



**INVESTA**  
Property Group

Investa Properties Limited  
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3 February 2004

The Manager  
Company Announcements  
Australian Stock Exchange Limited  
20 Bridge Street  
Sydney NSW 2000

Dear Madam

**Investa Property Group  
Half Year Results Presentation 31 December 2003**

Please find attached the Half Year Results presentation for the half year ending 31 December 2003.

If you have any further queries please contact Chris O'Donnell on (02) 8226 9301 or Graham Monk on (02) 8226 9304.

Yours faithfully

**Brian McGarry**  
**Company Secretary**

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## **Half Year Results – December 2003**

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# Introduction – Key Initiatives

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- ◆ POF (renamed “Delta” or “DOF”) acquisition and integration
- ◆ Leased/renewed 30,000 square metres
- ◆ Debt reduction: 38.4% at 10/03 to 35.3% at 2/04 post Jan DRP
- ◆ Launch of Investa Sixth Commercial Trust
- ◆ Increased company activities
- ◆ Wholesale Sell down
- ◆ Investment profits on sale
- ◆ People

# Introduction – Financial Highlights

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- ◆ Distribution paid 8.15 cps – on track for 16.50 cps FY04  5.8% on pcp
- ◆ Earnings before revaluation and amortisation 8.35 cps  3.5% on pcp
- ◆ NTA is \$1.81  1.7% on pcp
- ◆ Market Capitalisation \$2.7 billion  50% on pcp
- ◆ Funds Under Management \$5.1 billion  82% on pcp
- ◆ Business Activities<sup>1</sup> contributed 17% of Group Earnings<sup>2</sup>  2002: 20%
- ◆ Gearing @ 35.3%<sup>3</sup>  from 27.5% at 12/02

1. Business activities include the Services and Development businesses and short term investments

2. Earnings after tax, before interest, revaluations amortisation and depreciation

3. Inclusive of underwritten DRP announced in January 2003

# Introduction – Performance

- ◆ IPG performance – above sector over the longer term
- ◆ Short term performance affected by commercial sector out of favour and DOF takeover

Annualised	1 Year	3 Year	5 Year
IPG	-2.0% pa	9.3% pa	12.2% pa
UBS-W Commercial 200	3.3% pa	7.8% pa	8.6% pa
S&P/ASX 200 Prop Acc. Index	8.8% pa	11.7% pa	9.3% pa

Source: UBS Warburg

# Results - Summary Distribution Statement

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- ◆ Distribution (8.15 cps) up by 5.8% on pcp
- ◆ Earnings<sup>1</sup> (8.35 cps) up by 3.5% on pcp
- ◆ On track for FY'04 distribution 16.50 cps
- ◆ Carry forward increased to \$10.8 million or 0.77 cps

	31/12/03 \$m	31/12/02 \$m
Investment Portfolio	122.9	60.7
Development Income	11.8	7.8
Services Income	9.6	9.0
Short term Investment Income	14.5	8.5
Interest Income	1.4	2.4
<b>Total Income</b>	<b>160.2</b>	<b>88.4</b>
Trust Operating Expenses	2.7	0.9
Company Operating Expenses	12.3	8.0
<b>Total Expenses</b>	<b>15.0</b>	<b>8.9</b>
<b>EBITDA</b>	<b>145.2</b>	<b>79.5</b>
Borrowing costs	36.8	15.5
Amortisation and depreciation	3.5	2.0
Tax	2.3	3.5
<b>Earnings after Amort &amp; Tax</b>	<b>102.7</b>	<b>58.5</b>
Transfers from Contributed Equity	13.3	6.9
Income Brought Forward	8.5	3.1
<b>Distributable Income</b>	<b>124.5</b>	<b>68.5</b>
Amount Carried Forward	10.8	6.3
<b>Total Distributed</b>	<b>113.7</b>	<b>62.2</b>
Carry forward (cents per security)	0.77	0.75

1. Earnings before revals & amortisation, after tax

# Results – Investment Portfolio

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	\$m
December 2002 net property income	60.7
Like for like growth	1.0
Full period impact for Telstra properties	4.5
Net asset acquisitions	10.1
<u>DOF</u>	<u>46.6</u>
<u>December 2003 net property income</u>	<u>122.9</u>

