



DECEMBER 2014 HALF YEAR RESULTS PRESENTATION

23 FEBRUARY 2015

APN | Property Group

AGENDA

- Results summary
- Business highlights
- Strategy and outlook
- Appendices



Chris Aylward
Executive Chairman



Tim Slattery
Executive Director



Michael Groth
Chief Financial Officer

RESULTS SUMMARY



HY2015 Highlights

Financial Results

- Statutory profit after tax of \$8.5 million up 101%
- Operating earnings¹ before tax of 2.55 cents per share
- Continuing improvement of 'quality' of earnings – funds management fees \$5.9 million up 20%
- Earnings per share² of 4.03 cents up 57%
- Total shareholder return of 24.6% (over the six months)

Successful implementation of strategy

- Continuing increase in Funds Under Management
- FUM^{1,3} \$2.1 billion at December 2014
- Increase of 19% since December 2013

1. From continuing operations

2. On a statutory basis, diluted, including continued and discontinued operations

3. Includes \$341 million from Generation Healthcare REIT (GHC), managed by a joint venture 32.5% owned by management and \$65 million from the Newmark APN Auburn Property Fund, a 50% joint venture with Newmark Property Group



Australian Red Cross Blood Service Facility, Brisbane QLD



Coburg Hill Shopping Centre, Coburg North VIC



140 Sharps Rd, Tullamarine VIC

HY2015 Highlights – continued

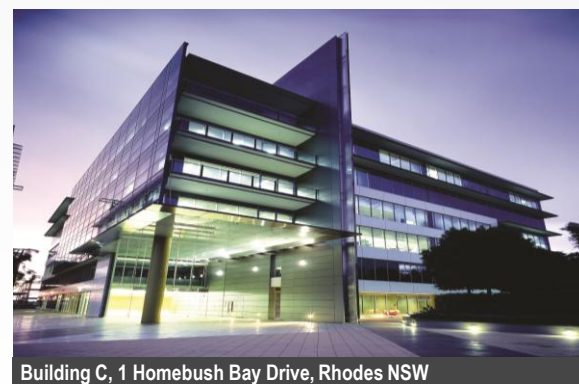
Strong operational results

- Strong results across the business
- Coburg North – new syndicate successfully launched
- Auburn – redevelopment well progressed and sale announced¹

Earnings and dividend guidance increased

- Subject to continuation of current market conditions
- FY2015 Earnings guidance
 - Previously: Operating profit before tax 2.50 – 2.80 cents per share (EPS 1.75 – 2.00 cents)
 - Increased to: Operating profit before tax 3.30 – 3.60 cents per share (EPS 2.30 – 2.50 cents)
- FY2015 dividends
 - Interim dividend of 1.25 cents per share (fully franked)
 - Forecast reinstatement of final dividend of 0.25 cents per share

1. Refer announcement dated 20 February 2015 for details

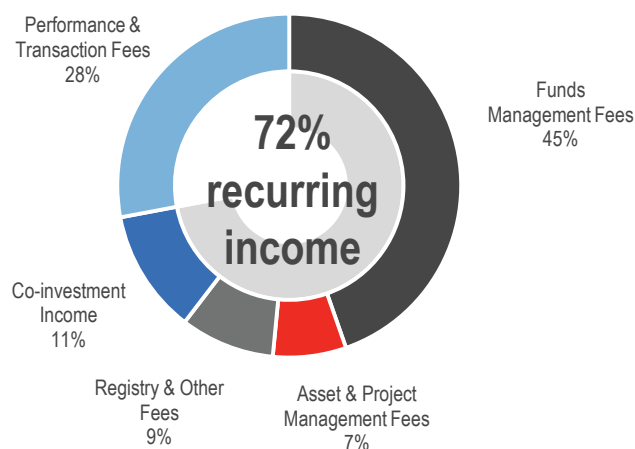


Income statement

Highlights

- Strong growth in recurring income – now 72%
- Co-investment income (ex mark to market movements) \$1.5 million increase of 198%
- Total operating costs down 3% over pcp
- Increase in value of \$4.7 million on co-investments (in non-operating items)

Net Income Split



\$000s	Dec 2014	Dec 2013	Change
Funds management fees	5,861	4,885	▲ 20%
Performance & transaction fees	3,671	6,154	▼ 40%
Asset & project management fees	905	647	▲ 40%
Registry & other fees	1,165	1,252	▼ 7%
Total Net Funds Management Income	11,602	12,938	▼ 10%
Co-investment income	1,528	512	▲ 198%
Total Net Income	13,130	13,450	▼ 2%
Employment costs	(4,655)	(4,735)	▼ 2%
Occupancy costs	(566)	(595)	▼ 5%
Other costs	(1,421)	(1,503)	▼ 5%
Depreciation	(34)	(68)	▼ 50%
Finance income / (expense)	(19)	145	▼ 113%
MI share of operating earnings (pre tax)	(1,054)	(1,526)	▼ 31%
Operating earnings before tax	5,381	5,168	▲ 4%
Income tax	(1,502)	(1,548)	▼ 3%
Net Operating earnings after tax & MI	3,879	3,620	▲ 7%
Other non-operating items ¹ after tax & MI	4,631	607	▲ 663%
Statutory profit after tax & MI	8,510	4,227	▲ 101%
Key performance metrics (cents per share)			
EPS – Statutory	4.03	2.57	▲ 57%
EPS – Operating earnings before tax	2.55	3.14	▼ 19%

¹ Non-Operating Items include mark-to-market gains and losses, results from discontinued operations and other non-recurring income and expense items. Refer Appendix for further details

Balance sheet

- Cash of \$20.0 million
 - Cash held in trust for underlying funds managed by the Group of \$8.9 million (June 2014: \$0.2 million)
 - \$5.0 million for AFSL requirements
- Co-investments \$48.6 million
- Net tangible assets of \$56.0 million
- \$5.0 million debt facility forecast to be repaid from operating cashflows
- Debt facility continues to provide flexibility for growth initiatives

