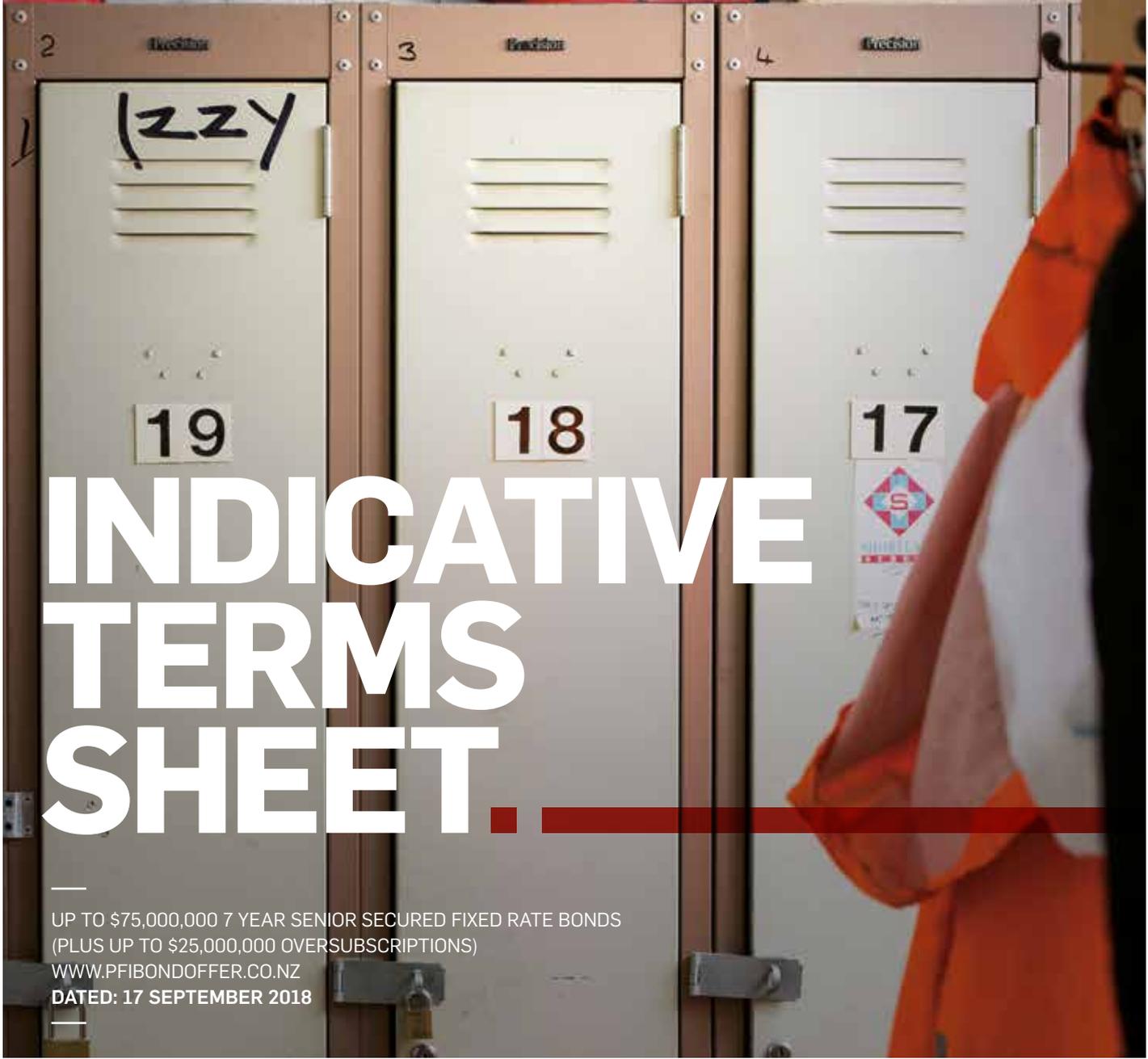




Property
For
Industry
Limited



INDICATIVE TERMS SHEET.

UP TO \$75,000,000 7 YEAR SENIOR SECURED FIXED RATE BONDS
(PLUS UP TO \$25,000,000 OVERSUBSCRIPTIONS)
WWW.PFIBONDOFFER.CO.NZ
DATED: 17 SEPTEMBER 2018

JOINT LEAD
MANAGERS:



DeutscheCRAIGS



INDICATIVE TERMS SHEET

dated 17 September 2018

Senior Secured Fixed Rate Bonds due 1 October 2025

This terms sheet (**Terms Sheet**) sets out the key terms of the offer by Property for Industry Limited (**PFI**) of up to \$75,000,000, with the ability to accept oversubscriptions of up to \$25,000,000 at PFI's discretion, of seven-year senior secured fixed-rate bonds maturing on 1 October 2025 (**Bonds**) under its bond master trust deed dated 2 November 2017 (as amended from time to time) (**Trust Deed**) as modified and supplemented by the supplemental deed dated 17 September 2018 entered into between PFI and Public Trust (**Supervisor**) (together with the Trust Deed, **Bond Trust Documents**).

Unless the context otherwise requires, capitalised terms used in this Terms Sheet have the same meaning given to them in the Bond Trust Documents.

Important notice

The offer of debt securities by PFI is made in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 (**FMCA**).

The offer contained in this Terms Sheet is an offer of bonds that have identical rights, privileges, limitations and conditions (except for the interest rate and maturity date) as PFI's \$100,000,000 senior secured fixed-rate bonds maturing on 28 November 2024 (which have an interest rate of 4.59% p.a.), which are currently quoted on the NZX Debt Market under the ticker code PFI010 (**PFI010 Bonds**).

The Bonds are of the same class as the PFI010 Bonds for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014.

