
# ACQUISITIONS AND EQUITY RAISING

**10 DECEMBER 2020**

www.apngroup.com.au
ASX Code: ADI

APN | Industria REIT

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# Contents

# 01 EXECUTIVE SUMMARY

# Transaction overview

## INDUSTRIAL FOCUSED ACQUISITIONS

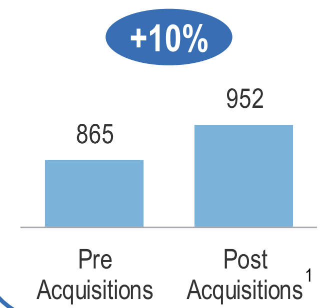
FOUR MODERN INDUSTRIAL WAREHOUSES

$92.1 MILLION | 7.2% PASSING YIELD

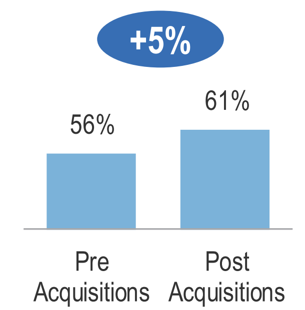
3.1 YEAR WALE | UPSIDE POTENTIAL

## ENHANCED PORTFOLIO

TOTAL PORTFOLIO VALUE




INDUSTRIAL EXPOSURE




## ACCRETIVE TRANSACTION

FFO PER SECURITY ACCRETION[2]

5 – 6%

annualised basis

FY21 FFO GUIDANCE INCREASED

19.7 – 19.9

cents per security

6.9%

FFO yield[3]

## STRONG PORTFOLIO PERFORMANCE

FY21 YTD CASH COLLECTIONS

>99%

DEC-20 PORTFOLIO INDEPENDENT REVALUATION UPLIFT[4]

$19.6

million

1. Pro forma including the Acquisitions at net purchase price post expected settlement adjustments relating to outstanding incentives
2. Impact of the Acquisitions and Placement
3. Based on the issue price of $2.86 per New Security and midpoint of FY21 FFO guidance of 19.7 – 19.9 cents per security
4. Preliminary valuations subject to change upon finalisation of Industria's financial statements for the half year ending 31 December 2020

# Track record of delivering securityholder value

## Total securityholder return[1]: 53% / 13% p.a. | Demonstrated ability to acquire high quality assets at attractive yields

*Acquisitions and equity raising*

13 Ricky Way and 10 Jersey Drive ($15.7m, 7.5% initial yield)

Knoxfield and Kilsyth portfolio ($38.3m, 6.3% initial yield)

350-356 Cooper St, Epping ($28.8m, 5.1% initial yield)

Butler Blvd, Adelaide Airport ($29.6m, 9.8% initial yield)


**$30m placement and $20m SPP at $2.73**

**$27m placement and $19m SPP at $2.88**

**$35m placement at $2.86 and $5m SPP[2]**

**Jun 17 | Dec 17 | Mar 18 | Jun 18 | Sep 18 | Dec 18 | Mar 19 | Jun 19 | Sep 19 | Dec 19 | Mar 20 | Jun 20 | Sep 20 | Dec 20**

1 Westpark Drive, Derrimut ($10.6m, 6.6% initial yield)

60 Grindle Road, Wacol ($18.3m, 8% initial yield)

10 Brandl St, BTP ($10.0m, 9.0% initial yield)

78 Henderson Rd, Rowville ($16.0m, 5.1% initial yield)

16-28 Quarry Rd, Stapylton ($62.5m, 5.9% initial yield)

1. For the period from 30 June 2017 to 9 December 2020, excludes June 2017 quarter distribution. Based on security price performance plus distributions paid, not accounting for any reinvestment
2. The SPP offer price will be the issue price of the Placement less the amount of Industria's distribution for the quarter ending 31 December 2020, expected to be 4.3 cents per security, and free of any brokerage or transaction costs

# Executive summary

## Acquisitions

- APN Industria REIT ("Industria") has entered into agreements to acquire 3 properties at Adelaide Airport for $29.6 million[1] and a property in Stapylton, Queensland for $62.5 million[1]. The properties have a passing yield of 7.2% and a blended weighted average lease expiry ("WALE") of 3.1 years (the "Acquisitions")
- The Acquisitions:
  – add high quality, modern industrial warehouses to Industria's portfolio increasing industrial property exposure to 61%
  – are consistent with Industria's stated strategy of owning well located properties close to major transport infrastructure
  – provide opportunities to add value through asset management initiatives that leverage the flexibility of the warehouses to de-risk the lease expiry profile
- Industria expects to settle on the Stapylton acquisition in late December 2020 and on the Adelaide Airport portfolio in mid-January 2021

## Equity raising

- The Acquisitions will be partially funded with a fully underwritten institutional placement to raise $35 million ("Placement") at an issue price of $2.86 per New Security. The issue price represents:
  – 3.1% discount to the last closing price of $2.95; and
  – 3.8% discount to the 5-day VWAP of $2.97 (both as at 9 December 2020)
- Industria will also undertake a non-underwritten security purchase plan ("SPP") to eligible securityholders in Australia and New Zealand to raise up to $5 million[2]
  – The SPP offer price will be the issue price of the Placement less the amount of Industria's distribution for the quarter ending 31 December 2020, expected to be 4.3 cents per security, and free of any brokerage or transaction costs

1. Excluding transaction costs. Purchase price reflects an amount inclusive of outstanding tenant incentives. Net purchase price expected to be approximately $28.8 million for the Adelaide Airport properties and $58.8 million for the Stapylton property (net of estimated $4.5 million of settlement adjustments)
2. Industria may (in its absolute discretion) in a situation where total demand exceeds $5 million, decide to increase the amount to be raised under the SPP to reduce or eliminate the need for scale back

# Executive summary

| | |
|---|---|
| **Financial impact** | ▪ The Acquisitions and Placement are approximately 5 – 6% accretive to Funds From Operations ("FFO") per security on a full year annualised basis<br>▪ Including the impact of the Acquisitions and Placement, Industria upgrades its previous guidance, subject to current market conditions and no unforeseen events:<br>– FY21 FFO of 19.7 – 19.9 cents per security (reflecting approximately 2 – 3% growth on FY20)<br>▪ FY21 Distributions Per Security ("DPS") guidance has been reiterated as 17.3 cents<br>▪ Industria's pro forma gearing is expected to be approximately 32.9% following the Acquisitions and Placement[1], towards the lower end of the 30 – 40% target gearing range and providing capacity for further acquisitions |
| **Trading update** | ▪ Asset management capabilities continue to deliver positive leasing outcomes, with 24,900 sqm leased FY21 to date<br>▪ Demonstrated resilience through the COVID-19 pandemic with >99% cash collections on contracted rent FY21 to date<br>▪ 19 assets representing 55% of the portfolio have been independently valued as at 31 December 2020, with active asset management initiatives resulting in $19.6 million of net valuation uplifts – or a 4.3% increase on prior book values[2]:<br>– Industrial valuations up 8.0%<br>– Business park valuations up 1.4%<br>– 100% of the portfolio has been independently revalued in 2020 |

1. Excluding any proceeds potentially to be received under the SPP. Proceeds from the SPP will reduce the pro forma gearing (e.g. $5 million will result in pro forma gearing of 32.4%)
2. Preliminary valuations subject to change upon finalisation of Industria's financial statements for the half year ending 31 December 2020

# Key post transaction metrics

| | | | |
|---|---|---|---|
| **6.9%** FY21 FFO YIELD[1] | **6.0%** FY21 DPS YIELD[1] | **$618m** MARKET CAP[2] | **32.9%** PRO FORMA GEARING[3] |
| **37** ASSETS | **5.2** YEAR WALE[4] | **96%** OCCUPANCY | **$952m** TOTAL ASSETS[5] |

