



MELBOURNE INDUSTRIAL PORTOLIO ACQUISITION AND EQUITY RAISING

13 MAY 2019

www.apngroup.com.au
ASX Code: ADI

APN | Industria REIT

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01 EXECUTIVE SUMMARY



3 Forbes Close, Knoxfield

Executive summary

Acquisitions	<ul style="list-style-type: none">▪ APN Industria REIT ("Industria") has contracted to acquire a portfolio of industrial warehouses in Knoxfield and Kilsyth, two tightly held and land constrained markets in Melbourne, Victoria, for \$38.25 million (excluding transaction costs), reflecting an initial yield of 6.3% (the "Acquisitions")▪ The Acquisitions:<ul style="list-style-type: none">- are consistent with Industria's stated strategy of owning properties that are well-located close to arterial roads- offer affordable accommodation for businesses and are expected to provide Industria with growing income streams over the long term- provide opportunities to add value through asset repositioning and leasing strategies
Equity raising	<ul style="list-style-type: none">▪ Industria will undertake a fully underwritten institutional placement to raise \$30 million ("Placement") at an issue price of \$2.73 per New Security to partially fund the Acquisitions▪ Industria will also undertake a non-underwritten security purchase plan ("SPP") to eligible securityholders in Australia and New Zealand to raise up to \$5 million¹ at the same issue price as the Placement▪ The remaining Acquisition price and associated transaction costs will be funded with 5-year bank debt following a loan increase and term extension
Financial impact	<ul style="list-style-type: none">▪ Including the impact of the Acquisitions and Placement and subject to current market conditions and no unforeseen events, Industria expects:<ul style="list-style-type: none">- FY19 FFO² of 19.15 – 19.25 cents per security, at the top of end of the previous guidance range and reflecting 3.5 – 4.0% growth- FY19 DPS³ guidance of 17.0 cents per security, in line with previous guidance- Preliminary FY20 FFO per security growth guidance of 2.5 – 3.0%⁴▪ Industria's pro forma gearing is expected to be approximately 33% following the Acquisitions and Placement, towards the bottom end of the 30 – 40% target gearing range

1. Industria may (in its absolute discretion) in a situation where total demand exceeds \$5 million, decide to increase the amount to be raised under the SPP to reduce or eliminate the need for scale back

2. FFO refers to funds from operations

3. DPS refers to distributions per security

4. Confirmation and further details to be provided on release of FY19 results in August 2019

Key post transaction metrics

7.0%

FY19 FFO YIELD¹

6.2%

FY19 DPS YIELD¹

\$730m

TOTAL ASSETS

33%

PRO FORMA GEARING

28

ASSETS

6.1

YEAR WALE²

97%

OCCUPANCY

\$488m

MARKET CAP³

HIGH QUALITY OFFICE AND INDUSTRIAL ASSETS DELIVERING A STRONG INCOME PROFILE COMBINED WITH A CONSERVATIVE BALANCE SHEET PROVIDING CAPACITY TO GROW

1. Based on the offer price of \$2.73 per New Security and the midpoint of the 19.15 – 19.25 cents per security FFO guidance range

2. WALE refers to weighted average lease expiry as at 13 May 2019, including the Acquisitions

3. Based on Industria's market capitalisation on 13 May 2019, plus the \$30m Placement

Strategic rationale



Well located properties in desirable markets

- Increases exposure to tightly held and land constrained markets in the east of Melbourne
- Acquisitions are located in established industrial precincts close to arterial roads and surrounded by residential areas, providing a large catchment of employees for businesses



Sustainable income with growth opportunities

- Acquisitions feature an attractive initial yield of 6.3%, underpinned by a 4.0 year WALE¹ and 100% occupancy
- The opportunity to implement a number of value-add initiatives to increase building performance and efficiency is expected to drive rental growth and improve lease tenor across the Acquisitions
- The Acquisition price is below replacement cost with the benefit of high underlying land values



