securities on behalf of various funds



Executive summary

- On a per stapled security basis, the acquisition and the Offer will be ~2% accretive to FY17 FFO¹ and DPS
 - FY17 FFO guidance upgraded to 17.9 – 18.1 cents per stapled security – an 8.4% – 8.5% yield on the offer price
 - FY17 DPS guidance upgraded to 16.0 cents per stapled security – a 7.5% yield on the offer price
 - Subject to current market conditions continuing and no unforeseen events

Significant increase in scale and improvement in portfolio metrics



1. FFO refers to Funds From Operations

2. Calculated based on market capitalisation as at 31 August 2016 and an offer price of \$2.12 per stapled security

3. NTA dilution due to stamp duty associated with the acquisition of \$8.7m and transaction costs associated with the acquisition and the Offer

Note: All metrics as at 30 June 2016 pro forma unless otherwise stated

02 Acquisition overview



Overview of the acquisition

WesTrac Newcastle

- Acquisition of the WesTrac Newcastle facility at 1-3 WesTrac Drive, Tomago for \$158.6m
- Best-in-class facility completed in 2012 – and designed and built for a 50+ year life
- WesTrac's NSW and ACT headquarters
- Site location provides for proximity to a skilled employment base and key infrastructure:
 - Newcastle airport
 - Port of Newcastle
 - M1 Motorway
- 45,500 sqm of 12 purpose built, interconnected facilities, ancillary buildings and hardstand areas
- 42.9 hectare site including 17.5 hectares of expansion land available to WesTrac
- Located adjacent to Tomago Industrial estate, an established location that includes Tomago Aluminium (largest smelter in Australasia) and multiple manufacturing and engineering companies
- Acquisition settlement due late September 2016

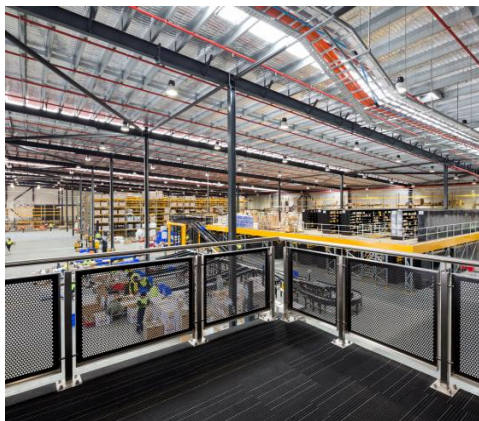




Key acquisition metrics

18 year triple-net lease generating \$11.5m per annum growing at greater of 3% or CPI

Asset purchase price	\$158.6m	Building area	45,500 sqm
Initial yield	7.25%	Lease term	18 years
Net operating income	\$11.5m p.a.	Lease type	Triple-net
Annual rent reviews	Greater of 3% or CPI	Building age	4 years
Building average rental	\$131psm	Average rental - other areas	\$20psm



Parts and Distribution Warehouse



Component Rebuild Centre

Implied rent profile	Area (sqm)	Rent (\$ psm)	Rent (\$m)
Office area	6,300	225	1.4m
Distribution centre, workshops, warehouse	27,800	97	2.7m
Component rebuild centre	8,500	150	1.3m
Cafeteria/amenity	2,900	200	0.6m
Total buildings	45,500	131	6.0m
Awning and hardstand	109,000	47	5.1m
Expansion land	175,400	2.5	0.4m
Total awning, hardstand and expansion land	284,400	20	5.5m
Total rent			11.5m



WesTrac overview

- WesTrac is a wholly owned subsidiary of ASX listed Seven Group Holdings, a diversified company with a market capitalisation of \$2.2bn¹:
 - WesTrac was founded in 1990 and has a workforce of ~3,000 employees
 - WesTrac represented more than 50% of the earnings of Seven Group Holdings in FY16, generating an underlying EBIT of \$165m from trading revenues of \$2.1bn
- WesTrac has a longstanding partnership with Caterpillar, the world's leading equipment manufacturing company (listed on NYSE with a market capitalisation in excess of US\$48bn¹):
 - Exclusive dealer licence for Caterpillar in NSW, ACT, WA, and North East China
 - Australia's largest authorised Caterpillar dealer and one of the largest Caterpillar dealerships globally
- WesTrac has made a significant commitment to the facility, investing more than \$35.0m in fit-out in 2012