PFI is subject to a disclosure obligation that requires it to notify certain material information to NZX Limited (**NZX**) for the purpose of that information being made available to participants in the market and that information can be found by visiting www.nzx.com/companies/PFI.

The PFI010 Bonds are the only debt securities of PFI that are currently quoted in the same class as the Bonds.

Investors should look to the market price of the PFI010 Bonds referred to above to find out how the market assesses the returns and risk premium for those bonds. When comparing the yield of two debt securities, it is important to consider all relevant factors (including the credit rating (if any), maturity and the other terms of the relevant debt securities).

Issuer	Property for Industry Limited.
Description	Senior secured fixed rate bonds.
Opening Date	Monday, 17 September, 2018.
Closing Date	Friday, 21 September, 2018.
Rate Set Date	Friday, 21 September, 2018.
Issue Date	Monday, 1 October 2018.
Maturity Date	Wednesday, 1 October 2025.
Purpose	The proceeds of the offer are expected to be used to repay existing bank debt.
Offer Amount	Up to \$75,000,000 (with the ability to accept oversubscriptions of up to an additional \$25,000,000 at PFI's discretion).
Guarantee and Security	<p>P.F.I. Property No. 1 (PFI Property) has guaranteed the payments due on the Bonds.</p> <p>The Bonds are secured by first ranking mortgages (the Mortgages) granted by PFI Property as Guarantor over various properties (the Mortgaged Properties).</p> <p>The Security Trustee holds the Mortgages for all creditors entitled to their benefit, which currently includes (in addition to the Supervisor and the Holders) the PFI Group's banks and their facility agent, on an equal ranking basis.</p>

Financial Covenant	<p>PFI agrees to ensure that the total principal amount of all outstanding borrowed money secured by the Mortgages is not more than 50% of the total value of all Mortgaged Properties (the Loan to Value Ratio).</p> <p>A breach of the Loan to Value Ratio which is not remedied within (approximately) 13 months of that breach being disclosed to the Supervisor in a director's report will be an Event of Default under the Bond Trust Documents.</p>
Distribution Stopper	PFI is not permitted to make any distribution if an Event of Default is continuing or if it would result in an Event of Default. Full details of the Events of Default are set out in the Bond Trust Documents.
No Credit Rating	The Bonds will not be rated.
Issue Price	\$1.00 per Bond, being the Principal Amount of each Bond.
Early Repayment	<p>Holder's have no rights to require PFI to redeem the Bonds early except through the Supervisor in the case of an Event of Default (as defined in the Bond Trust Documents). PFI does not have the right to redeem the Bonds early.</p>
Interest Rate	<p>The sum of the Base Rate plus the Issue Margin which may be above or below the Indicative Issue Margin, subject to a minimum Interest Rate of 4.15% per annum.</p> <p>The Interest Rate will be announced by PFI via NZX on or about the Rate Set Date.</p>
Indicative Issue Margin	1.60 to 1.70% per annum.
Issue Margin	The Issue Margin (which may be above or below the Indicative Issue Margin range mentioned above), will be determined by PFI (in consultation with the Joint Lead Managers) following a bookbuild process and announced by PFI via NZX on or about the Rate Set Date.
Base Rate	The semi-annual mid-market rate for an interest rate swap of a term matching the period from the Issue Date to the Maturity Date as calculated by the Arranger in consultation with PFI, according to market convention, with reference to Bloomberg page 'ICNZ4' (or any successor page) on the Rate Set Date (rounded to 2 decimal places, if necessary, with 0.005 being rounded up).
Interest Payments	Quarterly in arrear in equal payments.
Interest Payment Dates	1 January, 1 April, 1 July and 1 October each year (or if that day is not a Business Day, the next Business Day) until and including the Maturity Date. The first Interest Payment Date will be 1 January 2019 but as that date is a public holiday, the actual payment will be made on 3 January 2019.
Record Date	5.00pm on the date that is 10 days before the relevant Interest Payment Date or, if that is not a Business Day, the immediately preceding Business Day.
Business Days	Auckland and Wellington.
Brokerage	0.50% brokerage plus 0.25% on firm allocations paid by PFI.
ISIN	NZPFIDT020C1.
NZX Debt Market Quotation	<p>Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the distribution of this Terms Sheet have been duly complied with. However, NZX accepts no responsibility for any statement in this Terms Sheet. NZX is a licensed market operator, and the NZX Debt Market is a licensed market under the FMCA.</p> <p>NZX ticker code PFI020 has been reserved for the Bonds.</p>
Minimum Application Amount and Denominations	\$5,000 and multiples of \$1,000 thereafter.

Transfer Restrictions	<p>Holders are entitled to sell or transfer their Bonds at any time subject to the terms of the Bond Trust Documents and applicable securities laws and regulations. PFI may decline to register a transfer of the Bonds for the reasons set out in the Bond Trust Documents.</p> <p>No transfer may be made if the transfer would result in the transferor or the transferee holding or continuing to hold Bonds with a principal amount of less than \$5,000 (other than zero) or not in multiples of \$1,000.</p> <p>NZX has approved these restrictions on the transfer of the Bonds.</p>
Governing law	New Zealand.
NZX Waiver	NZX has granted PFI a waiver from NZX Listing Rule 7.11.1 to allow allotment of the Bonds to occur within six Business Days of the Closing Date.
Who May Apply & How to Apply	<p>All of the Bonds, including oversubscriptions, will be reserved for clients of the Joint Lead Managers, institutional investors and other Primary Market Participants invited to participate in the bookbuild. There will be no public pool for the Bonds.</p> <p>Retail investors should contact any Joint Lead Manager, their financial adviser or any Primary Market Participant for details on how they may acquire Bonds. You can find a Primary Market Participant by visiting www.nzx.com/investing/find_a_participant.</p> <p>Each investor's financial adviser will be able to advise them as to what arrangements will need to be put in place for the investors to trade the Bonds including obtaining a common shareholder number (CSN), an authorisation code (FIN) and opening an account with a primary market participant, as well as the costs and timeframes for putting such arrangements in place.</p>
Arranger and Organising Participant	Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch) (Westpac).
Joint Lead Managers	Deutsche Craigs Limited, Forsyth Barr Limited and Westpac.
Supervisor	Public Trust.
Security Trustee	New Zealand Permanent Trustees Limited.
Securities Registrar	Computershare Investor Services Limited.
Selling Restrictions	<p>PFI does not intend that the Bonds be offered for sale, and no action has been taken or will be taken to permit a public offering of Bonds, in any jurisdiction other than New Zealand. Bonds may only be offered for sale or sold in conformity with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered. This terms sheet may not be published, delivered or distributed in or from any country other than New Zealand.</p> <p>By subscribing for or otherwise acquiring any Bonds, each Holder agrees to indemnify, among others, PFI, the Supervisor and the Joint Lead Managers for any loss suffered as a result of any breach by the Holder of these selling restrictions.</p>

