
2018 ANNUAL MEETING

CHAIRMAN'S SPEECH (PART 1)

Good afternoon Ladies and Gentlemen. My name is Mike Smith and I am the Chairman of Argosy Property Limited. On behalf of my fellow directors and members of the management team, it is my pleasure to welcome you all to the 2018 annual meeting of shareholders of Argosy. It is my privilege to be able to chair this meeting again and also to have the meeting here at the Royal New Zealand Yacht Squadron.

Just a couple of housekeeping matters before we get things underway. In the unlikely event of an emergency, please evacuate the building using the blue doors at the eastern exit behind you and assemble in the carpark. The bathrooms are located behind me next to the main reception area.

I'd like to record that the Notice of the Meeting was duly given on 6 July 2018 and as there are at least 5 shareholders here today, there is a quorum present. Accordingly, I declare the 2018 annual meeting of Argosy Property Limited open.

Your Board considers a high standard of corporate governance is essential for sustaining the long-term performance of a company such as Argosy. Our role as directors is to ensure the company is heading in the right direction and creating value for our shareholders while also having regard to the interests of other stakeholders. We are focused on ensuring that the board has the right composition of skills and experience to be able to deliver these performance goals for all stakeholders, and I will cover shortly what we will be doing in this area.

While there is detailed information about the Board in the 2018 Annual Report, I would briefly like to introduce them to you. To my right is Mark Cross.

Mark joined the Argosy Board in 2012 and has over 20 years' experience in investment banking, holding senior positions in the United Kingdom, Australia and New Zealand. Mark is currently the Chairman of Milford Asset Management Limited and MFL Mutual Fund Limited, and is a director of Genesis Energy, Z Energy and Chorus Limited. Mark is the chair of Argosy's Audit and Risk Committee.

Next to Mark is **Peter Brook** who joined the Argosy Board in 2002. Peter is presently the Chairman of BurgerFuel Worldwide Limited, Trust Investments Management Limited and Generate Investment Management Limited. Peter is a member of both the Remuneration and Audit and Risk Committees.

Next, we have **Andy Evans**. Andy has been a director since August 2003 and has more than 25 years' experience in commercial real estate and asset management, previously holding executive positions in listed and unlisted real estate investment businesses. Andy has a number of other directorships including sitting on the Board of NorthWest Healthcare Properties Management Limited. He is also a past national president of the Property Council of New Zealand.

Next, we have **Chris Hunter** who joined the Board in June 2013 and has extensive commercial property experience including more than 25 years' in New Zealand's construction industry. He previously held the role of Chief Executive Officer of Hawkins Construction and has more recently become a shareholder and Managing Director of NZ Strong Group Ltd. Chris retires today under the Company's Constitution and is not seeking re-election. Chris, on behalf of the Board and Argosy Shareholders I would like to take this opportunity to thank you for your valuable contribution during your tenure and we wish you all the best for the future.

Next to Chris is **Jeff Morrison**, a director since July 2013 and with 40 years of experience as a property lawyer, 29 of them as a commercial property partner at Russell McVeagh. Jeff is a member of Argosy's Remuneration Committee. Today, Jeff retires under the Company's Constitution and is seeking your support for his re-election. You will hear from Jeff later in today's proceedings.

Finally, I was appointed to the Argosy Board in 2002 and have held the role of Chairman since 2005. For a large part of my career I was employed by Lion Nathan where I held a number of senior executive positions with the Lion Nathan Group and was a director of the parent company for 16 years. I am also a director of several non-public companies. As well as my role as Chairman, I also chair the Remuneration Committee and sit on the Company's Audit and Risk Committee.

I would also like to mention **Amanda Smith** who has completed her 12-month tenure under the Institute of Directors Future Directors programme. On behalf of the Board, I would like to extend our sincerest appreciation for Amanda's insight and input into the Board over the last year and we wish her well for the future.

Seated next to the Board of directors is the Chief Executive, Peter Mence and the Chief Financial Officer, Dave Fraser. We also have several other members of the management team here today.

I would also like to welcome our auditors, Deloitte, our solicitors, Harmos Horton Lusk, our Registrar, Computershare and our tax advisors, KPMG, to the meeting.

The agenda for this afternoon's meeting will be as follows:

- As Chairman, I will deliver a brief summary of the Company's strategy and performance.
- This will be followed by a more detailed review of Argosy's performance by our Chief Executive, Peter Mence.
- Following the presentations, we will take questions from Shareholders.
- We will then move to the formal resolutions of the Meeting.
- And finally, we will then attend to any general business.

After the meeting has been formally closed, please join us for refreshments where the Directors and Executives of Argosy will be available to discuss any queries you may have.

PROXIES

Proxies have been received in respect of 325,837,791 shares and these have been audited by Deloitte. There are 827,030,390 shares on issue.

CHAIRMANS INTRODUCTION

I am delighted to now present to you an overview of the Company's strategy and performance for the year ended 31 March 2018. I note that you will have received the 2018 Annual Report and financial statements, either by post or electronically, depending on your preference.

STRATEGY

Argosy's strategy remains unchanged. The company is, and will continue to be, invested in real estate that is diversified by sector, grade, location and tenant mix. The portfolio is focused primarily in the Auckland and Wellington markets with modest tenant-driven exposure to provincial markets where there is strategic rationale. We believe our diversified investment approach brings real strength and balance to our business.

Our Investment Strategy remains underpinned by our Core properties, which account for between 75 to 90% of the portfolio by value. As some of you may recall, we made small adjustments to our Investment Policy sector band weightings last year with our Industrial band increased to 40 to 50% of the total portfolio by value and our Office band was reduced to 30 to 40%. Our retail band remained unchanged at 15 to 25%. As at 31 March 2018, Argosy was operating within the parameters of its revised Investment Policy.