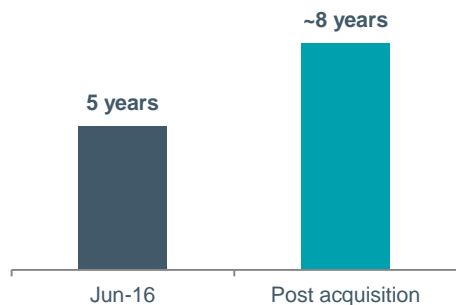


1. Market capitalisation as at 31 August 2016
Source: Seven Group Holdings 2016 Annual Report

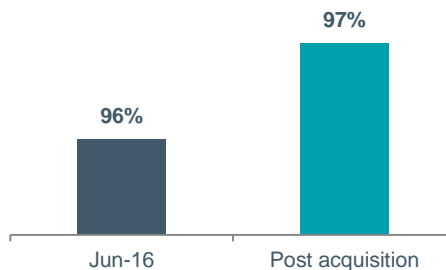


Improved portfolio metrics¹

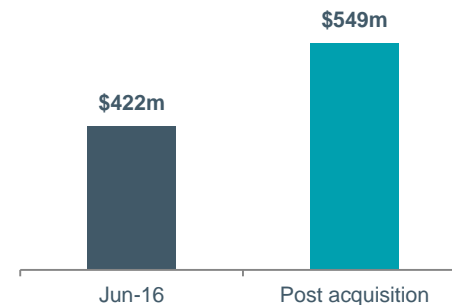
Significantly enhanced WALE



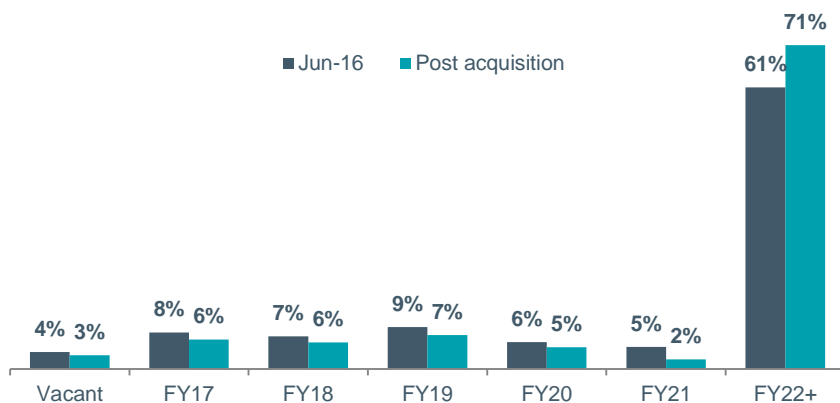
Higher occupancy



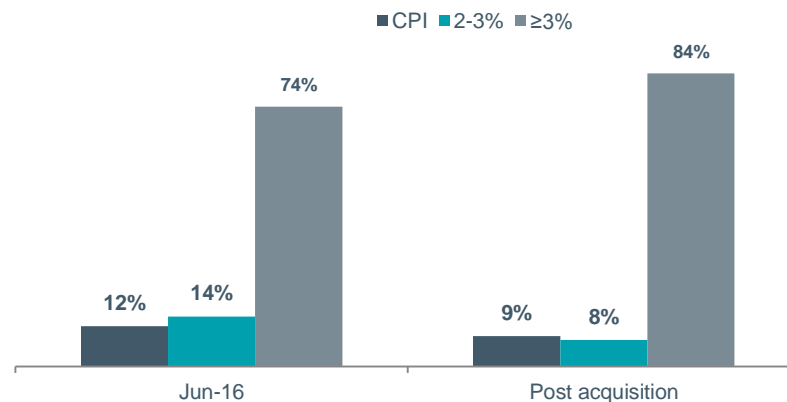
Increased total assets



Improved lease expiry profile



Higher proportion of annual rent reviews ≥ 3%

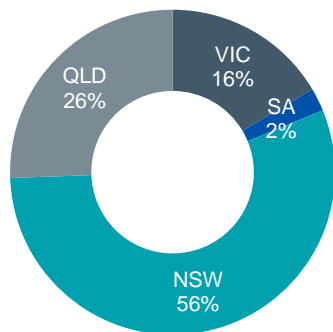
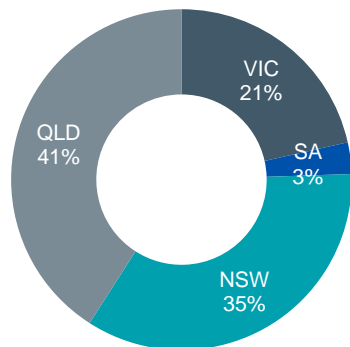


1. Please refer to Appendix B for further details in relation to Industria's portfolio pre and post acquisition
 Note: Post acquisition includes the impact of the acquisition of 1-3 WesTrac Drive, Newcastle and sales of 7 Brandl Street and 85 Brandl Street, Brisbane Technology Park as at 30 June 2016

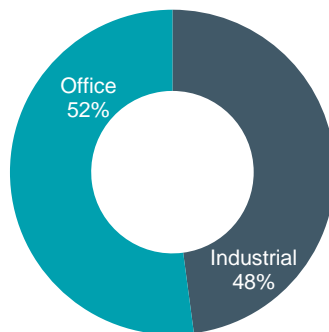
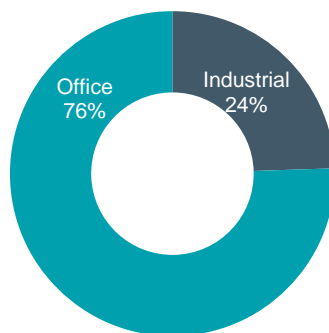