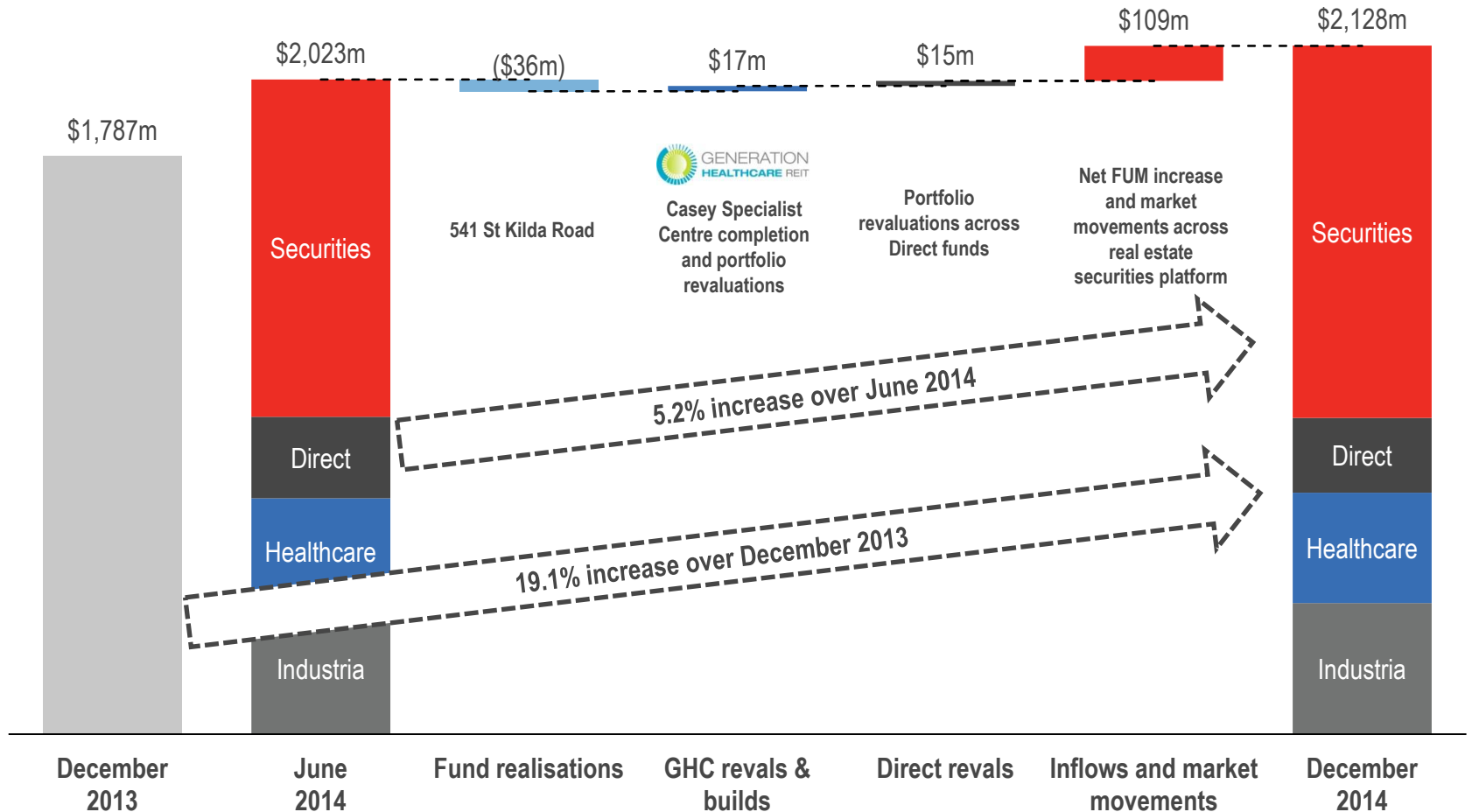
\$000s	Dec 2014	Jun 2014	Change
Cash	20,012 ¹	6,034 ¹	▲ 232%
Co-investments	48,555	46,077	▲ 5%
Other assets	13,979	11,519	▲ 21%
Intangible assets	4,073	4,079	- -%
Total assets	86,619	67,709	▲ 28%
Trade and other payables, tax & provisions	16,774 ¹	7,906 ¹	▲ 112%
Borrowings	5,000	5,000	- -%
Minority interests	4,799	3,571	▲ 34%
Net Tangible Assets	55,973	47,153	▲ 19%
Net Tangible Assets per share (cents)	25.3	21.8	▲ 16%

Debt facility metrics	Actual	Covenant
Loan to value ratio	25.0%	45.0%
Distribution cover ratio	5.66x	2.00x
Maturity date	31 August 2015	

¹ Includes cash held in trust for underlying funds managed by the Group of \$8.9 million (June 14: \$0.2 million) and offsetting liability for pending unit issues

Funds under management¹

Continuing investment performance has delivered solid FUM growth over the period

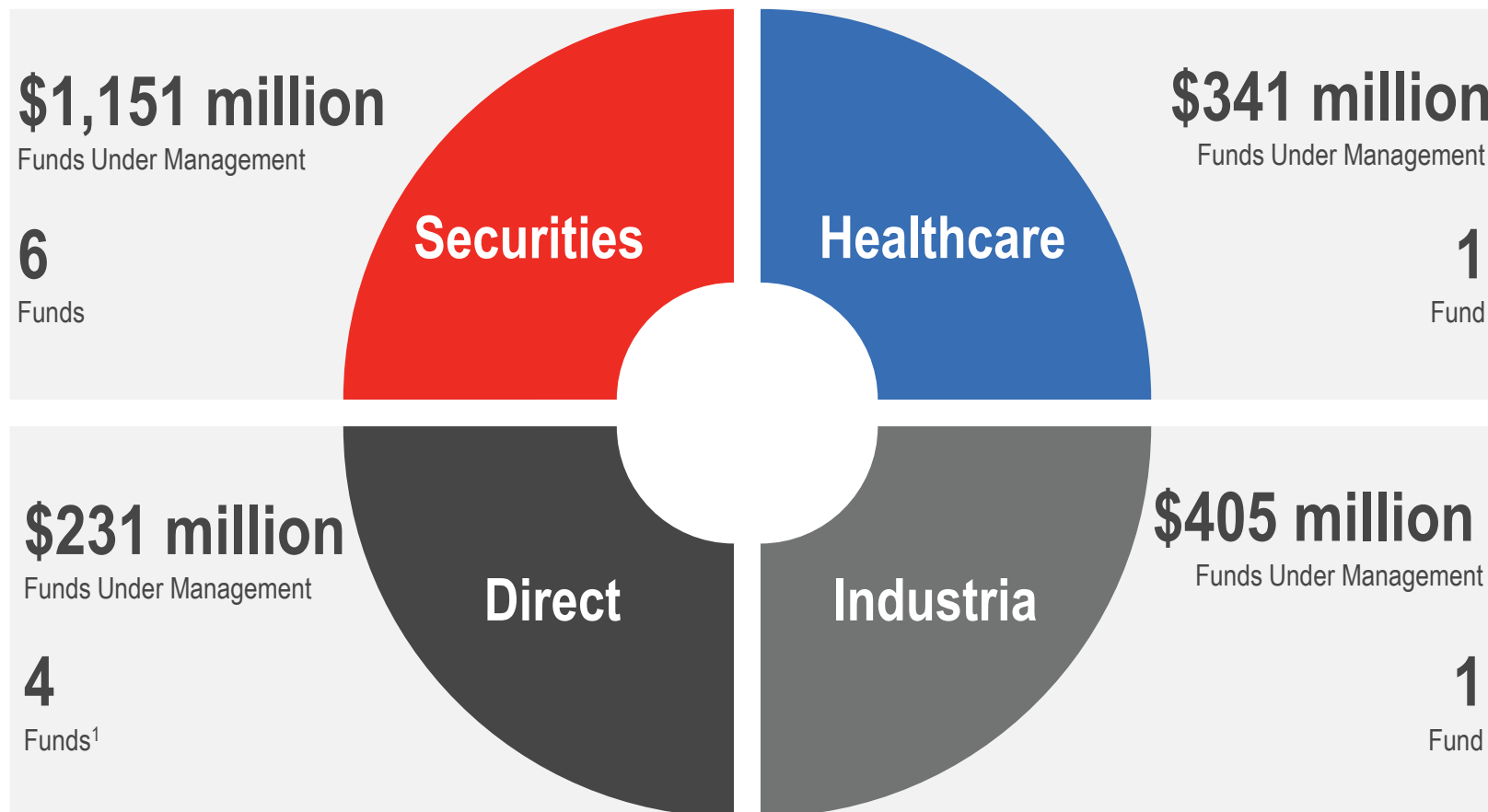


¹ From continuing operations

BUSINESS HIGHLIGHTS



Group Overview



¹ Excludes new funds launched post 31 December 2014 (APN Coburg North Retail Fund)