Increases exposure to strongly performing industrial asset class

- Acquisitions are consistent with Industria's strategy of providing businesses with attractive priced and well located workspaces
- The Acquisitions are complementary to Industria's existing portfolio of office and industrial assets, enhancing scale across a significant \$730 million portfolio²

1. WALE as at 13 May 2019

2. Portfolio value post-Acquisitions

02 ACQUISITIONS



3 & 4 Forbes Close, Knoxfield

Acquisitions overview

\$38.25m assets acquired with weighted average initial yield of 6.3%

81 Rushdale St Knoxfield, VIC



Valuation: \$9.10m
Initial yield: 8.28%
Capitalisation rate: 6.50%
Capital value: \$1,490/sqm
GLA¹: 6,106 sqm
WALE: 1.6 years

3 Forbes Close Knoxfield, VIC



Valuation: \$9.00m
Initial yield: 4.76%
Capitalisation rate: 5.75%
Capital value: \$1,589/sqm
GLA¹: 5,663 sqm
WALE: 6.6 years

4 Forbes Close Knoxfield, VIC



Valuation: \$10.65m
Initial yield: 5.04%
Capitalisation rate: 5.75%
Capital value: \$1,519/sqm
GLA¹: 7,011 sqm
WALE: 6.6 years

147-153 Canterbury Rd Kilsyth, VIC



Valuation: \$9.50m
Initial yield: 7.37%
Capitalisation rate: 7.25%
Capital value: \$800/sqm
GLA¹: 11,882 sqm
WALE: 2.6 years

← 4.0 year WALE, 100% occupancy →

1. GLA refers to gross lettable area

Knoxfield and Kilsyth markets



Knoxfield

- Long-established industrial and commercial precinct located approximately 25km east of the Melbourne CBD and surrounded by residential areas
- Area is particularly popular for small to medium sized businesses, who value access to deep pools of employees in close proximity
- Land supply is constrained, and the area is experiencing strong tenant demand driven by exceptional accessibility to infrastructure and the large employment base nearby
- Major occupiers include Orora and PFD Foods, alongside a large range of small to medium sized businesses

Kilsyth

- Large activity centre located approximately 30km east of the Melbourne CBD with uses including industrial, commercial, retail, all surrounded by residential areas
- There are limited opportunities for new development given land constraints
- Major occupiers include Kenworth Trucks, ARB and a variety of light manufacturing businesses

- 1 81 Rusdale Street, Knoxfield
- 2 3 & 4 Forbes Close, Knoxfield
- 3 147-153 Canterbury Road, Kilsyth

81 Rushdale Street, Knoxfield



Asset overview

- Property features a high clearance warehouse of 7.5 metres accessible via roller shutter doors – a flexible layout attractive to a variety of users
- Potential to unlock value by improving building performance with initiatives such as solar to reduce outgoings, which is expected to appeal to the current tenant and prospective tenants, driving net market rental growth
- 100% occupied by Australian Glass Group, a subsidiary of a ASX-listed company Metro Performance Glass, a manufacturer and installer of high-performance glass. The industry is underpinned by performance standards being enforced by government and consumer demands for higher efficiency glazing

Key metrics

81 Rushdale St, Knoxfield	
Property type	Industrial
Valuation	\$9.1m
Initial yield	8.28%
Capitalisation rate	6.50%
Capital value (\$/sqm)	\$1,490
Gross lettable area (sqm)	6,106
Site area (sqm)	11,242
Occupancy	100%
Tenant	Australian Glass Group
WALE (years)	1.6
Annual rent reviews	4% p.a.
Expected settlement date	May 2019

3 & 4 Forbes Close, Knoxfield



Asset overviews

- The properties are adjacent to each other and occupied by the same tenant, SJ Display Group
- SJ Display Group is a privately owned business that manufactures and supplies retail display products. They have operations across Australia, New Zealand and China
- Properties feature high clearance warehouses of 7.5 metres accessible via roller shutter doors, and owning adjoining properties provides additional optionality for re-leasing and future redevelopment opportunities
- Rents coming off a low base - ability to unlock significant rental reversion and value over the medium-term

