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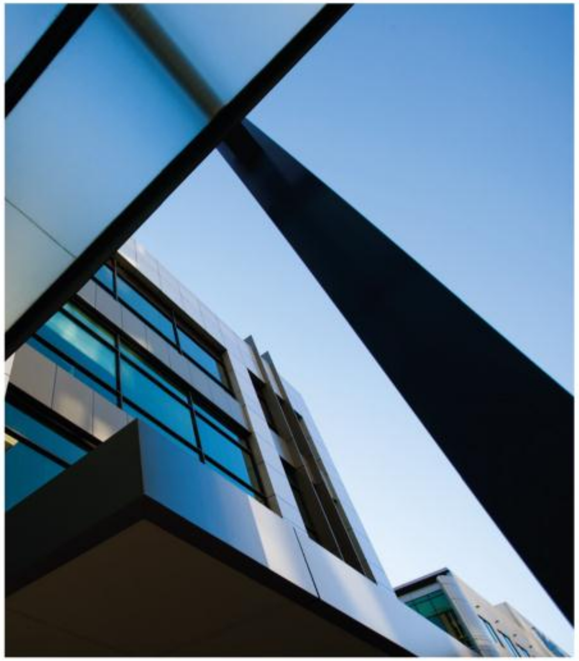
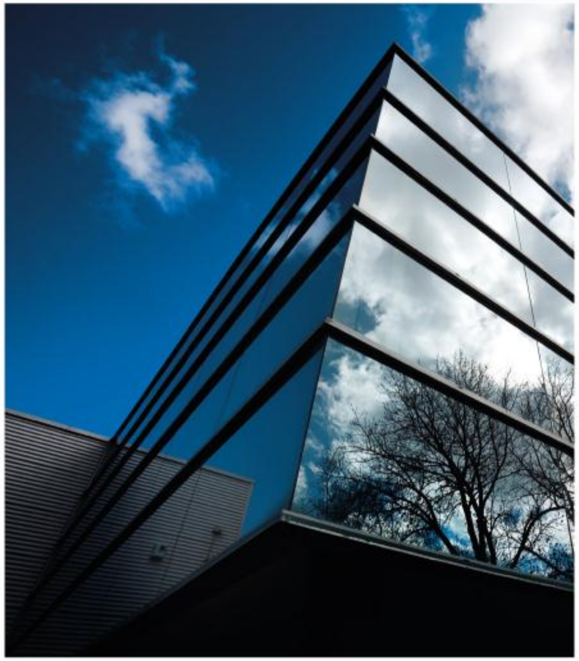
ARGOSY PROPERTY

INVESTOR PRESENTATION FEBRUARY 2013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Significant change since our last Roadshow

- Last time we were a Listed Property Trust with Unit Holders controlling the management company, now we are a Listed internally managed Property Company.
- After a period of contraction, we have recently expanded with the acquisition of two Wellington properties funded by raising capital by issuing new shares at a premium to the value of the asset backing per share.
- Net property income has been maintained during the financial year despite asset sales.
- The bank facility has been restructured on improved terms.
- Guidance for the annual distribution this year is 6.0 cents per unit which is less than operating earnings, with expectations that this level will be maintained next year.

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Our focus areas for FY13

- Maintain Net Property Income.
  - *Net property income maintained at $35.4 million for the half year.*
- Increase Occupancy
  - *Occupancy increased from to 94.1% to 96.3% (95.9% at 31 December 2012)*
- Lower Debt to Total Assets
  - *Debt to total assets lowered to 40.7% (40.0% at 31 December 2012)*
- Improve Weighted Average Lease Term (WALT)
  - *WALT increased to 5.30 years (6.1 years following the Wellington acquisitions)*
- Reduce 2013 Lease Expiries
  - *Lease expiries reduced to 7.0% (1.8% as at 31 December 2012).*