Positive impact on broader portfolio and tenancy profile¹

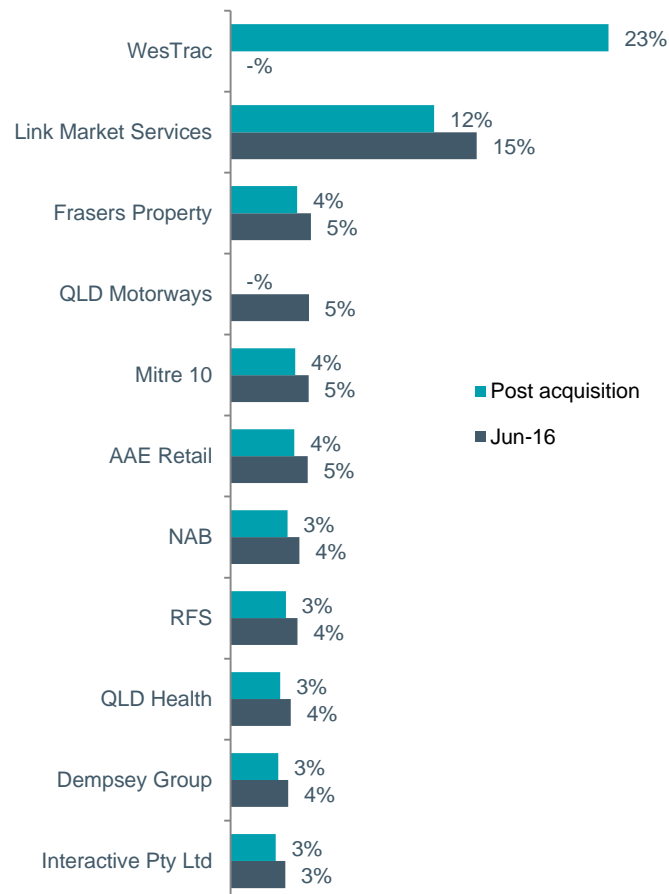
Greater NSW exposure



Increased industrial focus



Addition of a new high quality major tenant



1. Please refer to Appendix B for further details in relation to Industria's portfolio pre and post acquisition

Note: Charts weighted by portfolio income. Pro forma charts include the impact of the acquisition of 1-3 WesTrac Drive, Newcastle as well as the sales of 7 Brandl Street and 85 Brandl Street, Brisbane Technology Park. QLD Motorways were a major tenant at 7 Brandl St hence their removal from post acquisition tenant concentration chart

03 Funding summary and equity raising details



Sources and uses of funds

- The acquisition will be funded using \$85.4m of bank debt and \$85.0m of equity:

Sources of funds		Uses of funds	
Placement	\$19.8m	Acquisition consideration	\$158.6m
Entitlement Offer	\$65.2m	Stamp duty	\$8.7m
Bank Debt: Undrawn Capacity	\$35.4m	Other transaction costs	\$3.1m
Bank Debt: New Facility	\$50.0m		
TOTAL	\$170.4m	TOTAL	\$170.4m

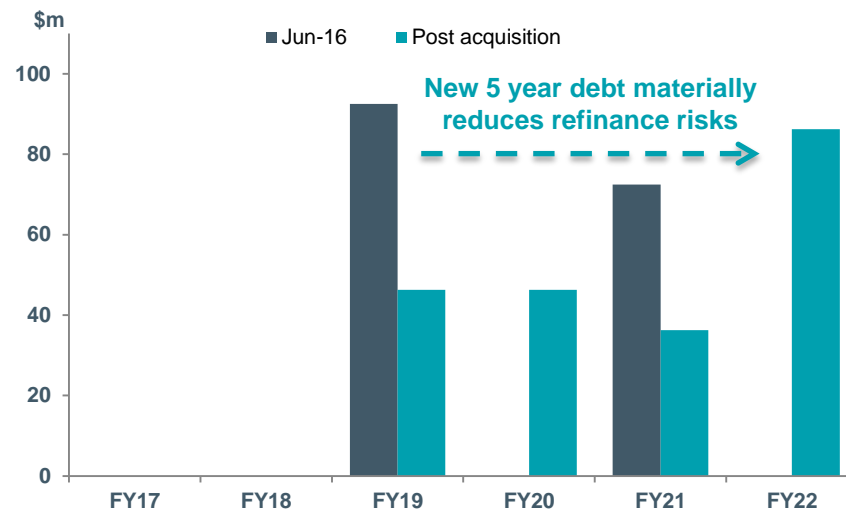
- The \$170.4 million of funding will be applied to:
 - Acquire WesTrac Newcastle for \$158.6 million
 - Pay acquisition and funding costs of \$11.8 million