Key metrics

	3 Forbes Close	4 Forbes Close
Property type	Industrial	Industrial
Valuation	\$9.0m	\$10.7m
Initial yield	4.76%	5.04%
Capitalisation rate	5.75%	5.75%
Capital value (\$/sqm)	\$1,589	\$1,519
Gross lettable area (sqm)	5,663	7,011
Site area (sqm)	10,056	13,910
Occupancy	100%	100%
Tenant	SJ Display Group	SJ Display Group
WALE (years)	6.6	6.6
Annual rent reviews	CPI	CPI
Expected settlement date	May 2019	May 2019

147-153 Canterbury Rd, Kilsyth



Asset overview

- High clearance warehouse of 10 metres that benefits from two canopy enclosed areas and 10 roller doors
- Value-add initiatives include seeking out building efficiencies and cosmetic upgrades to drive rental growth and improve lease tenor
- 100% occupied by B&D Australia, a subsidiary of ASX-listed DuluxGroup:
 - B&D Australia has occupied the building for 49 years and has significant infrastructure investment in the facility – with eight gantry cranes and various forms of manufacturing equipment
- Further opportunities for redevelopment over time

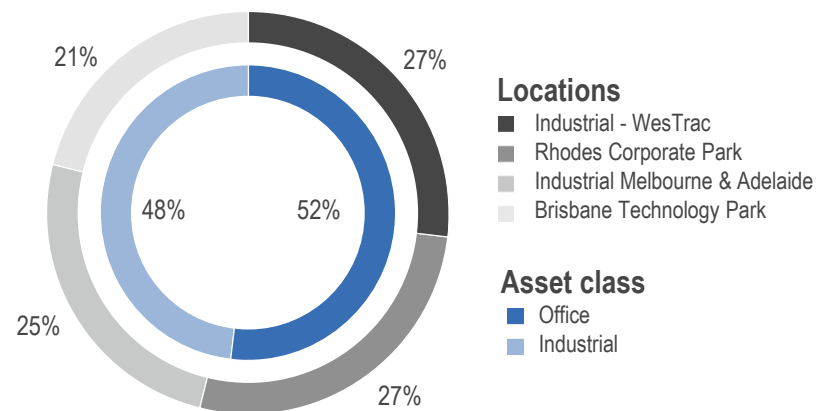
Key metrics

147-153 Canterbury Rd, Kilsyth	
Property type	Industrial
Valuation	\$9.5m
Initial yield	7.37%
Capitalisation rate	7.25%
Capital value (\$/sqm)	\$800
Gross lettable area (sqm)	11,882
Site area (sqm)	22,850
Occupancy	100%
Tenant	B&D Australia
WALE (years)	2.6
Annual rent reviews	3% p.a.
Expected settlement date	May 2019

