

Centuria Industrial REIT

FY17 Annual Results



Introduction

Australia's largest income focused industrial REIT, with a portfolio approaching \$1bn

A geographically diverse portfolio of 38 high quality fit for purpose assets

Market capitalisation of \$559m¹ included in ASX300 index

Managed by Centuria Capital Limited (ASX:CNI), a specialist fund manager with over \$4 billion in funds under management

CNI is the largest unitholder in CIP with an \$82m co-investment

1) Based on CIP closing price of \$2.47 at 30 June 2017. Includes units issued under institutional Placement conducted on 29 June 2017.

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Section 1

Overview

Highlights

Seamless transition of management from 360 Capital to Centuria in January 2017

Delivered FY17 EPU and DPU of 20.5c, in line with revised guidance

Acquired two assets for \$65m in June 2017 with a WALE exceeding six years

Leased over 134,000sqm of GLA – 17.7% of portfolio lettable area ¹

Refinanced \$450m of debt facilities and completed \$35m institutional equity placement

1) Portfolio GLA for the purpose of this calculation includes acquisitions of Lot 14 Sudlow Road, Bibra Lake and 207-219 Browns Road Noble Park, exchanged on 29 June 2017.

Section 2

Results Overview

Financial overview

Financial snapshot		FY17	FY16
Statutory profit/(loss)	\$m	50.8	49.8
Distributable earnings ¹	\$m	43.5	48.2
Distributable earnings per unit	cpu	20.5	22.7
Distribution	\$m	43.5	44.6
Distribution per unit	cpu	20.5	21.6
Distribution yield ²	%	8.3	7.9

Balance sheet metrics		FY17	FY16
Total assets	\$m	921.5	923.3
NTA per unit	\$m	2.35	2.32
Gearing ³	%	43.1	42.6

- Statutory net profit of \$50.8m
- FY17 Distributable earnings ¹ of 20.5 cps
- Market capitalisation of \$559m ⁴
- NTA at \$2.35 per unit

20.5 cpu
FY17 Distributable earnings

20.5 cpu
Distributions paid

\$2.35 cpu
Net Tangible Assets

43.1%
Gearing

1) Distributable earnings is a financial measure which is not prescribed by Australian Accounting Standard (“AAS”) represents the profit under AAS adjusted for specific non-cash and significant items.
The Directors consider that distributable earnings reflect the core earnings of CIP.

2) Based on CIP closing price of \$2.47 per unit at 30 June 2017 and \$2.74 per unit at 30 June 2016.

3) Gearing is defined as total borrowings minus cash / total assets minus cash and goodwill.

4) Based on CIP closing price of \$2.47 per unit at 30 June 2017 and reflects additional units issued under the institutional placement conducted on 29 June 2017.