- ◆ Like for like net property income up 2.4% on pcp
- ◆ Four assets revalued during the period - \$17.4 million reduction in carrying value
- ◆ DOF excludes \$9.8 million pre acquisition profit offset by transfer from contributed equity



# Results – Accounting for DOF acquisition

	\$m	\$m
Fair value of consideration		1,498
Fair value of net assets acquired	1,469	
LESS:		
Revaluation of three properties	(29)	
Revaluation of SWAPS	(16)	
Acquisition costs	(15)	<u>1,409</u>
Difference => Goodwill		<u>89</u>

- ◆ Prior to IFRS – amortised over 20 years
- ◆ Equates to \$1.5 million to 31/12/03 or \$3.8 million for year ending 30/6/04

# Results – Developments

- ◆ Average 47% margin on costs across all sales
- ◆ Residential: Continued strong margins and sales rates

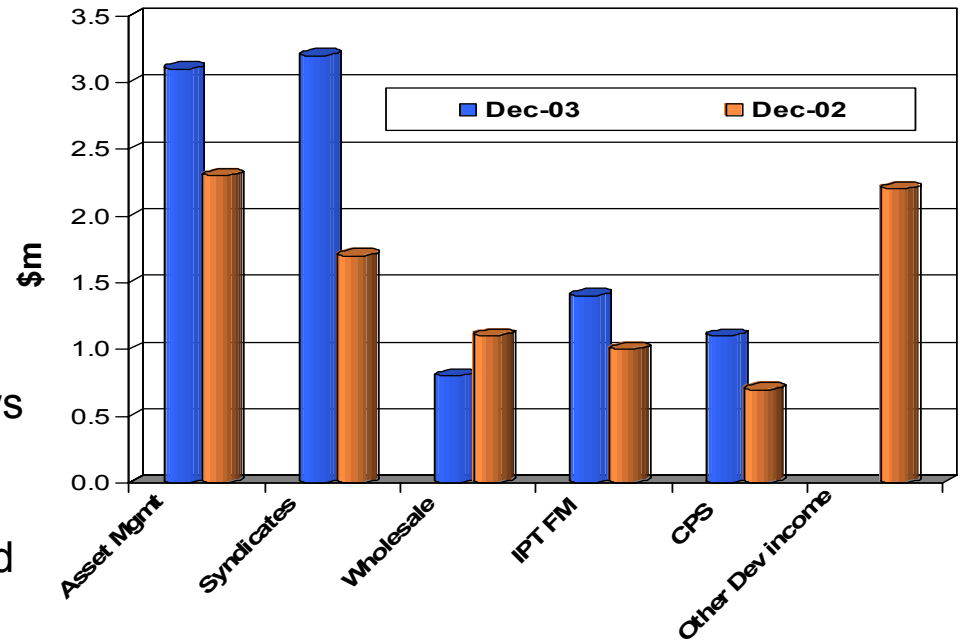
<b>Residential</b>	<b>\$17.5 million in sales</b>
Lots settled	
Mill Park, VIC	95 lots @ \$81,000/lot avg*
Quinns Beach, WA	10 lots @ \$225,000/lot avg*
Manly, QLD	48 lots @ \$155,000/lot avg*
Total	153 lots
Contracts on foot	156 lots (128 next 6 months)

- ◆ CPSA Eden Park, North Ryde \$400k profit recognised to date
- ◆ Turner Street strong sales – good contributor to profit
- ◆ Land sales at Acacia Ridge