**HIGH QUALITY OFFICE AND INDUSTRIAL ASSETS DELIVERING A STRONG INCOME PROFILE COMBINED WITH A CONSERVATIVE BALANCE SHEET PROVIDING CAPITAL TO GROW**

1. Based on the issue price of $2.86 per New Security and midpoint of FY21 FFO guidance of 19.7 – 19.9 cents per security and FY21 DPS guidance of 17.3 cents
2. Based on Industria's market capitalisation on 9 December 2020, plus the $35 million Placement
3. Excluding any proceeds potentially to be received under the SPP
4. Weighted Average Lease Expiry ("WALE") as at 31 October 2020, including 78 Henderson Street, Rowville and the Acquisitions
5. Pro forma including the Acquisitions at net purchase price post expected settlement adjustments relating to outstanding incentives

# 02 ACQUISITIONS

# Butler Boulevard, Adelaide Airport, South Australia

- Three modern warehouses developed between 2007 and 2009, located in the prime industrial and commercial hub at Adelaide Airport
- Leased to tenants with underlying businesses tied to essential services including logistics and advanced manufacturing equipment
- Located adjacent to an existing Industria asset
- WALE of 3.0 years, providing opportunities to add value:
  - Industria has a track record in the precinct, re-leasing ~60% of its adjacent asset in the past 18 months
  - There is no competing vacancy in the precinct - maximising prospects for rental growth
  - Energy efficiency initiatives such as solar PV to be pursued
- Properties acquired on a sub-leasehold interest with a remaining term of 27 years, with an option for an additional 49 years

| | Butler Boulevard, Adelaide Airport | | | |
|---|---|---|---|---|
| **Key metrics** | **5** | **18 – 20** | **20 – 22** | **Total** |
| Purchase price[1] | $9.2m | $7.9m | $12.5m | $29.6m |
| Passing yield | 9.46% | 10.55% | 9.68% | 9.84% |
| Capitalisation rate | 8.55% | 8.55% | 8.55% | 8.55% |
| Net lettable area (sqm) | 8,227 | 6,991 | 11,197 | 26,415 |
| Occupancy | 100% | 100% | 100% | 100% |
| Tenants | Aus Post, Direct Couriers, JFC, Adelaide Packaging Supplies | Thermo Gamma-Metrics | Agility Logistics, TNT | |
| WALE (years)[2] | 3.2 | 3.5 | 2.5 | 3.0 |
| Annual rent reviews | 2.75-3.5% | CPI | 3.0-3.5% | 2.8%[3] |


1. Gross purchase price subject to acquisition settlement adjustments relating to outstanding incentives
2. As at 31 October 2020
3. Assuming CPI of 1.6%

# Adelaide Airport market

- Established precinct that includes retail, commercial and industrial occupiers:
  - Major logistics operators include Toll, TNT, FedEx, StarTrack and Australia Post
  - Higher value uses are also present – including Bunnings, IKEA, ALDI, Clinical Labs and AFL MAX
- Area is expected to become a major freight, transport and logistics hub, with freight volumes forecast to double from 58,500 tonnes in 2018 to 146,000 tonnes in 2039[1]
- 7 kilometres from Adelaide CBD, adjacent to major arterial roads in all directions


1. Source: Adelaide Airport Master Plan 2019

# 16-28 Quarry Road, Stapylton, Queensland

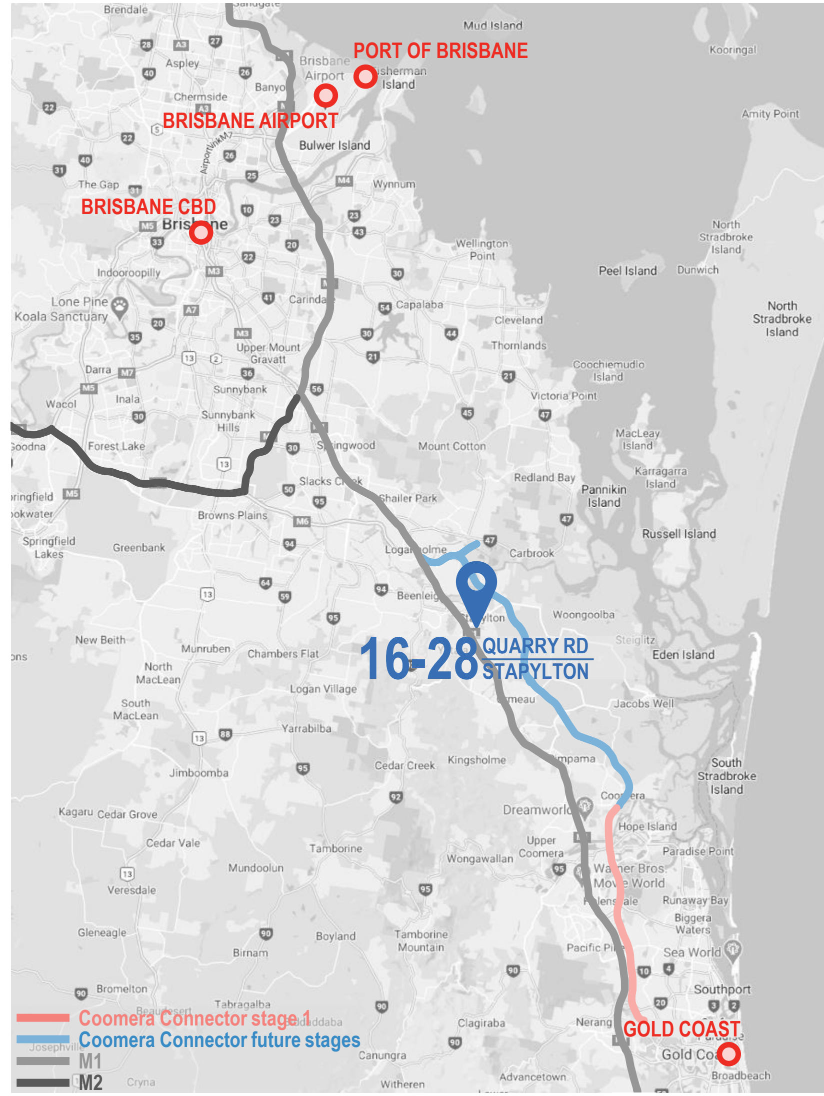
- 40,970 square metres across two warehouses – 16 Quarry Road (20,391 square metres) and 28 Quarry Road (20,579 square metres)
- 55% leased to Woolworths (Endeavour Drinks), 30% to AMES Australasia (key supplier to Bunnings and owner of brands including Cyclone and Hills) and 15% to Gilders Transport
- High quality 2007 build – high-bay clear span space with clearance of 11.2 – 13.0 metres and super-awnings the length of the warehouses, together with full height precast concrete walls and full drive around and B-double access
- Recent leasing and capex initiatives have improved the quality of the asset and future prospects
- Outstanding access – 3 minutes off the M1 motorway, 37 minutes from the Port of Brisbane, 29 minutes to the Gold Coast CBD
- 3.3 year WALE provides opportunities to add value:
  - De-risking Woolworths expiry in March 2023
  - Energy efficiency initiatives, as demonstrated across other industrial assets in the portfolio

| Key metrics | 16-28 Quarry Road, Stapylton |
|---|---|
| Purchase price[1] | $62.5m |
| Passing yield | 5.94% |
| Capitalisation rate | 5.75% |
| Net lettable area (sqm) | 40,970 |
| Occupancy | 100% |
| Tenants | Woolworths, AMES Australasia, Gilders Transport |
| WALE (years)[2] | 3.3 |
| Annual rent reviews | 3.0% |

1. Gross purchase price subject to acquisition settlement adjustments relating to outstanding incentives
2. As at 31 October 2020

