

2016 AGM

Chairman's script

[Slide 1 – Cover]

[Introduction]

Good morning Ladies and Gentlemen and welcome to the third Annual Meeting for **Industria REIT**. As it is now 10:00 am and we have a quorum present, I have pleasure in declaring the meeting open.

[Quorum for all 5 entities is two securityholders present in person or by proxy, representing at least 10% of issued units]

[Slide 2 – Agenda]

My name is Geoff Brunsdon and I am the Independent Chairman of APN Funds Management Limited, the Responsible Entity of Industria Trusts 1 to 4 and of Industria Company No 1 Limited, which together comprise Industria REIT.

The meeting today has four principal objectives:

- To review the results and activities of the Fund for the 2016 financial year;
- To report on material post 30 June 2016 events and the prospects for the current financial year;
- To vote on a number resolutions necessary for the continued good governance of the Fund; and
- To give you the opportunity to ask any questions you may have of Directors, Management or Advisers who are present here today.

[Slide 3 – Directors]

I would like to begin by introducing my fellow directors and some key members of the Management and Advisory teams. Our Directors:

- **Michael Johnstone** – who has been an independent Director since 2009 and is also Chair of the Audit, Compliance & Risk Management Committee.
- **Jennifer Horrigan** – who has been an independent Director since 2012 and is also Chair of the Nomination & Remuneration Committee.

- **Howard Brenchley** – who is not able to join us today due to commitments overseas. He sends his apologies.

[Slide 4 – Directors and Management]

- **John Freemantle** – who is an Executive Director of Industria Company No 1 Limited and Company Secretary of the APN Property Group.

I would also like to introduce

- **Alex Abell** who commenced as Fund Manager of Industria REIT in April 2016; and
- **Michael Groth** who is an Alternate Director for Howard Brenchley and CFO of the APN Property Group

and present in the audience, from APN Property Group:

- **Tim Slattery** – Executive Director

and our external advisors:

- **Peter Caldwell** - from our auditor, Deloitte Touche Tohmatsu;
- **James Morvell** - from our lawyers, Hall & Wilcox; and
- **Julie Stokes** – from our share registry, Link market Services who will supervise the conduct of a poll, if one is required during the meeting.

[Slide 5 – 2016 Overview]

[Slide 6 – Financial Year 2016 Highlights]

Financial Year 2016 delivered a good set of results that were slightly ahead of our expectations. This allowed the Board to declare a distribution of 15.5 cents per unit, towards the top end of the guidance range that was provided in February.

The outperformance for the year can be attributed to strong results achieved at Brisbane Technology Park. In 2015 a number of management changes were completed, and this resulted in improved leasing activity that reduced vacancy and contributed to the overall portfolio occupancy increasing to 96%.

The leasing activity also led to us crystallising strong premiums to book value on the two assets that have now been sold at BTP – with 7 Brandl St sold at a 10% premium to book value and 85 Brandl St sold for a 28% premium to book value.

Industria's financial position was strengthened following the two asset sales, with gearing reducing to approximately 28% after taking into consideration the reduction of debt with sale proceeds.

[Slide 7 – Post balance date activity]

The improved portfolio performance and reduction in gearing, positioned us well to acquire WesTrac Newcastle in September 2016 for \$158.6 million. In addition to the property providing an attractive income yield of 7.25% growing at the higher of CPI or 3% per annum for 18 years, it also decreases the risk profile of the Fund by:

- increasing the weighted average lease expiry to almost 8 years;
- increasing the occupancy to 97%; and
- increasing the scale of Industria to improve the diversity of our portfolio.

After taking into consideration the funding mix, the acquisition is approximately 2% accretive to FFO and DPS in FY17, and pro-forma gearing is conservative at 35%. I would like to thank the existing and new security holders who have supported the growth of the fund through the equity raise.

[Slide 8 – Industria – simple and transparent]

Industria REIT's objective is to invest in office and industrial assets that provide businesses with attractively priced and well located workspaces; and produce sustainable income and capital growth returns.

Industria's portfolio is underpinned by assets with good occupancy that produce average annual rental escalations of 3%. This income profile provides consistent and low-risk income yield generation, which is consistent with our conservative approach to leverage – where we have a leverage band of 30% - 40%, well below the debt covenant of 55%.