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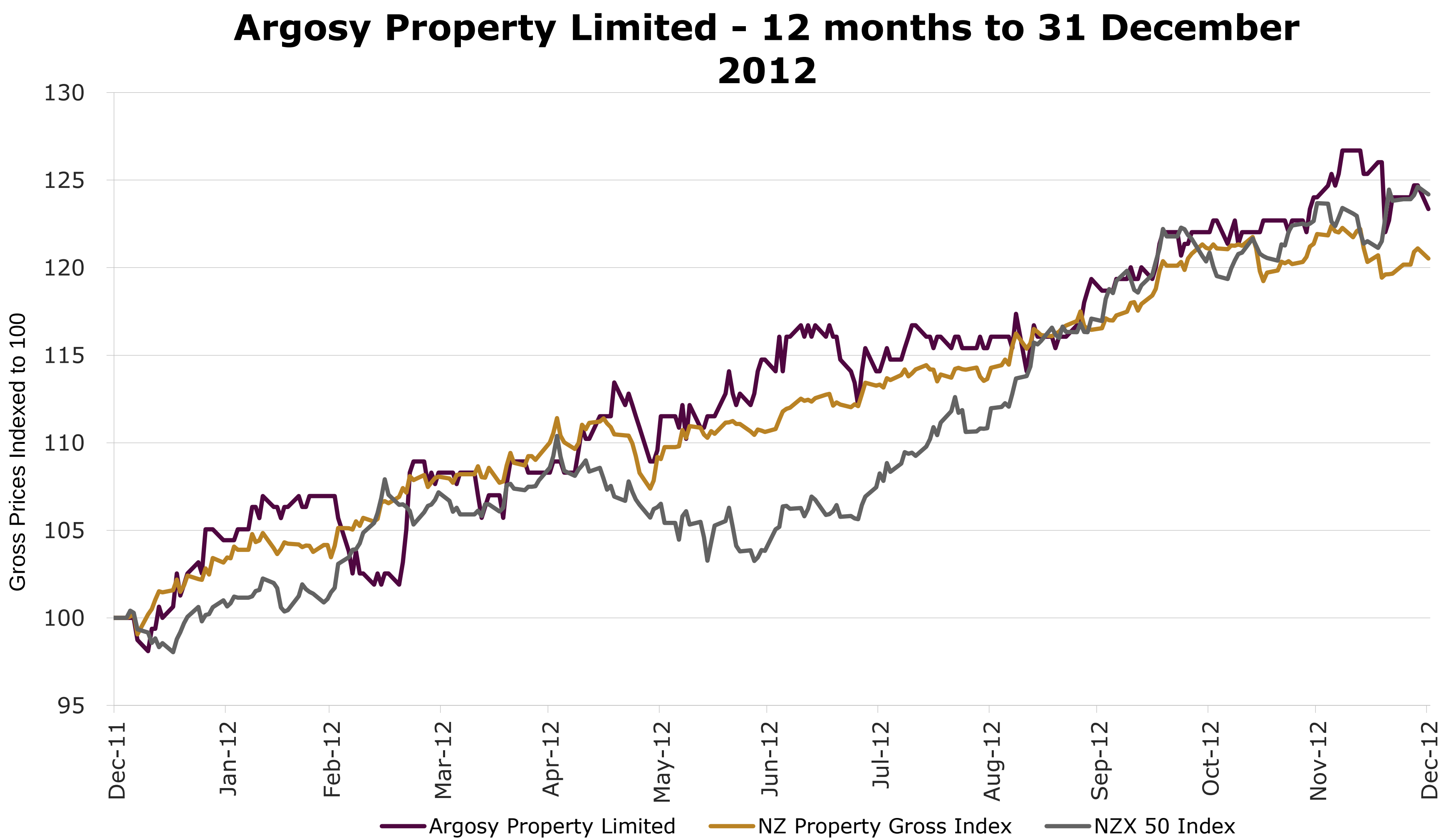
Share price performance



Analyst Reaction to the half-year result

"In its 2013 interim result yesterday, Argosy Property Limited (ARG) announced a number of improved portfolio metrics that suggest it has made strong progress over 2012. With many of the key portfolio measures looking significantly better of late, we have added ARG to our listed property core portfolio" *Chris Byrne - Craigs Investment Partners*

"The 1H13 result was ahead of expectations with solid operating performance boosted by lower interest costs. ARG has made substantial improvements to the near-term lease expiry risk and has ticked up occupancy and the WALT over the last six months." *Jeremy Simpson - Forsyth Barr*

"ARG has made good progress on improving the portfolio with material improvements in occupancy, WALT, and FY13 lease expiries over the last six months." *Jason Lindsay - FNZ*

Acquisition overview

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Executive summary

Acquisitions	**The conditional acquisition of 2 properties, comprising in aggregate, $179.8 million:** **15 Stout Street** • Acquisition of 15 Stout Street for $33.2 million, with $46.6 million further upgrade capital expenditure, to be completed by June 2014 • Adjacent to the Government precinct and core Wellington CBD • Potential to add value to two contiguous Argosy properties – TSB Tower and Te Puni Kokiri • Expected to be unconditional by the end of January. **NZ Post House** • Conditional acquisition of NZ Post House for $60 million, with $40.0 million upgrade capital expenditure, to be completed by December 2014 • Conditional on confirmatory due diligence, entry into the KiwiBank lease and mutual entry into a redevelopment agreement
Capital Raising	**Two separate capital raising initiatives targeting $100 million of equity to fund the acquisitions, alongside debt, and provide capacity for near term future acquisitions:** • $80.0 million placement to institutional and other qualified investors completed in January. • The issue price of $0.88 represented a 6.9% discount to the preceding 5 day VWAP • Share Purchase Plan targeting $20.0 million of equity (capped at $20.0 million), maximum application of $15,000 per eligible Shareholder. The SPP will close on 12 February 2013.
Transaction Highlights	• The acquisitions are earnings accretive post upgrade completion • The portfolio WALT increases from 5.4 years to 6.1 years • The lease expiry profile is significantly improved • Improved quality of earnings

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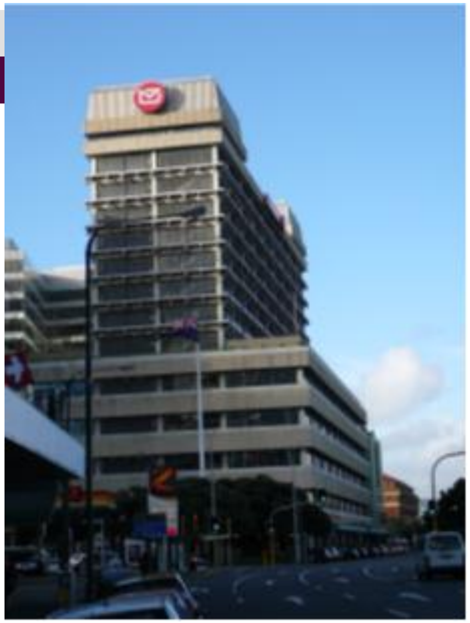
Summary of properties acquired