# Yatala Enterprise Area

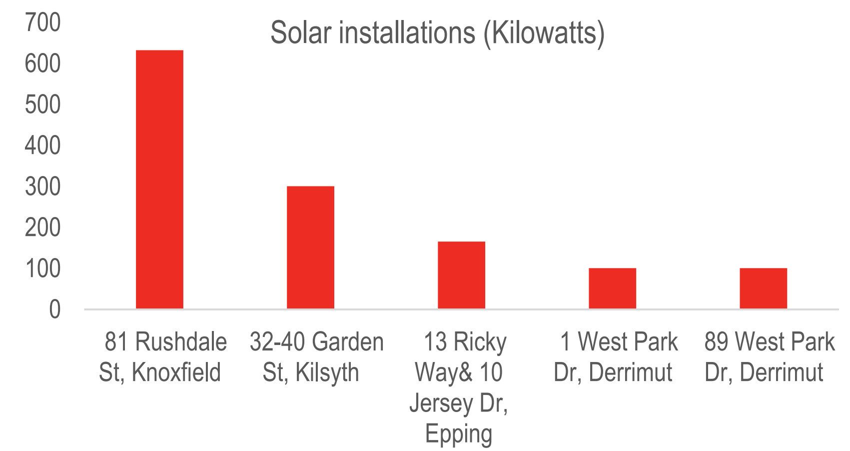
- Stapylton is a blue-chip industrial suburb located in the Yatala Enterprise Area, ~40 kilometres south of the Brisbane and ~40 kilometres north of the Gold Coast
- The area is a value-add manufacturing region with businesses in food and beverage, construction materials, machinery and equipment, plastic and chemicals as well as warehousing, transport and distribution
- Quarry Road is 3 minutes from the M1 – one of Queensland's busiest roads – which provides access to the Port of Brisbane and Brisbane Airport, as well as other major arterial roads. Access is expected to improve further around 2025 with the duplication of the M1 (Coomera Connector)



# Leveraging APN's skill-set to deliver business plans

- Business plans for the Acquisitions are to enhance the income profile through proactive leasing and ESG initiatives, consistent with APN's activity and the outcomes across the Industria portfolio
- Demonstrated leasing capability – creating WALE and adding value, with recent transactions including:
  - Ricky Way – extended WALE to 8.3 years across 11,200 sqm; added $2.0 million of value (+12% valuation increase)
  - 81 Rushdale – extended WALE to 5.0 years across 6,100 sqm extension; added $1.2 million of value (+13% valuation increase)
  - 32 Garden St – extended WALE to 10.0 years across 10,641 sqm; added $3.7 million of value (+19% valuation increase)
- Addressing sustainability and ESG risks, whilst also improving outcomes for tenants:
  - Improving asset performance with solar
  - Reducing ongoing costs for tenants
  - Contractors already engaged to progress these initiatives in early 2021 at new properties

## Reducing carbon emissions and energy costs





632Kw solar system - 81 Rushdale St, Knoxfield, Victoria

# Asset management delivery


632Kw solar system - 81 Rushdale St, Knoxfield, Victoria


New Childcare Facility– Brisbane Technology Park

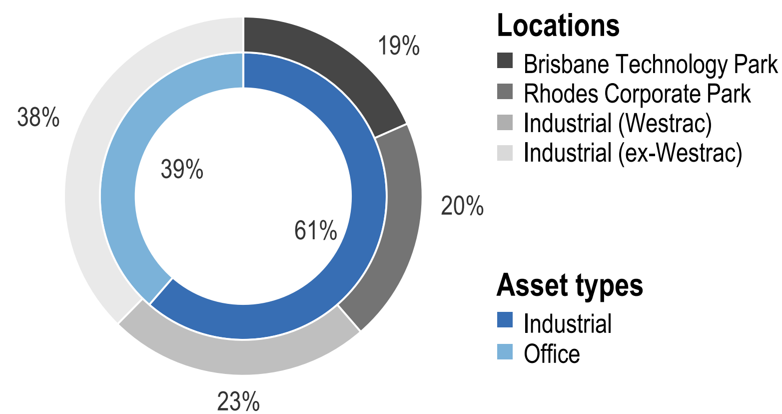
WesTrac expansion


Radio Frequency Systems warehouse, 32 - 40 Garden St, Kilsyth

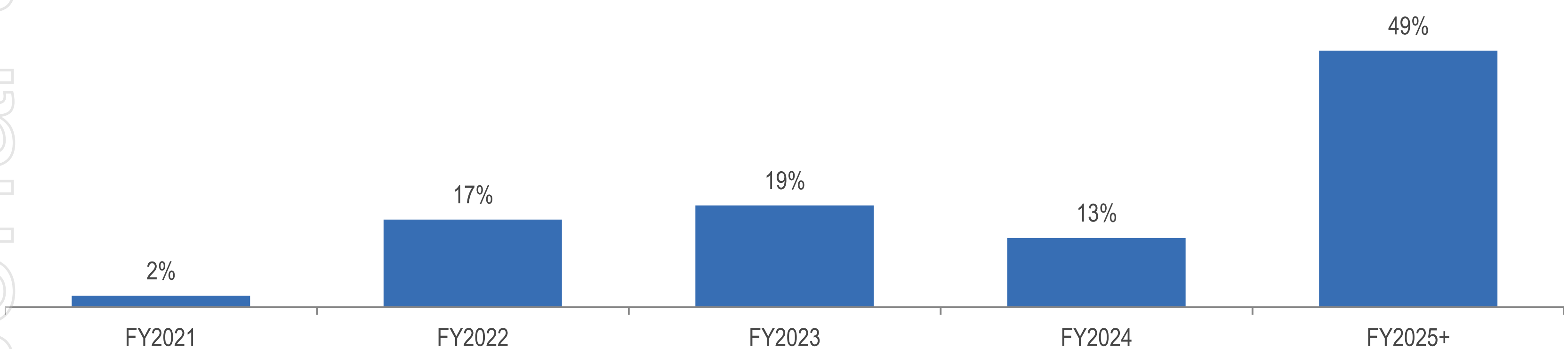
# Impact on portfolio metrics

| | 30 Jun 20 | 31 Oct 20[1] pre Acquisitions | Pro forma post Acquisitions |
|---|---|---|---|
| Number of assets | 32 | 33 | 37 |
| Portfolio value ($m) | 826 | 865 | 952 |
| Weighted Ave Cap Rate | 6.38% | 6.11% | 6.16% |
| Occupancy | 94% | 95% | 96% |
| WALE (years)[2] | 5.7 | 5.5 | 5.2 |
| Net lettable area (sqm) | 271,023 | 281,875 | 349,260 |

## Portfolio diversification (by value, post Acquisitions)




## Lease expiry profile (by income, post Acquisitions)




1. Includes business as usual ("BAU") to 31 October 2020, preliminary valuations as at 31 December 2020 and impact from acquisition of 78 Henderson Rd, Rowville, Victoria
2. As at 31 October 2020

# 03 TRADING UPDATE

# Trading update

- Leasing activity remains high, with 24,900 square metres completed in FY21 to date including:
  - New 7 year lease at South Park Drive agreed across 10,200 square metres – removing the only industrial vacancy in the portfolio
  - 2,200 square metres at Rhodes and BTP – with sub-400 square metre tenants the most active

- >99% cash collections on contracted rent in FY21 to date
- Performance continued to be in line with expectations, underpinned by 95% of revenue being derived from ASX listed, national, multinational (listed and privately owned), and government tenants

- 100% of assets were independently revalued in calendar year 2020, with 31 December 2020 preliminary valuations[1] resulting in a $19.6 million increase on prior corresponding book values:
  - Industrial increased 8.0%; business park increased 1.4%; average increase of 4.3% over 19 assets valued (55% of the existing portfolio)
  - Leasing activity and successful asset management initiatives contributed to valuation uplifts

- Progress on value enhancing capex including:
  - BTP – $2.5 million childcare facility completed at an 8.0% yield on cost
  - Westrac – expansion in progress with $5.5 million investment; 6.75% anticipated yield on cost