The dedicated and aligned management team continue to generate good outcomes for securityholders, and the fees paid to the manager, APN Property Group, are competitive – at 55 basis points of Gross Asset Value with no additional fees for performance or transactions. We are proud of the governance of the Fund, which has a majority of independent Directors, including an independent Chairman, and the alignment between securityholders and the manager is very strong, with the manager owning over 14% of Industria.

[Slide 9 – 2016 Results and Performance]

I would now like to hand over to the Fund Manager, Alex Abell, who will take you through the operational aspects of FY16 and provide you with an update on progress since year-end.

[Alex to lectern]

[Refer separate presentation attached]

[Slide 18 – IDR Slide]

[After Alex presentation, GNB to Lectern]

Thank you Alex.

[Pause]

I will now move to the formal business of the meeting.

[Presentation of Accounts]

The first item of business is

“To receive and consider the Financial Report, the Directors’ Report and the Auditor’s Report, each for the financial year ended 30 June 2016.”

This item does not require a vote; however, the reports are open for discussion. If any securityholder has questions or comments relating to this item, please raise your yellow admission card. Would you please begin by stating your name clearly.

[Questions / Discussion]

Thank you

[Preamble to resolutions]

The remaining items of business are resolutions for your consideration.

As there are eight resolutions and each must be considered separately, I propose to keep the process as short as possible by noting in advance, the following items:

- Resolutions 1 and 2 relating to the re-election of directors of Industria Company No 1 Limited and resolution 3 to approve the placement of securities as part of the equity raising in September 2016, are ordinary resolutions. They will be passed if more than 50% of the votes of those present and eligible to vote are cast in favour of the resolution;
- All other resolutions are special resolutions and will be passed if more than 75% of the votes of those present and eligible to vote are cast in favour of the resolution;

- The resolutions are set out in the Notice of Meeting and as each is considered it will be shown on the screen behind me together with a summary of the proxy instructions received by the Company Secretary in respect of that resolution;
- I intend to vote all open proxies that I hold **in favour** of each resolution;
- Finally, when called upon to vote would you please do so by raising your hand showing clearly the yellow card.

[Slide 19 – Resolution 1]

Resolution 1 is for the re-election of Michael Johnstone as a director of Industria Company No. 1 Limited.

Michael has 40 years of global business experience in chief executive and general management roles and more recently in non-executive directorships. He has lived and worked in overseas locations including the USA, has been involved in a range of industries and has specialised in corporate and property finance and investment, property development and funds management. His career has included lengthy periods in corporate roles including 10 years as one of the Global General Managers of the National Australia Bank Group. He has extensive experience in mergers and acquisitions, capital raising and corporate structuring.

Michael is a non-executive director of the Responsible Entity of the listed Folkestone Education Trust and a non-executive director of a number of companies in private environments including the not for profit sector.

[Questions / Discussion]

Does any securityholder wish to speak in relation to the resolution or ask any questions?

[When questions complete]

Thank you.

[Put to vote]

I now put to the meeting the resolution **to re-elect Michael Johnstone as a director of Industria Company No. 1 Limited.**

[Slide 20 – Resolution 2]

Resolution 2 is for the re-election of Howard Brenchley as a director of Industria Company No 1 Limited.

Howard has a long history in the Australian property investment industry with over 30 years' experience analysing and investing in the sector.

He joined APN in 1998 and was responsible for establishing the APN Funds Management business. In this capacity he developed a suite of new property securities and direct property funds, including the flagship APN Property for Income Fund, one of the largest property securities funds in Australia.

Prior to joining APN, Howard was co-founder and research director of Property Investment Research Pty Limited, one of Australia's leading independent research companies, specialising in the property trust sector.

Howard is also a director of APN Property Group Limited; and National Storage Holdings Limited and National Storage Financial Services Limited, both listed as National Storage REIT.

[Questions / Discussion]

Does any security-holder wish to speak in relation to the resolution or ask any questions?

[When questions complete]

Thank you.