15 Stout Street	
Location:	15 Stout Street, Wellington
Price:	$33.2m
Upgrade cost:	$46.6m[1]
End cost:	**$79.8m**
Passing yield[2]:	8.11%
WALT:	12.00yrs
Occupancy:	100.00%
Net lettable area:	20,940
Upgrade period	18 months
Major tenant:	Government Dept

NZ Post House	
Location:	Waterloo Quay
Price:	$60.0m
Upgrade cost:	$40.0m
End cost:	**$100.0m**
Passing yield[2]:	8.50%
WALT:	7.33yrs
Occupancy:	100.00%
Net lettable area:	24,977
Upgrade period	24 months
Major tenant:	NZ Post, Kiwibank



Notes: (1) Includes capitalised interest of $2.9 million (2) On end cost

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Rationale for transactions

- The transactions are consistent with Argosy's stated strategy of pursuing acquisitions that are well located, meet the needs of tenants and are accretive to shareholders

Core strategic objectives for Argosy	Offered by Transactions
► Transactions consistent with the Company's acquisition strategy	✓
► Enhance passing yield on portfolio	✓
► Asset allocation – enhance diversification to mitigate portfolio risk (tenants, buildings, sector and geography)	✓
► Opportunity to add value through strategic asset management	✓
► Increase portfolio size to achieve economies of scale and operating efficiencies	✓
► Ability to improve portfolio operating fundamentals	✓
► Enhance quality of cashflow	✓

Consideration and funding

- The capital raise will fund the acquisition of Stout Street and NZ Post, while providing balance sheet flexibility for subsequent upgrade capex and other near term property acquisitions
- Two sources of equity are being used to partly finance the Transactions:
  - A Placement of $80 million at $0.88
  - A SPP of $20 million
    - Each eligible shareholder is able to subscribe for up to $15,000 of new shares in the Company without brokerage or other transaction costs
    - SPP applications will be scaled if aggregate applications are received for greater than $20 million

NZ$ million	Total
Sources	
Cash reserves and debt	81.8
Placement	80.0
SPP	20.0
Total	**181.8**
Uses	
Purchase price	93.2
Upgrade capex	86.6
Transaction costs	2.0
Total	**181.8**

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Pro-forma summary statistics

	30 September 2012[1]	Post Acquisition/ Development[2]
Book value of properties	$905.7m	$1,085.5m
Number of properties	63	65
Average value of properties	$14.4m	$16.7m
Occupancy by rental	96.3%	96.9%
Weighted average lease term	5.30 years	6.07 years

[1] From Argosy's half year report to 30 September 2012
[2] Pro-forma position as at 30 September 2012, assuming the acquisitions had taken place on 30 September 2012. The information has been prepared by the Company and has not been independently verified by any other person.

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Financial overview

 

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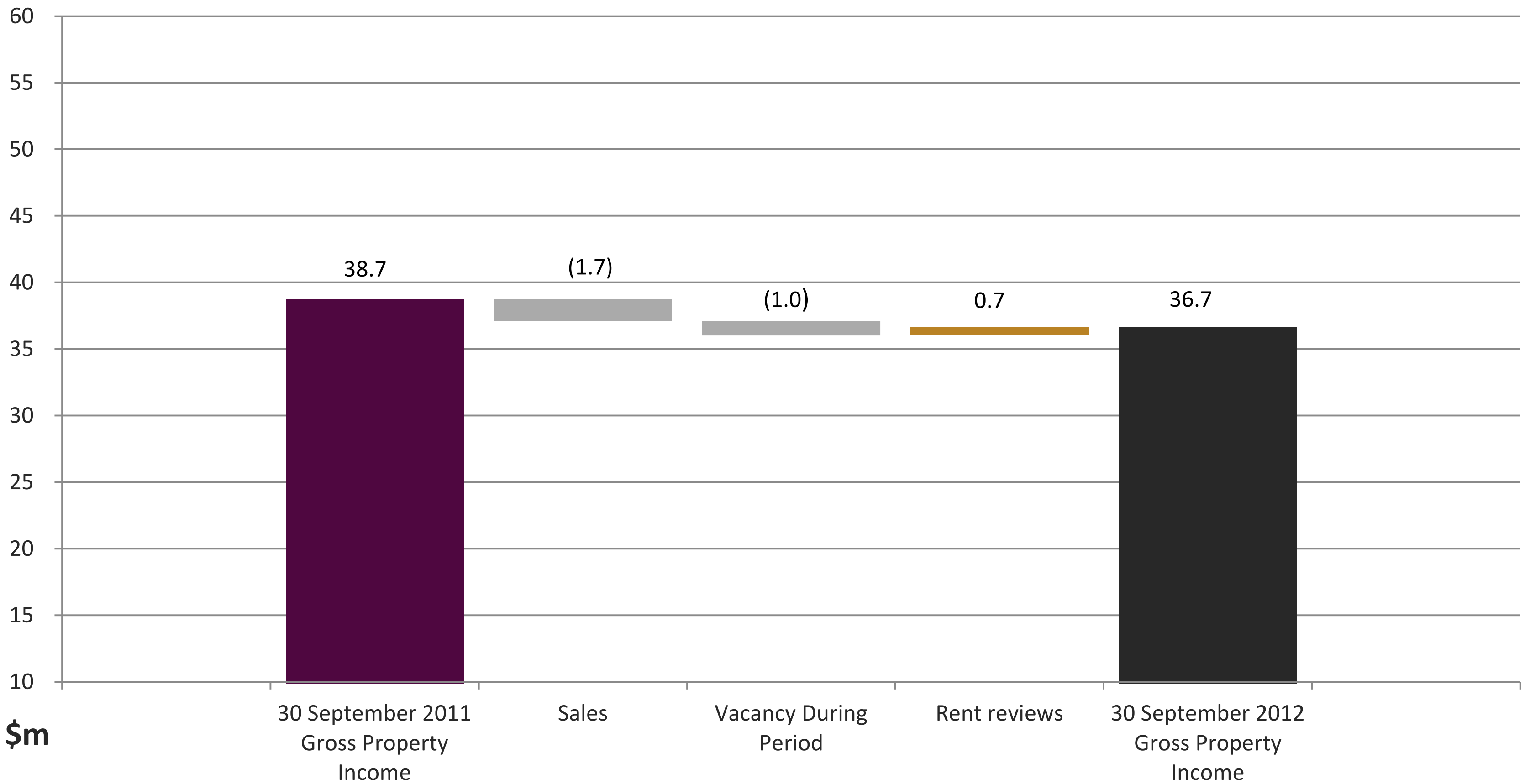
Financial performance

