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Presentations to the Property for Industry Annual Meeting at 11am on 8 May 2018

<< Slide 1: PFI ANNUAL MEETING >>

<< Anthony Beverley >>

Good morning, my name is Anthony Beverley and I am the new Chairman of the Board of Directors of PFI.

Welcome to the twenty fourth Annual Meeting of PFI. I can see we have a quorum present, so let's get underway.

Before we start, can I just remind you to put your phone on silent? And in case of an emergency, please follow the instructions of the Eden Park staff, who will direct you to the appropriate exit.

<< Slide 2: AGENDA >>

Here is the agenda.

We will start by providing an overview of what was a big year for PFI.

You will then have the opportunity to ask questions or to make comments about those presentations or the financial statements and auditor's report. There will be a further opportunity for discussion when we get to General Business.

As you have seen in the notice of meeting, we have three resolutions we would like you to approve.

After the meeting, please join us for light refreshments and a more informal chat with the Board and Management Team. Let me introduce them to you now…

<< Slide 3: BOARD AND MANAGEMENT TEAM PRESENTATIONS >>

<< Slide 4: INTRODUCTIONS >>

- First, **Craig Peirce**, Chief Financial Officer and Company Secretary.
- Next, **Simon Woodhams**, General Manager;
- Next, **David Thomson**, who was appointed to the Board in February.
- Next, **Greg Reidy**, PFI's Managing Director;
- Next, **Susan Peterson**, who joined the Board in 2016.
- And finally, **Humphry Rolleston**, who has served on PFI's Board since the company was listed on the stock exchange.

As you can see, there is someone missing...

<< Slide 5: PETER MASFEN >>

As you know, Peter has announced his retirement from our Board. Unfortunately, he is unable to be here today. Not only is he disappointed by that, but we are too, because we would have liked him to be here as we publicly thank him for his leadership and wisdom. Peter joined the Board in 2002 and has been Chairman ever since. During that time, the portfolio has grown from 46 properties valued at $209 million to 92 properties valued at over $1.2 billion.

I know Peter is extremely proud, not just of PFI's growth, but especially of the manner in which it has grown: one step at a time, each step carefully considered and managed. To give you just one example: when we were negotiating the merger with Direct Property Fund in 2013—and Peter fronted those discussions—he was determined to ensure that the premium value of PFI shares was recognised. He really dug in and achieved a great outcome: not just for PFI shareholders, but also for the long-term benefit of Direct Property shareholders.

So, thank you Peter, for your outstanding contribution to PFI, and for never letting us forget that the reason for everything we do is to deliver strong, stable returns to shareholders.

<< Slide 6: 2017 OUTCOMES >>

<< Slide 7: 2017 HIGHLIGHTS >>

With that in mind, let me—as your new Chairman—take up Peter’s mantle and talk you through the key points of 2017.

If you were at this meeting last year, you will recall my presenting the proposal that we should internalise the management of PFI, this in the Board’s view being very much in the best interests of the company for the long term. You endorsed that proposal. It has now been implemented and I am pleased to report that the benefits we anticipated are being delivered. We have not only captured the operating cost savings we anticipated, but are also experiencing a significant cultural shift: it is not that we were not aligned before, but there really is a much greater sense that we are one company and team, pursing a common goal.

The other big event of 2017 was the acquisition of the nine properties, seven of which are leased to the Transport Investment Limited Group. At $70 million, certainly the biggest transaction in PFI’s history, and one of the largest industrial property deals in New Zealand last year. Simon will give you a bit more of an insight into that deal, but suffice to say that its proven to be a good deal and already creating shareholder value.

Of course, it’s one thing being presented with an opportunity like that, but what really matters is the ability to execute, and to do so in a way that avoids putting the business under stress and leaves the company in a stronger position. Which is why we’ve asked Craig Peirce - our CFO – to talk to the meeting about the capital arrangements that were put in place.

