19 November 2014

Argosy

MARKET RELEASE

ARGOSY INTERIM RESULT

FOR THE PERIOD ENDING 30 SEPTEMBER 2014

Argosy Property Limited ("Argosy" or the "Company") is pleased to report its interim results to 30 September 2014.

The first six months of the 2015 financial year has been a period in which Argosy has continued the positive momentum from the prior year: increasing net property income, improving key property metrics, completing the major building development at 15 Stout Street, Wellington and divesting non-Core assets.

Highlights:

- **Portfolio revaluation gain of $24.9 million (increase of 2.0%)**
- **Gross distributable income increased to $29.1 million (increase of 22.7%)**
- **Net distributable earnings 2.95 cents per share**
- **Net property income increased to $43.8 million (increase of 8.7%)**
- **Weighted average lease term (WALT) strong at 5.77 years**
- **Occupancy (by rental) increased to 99.1%**
- **Bank facility restructured on favourable terms**
- **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 2014 increased by 22.7% to $29.1 million (2013: $23.7 million). Net distributable income for the same period decreased to $23.4 million (2013: $23.7 million). This decrease is due to tax payments made for the first time since the 2011 financial year.

Net property income was $43.8 million (2013: $40.3 million), an increase of 8.7% on the previous interim period. Profit before tax was $42.8 million, compared with $39.7 million in the previous interim period.

Interest expense was $12.6 million for the period, a decrease of $0.3 million compared with the previous interim period, despite higher average debt during the period. This has resulted from lower fixed interest rates following the restructuring of the Company's interest rate swaps in March and

[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 13 of the financial statements released today provides a full reconciliation between the two measures.

June 2014, the renegotiation of the Company's banking facilities and the capitalisation of $1.3 million (2013: $0.5 million) of interest expense relating to the Stout Street development in Wellington.

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 0.4865 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 2014 and the payment date will be 17 December 2014.

The Board is pleased to confirm that, based on current projections for the portfolio, a dividend of 6 cents per share, is expected to continue for the year to 31 March 2015. It is anticipated that this may marginally exceed net distributable income as Argosy has returned to a tax-paying position. While projections beyond March 2015 are heavily dependent on the market and legislative environment, based on current conditions, it is envisaged that the current 6 cents per share dividend, paid from net distributable income, will be a minimum level for the years following the 2015 financial year.

Total Shareholder Return

Argosy's Total Shareholder Return (TSR), which combines share price appreciation and dividends paid, has outperformed the NZX 50 Gross Index (11.0%) and the NZX Gross Property Index (12.3%) for the 12 months to 30 September 2014. Argosy's TSR for this period was 14.6%.

Governance

At the Annual Meeting held in Auckland in August 2014, both Andrew Evans and Mark Cross were re-elected. Effective from the Annual Meeting, Trevor Scott, one of the Company's original directors, resigned from the Argosy board. We thank Trevor for his years of service to the Company since listing in 2002 and wish him all the best for his future endeavours.

Capital Management

As has been previously communicated, the Company policy is to maintain a debt-to-total assets ratio of 35-40% in the medium term. As at 30 September 2014, the ratio was 37.2% and is therefore sitting comfortably within the target range.

Divestment of non-Core Assets

During the six month period to 30 September 2014, Argosy successfully divested and settled $13.9 million of non-Core assets. Argosy also announced the unconditional sale of the Waitakere Mega

Centre for $45.75 million, which is due to settle in late March 2015 and will be managed by Argosy in consultation with the purchaser until settlement.
As part of the Company's strategy, approximately $70 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.

Developments

During the interim period, the redevelopment of Argosy's building at 15 Stout Street in Wellington was completed and officially opened, with the Ministry of Business, Innovation and Employment (MBIE), moving in from July 2014. The leasing to MBIE was part of the new accommodation strategy for the Crown, managed by the Property Management Centre of Excellence (PMCoE).
The upgrade of the New Zealand Post building, also in Wellington, is continuing with the expectation that this upgrade will be completed by late 2016.
The recently completed redevelopment at 143 Lambton Quay, tenanted to Te Puni Kōkiri, was awarded a merit award at the Property Industry Awards in the Commercial Office Property Section. This building is the first Wellington building to gain a *5 Green Star NZ – Office Built Rating* from the New Zealand Green Building Council and has also been awarded a 4 star NABERSNZ rating, signifying excellence in energy performance.

Leasing

Argosy has achieved some significant leasing success in the first half of the current financial year. Of particular note was the inclusion of two of Argosy's properties on the short list for consideration by PMCoE for future government accommodation options in Wellington.
The occupancy rate (by rental income) has continued to improve and is now 99.1% at 30 September 2014 (31 March 2014: 98.7% and 30 September 2013: 97.3%). Outstanding lease expiries have reduced and enquiry levels from potential tenants remain at very encouraging levels.
During the period, 21 lease transactions were completed, including 8 new leases and 13 lease renewals and extensions. The weighted average lease term at 30 September 2014 continues to be strong at 5.77 years, largely unchanged from 5.68 years at 31 March 2014 and 5.91 years at 30 September 2013.

Valuations

For the first time since September 2009, Argosy has performed an independent interim revaluation of the portfolio. This was completed due to evidence of a material change in market conditions since the last valuation date of 31 March 2014. The revaluation has resulted in an increase in property values of $24.9 million, which is a 2.0% 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 $500 million bank facility was extended for a further year in June 2014 on significantly improved terms. The expiry of the first tranche is now 30 June 2017 and the second tranche is 30 June 2019. Argosy is now receiving further margin and line fee savings (after including upfront fees) of approximately $0.7 million per annum.

Argosy continues to maintain strong relationships with its banking partners and remains well within its banking covenants.

Outlook

As the property market shows signs of continued buoyancy, our focus will remain firmly on adhering to our strategy. Our goals for the remainder of the 2015 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.

Argosy is well positioned, with our diversified portfolio, to continue to provide excellent returns to shareholders.

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