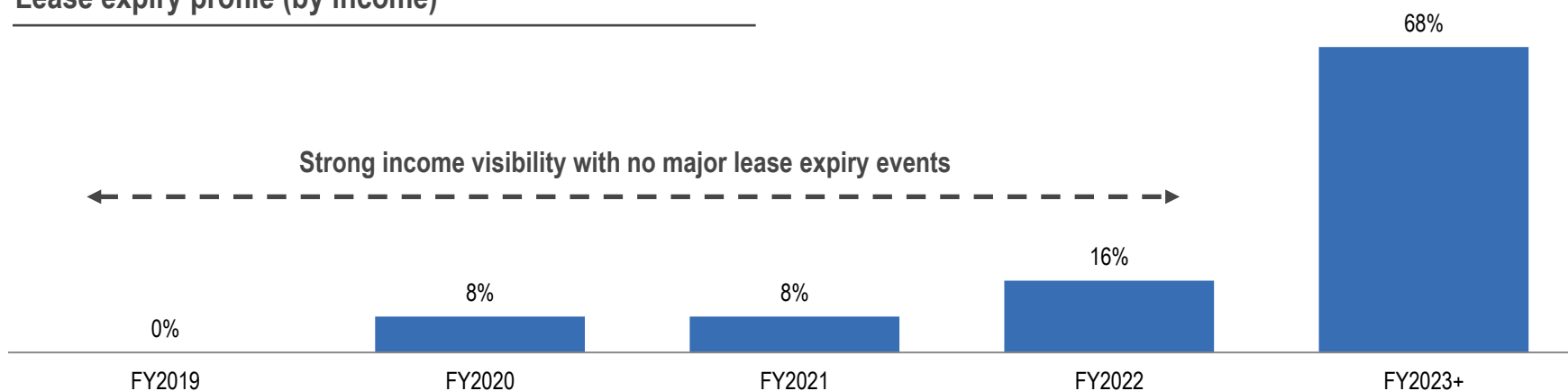
Impact on portfolio metrics

	Pre-Acquisitions	Post-Acquisitions
Number of assets	24	28
Portfolio value (\$m)	692	730
Weighted average capitalisation rate	6.54%	6.53%
Occupancy	96%	97%
WALE (years)	6.2	6.1
NLA ¹ (sqm)	220,333 ²	250,962

Portfolio diversification (post-Acquisitions)³



Lease expiry profile (by income)



1. NLA refers to net lettable area
 2. As at 31 December 2018
 3. By portfolio value

03 EQUITY RAISING



3 Forbes Close, Knoxfield

Sources and uses of proceeds

Sources of proceeds	\$m
Placement proceeds	30.0
Drawn debt	11.3
Total sources	41.3

Uses of proceeds	\$m
Acquisitions	38.3
Transaction costs	3.0
Total uses	41.3

- The Acquisitions will be partly funded by a \$30 million Placement
- The remaining acquisition costs will be funded by way of 5-year bank debt following the refinance and extension of existing loans
- Additional 3 year credit lines have been approved from a new financier that will add up to \$20 million of additional new facilities
- Industria's pro forma gearing is expected to be approximately 33% following the Acquisitions and Placement, towards the bottom end of the 30 – 40% target gearing range
- A non-underwritten SPP is also being undertaken which will raise up to \$5 million¹

1. Industria may (in its absolute discretion) in a situation where total demand exceeds \$5 million, decide to increase the amount to be raised under the SPP to reduce or eliminate the need for scale back

Equity raising overview

Structure	<ul style="list-style-type: none">▪ Fully underwritten Placement to raise \$30 million▪ Non-underwritten SPP to eligible securityholders in Australia and New Zealand to raise up to \$5 million¹<ul style="list-style-type: none">- Eligible securityholders will be invited to apply for up to a maximum of \$15,000 of New Securities under the SPP, at the same issue price as the Placement and free of any brokerage or transaction costs
Pricing	<ul style="list-style-type: none">▪ Fixed issue price of \$2.73 per New Security, representing a:<ul style="list-style-type: none">- 2.8% discount to the last close price of \$2.81 on 13 May 2019- 3.3% discount to the 5 day VWAP of \$2.82 on 13 May 2019
Ranking	<ul style="list-style-type: none">▪ New Securities issued under the Placement and the SPP will rank equally with existing Industria securities and will be fully entitled to the distribution for the quarter ending 30 June 2019, expected to be 4.25 cents per security
Underwriting	<ul style="list-style-type: none">▪ The Placement is fully underwritten by UBS AG, Australia Branch▪ The SPP will not be underwritten

1. Industria may (in its absolute discretion) in a situation where total demand exceeds \$5 million, decide to increase the amount to be raised under the SPP to reduce or eliminate the need for scale back

Indicative timetable

Event	Date (2019)
Record date for SPP	7.00pm, Friday 10 May
Announcement of the Acquisitions and Placement	Monday 13 May
Placement bookbuild	Monday 13 May
Settlement of New Securities issued under the Placement	Thursday 16 May
Allotment and normal trading of New Securities issued under the Placement	Friday 17 May
SPP offer opens and booklet is dispatched	Monday 20 May
SPP offer closes	5.00pm, Tuesday 11 June
SPP allotment date	Tuesday 18 June
Dispatch of holding statements and normal trading of New Securities issued under the SPP	Wednesday 19 June

All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to Sydney time.