- Sustained focus on sustainability and ESG:
  - Inaugural sustainability report released
  - In FY21, Industria is anticipated to be the first A-REIT to be carbon neutral across its portfolio and operations, in accordance with the Climate Active Standard
  - Anticipate further reduction in carbon emissions and energy costs through installation of solar across newly acquired properties, with contractors engaged to progress in early 2021

1. Preliminary valuations subject to change upon finalisation of Industria's financial statements for the half year ending 31 December 2020

# November 2020 acquisition – 78 Henderson Road, Rowville, Victoria

- 10,230 sqm warehouse built in 2008 and leased to CMW Homewares for a remaining lease term of 3.2 years
- Acquired on a 5.1% passing yield and 5.75% cap rate – providing opportunities to add value in the coming years
- Capital value of $1,564 per sqm, below replacement cost
- Built form is high quality; benefits from full B-double drive around access
- Rowville is 35 kilometres from the Port of Melbourne and the property is in close proximity to East Link and the M1 Motorway, attractive for occupiers that value speed to market when distributing goods
- Settled 1 December 2020

| Key metrics | 78 Henderson Road, Rowville |
|---|---|
| Purchase price | $16.0m |
| Passing yield | 5.1% |
| Capitalisation rate | 5.75% |
| Net lettable area (sqm) | 10,230 |
| Occupancy | 100% |
| Tenants | CMW Homewares |
| WALE (years) | 3.0 |
| Annual rent reviews | Greater of 2% or CPI |

# 04 EQUITY RAISING

# Sources and uses of proceeds

| Sources of proceeds | $m |
|---|---|
| Placement proceeds | 35.0 |
| Debt facilities | 57.7 |
| **Total sources** | **92.7** |

| Uses of proceeds | $m |
|---|---|
| Acquisitions | 87.6[1] |
| Transaction costs (Acquisitions and Placement) | 5.1 |
| **Total uses** | **92.7** |

- The Acquisitions will be partially funded by a $35 million fully underwritten Placement
- The remaining cost of the Acquisitions and associated transaction costs will be funded by drawing on existing and new bank debt facilities
  - Credit approved offers received for $60 million increase of Industria's debt facilities; documentation expected to be completed ahead of settlement of the Acquisitions
- Industria will also undertake a non-underwritten SPP which will raise up to $5 million[2]
- Pro forma gearing is expected to be approximately 32.9% following completion of the Acquisitions and Placement, towards the lower end of the 30 – 40% target gearing range
  - Proceeds from the SPP will reduce the pro forma gearing (e.g. $5 million will result in pro forma gearing of 32.4%)

1. Refers to purchase price net of expected settlement adjustments of $4.5 million relating to outstanding incentives
2. Industria may (in its absolute discretion) in a situation where a total demand exceeds $5 million, decide to increase the amount raised under the SPP to reduce or eliminate the need for scale back

# Equity raising overview

| | |
|---|---|
| **Structure** | ▪ Fully underwritten Placement to raise $35 million<br>▪ Non-underwritten SPP to eligible securityholders in Australia and New Zealand to raise up to $5 million[1]<br>– Eligible securityholders will be invited to apply for up to a maximum of $30,000 of New Securities under the SPP |
| **Pricing** | ▪ New Securities issued under the Placement will be issued at a fixed issue price of $2.86 per New Security, representing a:<br>– 3.1% discount to the last close price of $2.95 on 9 December 2020<br>– 3.8% discount to the 5-day VWAP of $2.97 on 9 December 2020<br>▪ New Securities issued under the SPP will be issued at a fixed price equal to the issue price of the Placement less the amount of Industria's distribution for the quarter ending 31 December 2020, expected to be 4.3 cents per security, and free of any brokerage or transaction costs |
| **Ranking** | ▪ New Securities issued under the Placement will rank equally with existing Industria securities from the date of issue and will be fully entitled to the distribution for the quarter ending 31 December 2020, expected to be 4.3 cents per security<br>▪ New Securities issued under the SPP will rank equally with existing Industria securities from the date of issue but will not be entitled to the distribution for the quarter ending 31 December 2020 |
| **Underwriting** | ▪ The Placement is fully underwritten by Macquarie Capital (Australia) Limited<br>▪ The SPP will not be underwritten |

1. Industria may (in its absolute discretion) in a situation where a total demand exceeds $5 million, decide to increase the amount raised under the SPP to reduce or eliminate the need for scale back

# Indicative timetable

| Event | Date |
|---|---|
| Record date for SPP | Wednesday, 9 December 2020 |
| Announcement of the Acquisitions and Placement | Thursday, 10 December 2020 |
| Placement bookbuild | Thursday, 10 December 2020 |
| Settlement of New Securities issued under the Placement | Tuesday, 15 December 2020 |
| Allotment and normal trading of New Securities issued under the Placement | Wednesday, 16 December 2020 |
| SPP offer opens and booklet is dispatched | Friday, 18 December 2020 |
| SPP offer closes | Friday, 22 January 2021 |
| SPP allotment date | Friday, 29 January 2021 |
| Dispatch of holding statements and normal trading of New Securities issued under the SPP | Monday, 1 February 2021 |

All dates are indicative only and subject to change

# The APN Industria REIT opportunity

**Exposure to a $952 million portfolio[1] of strongly performing industrial and office assets**

**Secure and growing income profile underpinned by a 5.2 year WALE[1] and 96% occupancy[1]**

**Attractive FY21 FFO yield of 6.9%[2] and FY21 distribution yield of 6.0%[2]**

**Increased market capitalisation expected to enhance trading liquidity**

1. Pro forma including the Acquisitions at net purchase price post expected settlement adjustments relating to outstanding incentives
2. Based on the issue price of $2.86 per New Security and midpoint of FY21 FFO guidance of 19.7 – 19.9 cents per security and FY21 DPS guidance of 17.3 cents

# APPENDIX

# Appendix A

## Pro forma balance sheet

# Pro forma balance sheet

| | 30 Jun 20 (Audited) | Rowville acquisition, revaluations and BAU[1] | Pro forma pre Acquisitions and Placement | Acquisitions and Placement[2] | Pro forma post Acquisitions and Placement[2] |
|---|---|---|---|---|---|
| Cash | 4.9 | (1.0) | 3.9 | | 3.9 |
| Investment properties | 826.5 | 38.2 | 864.7 | 87.6 | 952.3 |
| Other assets | 21.3 | 2.5 | 23.8 | | 23.8 |
| **Total assets** | **852.7** | **39.7** | **892.3** | **87.6** | **979.9** |
| | | | | | |
| Borrowings | 242.0 | 18.1 | 260.1 | 57.7 | 317.8 |
| Other liabilities | 52.7 | (0.4) | 52.3 | | 52.3 |
| **Total liabilities** | **294.7** | **17.7** | **312.4** | **57.7** | **370.1** |
| | | | | | |
| **Net assets** | **557.9** | **22.0** | **580.0** | **29.9** | **609.8** |
| Securities on issue | 197.5 | | 197.5 | 12.2 | 209.8 |
| **NTA per security** | **$2.82** | | **$2.94** | | **$2.91** |
| | | | | | |
| **Gearing[3]** | **28.8%** | | **29.6%** | | **32.9%** |

1. Includes business as usual ("BAU") to 31 October 2020, preliminary valuations as at 31 December 2020 and impact from acquisition of 78 Henderson Rd, Rowville, Victoria
2. Does not include any proceeds potentially to be received under the SPP
3. Gearing reflects total borrowings, excluding capitalised establishment fees and net of cash, divided by total tangible assets

# Appendix B

## Key risks

# Key risks

This section discusses some of the risks associated with an investment in Industria. Industria's business is subject to a number of risk factors both specific to its business and of a general nature which may impact its future performance and forecasts. Before subscribing for New Securities, prospective investors should carefully consider and evaluate Industria and its business and whether New Securities are suitable to acquire having regard to their own investment objectives and financial circumstances and taking into consideration the material risk factors, as set out below.