Section 2

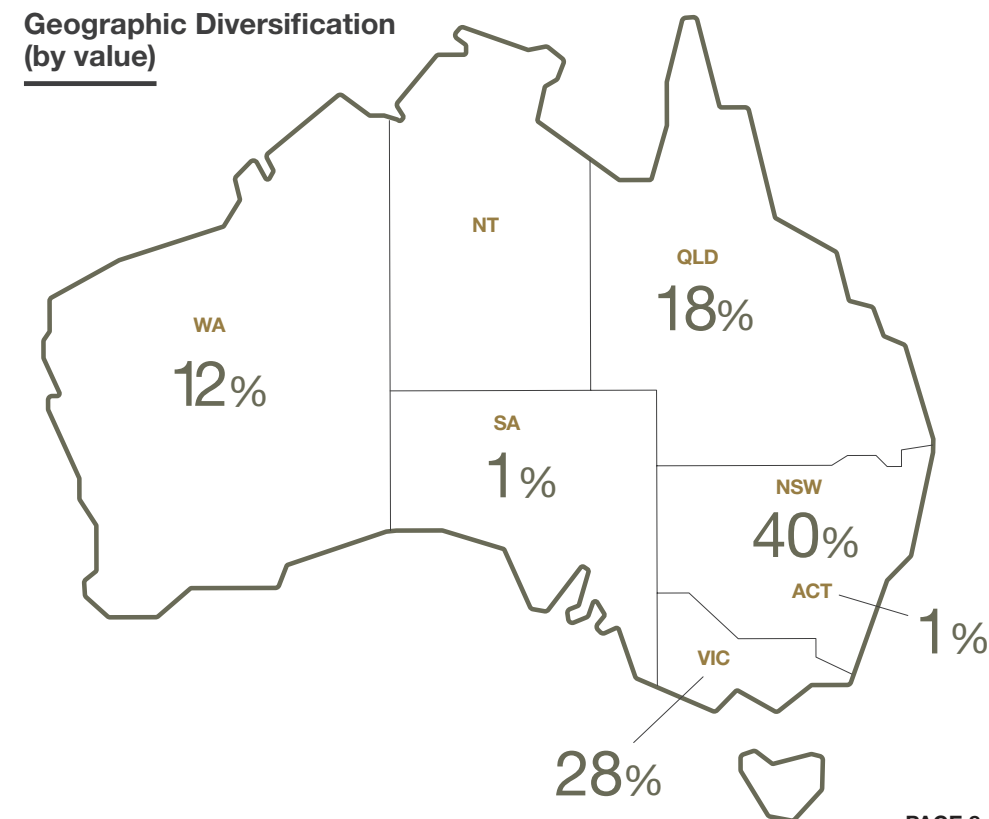
Portfolio Overview

Portfolio composition

Fit for purpose assets in key metropolitan markets

- Portfolio value approaching \$1 billion
- Well diversified to accommodate national customers
- 68% of portfolio located in dominant NSW & VIC markets
- Critical mass established in core markets

Portfolio Snapshot		FY17 ¹	FY16
Number of assets		38	37
Book value	\$m	961.2	905.2
WACR	%	7.33	7.45
GLA	sqm	757,944	686,411
Average asset size	sqm	19,945	18,551



1) Includes acquisition of Lot 14 Sudlow Road, Bibra Lake and 207-219 Browns Road Noble Park, exchanged on 29 June 2017.

Leasing overview

Active management approach drives leasing volume

- Secured 11 lease transactions in FY17 across 134,080sqm
 - 4 new leases across 48,268sqm
 - 7 renewals across 85,812sqm
- Continued focus on de-risking future income
 - 15,378sqm relates to previously vacant space
 - 63,835sqm relates to FY17 expiries
 - 54,867sqm relates to FY18 and beyond expiries

Lease transactions by property	Tenant	sqm	Term	Type
37-51 Scriver Street, Warwick Farm	Visy	27,599	4yrs	Renewal
23 Selkis Road, Bibra Lake	Orora	18,235	5yrs	Renewal
74-94 Newton Road, Wetherill Park	Weir Minerals	15,378	5yrs	New
8 Penelope Crescent, Arndell Park	YHI Australia	11,420	10yrs	New
324-332 Frankston-Dandenong Road, Dandenong South	Schneider Electric	10,839	4.1yrs	New
Other	Various	50,609		

17.7%

Portfolio GLA leased ¹

134,080sqm

Portfolio GLA leased

79,213sqm

FY17 expiries and vacancy de-risked

1) Portfolio GLA for the purpose of this calculation includes acquisitions of Lot 14 Sudlow Road, Bibra Lake and 207-219 Browns Road Noble Park, exchanged on 29 June 2017.