Balance sheet refinanced with new 5 year debt facility

- New five-year debt facility and part-refinance of existing facilities expiring in ~2 years and ~4 years
- Total Industria facility limit increased by \$50m
- Post transaction gearing of 35% – the mid point of the 30 – 40% target band
- We will remain patient when considering both acquisition and disposal opportunities
- Key covenants are unchanged:
 - Loan-to-Value not in excess of 55%
 - Interest Cover not less than 2.0x

Staggered and extended debt maturity profile





Offer details

- The Offer comprises a \$19.8m Placement and a 1 for 4 Entitlement Offer of \$65.2m

Offer price

- Equity raising will be conducted at \$2.12 per New Stapled Security (“Offer Price”)
 - 2.9% discount to the five-day VWAP of \$2.184¹
 - 0.9% discount to the last closing price of \$2.14¹
 - 0.7% discount to TERP² of \$2.135
 - Attractive DPS yield of 7.5%

Entitlement Offer

- Record date Monday 5, September 2016
- Eligible institutional securityholders may choose to take up part or all of their entitlements
- Retail securityholders may choose to take up part or all of their entitlements and, to the extent other securityholders do not take up their full entitlement, will be able to apply for additional stapled securities of up to an additional \$50,000 per securityholder (subject to scale-back)

Distribution entitlement

- New Stapled Securities issued under the Placement and Entitlement Offer will participate in all future distributions on the same terms as other stapled securities (for the avoidance of doubt, this includes 1HFY17)

Ranking

- New Stapled Securities issued will rank pari passu with existing stapled securities

Underwriting

- The equity raising is fully underwritten by Macquarie Capital (Australia) Limited (“Macquarie Capital”)

1. As at Wednesday, 31 August 2016

2. Theoretical ex-rights price (“TERP”) is the theoretical price at which Industria stapled securities should trade after the ex-date for Entitlement Offer. TERP is a theoretical calculation only and the actual price at which Industria stapled securities should trade immediately after the ex-date for the Entitlement Offer depends on many factors and may not equal TERP. TERP excludes the New Stapled Securities issued under the Placement



Offer timetable

Event	Date
Trading halt and announcement of acquisition and equity raising	Thursday, 1 September 2016
Institutional Entitlement Offer	Thursday, 1 September 2016
Trading in Industria securities resumes on an ex-entitlement basis	Friday, 2 September 2016
Record date for determining entitlements for the Offer	7:00pm Monday, 5 September 2016
Retail Entitlement Offer opens	Tuesday, 6 September 2016
Early retail acceptance due date (“Early Retail Acceptance Due Date”)	Thursday, 8 September 2016
Settlement of New Stapled Securities issued under the Placement, Institutional Entitlement Offer and Retail Entitlement Offer for applications received by the Early Retail Acceptance Due Date	Friday, 9 September 2016
Allotment and normal trading of New Stapled Securities issued under the Placement, Institutional Entitlement Offer and Retail Entitlement Offer for applications received by the Early Retail Acceptance Due Date	Monday, 12 September 2016
Final Retail Entitlement Offer closing date	5:00pm Monday, 19 September 2016
Settlement of remaining New Stapled Securities issued under the Retail Entitlement Offer	Friday, 23 September 2016
Allotment of remaining New Stapled Securities issued under the Retail Entitlement Offer	Monday, 26 September 2016
Despatch of holding statements Normal trading of remaining New Stapled Securities issued under the Retail Entitlement Offer	Tuesday, 27 September 2016

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A Pro forma balance sheet



Pro forma balance sheet

\$millions (unless otherwise stated)	30 June 2016	Asset sales	Acquisition and equity raising	Pro forma
Cash and cash equivalents	1.6			1.6
Investment properties	417.9	(31.7)	158.6	544.8
Other assets	2.4	-	-	2.4
Total assets	421.9	(31.7)	158.6	548.8
Borrowings ¹	(139.3)	31.7	(84.8)	(192.4)
Other liabilities	(21.4)	-	-	(21.4)
Total liabilities	(160.7)	31.7	(84.8)	(213.8)
Net assets	261.2	-	73.8	335.0
Shares on issue (m)	123.0		40.1	163.1
NTA per security	\$2.12			\$2.05
Gearing ²	33.1%			35.3%

This pro forma balance sheet has been prepared based on the Industria balance sheet as at 30 June 2016 adjusted to show the effect of the acquisition of WesTrac Newcastle, the capital raising, and sales of 7 and 85 Brandl Street, Brisbane Technology Park as if they had occurred on 30 June 2016. Due to its nature, the pro forma balance sheet does not represent Industria's actual or prospective financial position.