Any internet site addresses provided in this Terms Sheet are for reference only and, except as expressly stated otherwise, the content of any such internet site is not incorporated by reference into, and does not form part of, this Terms Sheet.

Copies of the Bond Trust Documents are available on the website (managed by PFI) for the offer of the Bonds www.pfibondoffer.co.nz.

Investors should seek qualified, independent financial and taxation advice before deciding to invest. Investors will be personally responsible for all tax return filing obligations in respect of their investment in the Bonds, compliance with the financial arrangements rules (if applicable) and payment of provisional or terminal tax (if required) on interest derived.

For further information regarding PFI, visit www.nzx.com/companies/PFI.

ADDRESS DETAILS

Issuer

Property for Industry Limited

Shed 24, Prince's Wharf
147 Quay Street
Auckland 1010

Supervisor

Public Trust
Level 9, 34 Shortland Street
Auckland 1010

Security Trustee

New Zealand Permanent Trustees Limited
Level 9, 34 Shortland Street

Securities Registrar

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
Auckland 0622
Telephone: 09 488 8777
Email: pfi@computershare.co.nz

Arranger and Organising Participant

Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch)

Westpac on Takutai Square
Level 8, 16 Takutai Square
Auckland 1010
0800 942 822

Joint Lead Managers

Deutsche Craigs Limited

Level 36, Vero Centre
48 Shortland Street
Auckland 1010
0800 226 263

Forsyth Barr Limited

Level 23, Lumley Centre
88 Shortland Street
Auckland 1010
0800 367 227

Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch)

Westpac on Takutai Square
Level 8, 16 Takutai Square
Auckland 1010
0800 942 822

IMPORTANT DATES.

OPENING DATE	CLOSING DATE	BOOKBUILD DATE	RATE SET DATE
MONDAY 17 SEPTEMBER 2018	FRIDAY 21 SEPTEMBER 2018	FRIDAY 21 SEPTEMBER 2018	FRIDAY 21 SEPTEMBER 2018
ISSUE DATE	EXPECTED QUOTATION	MATURITY DATE	
MONDAY 1 OCTOBER 2018	TUESDAY 2 OCTOBER 2018	WEDNESDAY 1 OCTOBER 2025	

The dates set out in this Terms Sheet are indicative only and are subject to change. PFI may, in its absolute discretion and without notice, vary the timetable (including by opening or closing the offer described in this Terms Sheet early, accepting late applications and extending the Closing Date). PFI reserves the right to cancel the offer described in this Terms Sheet and the issue of the Bonds, in which case all application monies received will be refunded (without interest) as soon as practicable.



YOUR INDUSTRIAL
PROPERTY EXPERTS

PROPERTY FOR INDUSTRY

BOND OFFER

ARRANGER & JOINT LEAD MANAGER

JOINT LEAD MANAGERS



DeutscheCRAIGS



FORSYTH BARR

DISCLAIMER



This presentation has been prepared by Property for Industry Limited (**PFI** or the **Issuer**) in relation to the offer (**Offer**) of bonds described in this presentation (**Bonds**). The offer of the Bonds is made in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 (**FMCA**).

The Bonds will have identical rights, privileges, limitations and conditions (except for the interest rate and maturity date) as the Issuer's bonds maturing on 28 November 2024, which have a fixed interest rate of 4.59% per annum and are currently quoted on the NZX Debt Market under the ticker code PFI010 (**Existing Bonds**).

The Issuer is subject to a disclosure obligation that requires it to notify certain material information to NZX for the purpose of that information being made available to participants in the market and that information can be found by visiting www.nzx.com/companies/PFI.

Capitalised terms used but not defined in this presentation have the meanings given to them in the indicative terms sheet for the offer of the Bonds dated 17 September 2018.

The information in this presentation is of a general nature and does not constitute financial product advice, investment advice or any recommendation by the Issuer, Public Trust (the **Supervisor**), Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch) (the **Arranger**), Deutsche Craigs Limited and Forsyth Barr Limited (together with the Arranger, the **Joint Lead Managers**) or any of their respective directors, officers, employees, affiliates, agents or advisers to subscribe for, or purchase, any of the Bonds. Nothing in this presentation constitutes legal, financial, tax or other advice.

This presentation contains certain forward-looking statements with respect to the Issuer. All of these forward-looking statements are based on estimates, projections and assumptions made by the Issuer about circumstances and events that have not yet occurred. Although the Issuer believes these estimates, projections and assumptions to be reasonable, they are inherently uncertain. Therefore, reliance should not be placed upon these estimates or forward-looking statements and they should not be regarded as a representation or warranty by the Issuer, the directors of the Issuer or any other person that those forward-looking statements will be achieved or that the assumptions underlying the forward-looking statements will in fact be correct. It is likely that actual results will vary from those contemplated by these forward-looking statements and such variations may be material.