	HY13	HY12
Net property income	$35.4m	$35.6m
Interest expense	$(12.4m)	$(15.9m)
Loss on derivatives	$(13.0m)	$(11.4m)
Administration expenses	$(2.9m)	$(4.1m)
Abnormals	$(0.9m)	$(28.2m)
Realised gains/(losses) on disposal	$(0.8m)	$0.1m
Finance Income	$0.1m	$0.1m
Profit/(loss) before tax	$5.5m	$(23.8m)
Taxation credit/(expense)	$(1.0m)	$3.8m
Profit/(loss) for the period	$4.5m	$(20.0m)
Basic and diluted earnings per share (cents)	0.81	(3.62)

Income reconciliation



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Distributable income

	HY13	HY12
Profit/(loss) before income tax	$5.5m	$(23.8m)
Adjust for:		
Investment disposal losses/(gains)	$0.8m	$(0.1m)
Derivatives fair value adjustment	$13.0m	$11.4m
Internalisation/corporatisation/other	$0.9m	$22.1m
Amortisation of management contract	$0.0m	$6.1m
Gross distributable income	$20.2m	$15.7m
Tax paid	$0.0m	$0.0m
Net distributable income	$20.2m	$15.7m
Number of shares on issue (weighted)	560.2m	550.9m
Gross distributable income per share (cents)	3.60	2.84
Net distributable income per share (cents)	3.60	2.84

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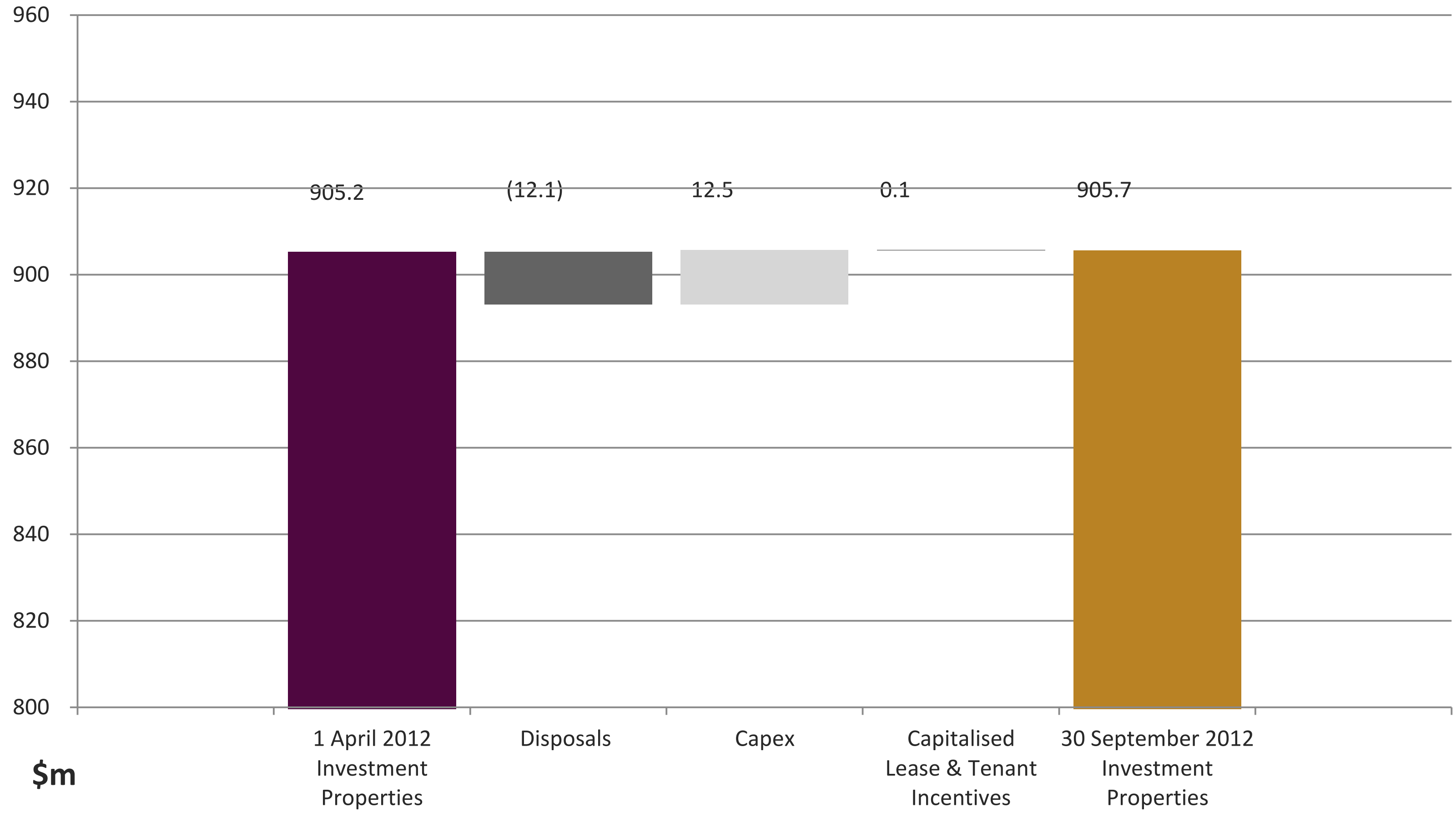
Financial position