1. Borrowings are net of capitalised establishment costs (\$0.8m as at 30 June 2016) and the transaction includes an additional \$0.6m of capitalised borrowing costs
2. Gearing reflects total borrowings, excluding capitalised establishment fees and net of cash, divided by investment properties

B Portfolio summary



Portfolio summary

Property	State	Ownership	Sector	Valuation (\$m)	Cap Rate (%)	NLA (sqm)	Occupancy (by area)	WALE (by area)
34 Australis Drive, Derrimut	VIC	100%	Industrial	24.0	7.00%	25,243	100%	6.4 yrs
80-96 South Park Drive, Dandenong South	VIC	100%	Industrial	20.2	7.25%	20,245	100%	5.1 yrs
89 West Park Drive, Derrimut	VIC	100%	Industrial	17.4	7.00%	17,024	100%	6.2 yrs
32-40 Garden Street, Kilsyth	VIC	100%	Industrial	14.7	7.25%	10,647	100%	8.5 yrs
5 Butler Boulevard, Adelaide Airport	SA	100%	Industrial	12.5	9.75%	12,257	100%	1.6 yrs
140 Sharps Rd, Tullamarine	VIC	100%	Industrial	13.5	8.25%	10,508	100%	6.3 yrs
7 Clunies Ross Court and 17-19 McKechnie Drive, BTP	QLD	100%	Bus Park	39.0	8.00%	8,877	100%	7.2 yrs
BTP Central, BTP	QLD	100%	Bus Park	40.8	8.05%	7,782	81%	2.9 yrs
8 Clunies Ross Court and 9 McKechnie Drive, BTP	QLD	100%	Bus Park	21.4	8.25%	5,704	86%	1.4 yrs
37 Brandl Street, BTP	QLD	100%	Bus Park	13.2	8.75%	3,329	100%	1.4 yrs
18 Brandl Street, BTP	QLD	100%	Bus Park	11.5	8.50%	4,174	76%	0.7 yrs
88 Brandl Street, BTP	QLD	100%	Bus Park	13.5	8.50%	3,121	88%	2.3 yrs
Building A, Rhodes	NSW	100%	Bus Park	89.8	7.00%	14,644	100%	4.7 yrs
Building C, 1 Rhodes	NSW	100%	Bus Park	54.7	7.25%	10,582	79%	3.8 yrs
Portfolio				386.1	7.63%	154,137	96%	5.0 yrs

Acquisition of WesTrac Newcastle

1 – 3 WesTrac Dr, Tomago	NSW	100%	Industrial	158.6	7.25%	45,500	100%	18.0 yrs
Pro forma total				544.7	7.52%	199,637	97%	7.9 yrs

Assets sold or to be sold post 30 June 2016

7 Brandl Street, BTP (Sold 1 August 2016)	QLD	100%	Bus Park	25.1 ¹	7.50%	5,264	100%	5.0 yrs
85 Brandl Street, BTP (To settle 8 September 2016)	QLD	100%	Bus Park	6.6 ¹	7.50%	1,594	100%	4.5 yrs

1. After adjustments for sales costs for properties reclassified as assets held for sale

C Selling restrictions



Selling restrictions

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New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the FMC Act).

The New Stapled Securities are not being offered to the public within New Zealand other than to existing securityholders of Industria with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the transitional provisions of the FMC Act and the Securities Act (Overseas Companies) Exemption Notice 2013.

Other than in the entitlement offer, the New Stapled Securities may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore (**MAS**) and, accordingly, statutory liability under the Securities and Futures Act, Chapter 289 (the **SFA**) in relation to the content of prospectuses does not apply, and you should consider carefully whether the investment is suitable for you. The issuer is not authorised or recognised by the MAS and the New Stapled Securities are not allowed to be offered to the retail public. This document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the New Stapled Securities may not be circulated or distributed, nor may the New Stapled Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except to "institutional investors" (as defined in the SFA), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an "institutional investor" (as defined under the SFA). In the event that you are not an institutional investor, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Stapled Securities being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

D Key risks



Key investment risks

This section discusses some of the risks associated with an investment in Industria. Industria's business is subject to a number of risk factors both specific to its business and of a general nature which may impact its future performance and forecasts. Before subscribing for New Stapled Securities, prospective investors should carefully consider and evaluate Industria and its business and whether New Stapled Securities are suitable to acquire having regard to their own investment objectives and financial circumstances and taking into consideration the material risk factors, as set out below.

The risk factors set out below are not exhaustive, and many of them are outside the control of Industria and the Responsible Entity. Prospective investors should consider publicly available information on Industria, examine the full content of this presentation and consult their financial, tax and other professional advisers before making an investment decision.

Rental income and investment risk

Returns from an investment in property largely depend on rental income generated from tenants across its portfolio, expenses incurred in managing and maintaining those interests, and changes in market value of such interests. The market value of properties and property related investments is in part correlated to rental income, and rental income may be adversely impacted by a number of factors including:

- overall market conditions in national and local economies in which Industria operates such as growth or contraction in gross domestic product, demographic changes, employment trends and consumer sentiment;
- the financial performance and condition of tenants;
- the ability to attract new tenants where an existing tenant vacates its lease on expiration or bankruptcy;
- increase in rental arrears and vacancy periods;
- reliance on a tenant which leases a material portion of the portfolio;
- an increase in unrecoverable outgoings;
- the location and quality of properties;
- operating, maintenance and refurbishment expenses, as well as unforeseen capital expenses; and
- supply and demand in the property market.