Portfolio Metrics

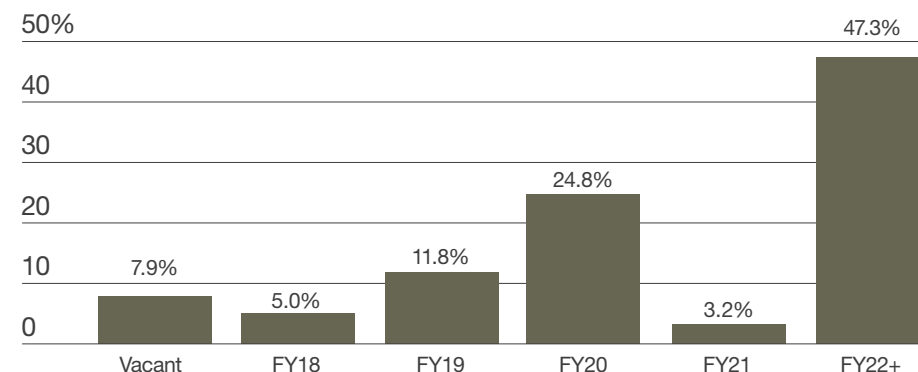
Ongoing focus on reducing vacancy and de-risking near term expiries

- Vacancy has increased year on year due to:
 - Significant expiry in Q3 FY2017 – 40,000sqm vacated (5.2% of portfolio)
 - Unexpected default of Elite Logistics at 457 Waterloo Road – 16,051sqm (2.1% of portfolio)
- Strong momentum under Centuria management in reducing remaining vacancy
- FY18 lease expiries reduced below 5% of portfolio income
- Increasing occupancy and WALE in Victoria remains a key focus

Occupancy and WALE by market ¹	NSW	VIC	QLD	WA	ACT	SA
WALE	4.8	3.4	6.6	2.2	4.7	1.7
Occupancy	93.7%	85.4%	100%	89.5%	100%	100%

Portfolio snapshot (by income) ¹		FY17	FY16
Occupancy	%	92.1	99.4
FY18 expiries	%	5.0	7.6
WALE	years	4.4	4.7

Weighted Average Lease Expiry FY17 (by income) ¹



1) Includes acquisition of Lot 14 Sudlow Road, Bibra Lake and 207-219 Browns Road Noble Park, exchanged on 29 June 2017.

Section 3

Capital Management

Capital management

Debt refinancing

- Completed the refinancing of \$420m bank debt facility
- New common terms facility for \$450m settled in June 2017
- Improvement in diversification and quality of financiers with Westpac, Bankwest & PGIM
- Average tenor of 3.4 years with 86% of drawn debt hedged
- In advanced discussions to re-finance \$55m expiring in Dec 2017

Capital raising

- Underwritten placement for \$35m concluded on 29 June 2017
- Simultaneously announced UPP for up to \$7.5m and the activation of the DRP for September 2017

Property transactions

- \$30m¹ of asset sales announced
- \$65m of acquisitions announced in June 2017

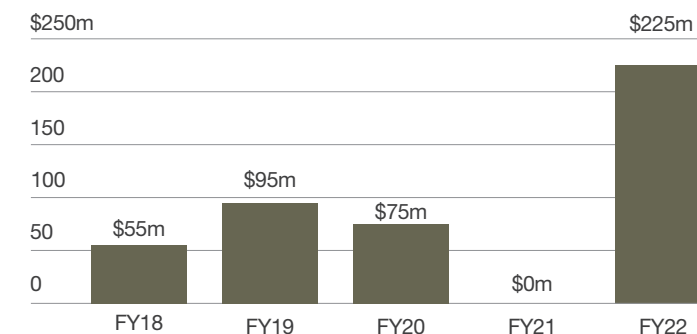
1) Includes divestment of 39-45 Wedgewood Drive, Hallam, announced 5 July 2017.

2) Including weighted average swap rate, facility establishment fees and all-in margins (base & line fees)

3) Gearing is defined as total borrowings minus cash / total assets minus cost and goodwill.