But, as Peter would say, it all comes down to shareholder returns. And so, in terms of immediate outcomes, the most significant achievement of 2017 was a distributable profit of 8.08 cents a share, up 7% on last year.

Let’s look at the company’s metrics in a bit more detail, and, as we have at previous meetings, in the context of the last five years….

<< Slide 8: 2017 IN CONTEXT >>

I’ve included **operating revenue and expenses** this year, to highlight two points: First of all, the continuing increase in revenue, boosted this year by the TIL acquisition in particular.

And secondly, the drop in operating expenses, because that was a key benefit we anticipated would flow from the internalisation of management, so I wanted to highlight that it has indeed occurred.

If we look at **total assets** next**,** you can see the immediate impact of the TIL transaction—those properties have already been valued at more than we paid for them—but also the year-on-year growth: over the past five years the value of the portfolio has increased by more than 40%. Obviously, market conditions have been favourable, but then go back to the revenue line: in the same period operating revenue has increased by *53%*. As you can see, there are now **92 properties** in the portfolio and the fact that **occupancy** has been effectively 100% for three years demonstrates the quality of the assets.

Furthermore, the weighted average lease term or **WALT**, at 5.33 years, is the strongest it has been for some time, a reflection in part of strong market demand, but equally a measure of our team’s focus on occupancy and careful management of the portfolio: converting market conditions to shareholder value.

Look next at the **gearing** numbers. As I’ve said, Craig is going to talk about this in more detail, but, for the moment, just compare 2017 with 2013: over a five-year period of significant expansion, gearing is even healthier.

As you can see, **earnings per Share** is lower this year on last. That’s because, last year, non-operating income was boosted by a revaluation of the portfolio and conversely, this year, we’ve had the internalisation, which is a one-off.

But, as I’ve already mentioned, **distributable profit** is up, and, in the context of the past five years, clearly a strong result.

If you look at that table, overall, it tells a very good story: revenue, expenses, growth in assets, and portfolio management metrics … all positive trends.

We embarked on two major transactions last year – being the internalisation and the acquisition of the TIL portfolio with associated capital raising – both offering strong outcomes for the Company. The challenge in pursuing opportunities like these is to ensure the day to day business as usual activities are not affected. Its very pleasing to see the team secure the transaction outcomes we were seeking and to ensure the operating performance remained strong.

Let me end with this next slide. Because we've been looking at the past five years, but let's pull right back and look at performance since inception...

<< Slide 9: 9.7% AVERAGE ANNUAL RETURN >>

Our constant focus is 'strong, stable returns' and since 1994, when we began, PFI's average annual return to shareholders has been 9.7%. If, in 1994, you had invested $1,000 in this company, and then done nothing other than reinvest the dividends, then today that $1,000 would be $9,200.

Now, I can think of two things you might like to with this information. First of all, it would be very useful if you happened to be talking to your grandchildren about the magic of compound interest. But secondly, you could treat it as confirmation that the decision you made to invest in industrial property through PFI was a good one.

I will now pass the meeting over to Simon.

<< SLIDE 10: A BIG YEAR FOR PFI >>

<< Simon Woodhams >>

Thank you, Ant, and good morning everyone it's great to see so many familiar faces and few new ones here today.

As Ant has pointed out, 2017 was a significant year for PFI, one of those that I think people will look back on as something of a turning point in the development of this company.

I'd like to take a few minutes to talk to you about what the team and I busy during the year, and I thought we could do that in two parts. First of all, we'll talk about 'Business as Usual' and then I want to cover the TIL transaction…

<< Slide 11: BUSINESS AS USUAL (TURIN) >>

I have to say that Craig and I smiled putting these slides together… it's not very long ago that we would have considered a $14 million acquisition and a $14 million sale headline stories, and now they sit comfortably into 'BAU' Category. To refresh your memory…

In February last year, we purchased the property at 11 Turin Place in East Tamaki for $14.3m. This was a quintessential PFI transaction: the property was owned and occupied by a company called Thermakraft, who make building paper products.

