



4 February 2019

Financial results and Fund update, capital raising and Liquidity Event launch

APN Funds Management Limited ACN 080 674 479 (**APN FM**) as responsible entity of the APN Regional Property Fund ARSN 110 488 821 (NSX:APR) (**Fund**) is pleased to announce the Fund's financial results for the six months to 31 December 2018, provide an update on the Fund and announce the launch of a capital raising and withdrawal offer (**Liquidity Event**).

Financial results and Fund update

The APN Regional Property Fund reported a Net Profit of \$1.93 million for the period ended 31 December 2018, continuing to deliver strong, risk adjusted returns to investors. Following the independent valuation of the property as at 31 December 2018, the portfolio is valued at \$51.75 million, representing a \$650,000 (1.27%) increase compared to 30 June 2018. The increase in value is predominantly due to the capital improvement initiatives underway and active leasing approach that has led to a firming of the capitalisation rate on both properties from 7.50% to 7.25%.

Following the increase in the portfolio's value, the Fund's current Net Asset Value per unit increased to \$1.4320 from \$1.4060 at 30 June 2018. The Fund's gearing has decreased to 29.25%.

APN FM is also pleased to announce that following the work undertaken as part of the Liquidity Event, effective from 1 April 2019 the distribution rate will increase from 9.50 cents per unit to 10.04 cents per unit per annum reflecting an increase of 5.7% in the annualised distribution rate. In addition, the distribution rate per annum is forecast to increase to 10.20 cents per unit in FY2020, up 7.4% on the current distribution rate.

Work continues on the capital improvement initiatives with the following update provided:

- New state of the art end of trip facilities (completed)
- External repainting of the buildings' façade (completed)
- Building energy efficiency upgrade works to achieve an estimated minimum 4.5 star NABERS energy rating (completed)
- Upgrade to each of the building's entry foyer (in progress)
- Ongoing upgrade program of bathroom facilities (in progress)

Leasing update

We are pleased to advise that lease negotiations with Yancoal Australia Limited (**Yancoal**) have been finalised. Commencing 1 May 2019, Yancoal will lease ~600sqm on level 5, 28 Honeysuckle Drive, Newcastle for a term of 10 years. Following commencement of this lease the portfolio's WALE improves to 3.2 years and occupancy increases to 96%.

APN Property Group Limited
ACN 109 846 068

Responsible Entity:
APN Funds Management Limited
ACN 080 674 479 AFSL No. 237500

Level 30, 101 Collins Street
Melbourne, Victoria 3000, Australia

Correspondence to:
PO Box 18011
Melbourne Collins Street East, Victoria 8003

T +61 (0) 3 8656 1000
F +61 (0) 3 8656 1010
Investor Services 1800 996 456
Adviser Services 1300 027 636
W www.apngroup.com.au
E apnpg@apngroup.com.au

Debt facility update

The Fund has received confirmation of credit approval for a three year extension of the debt facility from its existing financier, Bank of Melbourne, including an increase in the facility limit and revised pricing. The debt facility remains subject to documentation and satisfaction of conditions precedent.

Capital raising and Liquidity Event

Further to the announcement on the 24 December 2018 and the Board's commitment to provide liquidity to those investors who wish to exit, APN FM is pleased to announce the following:

- a withdrawal offer for those existing investors who wish to redeem their investment in the Fund (subject to sufficient funds being raised to satisfy withdrawal requests); and
- a capital raise of up to \$36.0 million comprising a rights issue to existing investors and a public offer to new investors under a product disclosure statement.

The capital raised will be used, in addition to the available headroom in the Fund's debt facility and cash reserves, to fund the withdrawal offer. The capital raising and withdrawal offer outlined are necessarily dependent upon capital market conditions (which vary from time to time) and investor demand at the relevant time of the equity raising. The transaction is not currently underwritten therefore APN FM cannot guarantee sufficient capital will be available to fund withdrawal requests. In the event the transaction does not satisfy withdrawal requests, it will not proceed and APN FM will implement an alternative such as a sale of the Fund's assets.

For those investors who are satisfied with their investment in the Fund and do not wish to exit, there is no need to do anything. You will remain an investor until the next liquidity opportunity, scheduled for June 2024, where you will be offered another opportunity to exit your investment.

The indicative timeline for the transaction (unless extended at the discretion of APN FM) is as follows:

Important dates	
Public Offer Opening Date	Monday, 4 February 2019
Record Date for the Rights Issue and Withdrawal Offer	Wednesday, 6 February 2019
Rights Issue and Withdrawal Offer Opening Date	Thursday, 7 February 2019
Withdrawal Offer Closing Date	Monday, 25 March 2019
Rights Issue Closing Date	Earlier on Monday, 25 March 2019 or the date of the Total Offer Amount being allocated
Public Offer Closing Date	Earlier on Monday, 8 April 2019 or the date of the Total Offer Amount being allocated
Allotment Date	Expected to be Friday, 12 April 2019
Payment of proceeds of Withdrawal Offer	By Monday, 15 April 2019

Further information is available in the Withdrawal Letter and Product Disclosure Statement released today.

Voluntary suspension of trading

The Withdrawal Offer, together with the capital raise, constitutes a proposed reorganisation of capital for the purposes of NSX Listing Rule 6.27 Section IIC, and the Fund will enter a voluntary suspension of trading for the duration of the timeframe noted above. APN FM will keep investors updated on the progress of the reorganisation.

Further information

If you have any queries in relation to the transaction, please contact your financial adviser or APN Investor Services on 1800 996 456, email us at apnpg@apngroup.com.au or at the details below.

ENDS

Tom Forrest
Head of Direct Property

About APN Regional Property Fund

The APN Regional Property Fund (Fund) is a direct real estate fund listed on the National Stock Exchange (NSX code: APR). The Fund is invested in two A-grade office buildings located in the Newcastle CBD, New South Wales.

APN Funds Management Limited (APN FM) is a wholly owned subsidiary of APN Property Group Limited, an ASX listed company (ASX code: APD) that manages approximately \$2.8 billion (as at 30 June 2018) of real estate and real estate securities on behalf of institutional and retail investors. APN is an active investment manager with a concentrated focus on income and has been investing on behalf of its clients in commercial real estate since 1996.

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