Direct Funds

Highlights

- Exchanged conditional contract for sale of The Marketplace, Auburn with forecast investor gross profit of >50%
- 150 Collins St completed (APN DF2)
- Completed sale of 541 St Kilda Road – 29% total return
- Successfully launched APN Coburg North Retail Fund
- Sale for Parkes Shopping Centre (APN Regional Property Fund)

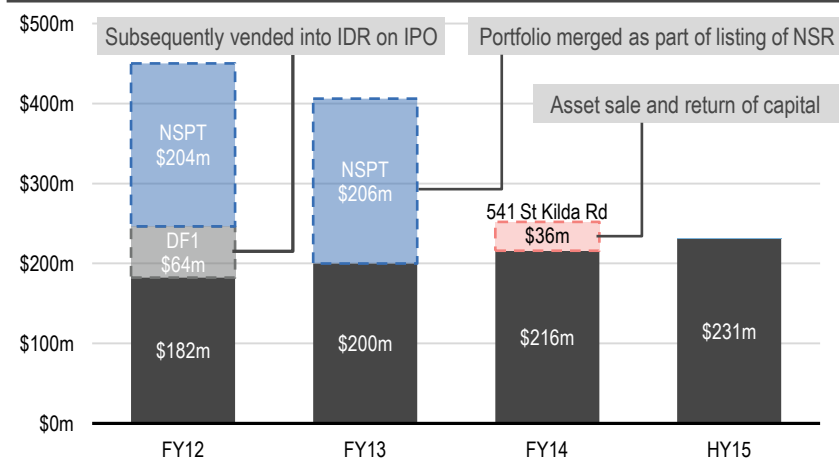


Priorities

- New products to meet strong demand for investment products across a range of risk / return profiles
 - New property syndication opportunities (e.g. Coburg)
 - New development funds (e.g. Auburn)
- Continue to apply discipline in the current market environment and our direct investment strategy
- Deliver on Auburn re-development project
- APN Property Plus Portfolio and APN Regional Property Fund

¹ Excludes APN Coburg North Retail Fund launched post 31 December 2014

FUM Growth¹



APN Coburg North Retail Fund

- New direct unlisted property fund
- Recently built (2014) shopping centre anchored by Woolworths supermarket
- Located in high growth area in Melbourne's inner North (10km from CBD)
- Property secured off-market (settled February 2015)
- Significant majority of investors via APN's own direct relationships

APN Coburg North Retail Fund

Investment type	Single asset, closed-end unlisted property fund
Investment objective	Stable income and capital growth
Property	Coburg Hill Shopping Centre
Property Value	\$18.9 million
Major Tenant	Woolworths Limited
WALE	13.9 years (by income) as at 30 September 2014
Occupancy	100% (includes ~5% rent guarantee)
Investment Term	7 years
Forecast Distributions	FY2015: 7.40% FY2016: 7.60% Tax deferred to 90-100%



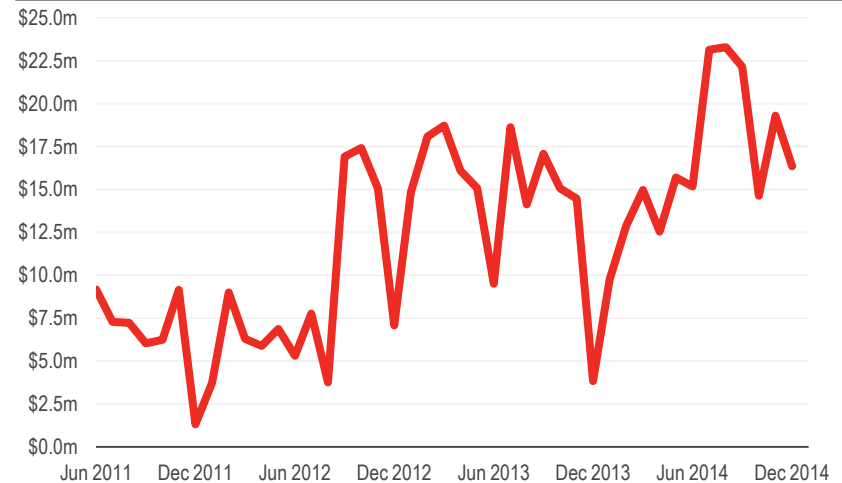
Real Estate Securities

- FUM at \$1,151 million, increase of 10.4% since June 2014
- Awarded Money magazine's 2015 Best of the Best Award
- AREIT Fund average net inflows of ~\$20 million per month
- Consistent returns and lower risk via active management
- Re-opened Property for Income Funds to daily liquidity

Priorities

- Maintain and build distribution footprint
- Asia fund – continuing investment in growth opportunity, performance remains excellent
 - 25% total return (year to December 2014)
 - Below market risk

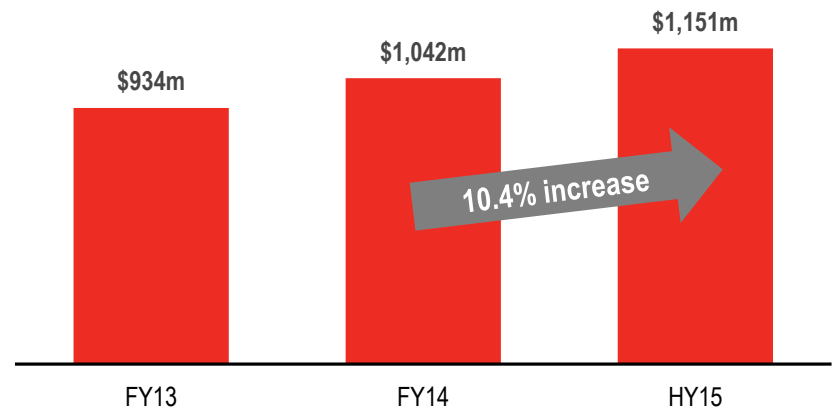
APN AREIT Fund continuing strong net inflows