As we'll discuss in a moment with TIL, Thermakraft wanted to release capital by selling their premises and leasing them back. They approached us seeking an off-market solution, we could see the value in the property, and its location, and we were able to negotiate a very satisfactory lease agreement that included, amongst other things, an initial 15-year lease term and structured rental growth. PFI's acquisition produced a win for both parties.

<< Slide 12: BUSINESS AS USUAL (HJD) >>

65 Hugo Johnson Drive was slightly different. Purchased for $11.0m, this property was part of the Sistema portfolio we acquired back in August 2015 and leased back until Sistema moved out in early 2017.

It was a very good property and we had every expectation of securing a tenant. But then Crown Equipment, one of the potential tenants, saw it and decided they wanted to own it, not lease it, and they then made us several offers, including one at $14.0m, which we couldn't refuse.

We decided it was in the best interests of shareholders to accept their offer, confident that we could recycle that money to work somewhere else. And, sure enough, that new opportunity did come along later in the year.

<< Slide 13: BUSINESS AS USUAL (LEASING) >>

In other news, last year, we concluded 27 lease renewals across 97,000sqm of area with a weighted average lease term of 5.5 years.

We also completed 73 rent reviews which produced rental growth of 2.5% over $38.6m of rent.

With 92 properties in our portfolio, and 148 tenants, ensuring we retain quality tenants by managing those relationships professionally and extracting shareholder value from them, is one of PFI's major activities.

<< Slide 14: BUSINESS AS USUAL: 2018 >>

Pleasingly this activity has continued at pace for the first quarter of this year – where we have already completed 7 new leases across 43,000sqm of area with a weighted average lease term of 8.2 years.

One of these has been the retention of Nestle down at Carlaw Park in Parnell. This precinct is a key area of focus for us this year as several of the original leases come up for renewal over the next 12 months, so to secure a quality tenant like Nestle early in the piece is pleasing.

We can also announce here today that we have signed up Kiwisteel New Zealand Limited – a business who specialise in the manufacturing and distribution of steel building products – on a new 15-year lease term at 212 Cavendish Drive.

This was intended to be a spec design and build, but a successful marketing campaign has seen us secure this tenant before the design process was even completed.

This strong outcome is indicative of the wider industrial market which continues to move along with rents steadily increasing and asset values following, and as you would expect, PFI is well placed to capitalise on these favourable market conditions.

<< Slide 15: PORTFOLIO ACQUISITION (IMAGES, MAP) >>

Earlier in the presentation Ant spoke to a set of numbers that we think highlights that we are an effective team that can capitalise on opportunities. We have these opportunities presented to us because:

1. We are focussed on industrial property. We know people and people know what we do.
2. We're are now a sizeable business. People know we have the ability to make things happen.
3. And we have a reputation for being good to do business with and good at getting things done.

For these reasons, in May last year we received an off-market approach to see if we would be interested in acquiring a portfolio of industrial properties in a sale and lease-back transaction from what was then New Zealand's largest private transport operator.

Naturally our response was "yes"

<< Slide 16: PORTFOLIO ACQUISITION (METRICS) >>

The details of the deal I think you are now aware of: nine good quality properties throughout New Zealand, including New Plymouth, which is where TIL are based.

A purchase price of $70 million, seven of the properties leased back to TIL along with a couple of good existing tenants, for an annual rental of around $5 million.

We secured long lease terms and structured rent reviews which, as you've seen in Ant's presentation, has lifted our revenue, WALT, and our portfolio yield.

These negotiations were challenging, but fair as you would expect for a transaction of this size, and pleasingly we succeeded in achieving a good outcome for both parties.

The backstory of this is interesting, too: as I said, TIL was privately owned, but they were planning to list on the NZX, as part of their succession planning: something they have now done.

The advice they received was to first take some weight out of their balance sheet, which is why they were looking for a sale and lease-back arrangement, but they wanted a quality landlord: someone who would make life easier for their managers; free them up to concentrate on their core business. For both of those reasons, they chose PFI.