*\*Gross Sales less GST*

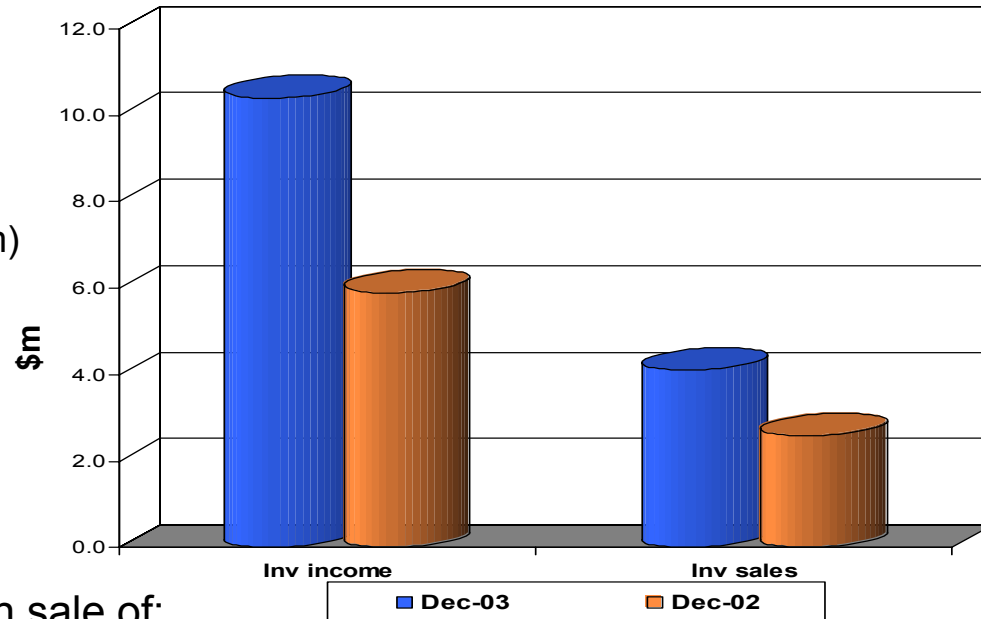
# Results – Services

- ◆ Services income up from \$9.0 million to \$9.6 million
- ◆ Asset management income up due to DOF acquisition
- ◆ Syndication fee income up as FUM grows
- ◆ Investa Sixth Commercial Trust launched (\$92 million)
  - 32 Phillip Street, Sydney
  - 115 Grenfell Street, Adelaide
  - 241 Adelaide Street, Brisbane
  - 15 million units in Martin Place Wholesale Syndicate
- ◆ Cost recoveries from AXA (\$2 million in pcp) have ceased



# Results – Short Term Investments

- ◆ Short term investment income comprised
  - Investment income: \$10.4 m (2002: \$5.9 m)
  - Investment sales profit: \$4.1 m (2002: \$2.6 m)
  
- ◆ Investment income up due to:
  - Acquisition of Macarthur Central
  - Investment in ICPF
  
- ◆ Investment sales profit comprised profits on sale of:
  - 115 Grenfell Street, Adelaide
  - 15 million units in Martin Place Wholesale Syndicate
  - 7 – 13 Tomlins Street, Townsville
  - 185 Macquarie Street, Sydney



# Results – Statement of Financial Position

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- ◆ Assets of \$4.4 billion
- ◆ NTA: \$1.81
- ◆ Gearing: 36.6% (35.3% post Jan DRP)
- ◆ Facility Limits: \$2.0 billion
- ◆ Debt drawn: \$1.6 billion
- ◆ Amount hedged: \$1.05 billion (66%)
- ◆ Ave cost of debt funds: 6.10% (inc. margin)
- ◆ Securities on issue: 1.4 billion

	31/12/03 \$m	30/6/03 \$m
<b>Assets</b>		
Investment Portfolio	3,637	1,818
Short Term Investments	379	531
Inventory	140	133
Receivables	70	50
Intangibles	126	40
Cash	13	10
<b>Total Assets</b>	<b>4,365</b>	<b>2,582</b>
<b>Liabilities</b>		
Payables	49	23
Provisions	61	39
Borrowings	1,599	850
Tax	6	11
<b>Total Liabilities</b>	<b>1,715</b>	<b>922</b>
<b>Net Assets</b>	<b>2,650</b>	<b>1,659</b>
<b>Equity</b>		
Contributed Equity	2,557	1,580
Outside Equity Interests	43	20
Reserves	39	51
Undistributed Income	11	9
<b>Total Equity</b>	<b>2,650</b>	<b>1,659</b>

# Future Finance Priorities

- ◆ Debt reduction

- Forecast 32% by 30/6/04
- Target 28 – 32%

Initiative	Target	Achieved
<b>Asset sales</b>		
Townsville	10	10
Lysaght St	11	-
<b>Syndication</b>	108	88
<b>DRP</b>	71	86
<b>Wholesale selldown</b>	166	23
<b>TOTAL</b>	366	207