Any negative impact on rental income has the potential to decrease the value of Industria and consequently have an adverse impact on distributions or the value of securities or both.

Re-leasing and vacancy risk

The portfolio's leases come up for renewal on a periodic basis, and there is a risk that Industria may not be able to negotiate suitable lease renewals with existing tenants, maintain existing lease terms, or replace outgoing tenants with new tenants. The ability to secure lease renewals or to obtain replacement tenants may be influenced by any leasing incentives granted to prospective tenants and the supply of new properties in the market, which, in turn, may increase the time required to let vacant space. Should Industria be unable to secure a replacement tenant for a period of time or if replacement tenants lease the property on less favourable terms than existing lease terms, this will result in a lower rental return to Industria, which could materially adversely affect the financial performance of Industria and distributions.

Whilst the lease term for the WesTrac acquisition is 18 years, approximately 20% of Industria's existing leases will expire in the next 3 years. There can be no guarantee that Industria will be successful in the lease renewal processes with each tenant, or that Industria will be able to renew any lease on similar or not less favourable terms. Industria could lose key tenants due to a range of events including as a result of failure to renew a lease, the termination of a lease due to change of control, deterioration in the level of service provided to tenants, weakening of tenant relationships or disputes with tenants, consolidation of a tenant's sites or insolvency of tenants. Any of these factors could materially adversely affect the financial performance of Industria and distributions.



Key investment risks

Property valuation risk

The value of the properties held by Industria may be impacted by a number of risks affecting the property market generally, as well as Industria in particular including, but not limited to:

- changes in market rental rates;
- changes in property yields;
- fluctuating occupancy levels;
- tenants defaulting;
- a downturn in local property markets or property markets in general;
- changes in interest rates; and
- pricing or competition policies of any competing properties.

A reduction in the value of properties may result in a reduction in the value of securities and may impact on Industria's financing arrangements (see Funding risk).

External and director valuations represent only the analysis and opinion of such persons at a certain date and they are not a guarantee of present or future values. The value of the assets may impact on the value of an investment in Industria and changes in market valuation of assets may adversely effect Industria's financial position and performance.

Realisation of assets and liquidity

Property assets are, by their nature, illiquid investments. This may make it difficult to alter the balance of income sources for Industria in the short term in response to changes in economic or other conditions. Industria may not be able to realise the assets within a short period of time or may not be able to realise assets at valuation including selling costs, which could materially adversely affect the performance of Industria and distributions.

Funding risk

Industria is a geared investment product and relies upon debt funding as an integral part of its capital structure. The extent to which Industria is geared will magnify the effect of changes in property valuations. Changes in interest rates and the availability and cost of finance will affect the operational and financial results of Industria. Industria's ability to refinance its debt facilities and/or interest rate hedges as they fall due will depend upon its financial position and performance and the prevailing market conditions. An inability to refinance the existing debt facilities and/or enter into new debt facilities or interest rate hedges on similar terms and conditions may have an adverse impact on the operational and financial results of Industria.

Interest rate risk

Adverse fluctuations in interest rates, to the extent that they are not hedged, may impact Industria's funding costs adversely, resulting in a decrease in distributable income. Where interest rates are hedged by way of financial instruments, the value of those instruments can vary substantially which can impact on both earnings and net assets.



Key investment risks

Banking covenants

Industria has various covenants in relation to its banking facilities, including interest cover and leverage ratio requirements. Unforeseen factors such as falls in asset values or the inability of Industria to extend current leases could lead to a breach in debt covenants. In such an event, Industria's lenders may require their loans to be repaid immediately or compel Industria to sell assets at below market value. Furthermore, there is a risk that unforeseen capital expenditure may impact upon the cash available to service debt.

Capital expenditure risk

There is a risk that, due to unforeseen circumstances (not covered by insurance), Industria may have to make additional capital expenditure on the properties. Some examples of these circumstances include damage caused by fire, flood or other disaster, changes to laws or council requirements such as environmental, building or safety regulations, or property defects or environmental issues which become apparent in the future. Additionally, unforeseen capital expenditure may be required to maintain the properties in their current condition. If Industria incurs unforeseen capital expenditure, this may affect returns available to securityholders.

Reliance on APN FM, APN Property Group and personnel risk

Industria relies on APN FM and its parent company APN Property Group to provide a range of services (e.g. property management, asset management and leasing services). As a result, Industria's performance depends largely on the performance on the APN executive team. Failure of APN and its executives to discharge its responsibilities as agreed may adversely affect the management and financial performance of Industria and therefore returns to securityholders.

