16 November 2015

Argosy

MARKET RELEASE

ARGOSY INTERIM RESULT

FOR THE PERIOD ENDING 30 SEPTEMBER 2015

Argosy Property Limited ("Argosy" or the "Company") is pleased to report its interim results to 30 September 2015.

The ongoing execution of our strategy over the past six months has enabled Argosy to produce another strong operating result.

Highlights:

- **Gross distributable income of 3.74 cents per share (increase of 7.8%)**
- **Net distributable income of 3.10 cents per share (increase of 5.1%)**
- **Net property income increased to $48.6 million (increase of 11.1%)**
- **Portfolio revaluation gain of $27.6 million**
- **Weighted average lease term (WALT) of 5.39 years**
- **Occupancy (by rental) at 99.4%**
- **Bank facility restructured on favourable terms**
- **Acquisition of 8 Nugent Street, Grafton**
- **Further divestment of non Core properties**
- **6 cents per share guidance to annual dividend maintained, payable quarterly**

Financial Results

Gross distributable income[1] for the six months to 30 September 2015 increased by 9.3% to $30.1 million (2014: $27.5 million). Net distributable income[1] for the same period increased by 6.2% to $24.9 million (2014: $23.4 million).

Net property income was $48.6 million (2014: $43.8 million), an increase of 11.1% on the previous interim period. Profit before tax was $50.3 million, compared with $42.8 million in the previous interim period.

Interest expense was $14.2 million, an increase of $1.6 million compared with the previous interim period. This is primarily due to capitalised interest in the prior interim period of $1.3 million relating to the Stout Street development (there is no capitalised interest in the period to 30 September 2015). The impact of a higher average level of debt has been partly offset by a lower weighted average interest rate following the renegotiation of the Company's banking facility.

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[1] Profit before tax and 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. Note 14 of the financial statements released today provides a full reconciliation between the two measures.

Dividends

A cash dividend of 1.50 cents per share, consistent with the first quarter, has been declared for the September quarter. Imputation credits of 0.3965 cents per share are 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 3 December 2015 and the payment date will be 17 December 2015.

The Board is pleased to confirm that a dividend of 6 cents per share is expected for the year to 31 March 2016. While projections beyond that date are heavily dependent on the market and legislative environment, based on current conditions, it is expected that the dividend will increase in the 2017 financial year.

Governance

At the Annual Meeting held in Auckland in August 2015, both Chris Hunter and Jeff Morrison were re-elected.

Capital Management

Argosy's capital management policy is to maintain a debt-to-total assets ratio of 35-40% in the medium term. As at 30 September 2015, the ratio was 39.3% and is therefore sitting within the target range. While this is at the upper end of the range, it is important to remember that Argosy has further divestments (totalling $20.3 million) settling in the second half of the financial year which include 65 Upper Queen Street, Auckland, the Porirua Mega Centre and 7 El Prado Drive in Palmerston North.

The debt-to-total assets ratio is expected to be in the order of 38% as at 31 March 2016.

Acquisitions

In September 2015, Argosy acquired the property at 8 Nugent Street, Grafton in Auckland for $42.0 million. This is a quality building in an area where Argosy already owns two properties (25 Nugent Street and 99 Khyber Pass Road).

Divestment of non Core Assets

In August 2015, Argosy announced that it had entered into an unconditional agreement to divest the non Core property at 65 Upper Queen Street in Auckland for $6.5 million, with settlement to take place in December 2015.

Post 30 September 2015, the Porirua Mega Centre, which was sold for $11.5 million, was settled with $11.0 million received in October 2015 and the remaining $500,000 due in October 2016. A further 11,000 square metres of vacant land was settled at the Manawatu Industrial Park for $1.4 million.

As part of the Company's strategy, approximately $124.4 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.

Major Projects

Argosy has a five-year evergreen lease with NZ Post from the development completion date over the entire building at 7-27 Waterloo Quay in Wellington. Notwithstanding this lease, the requirements of NZ Post have changed and subsequently progress on the development has slowed as we work with NZ Post to determine their future requirements.

The construction contract for the redevelopment of the earthquake damaged property at 8 Foundry Drive, Christchurch has been executed and demolition work has commenced on site. This project is still in the very early stages but remains on program and budget, with completion expected to be in late 2016.

Leasing

Argosy has achieved a number of leasing successes during the period, most notably a 15 year lease over the property at 4 Henderson Place, Onehunga in Auckland to Compac Sorting Equipment Limited.

The occupancy rate (by rental income) has remained stable since year end and is now 99.4% at 30 September 2015 (31 March 2015: 99.2% and 30 September 2014: 99.1%). Outstanding lease expiries have reduced and enquiry levels from potential tenants remain at encouraging levels. During the period, 26 lease transactions were completed, including 12 new leases and 14 lease renewals and extensions. The weighted average lease term at 30 September 2015 continues to be very good at 5.39 years. This compares to 5.54 years at 31 March 2015 and 5.77 years at 30 September 2014.

Valuations

Argosy has arranged an independent interim revaluation of the portfolio. This was completed due to evidence of improved market conditions since the last valuation date of 31 March 2015. The revaluation has resulted in an increase in property values of $27.6 million, which is a 2.1% increase on book values immediately prior to the interim revaluation. Independent property valuations will also be completed at year end as usual.

Bank Facility

The bank facility was restructured in August 2015 on improved terms. The expiry of the first tranche of $275 million is now 30 September 2018 and the second tranche, also $275 million, is 30 September 2020. An additional tranche of $50 million expires on 30 September 2016.

Argosy is now receiving further margin and line fee savings (after including upfront fees) of approximately $420,000 per annum.

Argosy continues to maintain strong relationships with its banking partners; ANZ Bank New Zealand Limited, Bank of New Zealand and The Hongkong and Shanghai Banking Corporation Limited, and remains well within its banking covenants.

Outlook

The soft economic environment that we are experiencing at the moment has created some nervousness in financial markets around the world. The situation of low inflation and low interest rates is becoming the norm, which presents its own challenges for those in the property market. We are confident that we have a diverse portfolio of increasing quality that is in a good position to meet any challenges that may come our way.

Argosy as ever will remain focussed on adhering to our strategy. Our goals for the remainder of the 2016 financial year are to continue to manage the portfolio's occupancy and lease expiry profile, while searching for opportunities to improve the quality and balance of our property assets.

– ENDS –

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