The information in this document is given in good faith and has been obtained from sources believed to be reliable and accurate at the date of preparation, but its accuracy, correctness and completeness cannot be guaranteed.

None of the Arranger, the Joint Lead Managers or the Supervisor nor any of their respective directors, officers, employees, affiliates or agents have independently verified the information contained in this presentation.

The offer of Bonds is being made only in New Zealand. The Bonds may not be offered or sold directly or indirectly, and neither this presentation nor any other offering material may be distributed or published, in any jurisdiction other than New Zealand except with the prior consent of the Issuer and in conformity with all applicable laws and regulations of that country or jurisdiction.

Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the distribution of this presentation have been duly complied with. However, NZX accepts no responsibility for any statement in this document. NZX is a licensed market operator, and the NZX Debt Market is a licensed market under the FMCA.

Unless otherwise stated, all figures are given as at and for the period ended 30 June 2018.



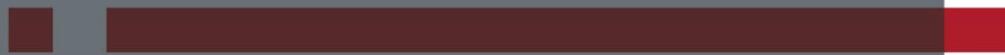
01. OVERVIEW

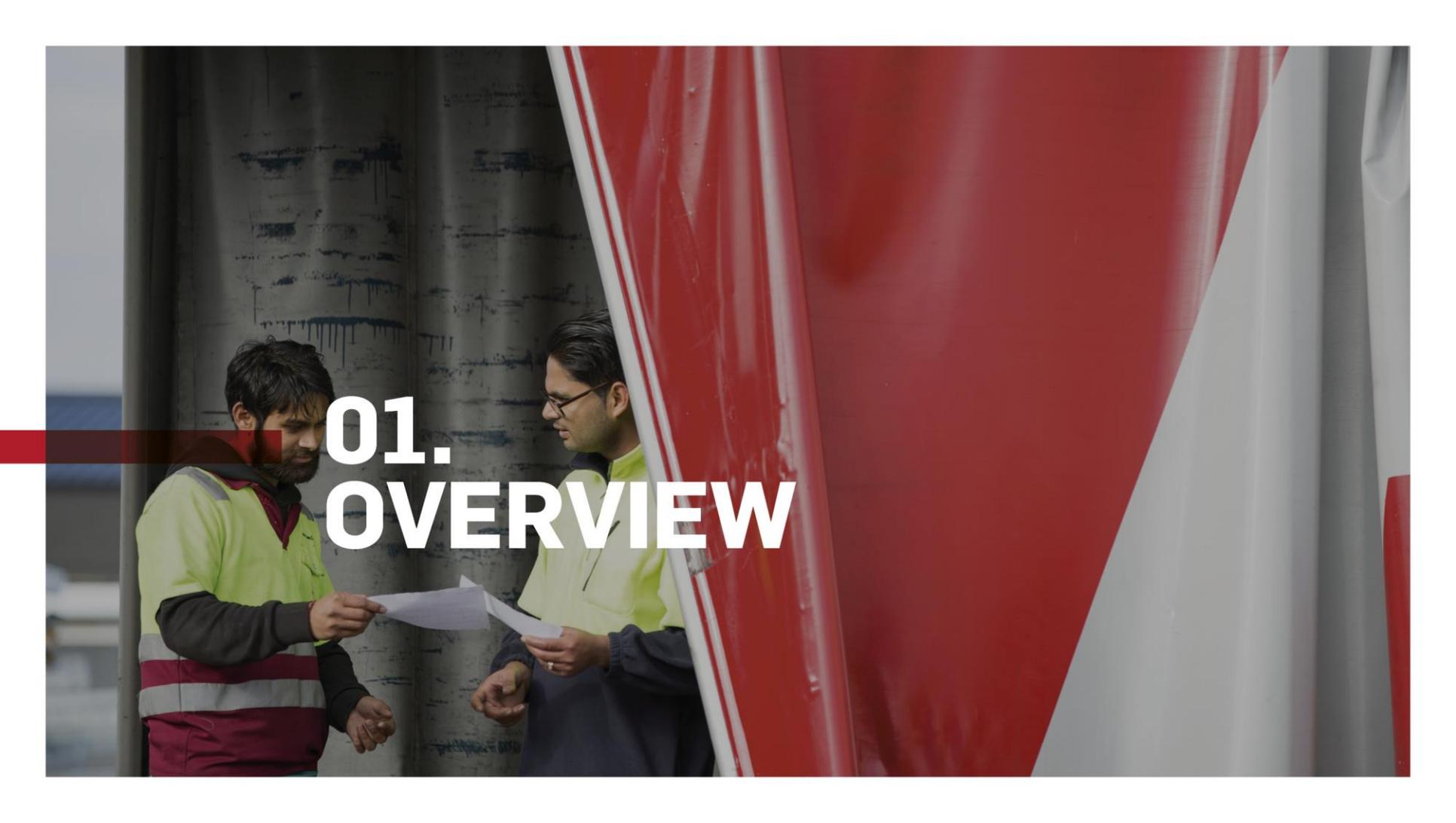
02. PORTFOLIO & MARKET

**03. FINANCIAL RESULTS &
CAPITAL MANAGEMENT**

04. BOND OFFER

05. SUMMARY



A photograph of two men in high-visibility work jackets reviewing documents on a construction site. The man on the left is wearing a yellow and red jacket, while the man on the right is wearing a yellow and dark blue jacket. They are standing in front of a large red and white structure, possibly a crane or part of a building. The background shows a concrete wall with some markings. A red horizontal bar is overlaid on the left side of the image.