Broad-based multi channel distribution and support



FUM Growth



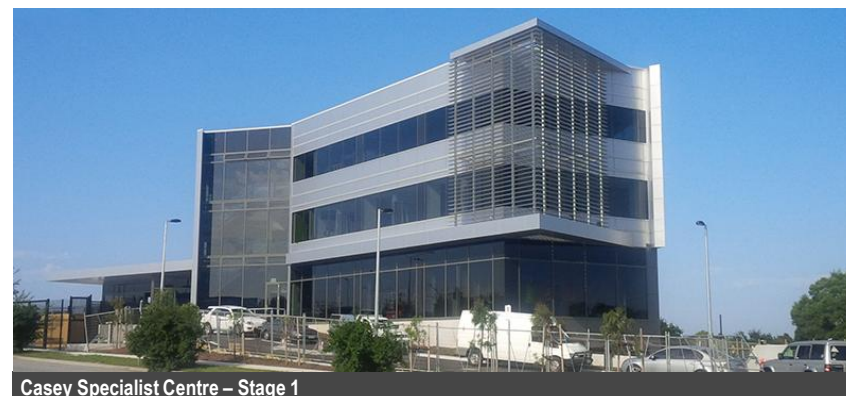
Healthcare

Highlights

- Total return of 18.7% (6 months), outperforming the S&P/ASX 300 Property Trust Accumulation Index return of 12.7%
- Completed Casey Specialist Centre and advanced growth projects including Frankston Private and Epworth Freemasons Cancer Centre
- Multiple industry recognition during 2014

Priorities

- Continue active portfolio management to drive value
- Focus on growing operational earnings and distributions
- Progress organic growth pipeline
- Seek growth opportunities that add value to the Fund

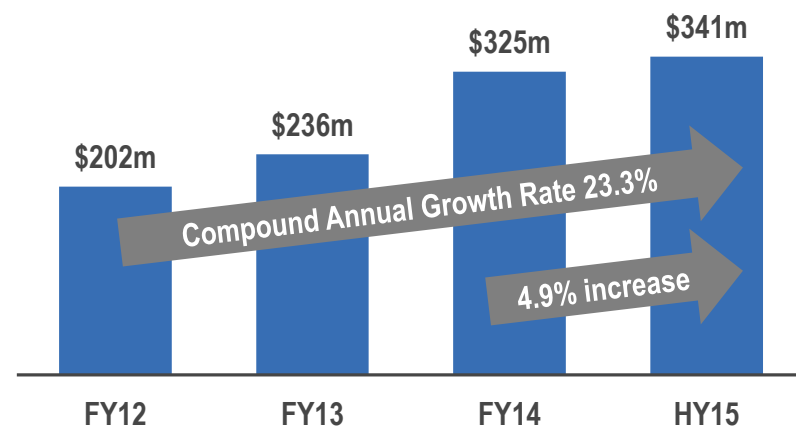


Key metrics

Market Capitalisation ¹	\$266 million
Total Funds Under Management	\$341 million
Forecast FY15 Distribution Yield ¹	5.6%
Occupancy	98.6%
WALE	11.6 years
Gearing	33%

1. As at 31 December 2014 closing price

FUM Growth



Industria

Highlights

- Half year distribution of 8.36 cents per Security delivered
- WALE increased over the period to 5.1 years
- NTA increased to \$2.01
- Included in the S&P/ASX 300 index
- 16,400+ sqm of leasing completed in the period
- Asset recycling opportunities progressed: sale of 53 Brandl Street \$1 million over book value

Priorities and outlook

- A quality portfolio of workspace assets, secured at time of IPO on attractive terms (8.4% cap rate)
- Active portfolio management
 - Continuing focus on leasing opportunities
 - Further asset recycling opportunities
- Diversified tenant base and expiry profile
- Attractive forecast distribution yield and pricing



INDUSTRIAREIT

An APN Property Group fund

Key metrics

Market Capitalisation ¹	\$250 million
Total Funds Under Management	\$405 million
Forecast FY15 Distribution Yield ¹	8.1 – 8.4%
Occupancy	93%
WALE	5.1 years
Gearing	33%



Rhodes Business Park

1. As at 31 December 2014 closing price

STRATEGY AND OUTLOOK



Strategy and implementation

Philosophy

PROPERTY FOR INCOME

Approach

Investment performance



Outstanding service

Strategy

Focus on activities in which APN has a competitive advantage



- Specialist expertise
- Track record
- Governance
- Co-investment

‘How we are seeking to do it’

Commercial objective: building shareholder value

Implementation

Source

Invest

Manage

Realise



Increase scale

- Grow FUM through delivering for our clients
- Larger / more profitable funds
- Leverage efficiencies (eg distribution team)

Manage costs

- Measured investment in growth (eg Asia)
- Discipline on overheads

Outcome

- Revenue growth translates to bottom line
- Higher profit margins, EPS growth

Attractive Industry Dynamics and Market Position

1

Australian superannuation assets \$1.87 trillion¹; forecast to grow to \$3 trillion by 2020²

2

Income-orientated investment products are attractive assets for superannuation investors

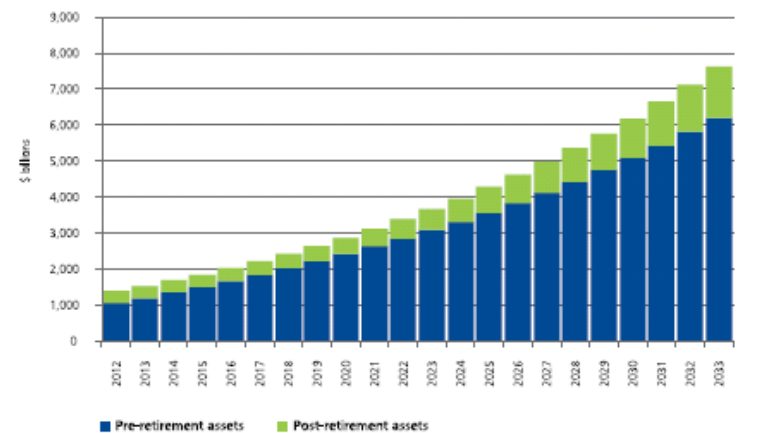
3

APN's 'property for income' focused commercial property investments are well positioned to cater to these requirements

4

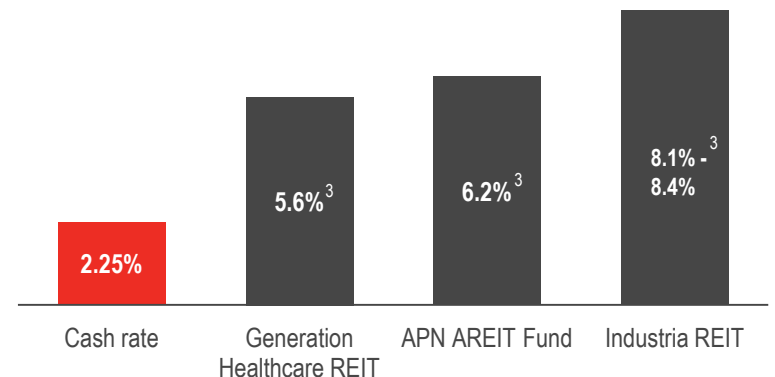
Our brand and reputation as an experienced and trustworthy real estate investment manager continues to provide us with an advantage