Over the next 12 to 18 months however, we will continue to divest non Core assets in what we consider to be an attractive vendors market. After this period, we expect that Argosy will be positioned towards the lower end of its retail band and at the higher end of the industrial band.

We remain very focused on delivering reliable and sustainable returns to shareholders. Argosy's outperformance versus the listed property sector over the 2018 financial year was very pleasing in this respect. We want shareholders to share in Argosy's continued strong results but we need to maintain our momentum towards an Adjusted Funds From Operations or AFFO based dividend policy over the medium term.

The Argosy Board is experienced with a history of delivering on its strategy. The business is now in a very sound financial and portfolio position and well placed for the challenges and opportunities ahead. From a corporate governance perspective, the Board is very much committed to continued improvement and best practice in this area.

HIGHLIGHTS FOR THE YEAR ENDED 31 MARCH 2018

After a strong start the Board is very pleased to have finished the 2018 financial year well.

The management team worked hard over the year to resolve key lease expiries and vacancies. They also repositioned the portfolio sensibly, through the combination of completed developments, revaluations and selected divestments over the year.

Operating results have continued to improve year on year, with increases in net distributable income and net tangible assets per share. Peter will cover our financial performance in more detail in his presentation.

Overall, the portfolio metrics have improved further with a high occupancy rate at almost 99% and a Weighted Average Lease Term that increased to 6.1 years – our highest ever. We also completed two

green development projects which delivered good returns, and these properties will further enhance Argosy's portfolio quality.

FULL-YEAR DIVIDEND AND FIRST QUARTER ANNOUNCEMENT

The Board was pleased to announce a 2018 full-year cash dividend of 6.20 cents per share, a 1.6% increase on the prior year. We were also pleased to confirm that, based on current projections for the portfolio, a dividend of 6.25 cents per share is expected for the year to 31 March 2019 – an increase of ~1% on the 2018 year.

The Board believes shareholders should share in the continued strong progress we are making across the business. However, for some investors Adjusted Funds from Operations or AFFO represents a measure of dividend sustainability. The New Zealand listed property sector appears to be shifting towards this methodology. Whilst we have lifted the dividend slightly for FY19 we remain focused on moving to an AFFO based dividend policy over the medium term. The Board expects, based on current projections, that the cash dividend will be at least maintained over the transition period.

Today I can also confirm that the directors have approved today a first quarter dividend for the 2019 financial year of 1.5625 cents per share with imputation credits attached of 0.301500 cents per share. This will be paid on 26 September 2018 with a record date of 12 September 2018. The dividend reinvestment plan continues to be suspended for the time being.

GOVERNANCE

Strong corporate governance and stewardship are fundamental to the strong performance of Argosy. We as a Board are committed to the highest standards of business behaviour, accountability and corporate governance best practice.

We remain guided by our Code of Conduct and Ethics which is publicly available on our website, along with Argosy's other policies and charters. During the year Argosy released its Environmental Policy which recognises that the impact our business has on the natural environment is an increasingly important consideration for investors, tenants and other stakeholders.

RISK MANAGEMENT

At Argosy, the Board takes a cautious approach to risk, whether it be financial, operational, regulatory or health & safety. We have a low tolerance for risk where it may result in undesirable consequences for Argosy, its shareholders or other stakeholders. As a business Argosy does encounter many types of risk on a daily basis. We will always focus on managing or mitigating risk to the fullest practical extent possible.

CAPITAL MANAGEMENT

The board regularly reviews the company's capital management strategy. The Board's current policy is for debt to total assets to now be between 30% to 40% in the medium term compared to 35% to 40% previously. This widening of the target gearing band provides more flexibility for Argosy, depending on financial and property market conditions. As we continue to divest non Core assets to take advantage of strong investor demand, the proceeds will be used to continue our tenant-led development program and/or reduce gearing. Currently our gearing sits in the middle of the new target band and remains well within all bank covenants. The board is also aware of capital management tools such as share buybacks and may initiate options such as this as and when necessary to maximise value for shareholders.

LOOKING AHEAD

Argosy started the 2019 financial year in great shape. We are focused on delivering income and earnings sustainability whilst ensuring our capital position remains very strong.

We will be focused on continuing to improve our portfolio, with particular attention to managing upcoming lease expiries and value add opportunities to create long term value for shareholders.

We will ensure our Board composition can continue to deliver results for shareholders and maintain our focus on corporate governance best practice across all areas of the business.

After the conclusion of this meeting, the Directors will meet to appoint a new Non-Executive Director, Stuart McLauchlan, as a replacement for Chris Hunter. Stuart is a chartered accountant and is currently Chairman of UDC, Pharmac and Scott Technology Limited. His directorships include Dunedin International Airport Limited and Ngai Tahu Tourism Limited.

Stuart is also a past President of the NZ Institute of Directors. The necessary formal external checks on Stuart could not be completed in time for the notice of meeting.

As a result of the timing of Stuart's appointment, he will come up for re-election at the 2019 Annual General Meeting.

In going through the process of selecting Stuart, we should signal to you that this is the first part of a board renewal process and you can expect to see future board changes over the next 12 months.

The process will include the board considering every aspect of diversity from functional skills, gender, ethnicity and geography.

While ensuring that we give due consideration to diversity, we are conscious of our duty as directors to act in the best interests of the company. That focus will dominate all decisions in the selection process.

Now, I will hand over to Peter, who will comment on our performance for the year.

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