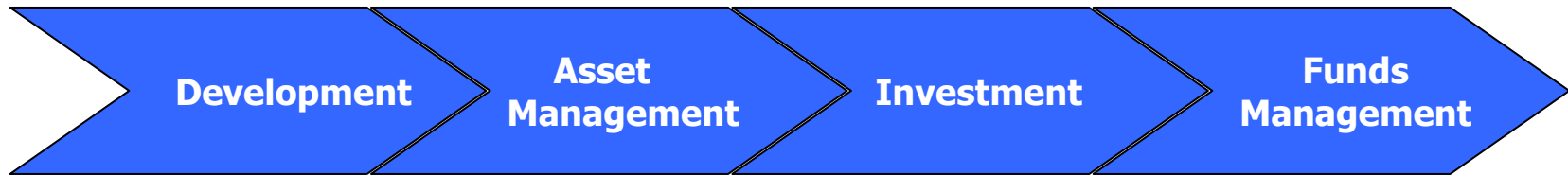
*ACTION: Sell down of:*

- Macarthur Central (\$100 million)
- Wholesale (\$143 million)
- Lysaght Street (\$11 million)

- ◆ Restructure/refinancing of debt

- ◆ S&P ratings BBB+/A-2 (Outlook positive)

# Strategy



- ◆ Performance in line with Strategy

## Achievements

## Value Chain

DOF Acquisition	★	★	★	★
Purchase of 441 St Kilda Rd, Melbourne		★	★	
Sale of 115 Grenfell Street, Adelaide		★	★	★
Sale of 32 Phillip Street, Sydney		★	★	★
Sale of 241 Adelaide Street, Brisbane		★	★	★
<b>Wholesale sell down continues</b>		★		★
<b>Restocking development land bank continuing</b>				
- Purchase of Bellbird Park	★			
- Purchase of Cunnings Land	★			
- Purchase of Even Drive	★			
<b>Launched 8th Syndicate</b>				
- Investa Sixth Commercial Trust		★	★	★
Like for like property income ↑ 2.4%		★	★	
	<b>Manufacturer</b>	<b>Manager</b>	<b>Owner</b>	<b>Distributor</b>

# Operations – POF Integration

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- ◆ All staff recruited
- ◆ Appointed Responsible Entity Oct 2003
- ◆ Accounting and finance systems fully integrated
- ◆ Asset management responsibility assumed Dec 03
- ◆ Portfolio analysis integrated – focused on improving property performance
- ◆ Synergy benefits flowing



# Operations – Resourcing

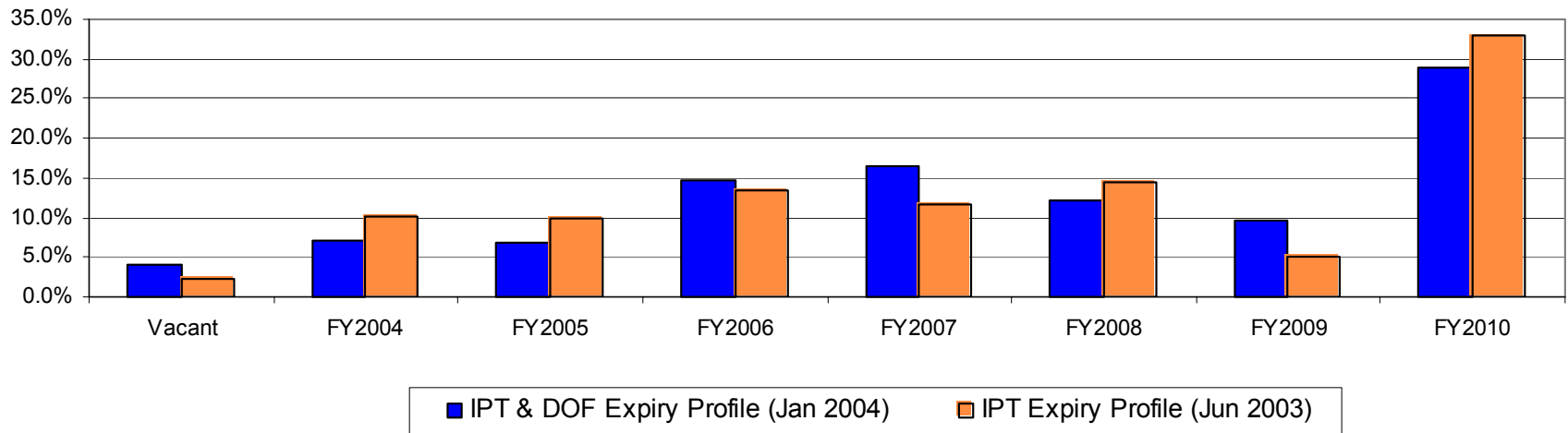
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- ◆ Management team in place
  - Increased to 177 people
  - Asset managers + 4
  - Development managers + 3
- ◆ Objectives set against business plan
- ◆ ESAP for all staff – interests aligned
- ◆ Entrench culture and core values