Projected superannuation assets to 2033



Source: Deloitte Actuaries & Consultants, 2013

Investment yield comparisons



1 Source: ASFA Superannuation Statistics December 2014

2 Source: Deloitte Dynamics of the Australian Superannuation System 2013

3 Forecast distribution yields based on 31 December 2014 closing price. Refer to respective funds and RBA website for further details

Outlook

Economic environment

- Low growth, low inflation environment
- Interest rate cuts and AUD decline will assist growth (in part)
- Structural changes (wages etc) likely necessary for major improvements



34 Australis Dr, Derrimut VIC

Real estate markets

- Continue to be highly liquid with significant competition for assets
- Yield spread (cap rates vs. borrowing costs) remains – may continue
- Incentives remain elevated - cash flow risk on shorter lease terms
- WALE and lease expiry profiles key value drivers in weak occupier market
- Sydney and Melbourne leasing markets improving
- Globalisation alive and well with cross border capital flows



Frankston Private, 24-28 Frankston-Flinders Rd, Frankston VIC



The Marketplace, Auburn NSW

Outlook

Investment strategy

- Focus on longer lease term assets or structured (eg development) opportunities
- Shorter lease terms - incentive levels and cash flow risk on expiry
- Well leased commercial property remains an attractive investment proposition in a low growth, low inflation environment

New opportunities

- APN continues to look at opportunities to add value to existing funds through acquisition and development
- APN continues to work on new property investment opportunities designed to deliver investors attractive returns across a range of risk profiles

Earnings and dividend guidance increased

- Subject to continuation of current market conditions
- FY2015 Operating profit before tax 3.30 – 3.60 cents per share (EPS 2.30 – 2.50 cents)
- Interim dividend of 1.25 cents per share (fully franked) declared with forecast reinstatement of final dividend of 0.25 cents per share



APPENDIX A

FINANCIAL INFORMATION

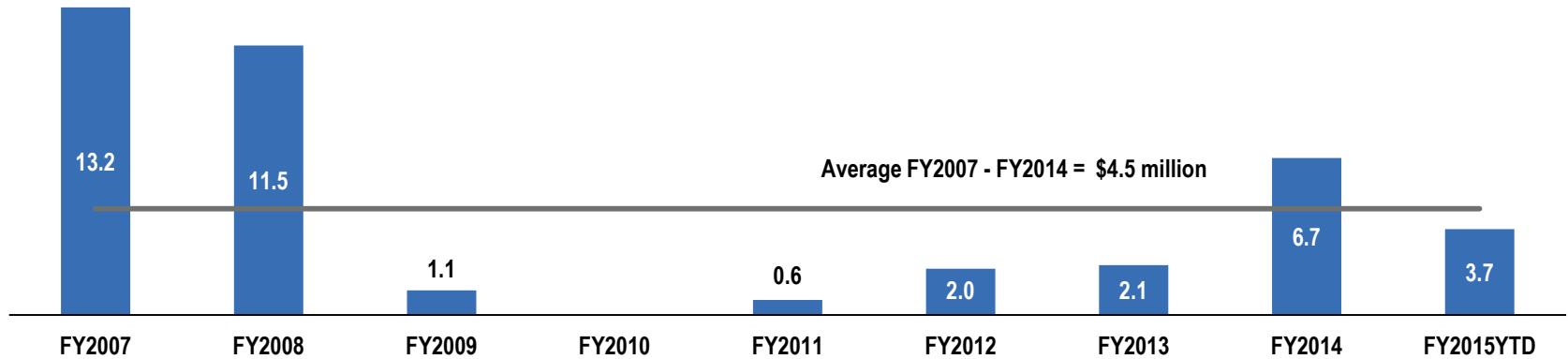


Financial Performance

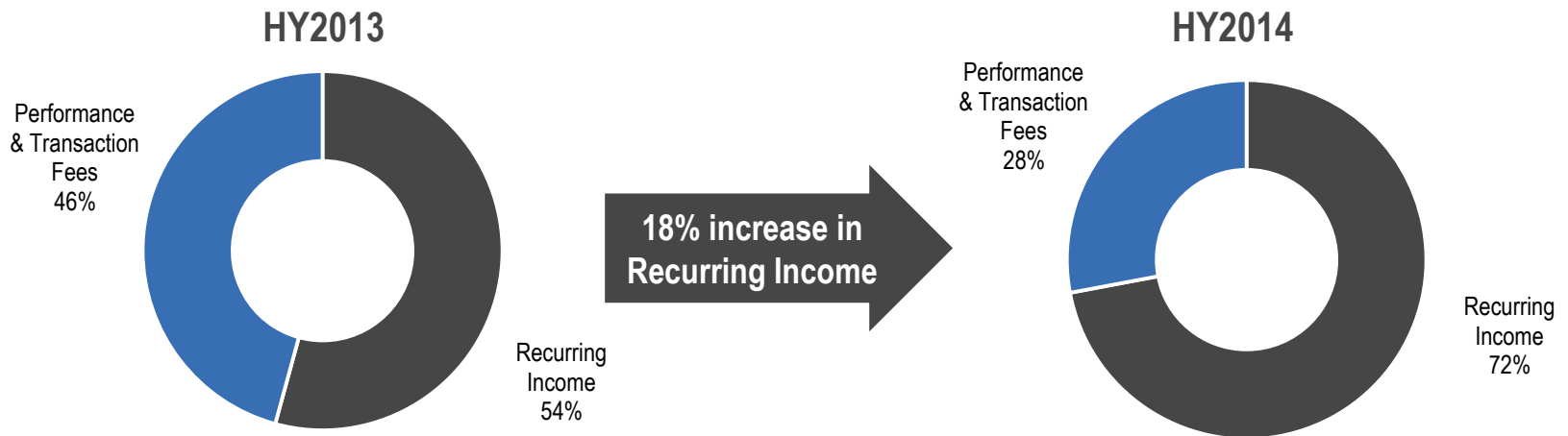
Income Statement	Dec 2014	Dec 2013
	\$'000s	\$'000s
Fund management fees	5,861	4,885
Performance & transaction fees	3,671	6,154
Asset & project management fees	905	647
Registry, accounting & other fees	1,165	1,252
Total Net Funds Management Income	11,602	12,938
Co-investment income	1,528	512
Total Net Income	13,130	13,450
Employment costs	(4,655)	(4,735)
Rent & occupancy costs	(566)	(595)
Other costs	(1,421)	(1,503)
Depreciation & amortisation	(34)	(68)
Finance income / (expense)	(19)	145
Minority Interest (MI) share of operating earnings (before tax)	(1,054)	(1,526)
Operating earnings before tax	5,381	5,168
Income tax	(1,502)	(1,548)
Net operating earnings after tax & MI	3,879	3,620
Fair value changes on Co-investments and write-offs	4,667	1,188
Income tax expense	725	(356)
MI share of above items	(498)	(115)
Profit after tax & MI	8,773	4,337
Profit / (Loss) from discontinued operations after tax & MI	(263)	(110)
Statutory profit after tax & MI	8,510	4,227