The risk factors set out below are not exhaustive, and many of them are outside the control of Industria, its directors and senior management. Prospective investors should consider publicly available information on Industria, examine the full content of this presentation and consult their financial, tax and other professional advisers before making an investment decision.

**Impact of COVID-19**

Given COVID-19 and other recent Australian and global macroeconomic events, Australia is experiencing economic volatility, which may in turn materially affect the operating and financial performance and prospects of many businesses including Industria. Events relating to COVID-19 have also resulted in a significant impact on markets, including in the prices of securities trading on the ASX (including the price of Industria securities) and on other foreign securities exchanges. While Australia has managed the effects of COVID-19 relatively well to date, there is continuing general uncertainty as to the prospect of further waves of COVID-19 in Australia, the further impact of COVID-19 both in Australia and throughout the world, including in relation to the government responses, work stoppages, lockdowns, quarantines, travel restrictions and unemployment. The effect such factors may have on Industria, its tenants, the Australian economy and share markets is also uncertain. Given the high degree of uncertainty surrounding the extent and duration of the COVID-19 pandemic, it is not possible to assess the full impact of COVID-19 on Industria's business in the future.

**Rental income and investment risk**

Returns from an investment in property largely depend on rental income generated from tenants across its portfolio, expenses incurred in managing and maintaining those interests, and changes in market value of such interests. Industria's revenue will largely depend on the tenants adhering to their obligations to pay rent under the leases. A failure of some of Industria's tenants to pay rent on time, or at all, is likely to materially adversely affect Industria's revenue, which may also adversely affect Industria's ability to service its loans and harm overall financial performance. The market value of properties and property related investments is in part correlated to rental income, and rental income may be adversely impacted by a number of factors including:

- overall market conditions in national and local economies in which Industria operates such as growth or contraction in gross domestic product, demographic changes, employment trends and consumer sentiment;
- reduced business activity and lower business confidence, and government lock-downs and market interventions, as a potential consequence of the COVID-19 pandemic
- the financial performance and condition of tenants, including market conditions of the industries in which tenants operate;
- the ability to extend leases or attract new tenants where an existing tenant vacates its lease on expiration or bankruptcy;
- increase in rental arrears and vacancy periods;
- reliance on a tenant which leases a material portion of the portfolio;
- an increase in unrecoverable outgoings;
- the location and quality of properties;
- operating, maintenance and refurbishment expenses, as well as unforeseen capital expenses;
- adverse environmental incidents; and
- supply and demand in the property market.

Industria earns the majority of its revenue from rental income. Any negative impact on rental income has the potential to adversely affect Industria's revenue and have an adverse impact on distributions or the value of securities or both.

**Realisation of assets and liquidity**

Property assets are, by their nature, illiquid investments. This may make it difficult to alter the balance of income sources for Industria in the short term in response to changes in economic or other conditions. Industria may not be able to realise the assets within a short period of time or may not be able to realise assets at valuation including selling costs, which could materially adversely affect the performance of Industria and distributions.

# Key risks

**Re-leasing, market rent reviews and vacancy risk**

The portfolio's leases come up for renewal on a periodic basis, and there is a risk that Industria may not be able to negotiate suitable lease renewals with existing tenants, maintain existing lease terms, or replace outgoing tenants with new tenants. The ability to secure lease renewals or to obtain replacement tenants may be influenced by any leasing incentives granted to prospective tenants and the supply of new properties in the market, which, in turn, may increase the time required to let vacant space. Should Industria be unable to secure a replacement tenant for a period of time or if replacement tenants lease the property on less favourable terms than existing lease terms, this will result in a lower rental return to Industria, which could materially adversely affect the financial performance of Industria and distributions. Additional costs associated with re-leasing the properties could also arise.

In addition, at either lease expiry or upon exercise of an option to extend the term of a lease by a tenant, the rent payable may be subject to prevailing market conditions and market rent reviews, which may result in rents going up or down.

Approximately 4% of Industria's existing leases will expire in FY21. There can be no guarantee that Industria will be successful in the lease renewal processes with each tenant, or that Industria will be able to renew any lease on similar or not less favourable terms. Industria could lose key tenants due to a range of events including as a result of failure to renew a lease, the termination of a lease due to change of control, deterioration in the level of service provided to tenants, weakening of tenant relationships or disputes with tenants, consolidation of a tenant's sites or insolvency of tenants. Any of these factors could materially adversely affect the financial performance of Industria and distributions.

**Property valuation risk**

The value of the properties held by Industria may be impacted by a number of factors, including a number of factors outside the control of Industria, affecting the property market generally, as well as Industria in particular. These factors may be exacerbated by the impact of COVID-19 and include, but are not limited to:

- changes in market rental rates;
- changes in property yields;
- fluctuating occupancy levels;
- tenants defaulting;
- a downturn in local property markets or property markets in general;
- general economic factors such as the level of inflation, changes in interest rates and economic cycles, both within Australia and overseas; and
- pricing or competition policies of any competing properties.

A reduction in the value of properties may cause Industria to breach its financial covenants or impact on Industria's financing arrangements (see Funding risk) and may result in a reduction in the value of securities. External and director valuations represent only the analysis and opinion of such persons at a certain date and they are not a guarantee of present or future values. The value of the assets may impact on the value of an investment in Industria and changes in market valuation of assets may adversely affect Industria's financial position and performance.

**Adelaide Airport sub-leasehold interests**

The Adelaide Airport properties are not freehold properties but sub-leasehold interests which may be renewed at the expiry of the sub-leases in 2048. The properties are leased by the Commonwealth of Australia to Adelaide Airport Limited (**AAL**) which sub-leases the properties to FLT Landowner Pty Ltd (**FLT**) under a long term ground lease. FLT is selling or transferring this long term sub-leasehold interest to Industria, which requires various consents. There is a risk that consents may not be forthcoming, in which case the proceeds from the Offer would be available to reduce gearing/other acquisitions.

Following settlement, Industria may be required to surrender any of the Adelaide Airport ground lease interests should AAL require the relevant Adelaide Airport premises for constructing airport infrastructure, or for airport operations or functions. If AAL exercise this right of surrender, it would be required to compensate Industria. Separately, as with any sub-lease interest, there is a risk that:

- the sub-lease may be terminated if the head-lease is terminated for example due to breach by AAL of the head lease (the ground lease in favour of Industria includes an indemnity in such circumstances).
- Industria may not be able to exercise its option to renew the ground lease, which arises in 2048. For example, the ground lease provides that the option to renew is dependent on AAL exercising its own right to renew its head lease with the Commonwealth of Australia.

Landlords and tenants under airport head leases and ground leases must comply with applicable airports legislation including the requirement that the leases automatically terminate in certain limited circumstances.

Industria considers these risks to be low. In addition, in many cases should the risk arise, Industria may be entitled to compensation or indemnification. However, there is no guarantee that the amount of compensation would be sufficient to compensate the total loss or cost to Industria in which case it may have an adverse effect on the revenue of Industria and the value of its asset portfolio.

The ground rent payable under the sub-lease is subject to an annual increase of 3.25% to 3.5% and is reviewed every five years with a ratchet applied. There is a risk that ground rents may grow at a rate higher than the rent of the underlying property, impacting future cashflows.

# Key risks

**Interest rate risk**

Adverse fluctuations in interest rates, to the extent that they are not hedged, may impact Industria's funding costs adversely, resulting in a decrease in distributable income. Where interest rates are hedged by way of financial instruments, the value of those instruments can vary substantially which can impact on both earnings and net assets.

**Banking covenants**

Industria has various covenants in relation to its banking facilities, including interest cover and leverage ratio requirements. Unforeseen factors such as falls in asset values or the inability of Industria to extend current leases could lead to a breach in debt covenants. In such an event, Industria's lenders may require their loans to be repaid immediately or compel Industria to sell assets at below market value. Furthermore, there is a risk that unforeseen capital expenditure may impact upon the cash available to service debt.