	HY13	FY12	HY12
Shares on issue	563.6m	558.5m	554.5m
Shareholders funds (less intangible assets)	$481.8m	$488.4m	$478.7m
Net tangible asset backing per share (cents)	85.5c	87.5c	86.3c

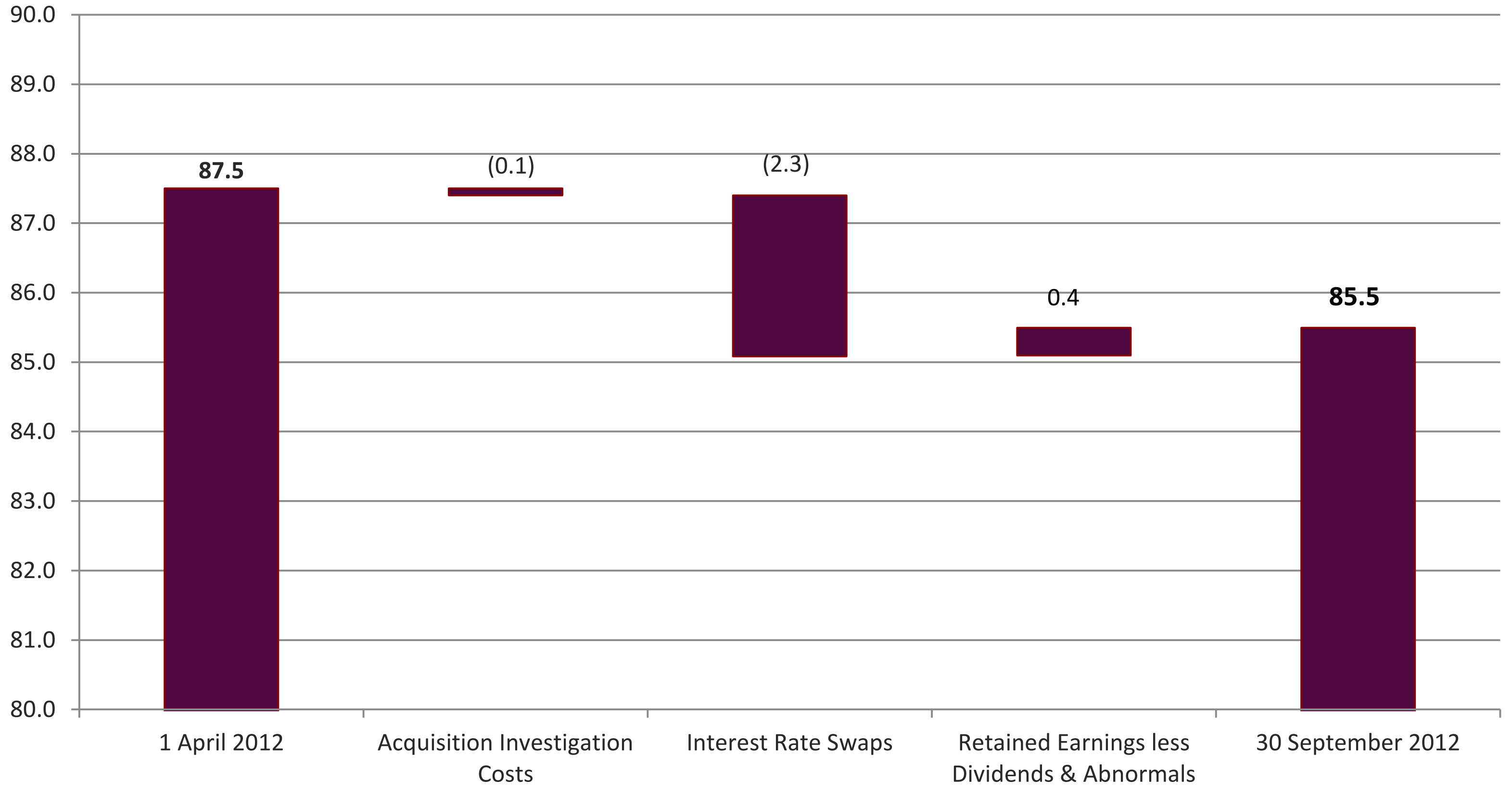
Investment properties	$905.7m	$905.2m	$924.9
Other assets	$15.5m	$24.1m	$23.6m
Total assets	$921.2m	$929.3m	$948.5m
Bank debt (excluding capitalised borrowing costs)	$375.0m	$384.6m	$413.5m
Debt-to-total-assets ratio	40.7%	41.4%	43.6%