Revenue analysis

Frequency of 'non-recurring' income (5 of 12 funds have ability to earn 'non-recurring' income)¹



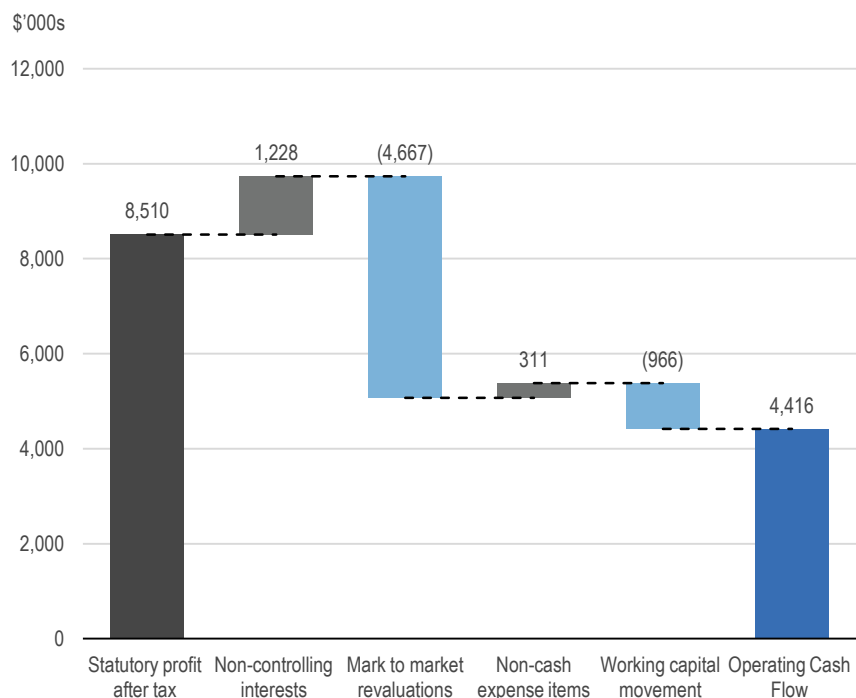
Continuing improvement in 'quality' of earnings (Net Income breakdown)



1. On a statutory basis, diluted, including continued and discontinued operations

Financial Performance

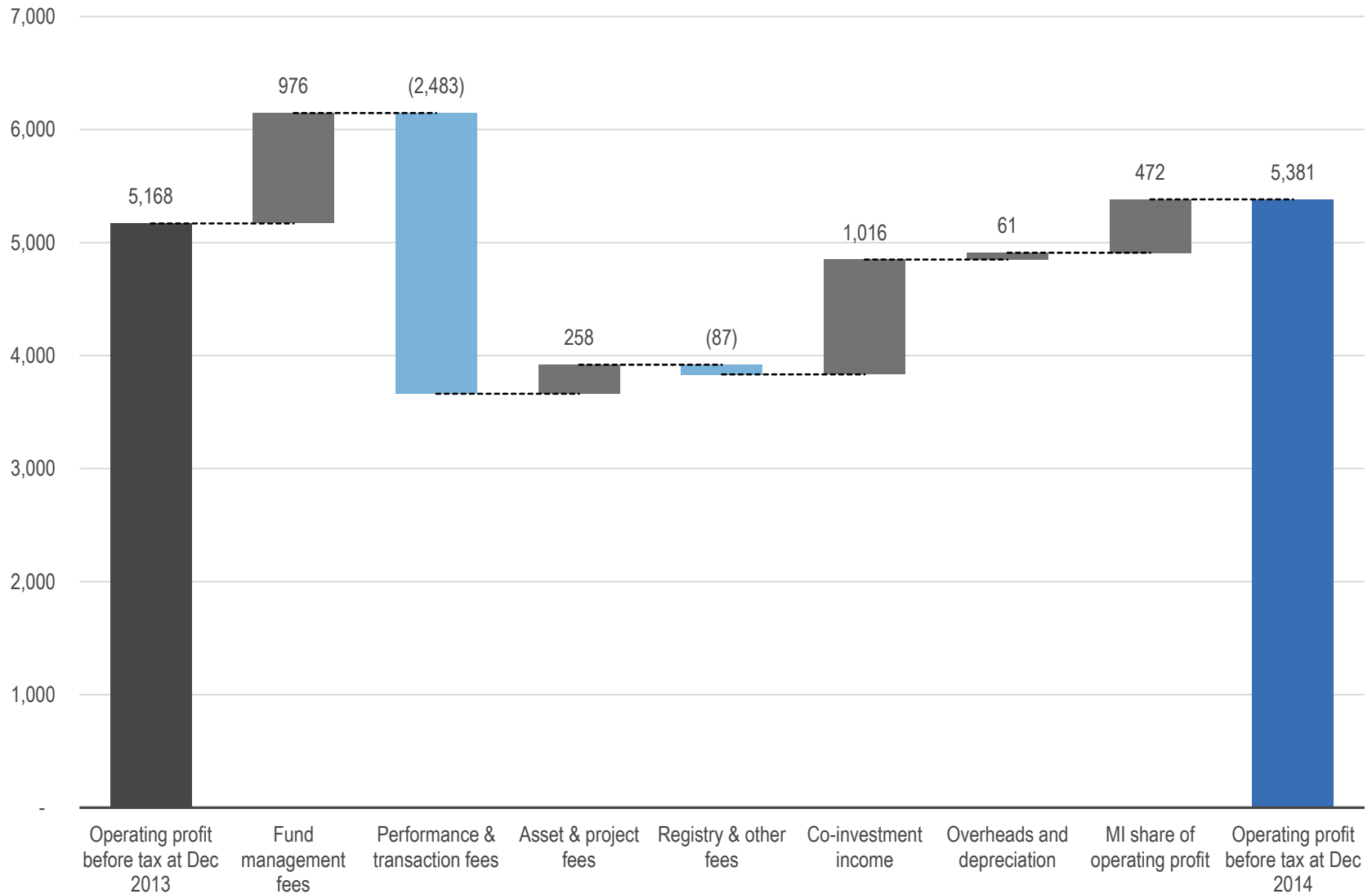
Operating Cashflow



Cashflow Reconciliation	Dec 2014 \$000s	Dec 2013 \$000s
Statutory profit after tax	8,510	4,227
Add/(deduct):		
Non-controlling interests	1,228	1,170
Mark to market revaluations	(4,667)	(1,188)
Non-cash expense items	311	997
Working capital movement	(966)	(4,553)
Operating Cash Flow	4,416	653
Dividends paid	2,763	2,698
Dividends (cents per share)	1.25	1.25

- Operating cashflow up to \$4.4 million
- Boosted by performance and transaction fees