Key debt metrics		FY17
Facility limit	\$m	450.0
Drawn amount	\$m	397.3
Weighted average debt expiry	years	3.4
Proportion hedged	%	86
Weighted average hedge maturity	years	3.6
Cost of debt ²	%	4.0
Gearing ³	%	43.1
Interest cover ratio	times	4.3

Debt maturity profile



Capital transactions – acquisitions

Growing the portfolio with complementary assets

207-219 Browns Road, Noble Park, VIC

- Settled in July 2017 for \$37.0m¹, providing an initial yield of 7.0%¹
- 100% leased to 4 tenants with a WALE of 8.8 years
- Adjoins existing asset at 500 Princes Highway, Noble Park, creating a large scale land holding exceeding 10ha



Sudlow Road, Bibra Lake, WA

- Contracted to acquire property for \$28.0¹ million with a total lettable area of 39,485sqm
- Adjoins an existing asset owned at 310 Spearwood Avenue, Bibra Lake
- Settlement of the acquisition is expected to occur on 29 September 2017
- Lease extended ahead of settlement for additional five years, increasing WALE to 7.8 years



1) Before transaction costs.

Capital transactions – divestments

Improving portfolio quality by divesting ageing assets with leasing risk

60 Marple Avenue, Villawood, NSW

- Settled in February 2017 for \$20.0 million representing an 8.1% premium to the 30 June 2016 book value of \$18.5 million
- The property had a WALE of 1.8yrs and was due to be substantially vacant by March 2017.



39-45 Wedgewood Drive, Hallam, VIC

- Unconditional contract executed for sale at Hallam for \$10 million, a premium of 7.5% to December 2016 valuation
- The property was vacated in February 2017, with a short term lease entered into from July 2017
- Settlement is on a deferred basis, and is expected to occur on 29 June 2018 prior to expiry of the new lease



Section 4

Guidance & Strategy

Guidance

- FY18 distributable earnings guidance of 19.5-20.0cpu
- FY18 distribution guidance of 19.4cpu
 - Paid in quarterly installments of 4.85cpu – in line with Q3 & Q4 FY17
 - Payout ratio of 97%-99%
- FY18 distribution yield of 7.9%¹



12-13 DANSU COURT, HALLAM, VIC

1) Based on CIP closing price of \$2.47 per unit at 30 June 2017.

Strategy

CIP's strategy and ongoing focus remains unchanged

Fund Strategy

- Create a portfolio of industrial assets that are relevant to our key customers
- Continue deleveraging of the balance sheet
- Acquire quality assets to replace the sale of non-core assets in order to enhance existing stable and secure income streams

Portfolio Strategy

- Continued focus on portfolio leasing to ensure occupancy and income are maximised
- Execute initiatives to generate income and value uplift through active asset management, risk mitigation and repositioning strategies
- Where appropriate, consider sale of surplus land or rezoning assets to highest and best use, generating capital appreciation



457 WATERLOO ROAD, CHULLORA, NSW

Appendices

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Appendix A – Income Statement

Revenue		30 Jun 2017
Gross property income	(\$'000)	78,127
Other income	(\$'000)	320
Interest income	(\$'000)	117
Total revenue	(\$'000)	78,564
Expenses		
Direct property expenses	(\$'000)	(12,585)
Responsible entity fees	(\$'000)	(5,571)
Finance costs	(\$'000)	(15,270)
Management and other administrative expenses	(\$'000)	(1,627)
Total expenses	(\$'000)	(35,053)
Sub-total	(\$'000)	43,511
Straight lining of rental income	(\$'000)	2,298
Amortisation of leasing commissions and tenant incentives	(\$'000)	(1,219)
Investment properties revaluation gain / (loss)	(\$'000)	3,767
Gain / (loss) on fair value of derivatives financial instrument	(\$'000)	3,789
Amortisation of capitalised borrowing costs	(\$'000)	1,329
Statutory net profit	(\$'000)	50,817

Appendix B – Distribution Statement

	30 Jun 2017	
Statutory net profit	(\$'000)	50,817
Straight lining of rental income	(\$'000)	(2,298)
Amortisation of leasing commissions and tenant incentives	(\$'000)	1,219
Investment properties revaluation (gain) / loss	(\$'000)	(3,767)
Gain on fair value of derivatives financial instrument	(\$'000)	(3,789)
Amortisation of borrowing costs	(\$'000)	1,329
Distributable earnings	(\$'000)	43,511
Distribution	(\$'000)	43,451
Distributable Earnings per unit	(cpu)	20.5
Distribution per unit	(dpu)	20.5