**Funding risk**

Changes in Industria's ability to raise funds (from either debt or equity markets), and the terms on which such funds are or can be raised, could result in an increased cost of funding, limited access to capital, increased refinancing risk for Industria and/or an inability to expand operations or purchase assets in a manner that may benefit Industria and its securityholders. Such changes could arise from numerous factors, including general economic and political conditions, debt and equity capital market conditions and the performance, reputation and financial strength of the REIT and its tenants.

Industria is a geared investment product and relies upon debt funding as an integral part of its capital structure. The extent to which Industria is geared will magnify the effect of changes in property valuations. Changes in interest rates and the availability and cost of finance will affect the operational and financial results of Industria. Industria's ability to refinance its debt facilities and/or interest rate hedges as they fall due will depend upon its financial position and performance and the prevailing market conditions. An inability to refinance the existing debt facilities and/or enter into new debt facilities or interest rate hedges on similar terms and conditions may have an adverse impact on the operational and financial results of Industria.

Industria has received credit approved offers for $60 million of new debt facilities from its existing lenders to partially fund the Acquisitions. The facilities are not yet fully executed and there is a risk that if they are not completed by the expected settlement date, Industria will need to secure alternative sources of funding and may be unable to complete the Acquisitions.

**Capital expenditure risk**

There is a risk that, due to unforeseen circumstances (not covered by insurance), Industria may have to make additional capital expenditure on the properties. Some examples of these circumstances include damage caused by fire, flood or other disaster, changes to laws or council requirements such as environmental, building or safety regulations, or property defects or environmental issues which become apparent in the future. Additionally, unforeseen capital expenditure may be required to maintain the properties in their current condition. If Industria incurs unforeseen capital expenditure, this may affect returns available to securityholders.

**Reliance on APN FM, APN Property Group Limited and personnel risk**

Industria relies on APN Funds Management Limited ("APN FM" or "Responsible Entity") and its parent company APN Property Group Limited to provide a range of services (e.g. property management, asset management and leasing services). As a result, Industria's performance depends largely on the performance on the APN executive team. Failure of APN and its executives to discharge its responsibilities as agreed may adversely affect the management and financial performance of Industria and therefore returns to securityholders.

The ability of Industria to successfully deliver on its business objectives as set out in this presentation, is in part dependent on APN retaining and attracting quality senior management and other employees. The loss of the services of any senior management or key personnel, or the inability to attract new skilled personnel, could materially affect Industria's business, operational performance or financial results.

**Conflicts of interest or duty and related party transactions**

In addition to APN FM being the Responsible Entity of Industria, Industria has an existing Co-operation deed and a Property Management Agreement with APN FM. APN FM is the responsible entity of other registered managed investment schemes in addition to Industria.

Accordingly, there is a risk that the management of properties for different funds may lead to conflicts of interest arising for APN FM. These may include conflicts in respect of the acquisition of properties, leasing and the allocation of the manager's resources to each different fund. There is consequently also a risk that if these conflicts are not managed appropriately, Industria and/or securityholders may suffer loss.

However, the Responsible Entity currently has in place existing policies (as obligated under the Corporations Act and Listing Rules (as applicable)) to ensure that it is able to effectively identify and manage conflicts of interest or duty. Furthermore, the Board consists of majority independent Directors and an independent Chairman responsible for the governance of Industria.

# Key risks

**Environmental risk**

Certain asset classes to which Industria is exposed, in particular industrial assets, typically have a higher rate of environmental contamination than other commercial property asset classes. Industria is not aware of any environmental contamination at any of its properties. There is a risk that a property may be contaminated now or in the future. Government environmental authorities may require Industria to remediate such contamination and Industria may be required to undertake any such remediation at its own cost. Such an event would adversely impact Industria's financial performance.

In addition, environmental laws impose penalties for environmental damage and contamination which may be material.

If a person is exposed to a hazardous substance at a property, they may make a personal injury claim against Industria. Such a claim could be for an amount that is greater than the value of the contaminated property. An environmental issue may also result in interruptions to the operations of a property. Any lost income caused by such an interruption to operations may not be recoverable.

Industria and the operations of property tenants are subject to government environmental legislation. While environmental issues are continually monitored, there is no assurance that Industria's operations or those of a tenant of a property will not be affected by an environmental incident or subject to environmental liabilities, which could impact the reputation, rental income or value of Industria.

**Tenant concentration**

Industria relies on key tenants to generate the majority of its revenue. If a key tenant is affected by financial difficulties that tenant may default on its rental or other contractual obligations which may result in loss of rental income or losses to the value of Industria's assets. This has the potential to adversely impact the operational and financial results of Industria.

In addition, there is a risk that if one or more of the major tenants ceases to be a tenant, Industria may not be able to find a suitable replacement tenant or may not be able to secure lease terms that are as favourable as current terms and incur costs associated with enforcing Industria's claim against those tenants. Should Industria be unable to secure a replacement tenant for a major tenant for a period of time or if replacement tenants lease the property on less favourable terms, this will result in a lower rental return to Industria, which could materially adversely affect its financial performance and distributions.

**Acquisition due diligence and reliance on information provided**

Industria undertook a thorough due diligence process in respect of the Acquisitions, which relied partly on the review of financial and other information provided by the vendors. Industria has not been able to verify the accuracy, reliability or completeness of all the information which was provided to it against independent data. Similarly, Industria has prepared (and made assumptions in the preparation of) the financial information relating to the Acquisitions included in this presentation in reliance on limited financial information.

If any of the data or information provided to and relied upon by Industria in its due diligence process and its preparation of this presentation proves to be incomplete, incorrect, inaccurate or misleading, there is a risk that the actual financial position and performance of the Acquisitions and Industria may be materially different to the financial position and performance expected by Industria and reflected in this presentation.

Investors should also note that there is no assurance that the due diligence conducted was conclusive and that all material issues and risks in respect of the Acquisitions have been identified.

It is possible that the due diligence did not reveal issues that, subject to warranty and other contractual protection in the purchase agreements with the vendors, may later have an adverse impact on the benefits of the Acquisitions forecast to Industria or may result in Industria being or becoming liable for costs or liabilities in the future that Industria cannot recover. Such costs or liabilities could adversely impact the financial position of Industria.

**Share market conditions**

There are general risks associated with an investment in the share market. As such, the value of New Securities may rise above or fall below the offer price, depending on the financial position and operating performance of Industria and other factors. In addition, the market price of Industria securities will fluctuate due to various factors, many of which are non-specific to Industria, including recommendations by brokers and analysts, Australian and international general economic conditions, inflation rates, interest rates, changes in government, fiscal, monetary and regulatory policies, global geo-political events and hostilities and acts of terrorism, investor perceptions and volatility in global markets. Investors should recognise that the price of New Securities may fall as well as rise.

# Key risks

**Investor preferences**

The demand for property and listed property securities may change as investor preferences for particular sectors and asset classes change. The demand for property as an asset class may change over time and may be influenced by general economic factors such as interest rates, stock market cycles and exchange rates.

**Taxation**

Future changes in taxation law in Australia and in other jurisdictions, including changes in interpretation or application of the law by the courts or taxation authorities in Australia or other jurisdictions, may impact the future tax liabilities of Industria or may affect taxation treatment of an investment in Industria securities, or the holding or disposal of those securities.

**Dilution**

Securityholders will be diluted by the issue of New Securities under the Placement. Eligible securityholders should note that if they do not participate in the SPP, then their percentage securityholding in Industria will be diluted to a greater extent than would otherwise be the case, and they will not be exposed to future increases or decreases in Industria's security price in respect of the New Securities which would have been issued to them had they participated in the SPP.