The APN Industria REIT opportunity



Exposure to a \$730 million portfolio of strongly performing office and industrial assets



Secure and growing income profile underpinned by a 6.1 year WALE¹ and 97% occupancy



Attractive FY19 FFO yield of 7.0%² and FY19 distribution yield of 6.2%²



Increased market capitalisation expected to enhance trading liquidity

1. WALE as at 13 May 2019

2. Based on the offer price of \$2.73 per New Security, and FY19 FFO at the mid-point of the guidance range of 19.15–19.25 cents per security

APPENDICES



81 Rushdale Street, Knoxfield

Appendix A

Pro forma balance sheet

Pro forma balance sheet

\$m	Actual as at 31 Dec 18	Acquisitions and Placement ¹	Pro forma as at 31 Dec 18 ¹
Cash	5.1		5.1
Investment properties	691.8	38.3	730.0
Other assets	1.0		1.0
Total assets	697.9	38.3	736.1
Borrowings	235.0	11.3	246.3
Derivative liabilities	2.3		2.3
Other liabilities	19.9		19.9
Total liabilities	257.2	11.3	268.5
Net tangible assets	440.7	26.9	467.6
Securities on issue	162.8	11.0	173.8
NTA per security	\$2.71		\$2.69
Gearing²	33.3%		33.1%

1. Excludes proceeds from the SPP

2. Gearing reflects total borrowings, excluding capitalised establishment fees and net of cash, divided total tangible assets

Appendix B

Key risks

Key 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 Securities, prospective investors should carefully consider and evaluate Industria and its business and whether New 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, its directors and senior management. 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.

Approximately 8% of Industria's existing leases will expire in FY20. 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 risks

Property valuation risk

The value of the properties held by Industria may be impacted by a number of factors, including a number of factors outside the control of Industria, 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 affect 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.

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.

Key risks

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 Limited and personnel risk

Industria relies on APN FM and its parent company APN Property Group Limited 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.

Tenant concentration

Industria relies on key tenants to generate the majority of its revenue. If a key tenant is affected by financial difficulties 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.

Key risks

Acquisition due diligence and reliance on information provided

Industria undertook a thorough due diligence process in respect of acquiring the Acquisitions, which relied partly on the review of financial and other information provided by the vendors. 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 the Acquisitions included in this presentation in reliance on limited financial information.

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 the Acquisitions 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 acquisitions 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 agreements with the vendors, may later have an adverse impact on the benefits of the acquisitions 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.

Share market conditions

There are general risks associated with an investment in the share market. As such, the value of New Securities may rise above or fall below the offer price, depending on the financial position and operating performance of Industria and other factors. In addition, the market price of Industria securities will fluctuate due to various factors, many of which are non-specific to Industria, including recommendations by brokers and analysts, Australian and international general economic conditions, inflation rates, interest rates, changes in government, fiscal, monetary and regulatory policies, global geo-political events and hostilities and acts of terrorism, investor perceptions and volatility in global markets. Investors should recognise that the price of New Securities may fall as well as rise.

Investor preferences

The demand for property and listed property securities may change as investor preferences for particular sectors and asset classes change. The demand for property as an asset class may change over time and may be influenced by general economic factors such as interest rates, stock market cycles and exchange rates.

Taxation

Future changes in taxation law in Australia and in other jurisdictions, including changes in interpretation or application of the law by the courts or taxation authorities in Australia or other jurisdictions, may impact the future tax liabilities of Industria or may affect taxation treatment of an investment in Industria securities, or the holding or disposal of those securities.

Dilution

Securityholders will be diluted by the issue of New Securities under the Placement. Eligible securityholders should note that if they do not participate in the SPP, then their percentage securityholding in Industria will be diluted to a greater extent than would otherwise be the case, and they will not be exposed to future increases or decreases in Industria's security price in respect of the New Securities which would have been issued to them had they participated in the SPP.