[Put to vote]

I now put to the meeting the resolution **to re-elect Howard Brenchley as a director of Industria Company No 1 Limited.**

[Slide 21 – Resolution 3]

Resolution 3 is a resolution of the Company and each of the Trusts and seeks approval for the institutional placement of stapled securities on 12 September 2016. This was part of a broader equity raising programme, which included an entitlement offer to all security holders. Funds raised were applied to the acquisition of 1-3 WesTrac Drive, Tomago, New South Wales and related transaction costs.

Chapter 7 of the ASX Listing Rules limits to 15% of the entities capital, the number of ordinary securities that may be issued in the capital of a listed entity in any 12 month rolling period without security holders' approval, unless an exception applies. The exceptions allow for the issue of securities to security holders in accordance with an entitlement offer, but no exceptions apply in relation to the placement.

Approval of the issue of the stapled securities to institutional investors, by passing this resolution, will exclude the issue for the purposes of calculating the number of stapled securities that may be issued in a 12 month period as set by the Listing Rules. The approval will provide flexibility for Industria REIT to undertake fund raising in the future as opportunities arise by maximising the number of stapled securities that can be issued over the next 12 months without further approval from the security holders.

[\[Questions / Discussion\]](#)

Does any security-holder wish to speak in relation to the resolution or ask any questions?

[\[When questions complete\]](#)

Thank you.

[\[Put to vote\]](#)

I now put to the meeting the resolution **to approve the issue of the placement securities.**

[Slide 22 – Resolutions 4.1 to 4.5]

Resolutions 4.1 to 4.5 are separate resolutions by each of the Company and the four Trusts that comprise the IDR stapled group. The resolutions for each are essentially the same but each must be separately considered by security holders.

Each concerns the renewal of the proportional takeover provisions in the constitutions of the respective entities. Under the Corporations Act and the Industria REIT constitutions, the provisions must be renewed every three years or they will cease to have effect. The current provisions are due for renewal in this year.

A proportional takeover bid involves the bidder offering to buy a proportion only of each security holder's securities in Industria REIT. This means that control of Industria REIT may pass without members having the chance to sell all their securities to the bidder. It also means the bidder may take control of Industria REIT without paying an adequate amount for gaining control. In order to deal with this possibility, a company or listed trust may provide in its constitution that:

- in the event of a proportional takeover bid being made for securities in Industria REIT, security holders are required to vote by ordinary resolution and collectively decide whether to accept or reject the offer; and
- the majority decision of the Industria REIT security holders will be binding on all individual security holders.

The boards of the Company and the Responsible Entity consider that security holders should be able to vote on whether a proportional takeover bid ought to proceed given such a bid might otherwise allow control of Industria REIT to change without security holders being given the opportunity to dispose of all of their stapled securities for a satisfactory control premium. They also believe that the right to vote on a proportional takeover bid may avoid security holders feeling pressure to accept the bid even if they do not want it to succeed.

[\[Questions / Discussion\]](#)

Does any security-holder wish to speak in relation to the resolution or ask any questions?

[\[When questions complete\]](#)

Thank you.

[\[Put to vote\]](#)

I now put to the meeting separate resolutions by each of the five stapled entities **to renew the proportional takeover provisions in the constitution of that entity.**

[Slide 23 – Resolution 4.1]

Starting with resolution 4.1 relating to Industria Company No 1 Limited

[Slide 24 – Resolution 4.2]

Resolution 4.2 relating to Industria Trust No 1.

[Slide 25 – Resolution 4.3]

Resolution 4.3 relating to Industria Trust No 2.

[Slide 26 – Resolution 4.4]

Resolution 4.5 relating to Industria Trust No 3.

[Slide 27 – Resolution 4.5]

And finally resolution 4.5 relating to Industria Trust No 4.

[Slide 28 – Questions]

[General business]

Ladies and Gentlemen, this completes the formal business of the meeting. However, as I indicated earlier, I would be happy to take any general questions you may have.

[Questions]

[Slide 29 – Meeting close]

If there are no further questions, I will close the meeting.

Thank you for your attendance today and to those securityholders who participated by proxy.

The Directors and Management would be pleased if you would join them for light refreshments and an opportunity to ask additional questions.