01. OVERVIEW

OVERVIEW OF THE OFFER



- PFI is offering up to \$75m (plus up to \$25m in oversubscriptions) of 7 year senior secured fixed rate bonds
- The proceeds of the Offer are expected to be used to repay existing bank debt of the PFI Group and result in PFI having a more diversified funding base with a longer debt maturity profile
- The Bonds will be secured by the Mortgages granted by P.F.I. Property No. 1 Limited (“PFI Property”, a subsidiary of PFI) as Guarantor over the Mortgaged Properties which will have a total value of approximately \$1.23bn
- The Bonds are expected to be quoted on the NZX Debt Market on 2 October 2018

INTRODUCTION & CREDIT STRENGTHS



- Established in 1993, PFI is an NZX listed property vehicle focused on the **industrial sector**
- **\$1.24bn portfolio** with an 83% weighting to **Auckland**, New Zealand's gateway and commercial hub
- **Experienced internalised management team** supported by a **strong governance framework**
- Proven track record with a history of **stable earnings** and **98.6% occupancy**
- Sound risk management and portfolio metrics with company gearing of **31.4%** and a **5.4 year WALT**
- Liquid assets with an **average size** of **\$13m**

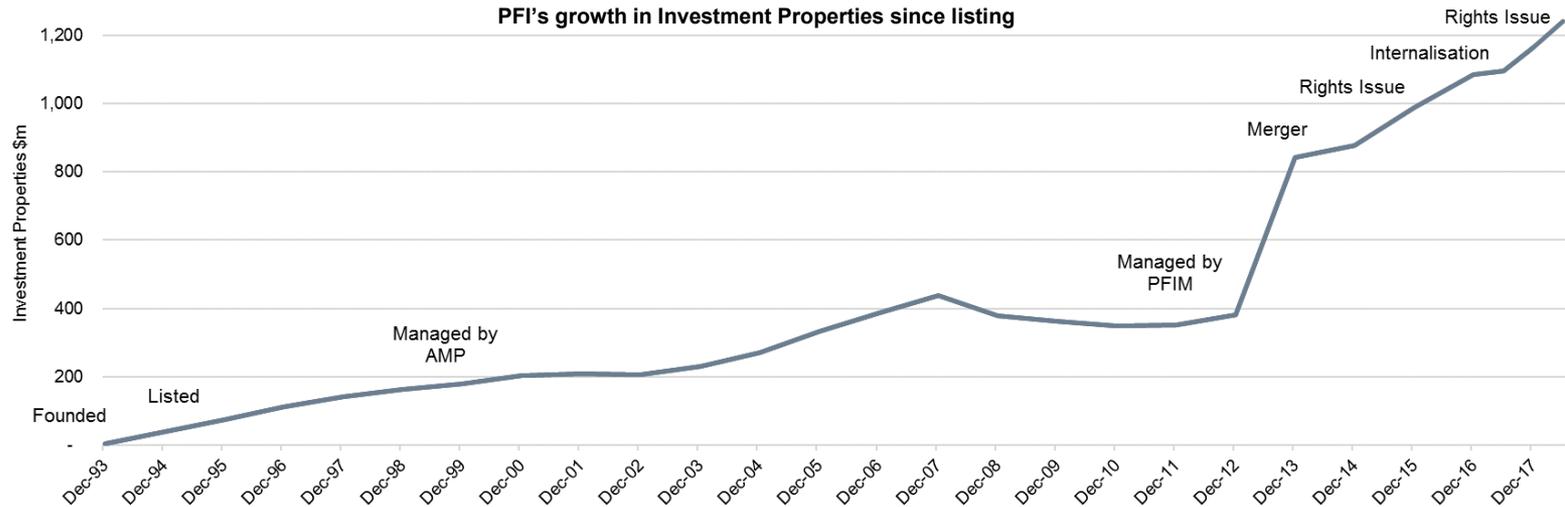


Note: all statistics as at 30 June 2018, aside from occupancy, which is an average of the previous 10 years (see slide 13)

MANAGEMENT & GOVERNANCE



- The management of PFI was **internalised** in June 2017
- The management team is **widely regarded** and has **extensive experience** in the ownership, management and development of industrial property
- The board comprises five directors: **four independent**, including the Chair, and Managing Director



- PFI's strategy has always been to invest in **quality industrial property in prime locations**, believing that this investment focus has the potential to deliver **attractive returns to shareholders with a low level of volatility**
- The group aims to drive returns by:
 - **Active asset management:** Managing vacancy and upcoming lease expiries
 - **Acquisitions:** Opportunistically pursuing both core and value-add industrial acquisitions
 - **Development:** Maximising utilisation of surplus land
 - **Divestments:** Divesting when value has been maximised and an opportunity to recycle capital into industrial property arises



- PFI's ESG vision: "... is focused on being a responsible and responsive landlord in order to create long term value for key stakeholders."
- First ESG report published in the annual report, released in February
- That report notes that Stakeholder Rights, Building Safety, Health and Safety, and Policies and Procedures are Material Issues for PFI
- Recent ESG activities include:
 - Stakeholder rights: governance changes
 - Building safety / health and safety: completion of asbestos testing of the portfolio, phase 1 of remediation complete, phase 2 of remediation planned
 - Industry leadership / community involvement: Keystone Trust sponsorship commenced

An aerial photograph of a large industrial or warehouse complex. The foreground is dominated by a long, low building with a corrugated metal roof, divided into several bays. Behind this building is a large, paved parking lot filled with numerous cars parked in neat rows. To the right of the parking lot, there is a loading dock area with several trucks and a forklift. The background shows more industrial buildings and some greenery. The text '02. PORTFOLIO & MARKET' is overlaid in large, white, bold letters on the left side of the image, partially overlapping the building's roof.