Operating Profit Before Tax Reconciliation

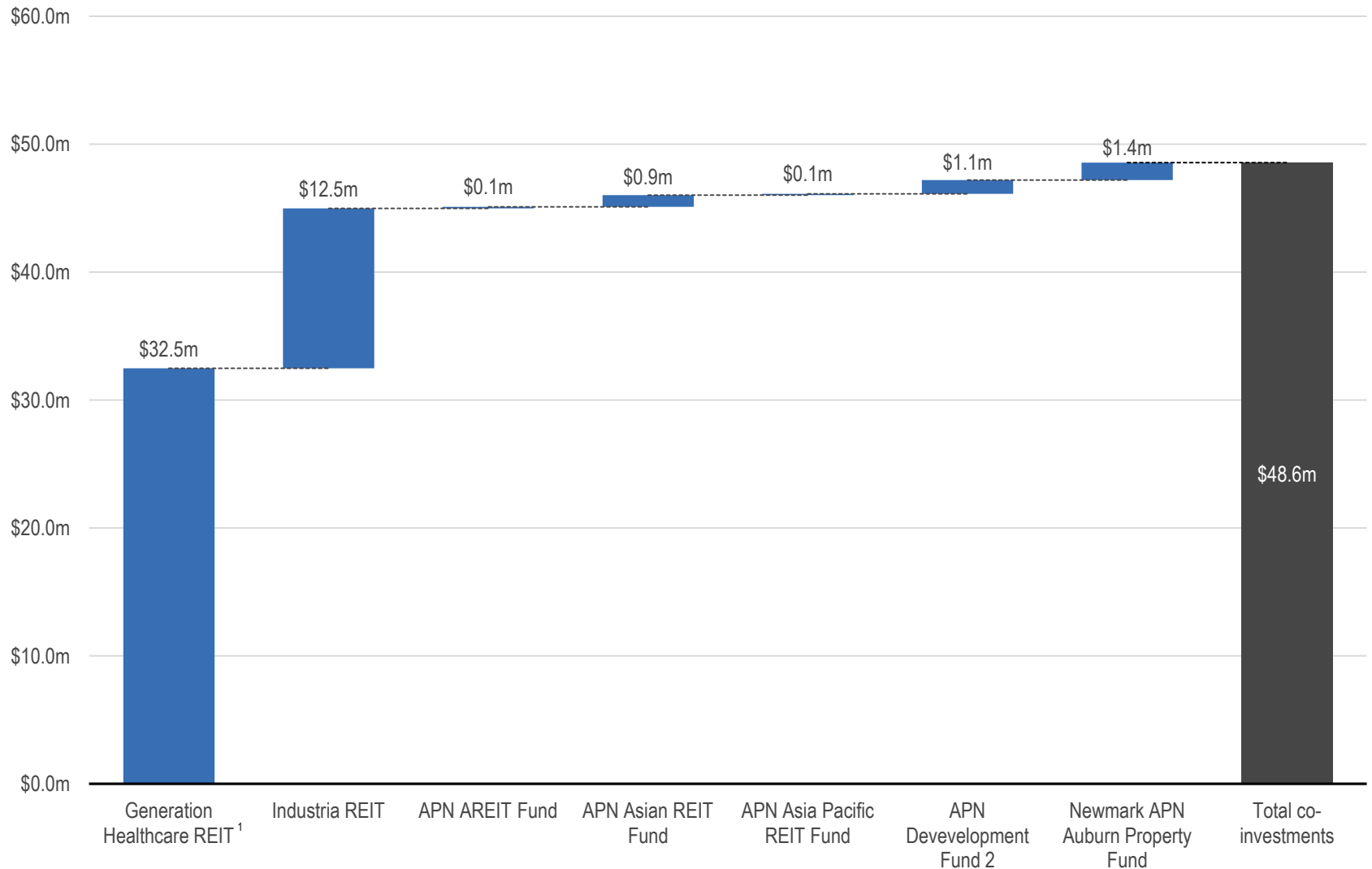


Balance sheet

\$'000s	Dec 2014	Jun 2014
Cash and cash equivalents	20,012 ¹	6,034 ¹
Trade and other receivables	6,951	6,165
Co-investments	48,555	46,077
Other assets	1,492	366
Total Current Assets	77,010	58,642
Intangible assets	4,073	4,079
Deferred tax assets	5,173	4,643
Other assets	363	345
Total Non-Current Assets	9,609	9,067
Total assets	86,619	67,709
Trade and other payables	11,310 ¹	2,995 ¹
Borrowings	5,000	5,000
Current tax liabilities	239	1,297
Provisions	1,960	1,910
Total Current Liabilities	18,509	11,202
Total Non-Current Liabilities	3,265	1,704
Total liabilities	21,774	12,906
Net assets	64,845	54,803
Minority Interests (MI)	4,799	3,571
Net Assets less MI	60,046	51,232
NTA (cps)	25.3	21.8

1. Includes cash held in trust for underlying funds managed by the Group of \$8.9 million (Jun13: \$0.2 million) and offsetting liability for pending unit issue in APN managed fund

Co-investments (\$000s)



1. \$16.6 million includes \$5.4 million minority interest

APPENDIX B

FUNDS UNDER MANAGEMENT SUMMARY



Funds Under Management¹ Summary

Funds	Sector	Investors	Funds Under Management	Fee Basis			Co-investment Stake
				Mgmt	Perf	Other	
APN AREIT Fund	Property Securities	Retail & Institutional	\$785m	✓			–
APN Property for Income Fund	Property Securities	Retail & Institutional	\$204m	✓			–
APN Property for Income Fund No. 2	Property Securities	Retail & Institutional	\$86m	✓			–
APN Unlisted Property Fund	Property Securities	Retail & Institutional	\$49m	✓			–
APN Asian REIT Fund	Property Securities	Retail & Institutional	\$3m	✓			30.5%
APN Asian Asset Income Fund ²	Property Securities	Retail & Institutional	\$24m	✓	✓		–
Generation Healthcare REIT	Healthcare	Retail & Institutional	\$341m	✓	✓	✓	12.2%
Industria REIT	Industrial & Business Park	Retail & Institutional	\$405m	✓		✓	5.0%
APN Property Plus Portfolio	Non-Discretionary Retail	Retail & Institutional	\$77m	✓			–
APN Regional Property Fund	Regional Property	Retail	\$50m	✓			–
APN Development Fund No. 2	Office & Industrial	Institutional	\$39m	✓	✓	✓	4.8%
Newmark APN Auburn Property Fund	Retail	Institutional	\$65m		✓	✓	5.4%
Total			\$2,128m				