The settlement of vacant land and building sales under unconditional contract would reduce the debt-to-total asset ratio to 39.5%.

Investment properties



Movement in NTA per share



Portfolio overview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Leasing environment

- The movement in leased space has been positive in the industrial and commercial sectors in Auckland, where the majority of Argosy's portfolio is located, and vacancy rates have fallen, particularly in office space outside the CBD.
- Occupancy enquiry from potential tenants has been more robust during the last year than previously.
- Net effective rents in the Wellington market have continued to suffer mainly as a result of insurance increases over the past few years.
- The retail sector continues to be subdued and the robust sales growth in 2011 eased back in the first half of this year, although reports suggest that Xmas 2012 surprised on the upside.

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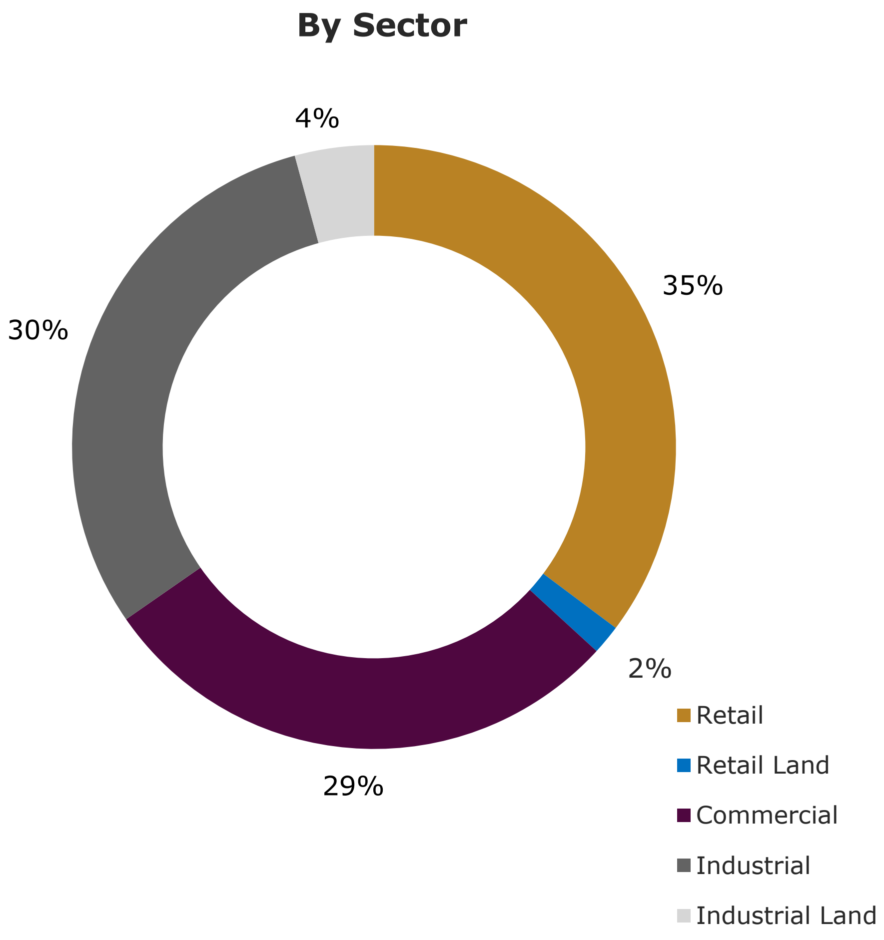
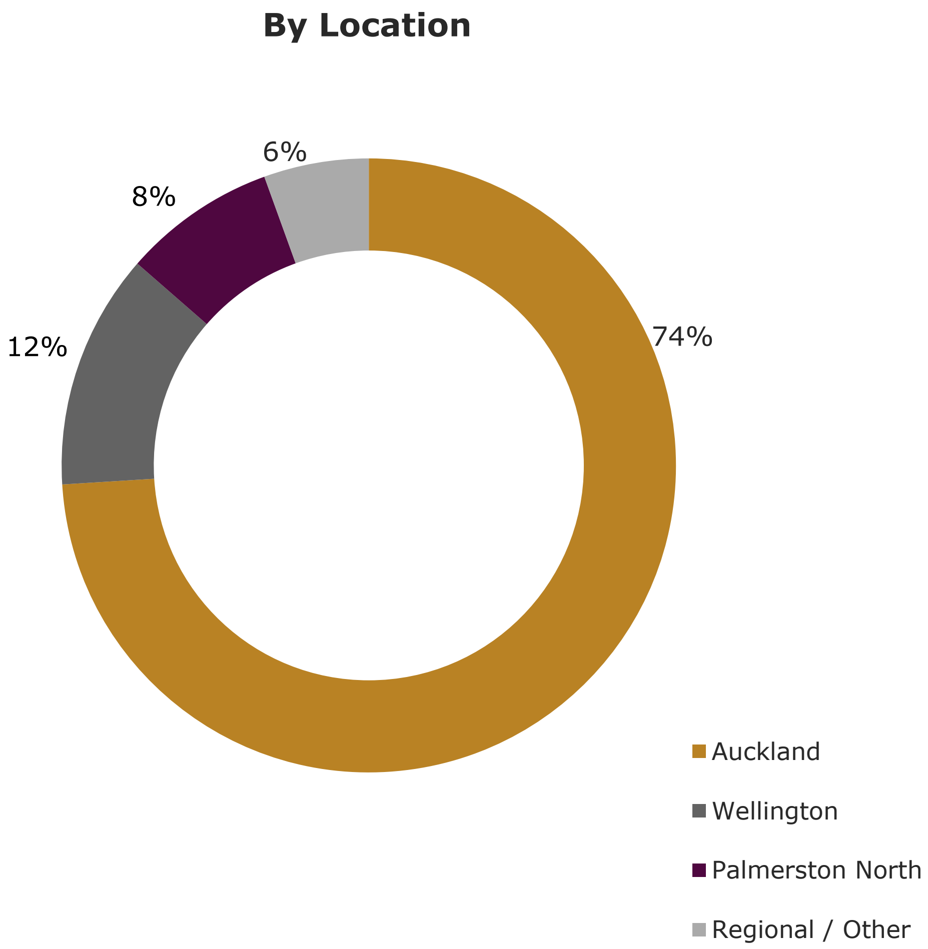
Leasing performance