02. PORTFOLIO & MARKET

PORTFOLIO SNAPSHOT & CHARACTERISTICS



- PFI's portfolio is diversified across 93 properties and 146 tenants, with 98.1% occupancy and a WALT of 5.4 years, weighted towards Auckland industrial property
- Industrial property is a **unique asset class**, assets are typically:
 - Smaller (PFI average: ~6,500 sqm) and consequently **more liquid** (PFI average: ~\$13m)
 - **Generic** and occupied by a single or small number of tenants (PFI average: 1.6 tenants per property), making them **less management intensive**
 - Requiring **lower levels of capex** and present a **reduced seismic risk**

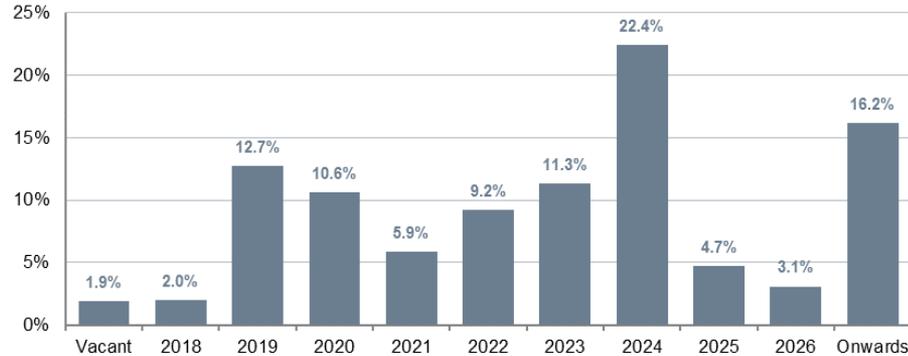


Note: all statistics as at 30 June 2018

TENANTS & LEASES



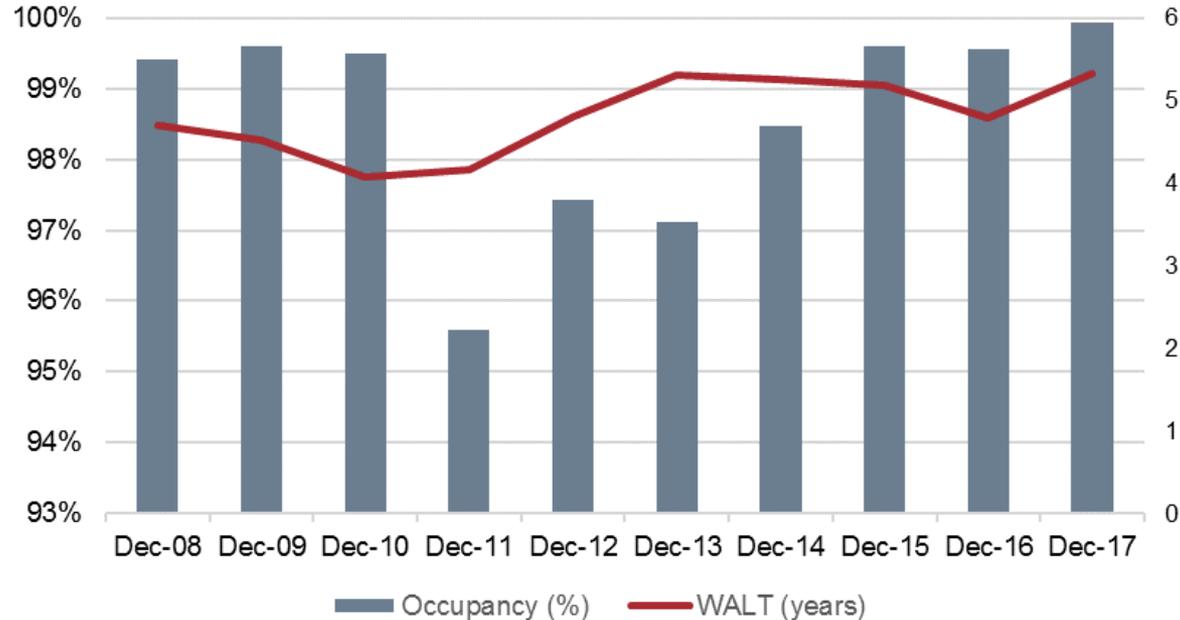
- PFI's smooth lease expiry profile supports low volatility of rental income



- Since 30 June 2018, a further 1.1% of vacant space and 2018 expiries have been leased, leaving just 2.8% through to 31 December 2018
- PFI's top 10 tenants (featuring leading local and international companies) lease 28 properties and pay ~38% of the company's rent

Note: all statistics as at 30 June 2018, aside from leasing activity post 30 June 2018, which is as at the date of this presentation

HISTORICAL OPERATIONAL PERFORMANCE



- Since 2008, PFI has achieved a year end average occupancy of 98.6% and WALT of 4.8 years

- CBRE June 2018 Auckland Market Outlook:
 - *“... there is still good investor demand, and the pricing of some investor categories, especially from offshore, has firmed. Monetary conditions will likely be supportive of yields over the next 18 months...”*
 - Prime industrial ranks third out of 12 property classes in their returns forecasts, forecast five year returns total 7.8% per annum (income 5.5%, capital 2.4%)
 - *“Prime industrial has been elevated in the rankings, given the forecast industrial market environment its rent driven capital returns remaining in relatively good shape compared to other sectors.”*
 - Secondary industrial ranks first out of 12 property classes in their returns forecasts, forecast five year returns total 10.7% per annum (income 6.4%, capital 4.2%)
 - *“Favourable industrial supply demand conditions drive Secondary industrial to outperform on capital returns mainly through rent growth, but also aided by cap rate trends.”*

An aerial photograph of a large industrial park or manufacturing hub. The scene is dominated by numerous large, rectangular industrial buildings with grey and white roofs. Some buildings have solar panels installed on their roofs. The area is filled with parking lots containing many cars and trucks. In the background, there are more industrial structures, some green spaces, and a residential area with houses. The overall atmosphere is one of a busy, well-developed industrial zone.