In addition, Industria's need to raise additional capital in the future in order to meet its operating or financing requirements, including by way of additional borrowings or increases in the equity of any of the consolidated entity's companies, may change over time. Future equity raisings or equity funded acquisitions may dilute the holdings of particular securityholders to the extent that such securityholders do not subscribe to additional equity, or are otherwise not invited to subscribe in additional equity.

**Future acquisitions and divestments**

Industria may make future acquisitions of properties or dispose of existing properties. Future acquisitions or disposals may affect forecast distributions, or any tax deferred component of income returns. If Industria needs to sell one or more properties or investments it may realise a capital loss. Integration of new properties or businesses into Industria may be costly and may not generate expected earnings and may occupy a large amount of management's time. There is no guarantee that future potential acquisitions will be available on favourable terms or that they will be successfully integrated.

**Competition**

Industria faces competition from other property groups active in Australia. Such competition could lead to the following adverse effects:

- loss of tenants to competitors;
- a reduction in rents;
- an inability to secure new tenants resulting from oversupply of space.

**Litigation and disputes**

Industria may become involved in disputes, some of which may result in litigation (for example, tenancy disputes, occupational health and safety claims or third party claims). While the extent of any disputes and litigation cannot be ascertained at this time, any dispute or litigation may be costly and may adversely affect Industria's operational and financial performance and reputation.

**Capital availability**

Current economic conditions can impact on the availability of debt and equity funding that may be required to support the cash flow of a business. Industria's development may be affected by availability of funding which would impact on its ability to establish business operations in the expected time frame and/or at its current levels.

# Key risks

**Accounting standards and impairment**

Industria prepares its general purpose financial statements in accordance with IFRS and with the Corporations Act. Australian Accounting Standards are not within the control of Industria or its boards and are subject to amendment from time to time, and any such changes may impact on Industria's statement of financial position or statement of financial performance.

In addition, under IFRS, Industria is required to review the carrying value of its assets annually or whenever there is an indication of impairment. If there is any indication of impairment, then the assets recoverable amount is estimated. Changes in key assumptions underlying the recoverable amount of certain assets of Industria (or of the properties post-acquisition) could result in an impairment of such assets, which may have a material adverse effect on Industria's financial performance and position.

**Other acquisition risks**

Other risks associated with the Acquisitions include delays to completion or an inability to complete (including due to failure to sign a binding contract for the Acquisitions). If this occurs, Industria will need to consider alternative uses for the proceeds of any subscriptions raised from Industria securityholders under the Placement and SPP. If Industria does not complete the Acquisitions, and is unable to find alternative suitable acquisitions, it may have a material adverse effect on Industria's financial performance, financial position and security price. Such circumstances may result in a reduction in earnings to the extent that funds raised under the equity raising are retained in cash.

**Underwriting risk**

Industria has entered into an underwriting agreement with Macquarie Capital (Australia) Limited ("Macquarie" or "Underwriter") who has agreed to act as lead manager and to fully underwrite the Placement, subject to certain terms and conditions. If certain customary conditions are not satisfied or certain customary termination events occur, then the Underwriter may terminate the underwriting agreement.

A summary of the events which may trigger termination of the underwriting agreement include (but are not limited to) the following:

a) ASIC or the ASX:
   i. holds, or gives notice of intention to hold, a hearing or investigation in relation to the Placement or Industria; or
   ii. (A) prosecutes or gives notice of an intention to prosecute; or
   (B) commences proceedings against, or gives notice of an intention to commence proceedings against,

   Industria or any of its directors, officers, employees or agents in relation to the Placement;

b) ASX announces that Industria's stapled securities will be delisted, removed from quotation, withdrawn from admission to trading status or suspended from quotation;

c) unconditional approval (or approval conditional only on customary conditions which are acceptable to Macquarie, acting reasonably) is refused or not granted to the official quotation of all of the New Securities to be issued under the Placement on ASX, on or before the settlement date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions or other conditions acceptable to Macquarie, acting reasonably) or withheld;

d) any material adverse change or effect occurs, or an event occurs which is likely to give rise to a material adverse change or effect, in the condition (financial or otherwise), assets, earnings, business, affairs, liabilities, financial position or performance, profits, losses or prospects of Industria or the business of Industria and the Trusts or any of their subsidiaries or sub-trusts ("Group") (for the avoidance of doubt, Group excludes any related body corporate of the Responsible Entity except the Company and its subsidiaries) from those respectively disclosed in the announcement or Industria's most recent audited consolidated financial statements or any other subsequent disclosure made to ASX prior to the date of the underwriting agreement;

e) any event specified in the timetable is delayed for more than 1 business day without the prior agreement of the parties;

f) a certificate:
   i. which is required to be furnished by Industria under the underwriting agreement is not furnished when required; or
   ii. when given is false, misleading or inaccurate;

g) in Macquarie's reasonable opinion, the announcement or any other document lodged on ASX by Industria in connection with, or relating to, the Placement or the SPP, or any other publicly available document, includes content that is materially misleading or deceptive or an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not materially misleading;

# Key risks

**Underwriting risk (continued)**

h) Industria or a Material Subsidiary (defined as any one of Industria's subsidiaries or sub trusts which represents 5% or more of the consolidated assets or earnings of the Group) becomes insolvent or there is an act or omission which may result in Industria or a Material Subsidiary becoming insolvent;

i) there is a change in Alex Abell as the Fund Manager of Industria;

j) there is an application to a governmental authority (including, without limitation, the Takeovers Panel but excluding ASIC) for an order, declaration (including, in relation to the Takeovers Panel, of unacceptable circumstances) or other remedy, or a governmental authority commences any investigation or hearing or announces its intention to do so, in each case in connection with the Placement (or any part of it) or any agreement entered into in respect of the Placement (or any part of it), and, provided that such investigation or hearing has not been publicly announced at any time, such investigation or hearing is not withdrawn within 2 business days after it was made or where it is made less than 2 business days before the settlement date, it has not been withdrawn before the settlement date;

k) a regulatory body:

   i. makes an adverse declaration or order;

   ii. issues, or publicly announces or indicates to Industria its intention to issue, proceedings; or

   iii. commences, or publicly announces or indicates to Industria its intention to commence, any inquiry or investigation,

   in relation to the Placement; or there is an application to a regulatory body for an order, declaration or other remedy which, in Macquarie's reasonable opinion, is likely to have a material adverse effect on Industria or the Placement and, provided that such proceeding, investigation or inquiry has not been publicly announced at any time, such proceeding, investigation or inquiry is not withdrawn within 2 business days after it was made or where it is made less than 2 business days before the settlement date, it has not been withdrawn before the settlement date;

l) proceedings are commenced or there is a public announcement of an intention to commence proceedings before a court or tribunal of competent jurisdiction in Australia seeking an injunction or other order in relation to the Placement which, in Macquarie's reasonable opinion, is likely to have a material adverse effect on Industria or the Placement, and, provided that such proceeding has not been publicly announced at any time, such proceeding is not withdrawn within 2 business days after it was made or where it is made 2 business days before the settlement date, it has not been withdrawn before the settlement date;

m) Industria becomes aware of any fact, matter or circumstance which is likely to have a material adverse effect on its or any third party's ability or willingness to complete, satisfy the conditions precedent or otherwise perform its obligations in connection with any of the Acquisition agreements (including Industria's ability to fund the relevant Acquisitions);

n) any Acquisition agreement is not executed before the announcement time, or is terminated at any time before 2.00pm on the settlement date;

o) any material term of an Acquisition agreement is amended, varied or terminated, without the prior consent of Macquarie;

p) Industria fails to perform or observe any of its obligations (including, for the avoidance of doubt, undertakings) under the underwriting agreement;

q) any representation or warranty made or given by Industria in the underwriting agreement is or becomes untrue or incorrect;

r) there is introduced, or there is a public announcement of a proposal to introduce, a new law or regulation or government policy in Australia (including a policy of the Reserve Bank of Australia) (other than a law or policy which has been publicly announced before the date of the underwriting agreement);

s) in respect of or involving any one or more of the United States, Australia, the United Kingdom, the Peoples Republic of China (including Hong Kong) or New Zealand:

   i. hostilities not presently existing commence;

   ii. a major escalation in existing hostilities occurs;

   iii. a declaration is made of a national emergency or war; or

   iv. a major terrorist act is perpetrated anywhere in the world;

t) either of the following occurs:

   i. a general moratorium on commercial banking activities in Australia, the United States of America, the United Kingdom, Hong Kong or Singapore is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or

   ii. trading in all securities quoted or listed on ASX, the London Stock Exchange, the Hong Kong Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for one day on which that exchange is open for trading ("Trading Day") or substantially all of one Trading Day;

