21 November 2013

Argosy

MARKET RELEASE

ARGOSY INTERIM RESULT AND DIVIDEND ANNOUNCEMENT

FOR THE PERIOD ENDING 30 SEPTEMBER 2013

Highlights:

- **Distributable income increased to $23.7 million (increase of 17.8%)**
- **Net property income increased to $40.3 million (increase of 13.7%)**
- **Total portfolio value increased to $1.13 billion**
- **Debt to total assets lowered to 34.2%**
- **Weighted average lease term (WALT) increased to 5.9 years**
- **Occupancy (by rental) increased to 97.3%**
- **Bank facility restructured on favourable terms**
- **Successful completion of 1 for 7 renounceable rights issue, raising $86.9 million**
- **Acquisition of 4 high quality properties**
- **6 cents per share guidance to annual dividend maintained, payable quarterly**

Argosy Property Limited (Argosy) is pleased to report its interim results for the period ending 30 September 2013.

Argosy has continued to execute the strategy that was reaffirmed earlier in the year and has continued to improve its key operating metrics such as occupancy and weighted average lease term. In line with the Company's overall strategy, Argosy has acquired four high quality assets during the interim period and these acquisitions will significantly enhance the portfolio.

Net property income was $40.3 million (2012: $35.4 million), an increase of 13.7% on the previous interim period.

Net distributable income for the six months was $23.7 million (2012: $20.2 million), an increase of 17.8% on the previous interim period. Profit before tax was $39.7m, compared with $5.5 million in the previous interim period. Profit before tax and net distributable income are alternative performance measures used to assist investors in assessing the Company's underlying operating performance and to determine income available for distribution to shareholders. Please refer to Note 13 of the financial statements for a full reconciliation between the two measures.

Interest expense was $12.9 million for the period, which is an increase of $0.5 million compared with the previous interim period, reflecting the impact of higher capitalised interest in the previous interim period. Approximately $0.5 million of interest costs have been capitalised to the Stout St redevelopment project. (2012: $2.1 million was capitalised to the subdivisions at Manawatu Business Park and Albany E Block).

Argosy made a net gain on derivatives of $16.0 million compared with a loss of ($13.0) million in the previous interim period, reflecting the recent increases in long term interest rates.

Dividends

The board confirms its guidance that the full year dividend is expected to be 6.0 cents per share. A cash dividend of 1.50 cents per share, consistent with the first quarter, has been declared for the September quarter. There are no imputation credits attached to the dividend and the dividend reinvestment plan (DRP) will continue with a discount of 1% applied to the price at which the shares will be issued under the DRP. The record date is 5 December 2013 and the payment date will be 19 December 2013.

Governance

At the Annual Meeting, Mike Smith and Peter Brook were re-elected as directors and Chris Hunter and Jeff Morrison were both elected for the first time.

Capital Management

In August 2013, Argosy successfully raised $86.9 million through a 1 for 7 renounceable rights issue. The funds raised were used to repay bank debt incurred to complete recent property acquisitions and provide the Company with the balance sheet flexibility to pursue further acquisitions that fit within Argosy's investment criteria. As a result, Argosy has reduced its debt levels to 34.2% of total assets (31 March 2013: 33.1% and 30 September 2012: 40.7%). This level of gearing is slightly under the Company policy of maintaining a debt-to-total assets ratio of 35-40% in the medium term.

Acquisitions and Divestments

During the six month period to 30 September 2013, Argosy acquired four significant property assets. These acquisitions included 80-120 Favona Rd, Mangere for $74 million, 15 Stout St, Wellington for $33.2 million and 101 Carlton Gore Rd, Newmarket for $22.3 million.

The Company also unconditionally entered into an agreement to purchase a new, purpose-built warehouse at 19 Nesdale Ave, Wiri for $38 million. This property has a 15 year lease to Cardinal Logistics and is expected to settle in December 2013.

As part of the Company's strategy, approximately $113 million of property, including vacant land, has been designated as neither Core nor Value Add and these properties will be divested as market conditions allow. While no disposals were made in the first half of this financial year, the divestment of these properties remains a key focus for Argosy.

Developments

In December 2012, Argosy announced that it was acquiring two high profile Wellington properties for redevelopment. The New Zealand Post Building settled in the previous financial year. The contract to complete the redevelopment will be awarded in late November 2013 and development is due to commence in early 2014.

Argosy settled the acquisition of 15 Stout St on 31 July 2013. The redevelopment of this building is progressing well, is on budget and is expected to be completed by mid-2014. During the interim period, Argosy also completed a significant refurbishment of The Warehouse building in Cavendish Drive, Manukau, which included the purchase of the adjoining building for $2.3 million.

Leasing

Leasing activity in the first half of the current financial year has been strong. The occupancy rate (by rental income) has improved to 97.3% (31 March 2013: 96.2% and 30 September 2012: 96.3%). Outstanding lease expiries have reduced and enquiry levels from potential tenants remain at encouraging levels.

During the period, 35 lease transactions were completed, including 22 new leases and 13 lease renewals and extensions. The weighted average lease term as at 30 September has improved significantly to 5.91 years, up from 5.24 years at 31 March 2013 and 5.30 years at 30 September 2012.

Valuations

Following an analysis of the property portfolio and the current market the Board did not consider there was sufficient movement to justify a revaluation of the portfolio at 30 September 2013. Independent property valuations will be completed at year end as usual.

Bank Facility

The $500 million bank facility was renegotiated in June 2013 on significantly improved terms. The expiry of the first tranche is now 30 June 2016 and the second tranche is 30 June 2018. Argosy is now receiving further margin and line fee savings (after including upfront fees) of approximately $0.7 million per annum. As at 30 September 2013, $391 million was drawn down on the facility.

Argosy maintains strong relationships with its banking partners and remains well within its banking covenants.

Outlook

Improving consumer and business confidence both point to a continuation of GDP growth in 2014. Our focus remains on adhering to our clearly articulated strategy, while continuing to increase the portfolio's occupancy and tenant retention rates. Argosy is well positioned, with its diversified portfolio, to continue to provide appropriate returns to our shareholders.

– ENDS –

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Argosy Property Limited

Argosy Property Limited is one of the largest diversified property funds listed on the New Zealand Stock Exchange. It has a $1.13 billion portfolio of 66 properties across the retail, commercial and industrial sectors. Argosy is, and will remain, invested in a portfolio that is diversified by primary sector, grade, location and tenant mix. The portfolio is located in the primary Auckland and Wellington markets with modest tenant-driven exposure to other markets.