- Occupancy remains a key focus as values are fundamentally affected by weighted average lease term and projected incentive levels.
- The asset management team is actively managing current leases to meet the requirements of tenants to ensure that retention rates are high.
- Occupancy (by rental) has improved to 96.3% from 94.1% at March 2012. *At 31 December 2012 occupancy by rental was 95.9%*
- Outstanding lease expiries for the period to 31 March 2013 have reduced to 7.0% from 17.9% at 31 March 2012. *As at 31 December 2012 this has reduced further to 1.8%.*
- During the first half of the year, 29 lease transactions were completed, including 16 new leases and 13 lease renewals and extensions. *As at 31 December 2012, 47 lease transactions were completed – 27 new leases and 20 renewals and extensions.*
- The weighted average lease term improved to 5.30 years from 4.77 years at 31 March 2012. *Post acquisition this would improve to 6.1 years.*

Portfolio mix at 30 September





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Portfolio after acquisitions

- A larger and more diverse property portfolio

Portfolio Exposures

By Category

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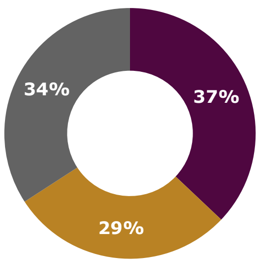
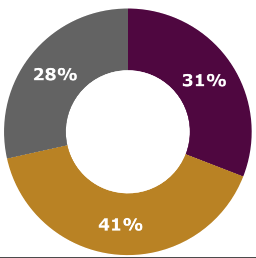


Pro-Forma



Retail | Commercial | Industrial

By Geography

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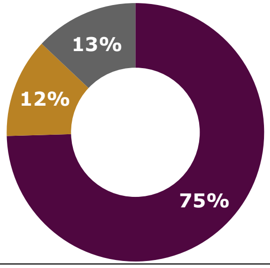