03.
**FINANCIAL RESULTS &
CAPITAL MANAGEMENT**

H1 2018 RESULTS SUMMARY



- **Significant portfolio activity:** 58,000 square metres or 8% of the portfolio leased during the interim period to 11 tenants for an average increase in term of 6.5 years
- **Increased earnings and dividends:** profit after tax up \$35.2 million, 9.4% increase in Funds From Operations (FFO) earnings per share, 2.5% increase in Adjusted Funds From Operations (AFFO) earnings per share, cash dividend up 2.9% to 3.60 cents per share
- **Acquisition:** neighbouring property acquired for \$16.0 million, creates an industrial estate of ~4.5 hectares in Penrose
- **Governance changes:** Peter Masfen retires after 16 years as Chair, Anthony Beverley appointed as new Chair

(\$m, unless noted)	H1 2017	H1 2018
Operating revenue	35.7	39.6
Total operating earnings	22.3	26.9
Total comprehensive income after tax	(5.6)¹	29.6
Total assets	1,242.2	1,273.4
Total liabilities	399.2	420.5
Total equity	842.9	852.8
Banking covenants:		
Company gearing (covenant: 50%)	34.2%	31.4%
Interest cover ratio (covenant: 2.0 times)	3.7x	3.8x

Note: extracted from PFI's interim results announcement, refer <https://www.nzx.com/announcements/321832> for more detail. FFO and AFFO are non-GAAP financial information used by the PFI Board to assist in determining dividends to shareholders. Please refer to the interim results announcement for more detail as to how these measures were calculated

1. Total comprehensive income after tax includes a "termination of management agreement" expense of \$42.9m. Excluding this one-off expense after tax, total comprehensive income after tax would have been a profit of \$25.2m.

FIVE YEAR FINANCIAL SUMMARY



(\$m, unless noted)	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17
Operating revenue	48.1	63.8	66.9	71.1	73.5
Total operating earnings	26.9	36.9	36.6	43.1	47.6
Total comprehensive income after tax	40.5	59.9	72.8	123.4	51.7
Total assets	877.0	906.9	1,027.2	1,121.8	1,242.1
Total liabilities	341.8	341.9	369.2	365.7	399.2
Total equity	535.2	565.0	658.0	756.1	842.9
Banking covenants:					
Company gearing (covenant: 50%)	37.4%	35.8%	33.3%	30.1%	30.8%
Interest cover ratio (covenant: 2.0 times)	3.2x	3.0x	2.9x	3.4x	3.7x

- The last five years has seen **strong growth in rents and values** whilst keeping **gearing at low levels** and maintaining a **high ratio of interest cover**

CAPITAL MANAGEMENT



30 June 2018

Drawn debt ¹	\$389.0m
Facilities limit ¹	\$475.0m
Facilities headroom	\$86.0m
Weighted average term to expiry	3.2 years
Facilities banks	ANZ, BNZ, CBA, Westpac
Company gearing (covenant: 50%)	31.4%
Interest cover ratio (covenant: 2.0 times)	3.8 times
Weighted average cost of debt	4.90%

- Mortgaged Properties are **mortgaged** in favour of a non-bank security trustee, who holds mortgages **for the benefit of all secured lenders**

1. Includes bank facilities and Existing Bonds

- PFI enjoys **strong banking relationships** in the NZ market but **values diversification, tenor and optionality**

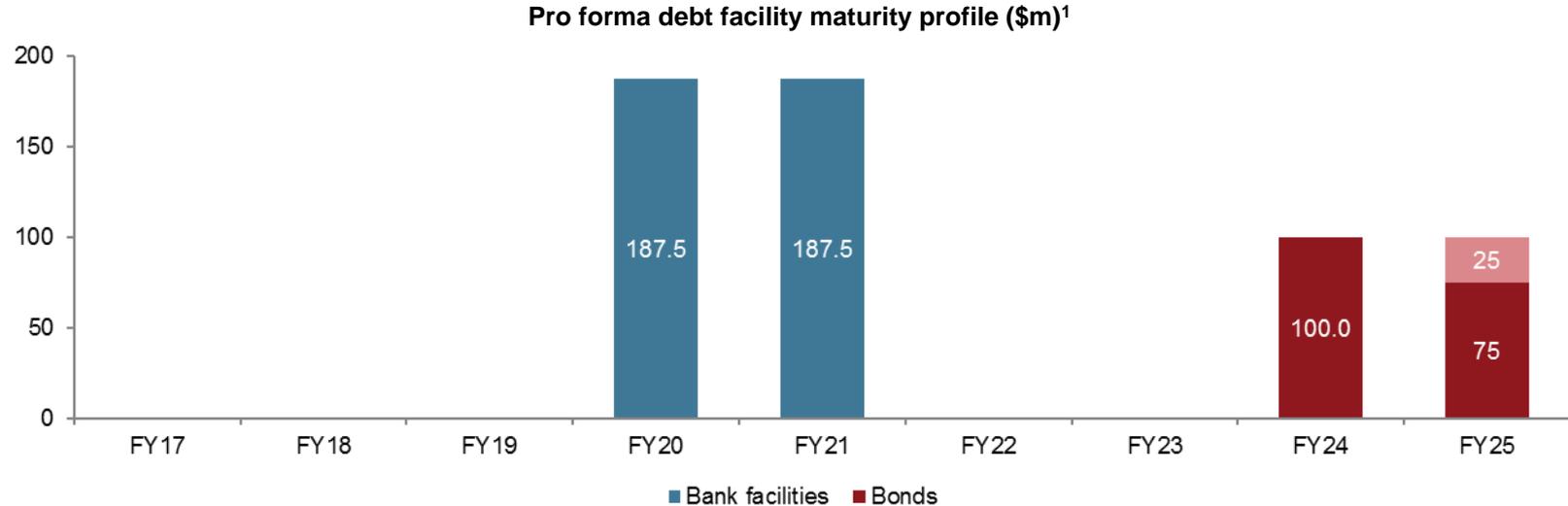
PFI's swap cover and swap interest rate



DEBT FACILITY MATURITY PROFILE



- Proceeds of the Offer are expected to be used to repay existing bank debt of the PFI Group, resulting in PFI having a more diversified funding base with a longer debt maturity profile
- PFI currently has a Weighted Average Term to Expiry (WATE) of debt facilities of 3.2 years, post the completion of the Offer, the WATE is expected to increase to 3.9 years¹ on a pro forma basis, before cancellation of bank facilities (if any)