The ability of Industria to successfully deliver on its business objectives as set out in this presentation, is in part dependent on APN retaining and attracting quality senior management and other employees. The loss of the services of any senior management or key personnel, or the inability to attract new skilled personnel, could materially affect Industria's business, operational performance or financial results.

Environmental risk

Certain asset classes to which Industria is exposed, in particular industrial assets, typically have a higher rate of environmental contamination than other commercial property asset classes. Industria is not aware of any environmental contamination at any of its properties. There is a risk that a property may be contaminated now or in the future. Government environmental authorities may require Industria to remediate such contamination and Industria may be required to undertake any such remediation at its own cost. Such an event would adversely impact Industria's financial performance.

In addition, environmental laws impose penalties for environmental damage and contamination which may be material.

If a person is exposed to a hazardous substance at a property, they may make a personal injury claim against Industria. Such a claim could be for an amount that is greater than the value of the contaminated property.

An environmental issue may also result in interruptions to the operations of a property. Any lost income caused by such an interruption to operations may not be recoverable.

Industria and the operations of property tenants are subject to government environmental legislation. While environmental issues are continually monitored, there is no assurance that Industria's operations or those of a tenant of a property will not be affected by an environmental incident or subject to environmental liabilities, which could impact the reputation, rental income or value of Industria.



Key investment risks

Tenant concentration

Industria relies on key tenants to generate the majority of its revenue. Following the acquisition of 1-3 WesTrac Drive, Newcastle, WesTrac would become Industria's most significant tenant, comprising 23% of the portfolio by income. If a key tenant is affected by financial difficulties (for example if Caterpillar was to terminate its license agreement with WesTrac) that tenant may default on its rental or other contractual obligations which may result in loss of rental income or losses to the value of Industria's assets. This has the potential to adversely impact the operational and financial results of Industria.

In addition, there is a risk that if one or more of the major tenants ceases to be a tenant, Industria may not be able to find a suitable replacement tenant or may not be able to secure lease terms that are as favourable as current terms and incur costs associated with enforcing Industria's claim against those tenants. Should Industria be unable to secure a replacement tenant for a major tenant for a period of time or if replacement tenants lease the property on less favourable terms, this will result in a lower rental return to Industria, which could materially adversely affect its financial performance and distributions.

Acquisition due diligence and reliance on information provided

Industria undertook a thorough due diligence process in respect of acquiring WesTrac Newcastle, which relied partly on the review of financial and other information provided by the vendor. Industria has not been able to verify the accuracy, reliability or completeness of all the information which was provided to it against independent data. Similarly, Industria has prepared (and made assumptions in the preparation of) the financial information relating to WesTrac Newcastle included in this presentation in reliance on limited financial information and other information provided by Seven Group Holdings to the ASX.

If any of the data or information provided to and relied upon by Industria in its due diligence process and its preparation of this presentation proves to be incomplete, incorrect, inaccurate or misleading, there is a risk that the actual financial position and performance of WesTrac and Industria may be materially different to the financial position and performance expected by Industria and reflected in this presentation. Investors should also note that there is no assurance that the due diligence conducted was conclusive and that all material issues and risks in respect of the acquisition have been identified.

It is possible that the due diligence did not reveal issues that, subject to warranty and other contractual protection in the purchase agreement with the vendor, may later have an adverse impact on the benefits of the acquisition forecast to Industria or may result in Industria being or becoming liable for costs or liabilities in the future that Industria cannot recover. Such costs or liabilities could adversely impact the financial position of Industria.

Other acquisition risks

Other risks associated with the acquisition include delays to completion or an inability to complete. If this occurs, Industria will need to consider alternative uses for, or ways to return the proceeds of any subscriptions raised from Industria securityholders under the Entitlement Offer and Placement. Failure to complete the acquisition and/or any action required to be taken to return capital may have a material adverse effect on Industria's financial performance, financial position and security price. Such circumstances may result in a reduction in earnings to the extent that funds raised under the equity raising are retained in cash.

Building condition of WesTrac Newcastle

Although the property is 100% occupied by WesTrac on a triple-net lease (that passes maintenance obligations to WesTrac), Industria may incur capital expenditure for unforeseen structural problems arising from a defect in the acquired property (to the extent not covered by insurance) or alterations required as a result of changes to statutory requirements. This may impact the financial performance of Industria and may impact on the income received from tenants affected by the conditions.



Key investment risks

Future acquisitions and divestments

Industria may make future acquisitions of additional industrial or business park properties or dispose of existing properties. Future acquisitions or disposals may affect forecast distributions, or any tax deferred component of income returns. The value of the freehold interests in any acquired properties may vary as a consequence of general property market conditions, the property market, or factors specific to an individual property. Decreases in value of investments may result in a decrease in the value at which securities trade on the ASX. Industria may need to sell one or more properties or investments, which may realise a capital loss.