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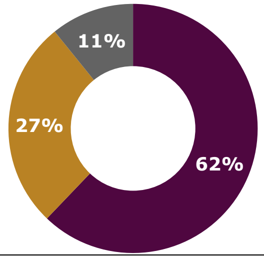
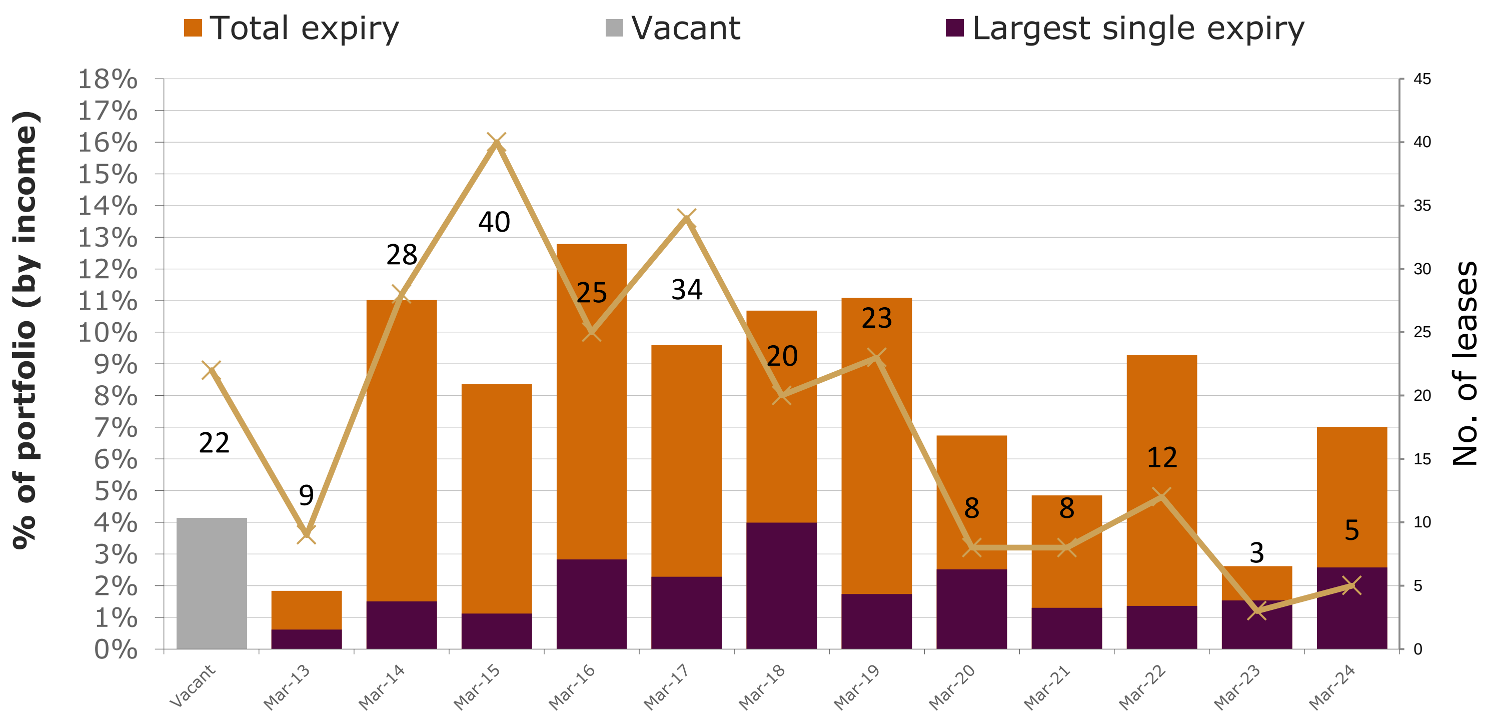


Auckland | Wellington | Regional

Lease maturity

LEASE EXPIRY PROFILE



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Strategy

- Argosy is and will remain invested in a quality portfolio that is diversified by sector, location and tenant mix.
- The bulk of the portfolio will be in the primary Auckland and Wellington markets with only modest exposure to provincial markets. In line with this strategy a reduction in exposure to the Palmerston North area is intended.
- The core operational strategy remains:
  - capital management;
  - risk mitigation; and
  - portfolio positioning for the future.

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Capital management

- The Board's policy is for debt to total assets to be below 40% in the medium-term.
- Valuations have been stable over the last 2 years and market activity suggests there is a reduced risk of declines in the future.
- Following internal assessment no interim revaluation but full valuation as normal at year end
- Divestment of vacant land and under-yielding assets will continue to be a key strategy for the company
- Good progress has been made with sales of vacant land at Manawatu Business Park and at Albany.

Bank covenants

Loan to valuation ratio – based on:	HY13	FY12
Fair market value of properties	$895.4m*	$905.2m
Total borrowings	$375.0m	$384.6m
Not to exceed 50%	41.9%	42.5%
Interest cover ratio – based on EBIT/Interest and Financing Costs:		
Must exceed 2:00x	2.24x	2.07x

*Based on 31 March 2012 valuation, less properties sold ($11.4m), plus actual costs on property not ready for occupation (up to the original budget limit).

Risk mitigation

- The largest tenant in the portfolio remains the Department of Internal Affairs (less than 4% of gross property rental).
- We will continue to carefully monitor regional asset performance.
- Initial evaluation assessments by structural engineers have been undertaken on 18 properties (including Wellington and other assets that were considered to present a seismic risk) with no significant issues identified

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Portfolio positioning for the future

- Major refurbishment projects are nearing completion at Te Puni Kokiri (143 Lambton Quay) and TSB Tower (46 Waring Taylor Street). Works are expected to be completed by 31 March 2013 and are on budget.
- Two properties were sold during the interim period (221 Bush Rd, Albany which was sold vacant and 221 Wakefield St, Wellington which was cash flow negative), realising a loss on their combined book values. A small parcel of land at 211 Albany Highway was also sold during the interim period.
- Since September, the Company has announced the unconditional sale of part of the vacant land on Oteha Valley Rd in Albany and four vacant sites in the Manawatu Business Park subdivision in Palmerston North. The Company has also announced the sale of two smaller buildings located in the Manawatu Business Park. The unconditional sales total $20.4m ($16.7m for land and $3.7m for the two buildings).
- During the interim period an insurance claim for the property at Foundry Drive in Christchurch was settled for the sum of $10 million with the proceeds used to repay bank debt. The property is being marketed for sale.

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Concluding comments

- Argosy has made real progress in the first-half of FY13.
  - Occupancy has improved;
  - The leasing expiry profile has improved;
  - Debt-to-total assets is down; and most importantly
  - Distributable income is up.

- Key continuing operational areas of focus for the asset management team are:
  - focusing on tenant's requirements and improving retention rates;
  - increasing occupancy levels further;
  - developing growth potential with existing assets; and
  - preserving diversification.

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All values are expressed in New Zealand currency unless otherwise stated.

February 2013

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Thank you – questions?