The acquisition has now been bedded in and we are confident that further opportunities will arise out of this long term relationship.

I will now hand you over to Craig who is going to talk to you about how we financed the TIL deal – however I'll be happy to answer any questions you may have, when we get to that the Q&A part of this session.

Thanks Craig.

<< Slide 17: ENABLING GROWTH >>

<< Craig Peirce >>

Thanks Simon…

You have just heard about one side of the ledger: the assets PFI already owned, or purchased during the year.

What I wanted to spend a few minutes talking about today is the other side of the ledger: the equity and debt that finances those assets.

And so, to carry on the TIL story and to focus on how we financed those assets, my team's involvement began shortly after the deal was introduced to us, as we needed 70 million dollars in short order to be able to do complete the acquisition.

Simon mentioned opportunity and effectiveness a moment ago, and he also talked about reputation and relationships.

All of that applies to the part of the PFI world that my team take responsibility for too.

Which means that, in simple terms, we could very quickly arrange access to a short term cash solution to be able to close the TIL acquisition, while we secured a longer-term solution.

But that was only possible because of the way we've always run the business. Have a look at this slide…

<< Slide 18: RESILIENCE >>

Ant talked about our 'Gearing' earlier, but—to keep it simple—I'd thought I'd show you this representation of PFI's balance sheet over the past five years: assets in grey and liabilities in red.

The thing to notice is the headroom we have now and have maintained over time. Compared to a lot of businesses—compared to most households in fact—we run the business very conservatively.

The reason for that is resilience.

The economy is cyclical, property is cyclical, but regardless of those ups and downs, PFI's promise is strong, stable returns.

It's important to us to keep gearing levels low, so that the business is not unduly stressed when market conditions change.

And so, putting a short-term solution for 70 million dollars was good in the first instance, but unacceptable for the long term.

So, what was the long term solution? Well that had two parts: a rights offer and a bond offer.

<< Slide 19: CAPITAL MANAGEMENT >>

The rights offer in October brought in the 70 million dollars we had to pay to TIL.

Existing shareholders were given the opportunity to purchase one additional share for every ten held, and there was a high level of take-up: almost 80% of the new shares available under the rights offer were taken up by existing shareholders.

As for the bond offer, well that's still debt—more particularly money we owe to the bondholders, not the bank—but we used the bond proceeds to reduce bank debt.

So, I guess the next question is: why replace one form of debt with another?

<< Slide 20: CAPITAL MANAGEMENT >>

Well, as you can see on the screen now, the bond extended our debt maturity profile—that is to say, it gave us longer to pay our borrowings back.

But more than that, it increased that resilience I was talking about earlier, by keeping open the option of further bank debt if we needed it, and it gave us optionality, by opening up another form of financing that we may use again in the future.

Since being issued at the end of November at a rate of 4.59%, which is as margin of 1.65% above the 7 year swap rate, more than 6 million bonds have changed hands in trading. The level that the bonds have traded at equates to a return of around 4.3 – 4.4%, reflecting – amongst other things – strong demand for the bonds.

<< Slide 21: OUTCOMES >>

In summary then, our capital management enabled an expansion of the PFI portfolio, which made possible an extended WALT and higher distributable profit. And we did it in way that ensured the business remained resilient: we lowered our gearing, extended our debt maturity profile, and ensured the business still had access to capital for the future opportunities…

I'll now pass back to Ant, but I'll be happy to answer any questions later on …

<< Slide 22: SHAREHOLDER DISCUSSION >>

<< Anthony Beverley >>

Thank you, Simon and Craig.

There is now an opportunity for questions or comments on the annual meeting presentations, or on the financial statements and auditor's report, which you can find from page 20 of the annual report.

If you raise your hand, we'll get a microphone to you, so that everyone can hear. Can you start by introducing yourself: your name and whether you're a shareholder or a proxy holder and, if you are a proxy holder, the name of the shareholder you are representing.