Appendix C – Balance Sheet

	30 Jun 2017	
Cash	(\$'000)	8,189
Investment properties	(\$'000)	896,150
Other assets	(\$'000)	6,641
Goodwill	(\$'000)	10,501
Total assets	(\$'000)	921,481
Interest bearing liabilities ¹	(\$'000)	394,958
Derivative financial instruments	(\$'000)	414
Other liabilities	(\$'000)	17,147
Total liabilities	(\$'000)	412,519
Net assets	(\$'000)	508,962
No units on issue	(000)	211,957
Net tangible assets per unit	(\$)	2.35
Gearing	(%)	43.1

1) Drawn debt net of Borrowing costs.

Appendix D – FFO Reconciliation

FY17 Distributable earnings and FFO Reconciliation	CIP Distributable Earnings (\$'000)	PCA FFO (\$'000)	Difference (\$'000)
Net Profit	50,817	50,817	0
Gains from sales of investment property	223	223	0
Net fair value gain/(loss) on investment property	(3,990)	(3,990)	0
Amortisation of incentives & leasing fees	1,219	1,219	0
FV gain on the mark to market of derivatives (net off Loss on termination of derivative)	(3,789)	(3,789)	0
Amortisation of borrowing costs	1,329	1,329	0
Rent straight lining	(2,298)	(2,298)	0
Gain / (loss) on revaluation of investments	0	0	0
Gain / (loss) on sale of financial assets	0	0	0
Transaction costs	0	0	0
Funds from Operations	43,511	43,511	0
FFO per unit	20.5	20.5	0.0
Distribution per unit	20.5	20.5	0.0
FY17 weighted average number of units on issue	211,957	211,957	

Appendix E – Key vacancies

Property	GLA (sqm)	% of Portfolio Area	Vacant Since	Status
457 Waterloo Road, Chullora, NSW	16,051	2.1%	4 May 17	Bank guarantee until mid August 2017, agents appointed in May 2017 Existing warehouse infrastructure will be suited to tenants with short lead time on contracts
W4, 310 Spearwood Ave, Bibra Lake, WA	15,212	2.0%	28 Feb 17	Enquiry improving specifically from users related to bulk sand and mineral storage
49 Temple Drive, Thomastown, VIC	13,438	1.8%	20 Jun 16	Seeking temperature controlled and food users Agency refreshed on June 2017
324 Frankston Dandenong Road, Dandenong South, VIC	10,823	1.4%	31 Dec 16	Signed HoA post 30 June 2017 for 9,244sqm
500 Princes Highway, Noble Park, VIC	4,079	0.5%	31 Oct 15	Signed HoA post 30 June 2017 for 1,476sqm Recent site improvements have led to increased demand
Others (under 2,500sqm)	4,568	0.6%		
Total / Average	64,170	8.5%		

Appendix F – Upcoming Expiries (FY18)

Property	Tenant	NLA (sqm)	% of Portfolio Area	Expiry	Status
99 Quill Way, Henderson, WA	Chevron	16,419	2.2%	Feb 18	Tenant will vacate on expiry
12 – 13 Dansu Court, Hallam, VIC	DKSH	7,627	1.0%	Oct 17	Lease executed post 30 June for 12 month extension
102-128 Bridge Road Keybrough, VIC	Allpower Industries	4,601	0.6%	Jun 18	In discussions for lease renewal
12 – 13 Dansu Court, Hallam, VIC	Metcash Trading	3,336	0.4%	Apr 18	Tenant will vacate on expiry
14 – 17 Dansu Court, Hallam, VIC	DKSH	1,737	0.2%	Oct 17	Lease executed post 30 June 2017 for 12 month extension
500 Princes Hwy, Noble Park	Boron Molecular	1,208	0.2%	Aug 17	Terms agreed post 30 June 2017 for 12 month extension
Others	—	2,329	0.3%		
Total		37,257	4.9%		