1. As at 30 June 2018, and assumes \$100m (including oversubscriptions of \$25m) of Bonds are issued on that date



**04.
BOND OFFER**

- The Bonds will be secured over the Mortgaged Properties, via the Guarantee granted by PFI Property
- Based on the 30 June 2018 financial position:
 - The amount secured by the Mortgages is approximately \$401.8m¹ including borrowings of \$389.0m
 - The Mortgaged Properties have a total value of approximately \$1,226.7m²

Bond financial covenant (LVR)	
Total borrowings	\$389.0m
Mortgaged Properties ²	\$1,226.7m
Bond financial covenant (LVR)	31.7%

Company gearing	
Total borrowings	\$389.0m
Property portfolio ³	\$1,237.2m
Company gearing	31.4%

1. Includes interest rate swap liabilities of \$10.6m and accrued interest and bank fees of \$2.2m
 2. The total value of the Mortgaged Properties was approximately \$1,226.7m as at 30 June 2018. It is PFI's policy to mortgage all properties except in exceptional circumstances. As at 30 June 2018 there were \$10.5m of properties not mortgaged
 3. The property portfolio for gearing calculations is calculated using the most recent independent valuation of the property portfolio

COVENANT AND DEFAULT



- The bond financial covenant (LVR) limits the ability of the PFI Group to borrow money secured by the Mortgages
- Restricts total borrowings secured by Mortgages to no more than 50% of the total value of Mortgaged Properties
- PFI will have approximately 13 months to remedy a breach of the bond financial covenant (LVR) before it will be an Event of Default, reflecting:
 - 6 months to correct breach
 - If breach not corrected, 20 business days to give notice of breach, including plan to remedy
 - Further 6 months to remedy before event of default occurs
- Other events of default include:
 - Failure to make payments on the Bonds
 - Insolvency
 - Cross-acceleration



KEY TERMS OF THE OFFER



Issuer	Property for Industry Limited
Description of the Bonds	Senior secured fixed rate bonds
Guarantee and Security	Guaranteed by PFI Property No. 1 Limited (“PFI Property”), which holds all property assets of the PFI Group. Secured by Mortgages granted by PFI Property as Guarantor over the Mortgaged Properties
Term	7 years, maturing 1 October 2025
Offer amount	Up to \$75 million (with the ability to accept oversubscriptions of up to \$25 million at PFI’s discretion)
Interest Rate	Set following the bookbuild on 21 September 2018 as the higher of the sum of the applicable swap rate and issue margin, and the minimum rate, as determined by the Issuer and the JLMS, and announced via NZX shortly thereafter
Interest payments	Quarterly in arrear in equal payments on 1 January, 1 April, 1 July and 1 October each year (or if that date is not a Business Day, the next Business Day)
Bond financial covenant (LVR)	Outstanding borrowed money secured by Mortgages is not more than 50% of the value of Mortgaged Properties
Purpose	Proceeds are expected to be used to repay existing bank debt of the PFI Group
Early repayment	Holder have no rights to require PFI to redeem the Bonds early except through the Supervisor in the case of an Event of Default (as defined in the Bond Trust Documents). PFI does not have the right to redeem the Bonds early
Minimum application amount	\$5,000 and multiples of \$1,000 thereafter
Brokerage	0.50% brokerage plus 0.25% firm fee
Quotation	It is expected that the Bonds will be quoted on the NZX Debt Market under the ticker code PFI020
Credit rating	PFI and the Bonds are not rated

Further details of the offer are contained in the indicative terms sheet for the Offer dated 17 September 2018

KEY DATES



Event	Date
NZX Notice Announced	Monday, 17 September 2018
Roadshow Presentations	Monday, 17 September 2018 to Tuesday, 18 September 2018
Offer Opens	Monday, 17 September 2018
Firm Bids Due	11:00am, Friday, 21 September 2018
Rate Set Date	Friday, 21 September 2018
Offer Closes	Friday, 21 September 2018
Issue Date	Monday, 1 October 2018
Expected date of initial quotation on the NZX Debt Market	Tuesday, 2 October 2018
Interest Payment Dates	1 January, 1 April, 1 July and 1 October each year until the Maturity Date
First Interest Payment Date	3 January 2019 ¹
Maturity Date	1 October 2025

1. Payment will be made on Thursday, 3 January 2019 as it is a public holiday on 1 January and 2 January, 2019

A photograph of a white metal building with vertical corrugated siding. Two signs with the text 'SHED 1' are mounted on the wall. A square light fixture and a small circular camera are also visible. A red horizontal bar is on the left side of the image. The text '05. SUMMARY' is overlaid in white.

05. SUMMARY

- Key credit strengths include:
 - ✓ NZX listed property vehicle focused on **industrial property**
 - ✓ **\$1.24bn portfolio** with 83% weighting to **Auckland**¹
 - ✓ **Experienced internalised management team** supported by a **strong governance framework**
 - ✓ Proven track record with history of **stable earnings** and **high occupancy**
 - ✓ Sound risk management and portfolio metrics
 - ✓ Liquid assets

1. As at 30 June 2018