In addition, Industria's need to raise additional capital in the future in order to meet its operating or financing requirements, including by way of additional borrowings or increases in the equity of any of the consolidated entity's companies, may change over time. Future equity raisings or equity funded acquisitions may dilute the holdings of particular securityholders to the extent that such securityholders do not subscribe to additional equity, or are otherwise not invited to subscribe in additional equity.

Key risks

Future acquisitions and divestments

Industria may make future acquisitions of properties or dispose of existing properties. Future acquisitions or disposals may affect forecast distributions, or any tax deferred component of income returns. If Industria needs to sell one or more properties or investments it may realise a capital loss. Integration of new properties or businesses into Industria may be costly and may not generate expected earnings and may occupy a large amount of management's time. There is no guarantee that future potential acquisitions will be available on favourable terms or that they will be successfully integrated.

Competition

Industria faces competition from other property groups active in Australia. Such competition could lead to the following adverse effects:

- loss of tenants to competitors;
- a reduction in rents;
- an inability to secure new tenants resulting from oversupply of space.

Litigation and disputes

Industria may become involved in litigation or disputes. Such involvement could adversely affect Industria's financial performance and reputation.

Capital availability

Current economic conditions can impact on the availability of debt and equity funding that may be required to support the cash flow of a business. Industria's development may be affected by availability of funding which would impact on its ability to establish business operations in the expected time frame and/or at its current levels.

Accounting standards and impairment

Industria prepares its general purpose financial statements in accordance with IFRS and with the Corporations Act. Australian Accounting Standards are not within the control of Industria or its boards and are subject to amendment from time to time, and any such changes may impact on Industria's statement of financial position or statement of financial performance.

In addition, under IFRS, Industria is required to review the carrying value of its assets annually or whenever there is an indication of impairment. If there is any indication of impairment, then the assets recoverable amount is estimated. Changes in key assumptions underlying the recoverable amount of certain assets of Industria (or of the properties post-acquisition) could result in an impairment of such assets, which may have a material adverse effect on Industria's financial performance and position.

Other acquisition risks

Other risks associated with the Acquisitions 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 Placement and SPP. Failure to complete the Acquisitions 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.

Key risks

Underwriting risk

Industria has entered into an underwriting agreement with UBS AG, Australia Branch who has agreed to manage and fully underwrite the Placement, subject to certain terms and conditions. If certain customary conditions are not satisfied or certain customary termination events occur, UBS AG, Australia Branch 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 Acquisitions). 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 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 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 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.

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.

General economic and political conditions

Factors such as, but not limited to, domestic and international political changes, interest rates, exchange rates, inflation levels, commodity prices, industrial disruption, environmental impacts, international competition, taxation changes, changes in employment levels, consumer and business spending, employment rates and labour costs may all have an adverse impact on Industria's revenues, operating costs, profit margins and security price. These factors are beyond the control of Industria and its boards and Industria cannot, to any degree of certainty, predict how they will impact on Industria. The environment in which Industria operates may experience challenging conditions as a result of general uncertainty about future Australian and international economic conditions. A prolonged deterioration in domestic or general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could be expected to have a material adverse impact on the financial performance of Industria's businesses.

Key risks

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 Australian 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 securityholders.

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 securities and their performance. Accordingly, no assurance or guarantee of future performance or profitability is given by Industria in respect of Industria securities.

Appendix C

Foreign selling restrictions

Foreign selling restrictions

International Offer Restrictions

This document does not constitute an offer of New Securities of Industria in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Securities may not be offered or sold, in any country outside Australia except to the extent permitted below.

Hong Kong

WARNING: This document has not been, and will not be, authorized by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorize this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Securities have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the New Securities has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the New Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the SFO and any rules made under that ordinance.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

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 (New Zealand) (the "FMC Act"). The New Securities are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than 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 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 Securities may not be circulated or distributed, nor may the New 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 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.

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