1. Funds under management from continuing operations at 31 December 2014

2. Investors approved for liquidation during an EGM held on 31 December 2014

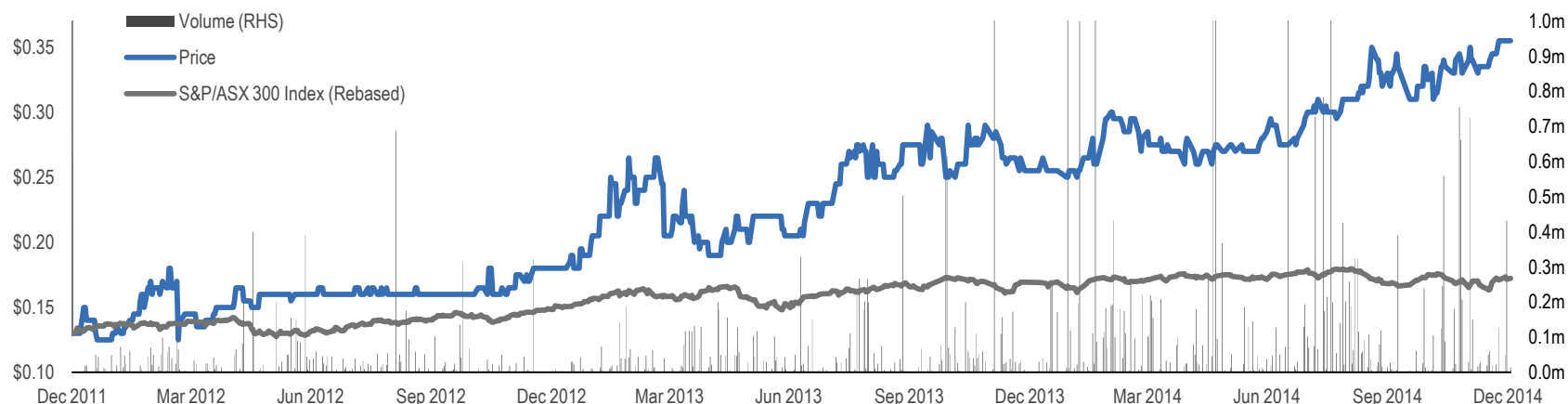
APPENDIX C

COMPANY OVERVIEW



Company overview

Share Price and Volume (three years)



Major Shareholders & Board of Directors

Shareholder ³	%	Board Member	Position
C. Aylward	28.7%	Chris Aylward	Exec Chairman
Phoenix Portfolios	12.3%	Howard Brenchley	Non Exec. Dir.
Grollo Family	10.9%	Clive Appleton	Non Exec. Dir.
Macquarie	9.7%	Tim Slattery	Executive Director
Antler Investments	5.3%		
H. Brenchley	3.8%		
C. Appleton	2.1%		
TOTAL	72.8%		

Key Information

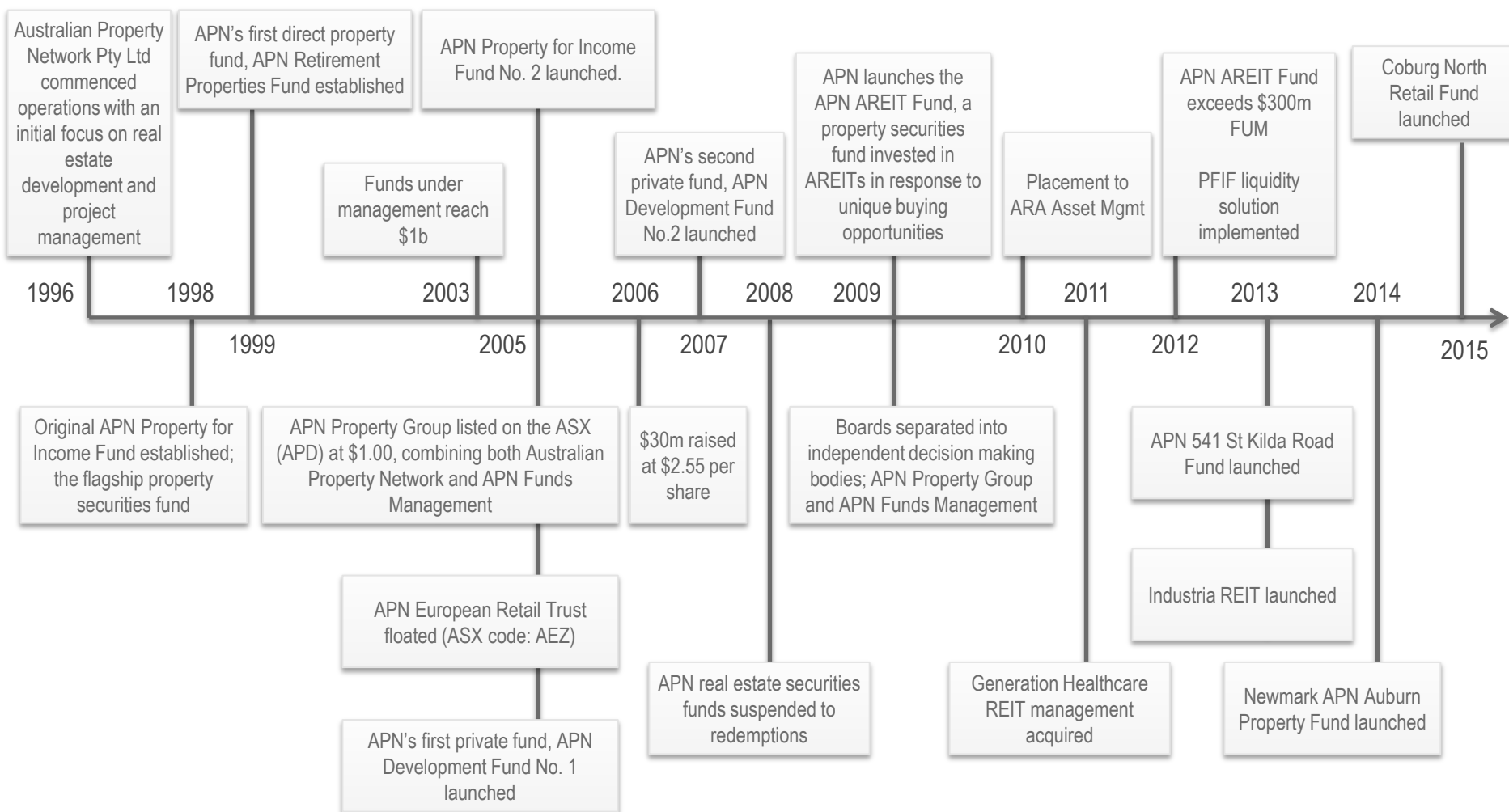
Metric	
Closing share price ²	\$0.355
Shares outstanding ²	221,073,965
Market capitalisation ²	\$78.5m
FUM ¹ (31 December 2014)	\$2.1bn

1 From continuing operation and includes \$341 million from Generation Healthcare REIT (managed by a joint venture 32.5% owned by management) and \$65 million from the Newmark APN Auburn Property Fund (50% joint venture with Newmark Property Group)

2 IRESS, ASX Trading data as at 31 December 2014

3 Shareholder register as at 27 January 2015

History



Disclaimer

The financial information included in this presentation is based on APN Property Group's financial statements and results that have been prepared in accordance with the Corporations Act 2001 (Cth), applicable Accounting Standards and Interpretations and in compliance with other applicable regulatory requirements, including the applicable International Financial Reporting Standards (IFRS). This presentation is dated 23 February 2015.

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Chief Financial Officer

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