# Key risks

**Underwriting risk (continued)**

u) any adverse change or disruption to the existing financial markets, political or economic conditions of Australia, Hong Kong, Singapore, the United States of America, the United Kingdom or the international financial markets or any change in national or international political, financial or economic conditions;

v) any director of Industria is charged with an indictable offence, or any director of Industria is disqualified from managing a corporation under the Corporations Act;

w) there is a change in the membership of the board of directors of the Responsible Entity or the Company; or

x) Industria or any of its directors or officers (as that term is defined in the Corporations Act) engage in any fraudulent conduct or activity whether or not in connection with the Placement.

The ability of the Underwriter to terminate the underwriting agreement in respect of the events set out above, in some cases, is limited to circumstances where that Underwriter has reasonable grounds to suspect that the event has had or is likely to have a materially adverse effect on the success or settlement of the Placement.

Industria also gives certain representations, warranties and undertakings to the Underwriter and an indemnity to the Underwriter and its representatives subject to certain carve-outs.

If the underwriting agreement is terminated, Industria would need to find alternative financing to meet its future funding requirements. Although Industria has capacity under its covenants, there is no guarantee that alternative funding could be sourced, either at all or on satisfactory terms and conditions. Termination of the underwriting agreement could materially adversely affect Industria's business, cash flow, financial condition and results of operations.

**Forward-looking statements**

There can be no guarantee that the assumptions and contingencies on which the forward-looking statements, opinions and estimates (including guidance on future FFO and distributions) are based will ultimately prove to be valid or accurate. The forward-looking statements, opinions and estimates depend on various factors, including known and unknown risks, many of which are outside the control of Industria. Actual performance of Industria may materially differ from forecast performance.

**Substantial holding by APN Property Group**

APN Property Group corporate entities have substantial holdings in Industria. This represents a strategically significant investment for APN Property Group. In addition, funds managed by APN Property Group subsidiaries may also hold securities in Industria. If APN Property Group were to sell down some or all of its holding in Industria, the price of the REIT's securities may decline as a result given the relative size of its holding.

APN Property Group will have influence over the potential outcome of matters submitted to a vote of securityholders. The interests of APN Property Group may differ from the interests of Industria and the interests of other securityholders who purchase securities under the Offer.

**Distribution guidance**

No assurances can be given in relation to the payment of future distributions. Future determinations as to the payment of distributions by Industria will be at the discretion of Industria and will depend upon the availability of profits, the operating results and financial conditions of Industria, future capital requirements, covenants in relevant financing agreements, general business and financial conditions and other factors considered relevant by Industria. No assurance can be given in relation to the level of tax deferral of future distributions. Tax deferred capacity will depend upon the amount of capital allowances available and other factors.

**Insurance risk**

Industria enters into material damage, business interruption and liability insurance on its properties with policy specifications and insured limits that it believes to be customary in the industry. However, potential losses of a catastrophic nature such as those arising from earthquakes, terrorism or severe flooding may be uninsurable, or not insurable on reasonable financial terms, may not be insured at full replacement costs or may be subject to large excesses. The nature and cost of insurance has been based upon the best estimate of likely circumstances. However, various factors may influence premiums to a greater extent than those forecast, which may in turn have a negative impact on the net income of Industria.

# Key risks

**Compliance risk**

The Responsible Entity is subject to strict regulatory and compliance arrangements under the Corporations Act and ASIC policy. If the Responsible Entity breaches the Corporations Act or the terms of its Australian Financial Services Licence, ASIC may take action to suspend or revoke the licence, which in turn may adversely impact the ability of Industria to operate.

**Insolvency**

In the event of any liquidation or winding up of Industria, the claims of Industria's creditors, will rank ahead of those of its securityholders. Under such circumstances Industria will first repay or discharge all claims of its creditors. Any surplus assets (if any) will then be distributed to securityholders. All securityholders will rank equally in their claim and will be entitled to an equal share per security.

**Change in capital structure**

Changes in the capital structure of Industria, for example from the raising of further debt or the issue of further equity to repay or refinance debt facilities or to fund the acquisition of additional properties, may affect the value or returns from an investment in Industria securities.

**General economic and political conditions**

Factors such as, but not limited to, domestic and international political changes, interest rates, exchange rates, inflation levels, commodity prices, industrial disruption, environmental impacts, international competition, taxation changes, changes in employment levels, consumer and business spending, employment rates and labour costs may all have an adverse impact on Industria's revenues, operating costs, profit margins and security price. These factors are beyond the control of Industria and its boards and Industria cannot, to any degree of certainty, predict how they will impact on Industria. The environment in which Industria operates may experience challenging conditions as a result of general uncertainty about future Australian and international economic conditions. A prolonged deterioration in domestic or general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could be expected to have a material adverse impact on the financial performance of Industria's businesses.

**Changes in applicable law and regulations**

Industria will be subject to the usual business risk that there may be changes in laws, regulations and government policy which may affect its operations and/or financial performance. Such changes may impact rental income or operational expenditure. In addition, Industria's ability to take advantage of future acquisition opportunities in Australia may be limited by regulatory intervention on competition grounds.

Industria is also subject to the usual risks to changes in taxation regimes and Australian Accounting Standards. There can be no assurance that such changes will not have a material adverse effect on Industria's business, operational performance or financial results or returns to securityholders.

**Other risks**

The above risks should not be taken as a complete list of the risks associated with an investment in Industria. The risks outlined above and other risks not specifically referred to may in the future materially adversely affect the value of Industria securities and their performance. Accordingly, no assurance or guarantee of future performance or profitability is given by Industria in respect of Industria securities.

# Appendix C

## Foreign selling restrictions

# Foreign selling restrictions

This document does not constitute an offer of new stapled securities ("New Securities") of Industria in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Securities may not be offered or sold, in any country outside Australia except to the extent permitted below.

**Hong Kong**

WARNING: This document has not been, and will not be, authorized by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorize this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Securities have not been and will not be offered or sold in Hong Kong other than to “professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the New Securities has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the New Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the SFO and any rules made under that ordinance.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

**New Zealand**

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (New Zealand) (the "FMC Act"). The New Securities are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

**Singapore**

This document has not been registered as a prospectus with the Monetary Authority of Singapore ("MAS") and, accordingly, statutory liability under the Securities and Futures Act, Chapter 289 (the "SFA") in relation to the content of prospectuses does not apply, and you should consider carefully whether the investment is suitable for you. The issuer is not authorised or recognised by the MAS and the New Securities are not allowed to be offered to the retail public. This document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the New Securities may not be circulated or distributed, nor may the New Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except to "institutional investors" (as defined in the SFA), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an "institutional investor" (as defined under the SFA). In the event that you are not an institutional investor, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Securities being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

**United States**

The New Securities to be offered and sold in the Offer have not been, and will not be, registered under the U.S. Securities Act of 1933 (“U.S. Securities Act”) or under the securities laws of any state or other jurisdiction of the United States. The New Securities to be offered and sold in the Placement may not be offered or sold to, directly or indirectly, any person in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable U.S. state securities laws. The New Securities to be offered and sold in the SPP may not be offered or sold, directly or indirectly, to any person in the United States or any person that is acting for the account or benefit of a person in the United States.

# Contact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