Underwriting risk

Industria has entered into an underwriting agreement with Macquarie Capital who has agreed to manage and fully underwrite the Entitlement Offer and Placement, subject to certain terms and conditions. If certain customary conditions are not satisfied or certain customary termination events occur, Macquarie Capital may terminate the underwriting agreement.

If the underwriting agreement is terminated, Industria would need to find alternative financing to meet its future funding requirements (including for the proposed acquisition). Although Industria has capacity under its covenants, there is no guarantee that alternative funding could be sourced, either at all or on satisfactory terms and conditions. Termination of the underwriting agreement could materially adversely affect Industria's business, cash flow, financial condition and results of operations.

Forward-looking statements

There can be no guarantee that the assumptions and contingencies on which the forward-looking statements, opinions and estimates (including guidance on future FFO and distributions) are based will ultimately prove to be valid or accurate. The forward-looking statements, opinions and estimates depend on various factors, including known and unknown risks, many of which are outside the control of the Responsible Entity and Industria. Actual performance of Industria may materially differ from forecast performance.

Distribution guidance

No assurances can be given in relation to the payment of future distributions. Future determinations as to the payment of distributions by Industria will be at the discretion of the Responsible Entity and Industria and will depend upon the availability of profits, the operating results and financial conditions of Industria, future capital requirements, covenants in relevant financing agreements, general business and financial conditions and other factors considered relevant by the Responsible Entity and Industria. No assurance can be given in relation to the level of tax deferral of future distributions. Tax deferred capacity will depend upon the amount of capital allowances available and other factors.

Taxation Implications

Future changes in Australian taxation law (including the goods and services tax and stamp duty), including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect the taxation status of Industria, the treatment of an investment in Industria stapled securities, or the holding and disposal of those securities.

Economic and market conditions

A number of factors affect the performance of financial markets generally, which could affect the price at which Industria stapled securities trade on ASX. Among other things, movements on international and domestic stock markets, interest rates, exchange rates, inflation and inflationary expectations and overall economic conditions, economic cycles, investor sentiment, political events and levels of economic growth, both domestically and internationally as well as government taxation and other policy changes may affect the demand for, and price of, Industria stapled securities. Trading prices can be volatile and volatility can be caused by general market risks such as those that have been mentioned. New Industria stapled securities may trade at or below the price at which they commence trading on ASX including as a result of any of the factors that have been mentioned, and factors such as those mentioned may also affect the income, expenses and liquidity of Industria. Additionally, the stock market can experience price and volume fluctuations that may be unrelated or disproportionate to the operating performance of Industria.



Key investment risks

Insurance risk

Industria enters into material damage, business interruption and liability insurance on its properties with policy specifications and insured limits that it believes to be customary in the industry. However, potential losses of a catastrophic nature such as those arising from earthquakes, terrorism or severe flooding may be uninsurable, or not insurable on reasonable financial terms, may not be insured at full replacement costs or may be subject to large excesses. The nature and cost of insurance has been based upon the best estimate of likely circumstances. However, various factors may influence premiums to a greater extent than those forecast, which may in turn have a negative impact on the net income of Industria.

Compliance risk

The Responsible Entity is subject to strict regulatory and compliance arrangements under the Corporations Act and ASIC policy. If the Responsible Entity breaches the Corporations Act or the terms of its Australian Financial Services Licence, ASIC may take action to suspend or revoke the licence, which in turn may adversely impact the ability of Industria to operate.

Changes in applicable law and regulations

Industria will be subject to the usual business risk that there may be changes in laws, regulations and government policy which may affect its operations and/or financial performance. Such changes may impact rental income or operational expenditure. In addition, Industria's ability to take advantage of future acquisition opportunities in Australia may be limited by regulatory intervention on competition grounds.

Industria is also subject to the usual risks to changes in taxation regimes and Accounting Standards. There can be no assurance that such changes will not have a material adverse effect on Industria's business, operational performance or financial results or returns to unitholders.

Litigation

Industria may, in the ordinary course of business, be involved in litigation and disputes (for example, tenancy disputes, environmental and occupational health and safety claims, industrial disputes and legal claims or third party claims). Any such dispute may be costly and adversely affect the operational and financial results of Industria.

Dilution risk

Investors who do not participate in the Entitlement Offer, or do not take up all of their entitlement under the Entitlement Offer (and do not also participate in the Placement or, in the case of retail investors, do not participate in the oversubscription facility), will have their investment in Industria diluted and receive no value for their entitlement. Investors may also have their investment in Industria diluted by future capital raisings by Industria. Industria may issue new stapled securities to finance future acquisitions or pay down debt which may, under certain circumstances, dilute the value of an investor's interest.

Other risks

The above risks should not be taken as a complete list of the risks associated with an investment in Industria. The risks outlined above and other risks not specifically referred to may in the future materially adversely affect the value of Industria stapled securities and their performance. Accordingly, no assurance or guarantee of future performance or profitability is given by Industria in respect of Industria stapled securities.



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