<< Slide 23: FINANCIAL STATEMENTS >>

Thank you for your questions and comments. As there are no further questions on the financial statements and auditor's report, we will now consider the financial statements and auditor's report to have been received.

<< Slide 24: ORDINARY RESOLUTIONS >>

We will now move to the resolutions.

Craig advises me that 251 shareholders, representing 118,184,632 shares or 23.7% of the company's capital, are represented by proxies.

Voting for the resolutions will be conducted by poll. For the purpose of the poll, I appoint the company's registrar, Computershare, to carry out the poll, with the company's auditors, PricewaterhouseCoopers, to act as scrutineers on behalf of the shareholders.

The procedure for the conduct of the poll will be as follows:

- Voting papers have been provided with the notice of meeting, pens, where required, will be distributed now;
- If you do not have a voting paper, please see a representative from Computershare who will print off a voting paper for you;
- The voting paper already has your name, or the name of the shareholding represented, and the number of voting shares pre-printed on the paper;
- Indicate your vote for, against or abstain, by placing a tick in the appropriate box;
- If you are here as a proxy for a shareholder who has not marked ‘proxy discretion’ on their proxy form, your vote will be automatically counted in accordance with the voting directions given by your appointer, but please sign the voting paper provided when you arrived at the meeting;
- Where you are a proxy holder and you have been granted a discretion on how to vote the resolution, please use the voting paper provided when you arrived at the meeting;
- After recording your vote, please remember to sign your voting paper, then place the voting paper in the boxes being passed down the aisle from where they will be collected by the auditor’s and Computershare’s staff.

Having collected the votes, they will be taken to a separate room for counting and, while that is in progress, we will continue with the business of the meeting. The results of the poll will be announced via NZX as soon as they are available.

Please note that the Board recommends that you vote in favour of each of the resolutions.

<< Slide 25: ORDINARY RESOLUTIONS >>

The first resolution is that David Thomson—who was appointed by the Board as a Director on 12 February 2018—retires and is eligible for election, be elected as a Director of the company.

The Board considers Mr. Thomson will be an Independent Director, if elected, and supports his re-election.

David is a senior partner and member of the Board of Management at law firm Buddle Findlay, where he runs a broad corporate and commercial law practice. There is a profile of David in the notice of meeting.

David, would you like to say a few words?

<< David Thomson spoke >>

<< Anthony Beverley continued >>

Thank you, David.

The resolution is: "*That David Thomson (appointed by the Board as a Director on 12 February 2018), who retires and is eligible for election, be elected as a Director of the Company."*

Is there any discussion?

Please mark your voting papers for resolution 1.

The second resolution is that Gregory Reidy be elected a Director of the company. Greg retires by rotation in accordance with the Company's constitution and, being eligible, offers himself for re-election.

The Board considers Mr Reidy will not be an independent Director, if re-elected, and supports his re-election.

Greg was appointed Managing Director of PFI in 2012. He has a background in property investment, funds management and development with more than 20 years' experience in the management, ownership and development of industrial, commercial and retail property. There is a profile of Greg in the notice of meeting.

Greg, would you like to say a few words?

<< Greg Reidy spoke >>

<< Anthony Beverley continued >>

Thank you, Greg.

The resolution is: "*That Gregory Reidy, who retires and is eligible for re-election, be re-elected as a Director of the Company."*

Is there any discussion?

Please mark your voting papers for resolution 2.

Turning to the third resolution: "That the Directors are authorised to fix the fees and expenses of the auditors, PricewaterhouseCoopers Auckland."

Is there any discussion?

Please mark your voting papers for resolution 3.

<< Slide 26: GENERAL BUSINESS >>

We now come to general business.

If there is something you wish to put to the meeting, could you raise your hand and we'll get one of the microphones to you? A reminder to please state your name and whether you are a shareholder or proxy holder.

That ends the formal part of the meeting and I declare the meeting closed.

<< Slide 27: CLOSE OF MEETING & REFRESHMENTS >>

Thank you for your attendance and your continued support, please join us for light refreshments and further conversation.