1) By Gross Lettable Area (“GLA”)

Appendix G – 30 June 2017 pro forma Balance Sheet¹

\$m	30 Jun 17	Acquisitions & Offer	30 Jun 17 pro forma
Cash	8,189	3,250	11,439
Investment properties	896,150	65,000	961,150
Other assets	6,641	(3,250)	3,391
Goodwill	10,501		10,501
Total assets	921,481	65,000	986,481
Interest bearing liabilities ¹	394,958	34,200	429,158
Derivative financial instruments	414		414
Other liabilities	17,147		17,147
Total liabilities	412,519	34,200	446,719
Net assets	508,962	30,800	539,762
Units on issue (millions)	211,957	14,289	226,246
Net tangible assets per unit (\$)	2.35		2.34
Gearing (%) ²	43.1%		43.5%

1) Adjusted for acquisitions and equity raising announced 29 June 2017.

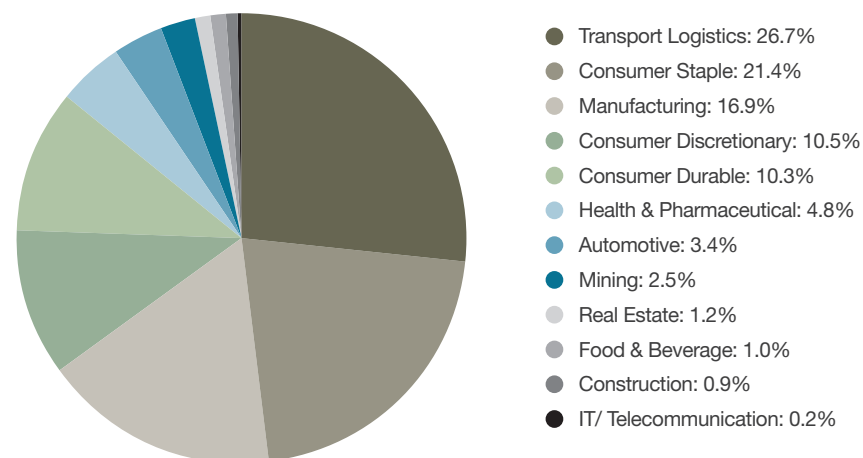
2) Gearing is defined as total borrowings minus cash / total assets minus cost and goodwill.

Appendix H – Top 10 tenant & tenant industry sector diversification

Top 10 tenants (by Income)

Woolworths Limited	8.7%
AWH Pty Ltd	7.9%
Green's General Foods	6.7%
Visy Board Pty Limited	5.6%
The Reject Shop Limited	4.6%
API	4.5%
Orora Bag Solutions	4.2%
VIP Petfoods Asset Mangement	3.8%
K & S Freighters	3.7%
#Bradnam's Windows and Doors Pty Ltd	3.6%

Tenant industry sector diversification (by income)



Appendix I – Investment Portfolio

Property	State	Book value	\$/sqm	Cap rate	NLA (sqm)	WALE (yrs)	Occupancy %
2 Woolworths Way	NSW	81.0	1,485	7.25%	54,533	4.1	100.0%
457 Waterloo Road	NSW	22.6	1,408	6.75%	16,051	0.0	—
37-51 Scrivener Street	NSW	29.7	1,076	7.50%	27,599	5.0	100.0%
8 Penelope Crescent	NSW	15.5	1,357	6.75%	11,420	10.0	100.0%
52-74 Quarry Road	NSW	15.4	1,737	6.75%	8,867	3.4	100.0%
92-98 Cosgrove Road	NSW	38.5	1,137	7.25%	33,863	3.2	100.0%
12 Williamson Road	NSW	34.5	1,344	7.25%	25,666	6.2	100.0%
10 Williamson Road	NSW	36.7	1,344	7.25%	27,260	2.7	100.0%
72-94 Newton Road	NSW	25.0	1,474	6.75%	16,962	4.2	100.0%
6 Macdonald Road	NSW	18.7	1,507	7.00%	12,375	2.3	100.0%
30 Clay Place	NSW	16.3	2,711	6.50%	6,012	8.4	100.0%
75 Owen Street	NSW	7.4	1,609	6.75%	4,600	1.5	100.0%
29 Glendenning Road	NSW	40.0	1,878	6.50%	21,298	11.4	100.0%
102-128 Bridge Road	VIC	30.9	1,255	7.75%	24,614	1.5	90.3%
6 Albert Street	VIC	26.2	1,276	7.75%	20,532	2.7	92.1%
14-17 Dansu Court	VIC	17.3	1,013	7.50%	17,070	1.7	100.0%

Appendix I – Investment Portfolio

Property	State	Book value	\$/sqm	Cap rate	NLA (sqm)	WALE (yrs)	Occupancy %
12-13 Dansu Court	VIC	14.3	1,239	7.50%	11,541	0.6	95.1%
500 Princes Highway	VIC	20.3	1,472	8.00%	13,794	1.0	70.4%
39-45 Wedgewood Road	VIC	10.0	941	7.50%	10,631	1.2	100.0%
24-32 Stanley Drive	VIC	26.5	1,088	7.50%	24,350	1.0	100.0%
9 Fellowes Court	VIC	4.2	1,031	7.25%	4,072	2.5	100.0%
324-332 Frankston-Dandenong	VIC	26.7	943	7.50%	28,316	3.8	61.8%
49 Temple Drive	VIC	12.4	923	8.00%	13,438	0.0	—
2 Keon Parade	VIC	21.7	1,111	7.00%	19,527	13.1	100.0%
69 Studley Court	VIC	20.0	1,392	7.25%	14,365	2.6	100.0%
310 Spearwood Avenue	WA	47.8	803	8.00%	59,508	1.6	74.4%
23 Selkis Road	WA	19.8	1,083	7.50%	18,235	5.0	100.0%
99 Quill Way	WA	15.6	950	8.25%	16,419	0.7	100.0%
136 Zillmere Road	QLD	28.5	1,775	7.25%	16,053	6.2	100.0%
69 Rivergate Place	QLD	30.0	2,604	6.50%	11,522	5.9	100.0%
33-37 Mica Street	QLD	28.0	1,504	7.25%	18,613	12.2	100.0%

Appendix I – Investment Portfolio

Property	State	Book value	\$/sqm	Cap rate	NLA (sqm)	WALE (yrs)	Occupancy %
Lot 69 Jay Street	QLD	11.0	2,328	8.00%	4,726	8.0	100.0%
22 Hawkins Crescent	QLD	44.0	2,321	7.25%	18,956	7.4	100.0%
1 Ashburn Road	QLD	36.3	1,361	7.50%	26,628	2.6	100.0%
54 Sawmill Circuit	ACT	15.3	1,761	7.25%	8,689	4.7	100.0%
9-13 Caribou Drive	SA	8.3	1,175	9.00%	7,023	1.7	100.0%
Sub Total (excluding acquisitions)		\$896.2	1,327	7.31%	675,128	4.2	91.6%
207-219 Browns Rd, Noble Park	VIC	37.0	854	7.00%	43,331	8.8	100.0%
Lot 14 Sudlow Road, Bibra Lake	WA	28.0	709	8.50%	39,485	3.0	100.0%
Total (including acquisitions)		\$961.2	1,268	7.33%	757,944	4.4	92.1%

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Distributable earnings is a financial measure which is not prescribed by Australian Accounting Standards ("AAS") and represents the profit under AAS adjusted for specific non-cash and significant items. The Directors consider that distributable earnings reflect the core earnings of the Trust.

All dollar values are in Australian dollars (\$ or A\$) unless stated otherwise.

Thank you