# Operations – Investment Portfolio (“IP”)

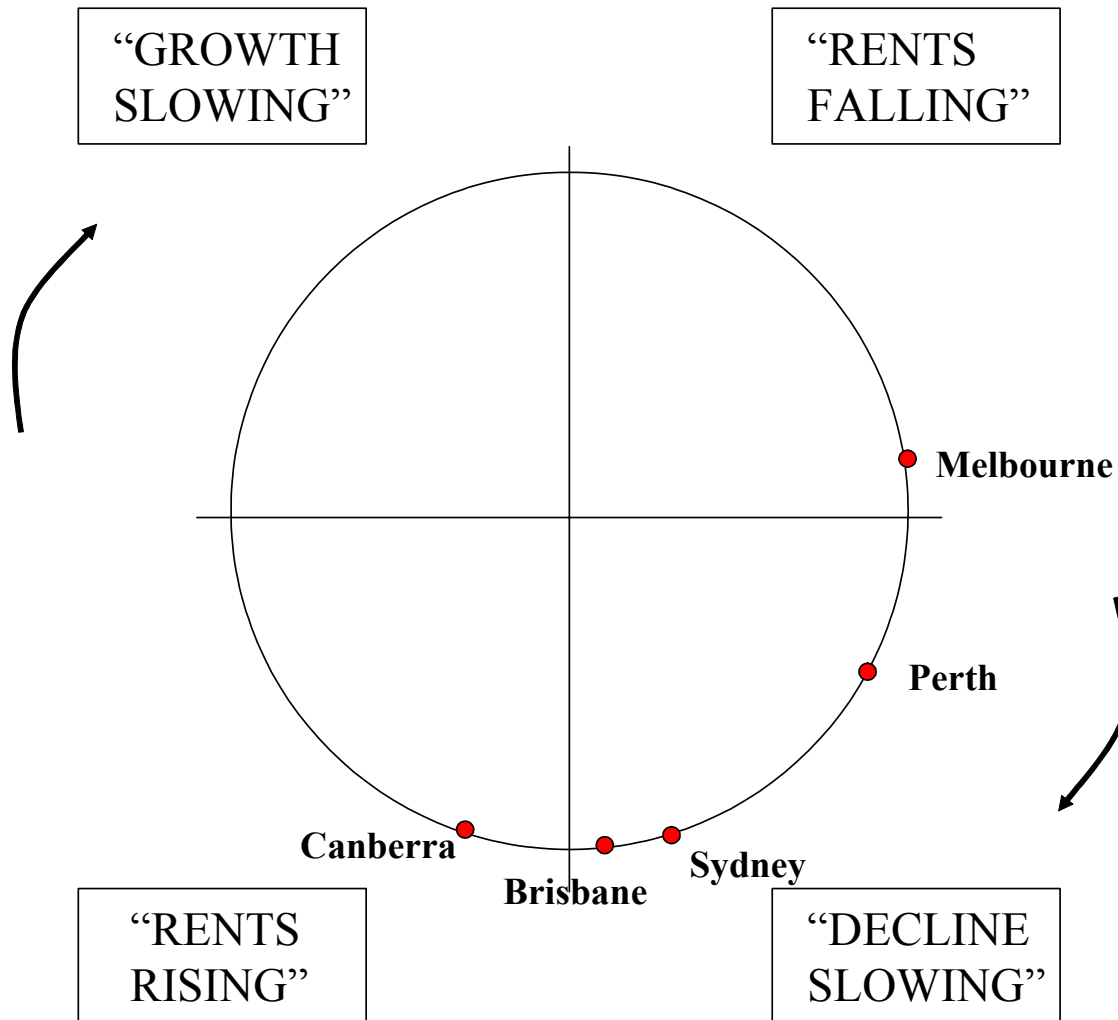
- ◆ Key points:
  - Like for like net property income up 2.4% on pcp
  - Weighted average lease term 4.6 years\* (2002: 5.8 years)
  - Approximately 30,000m<sup>2</sup> leased (53,000m<sup>2</sup>\*)
  - Occupancy at 96%
- ◆ Strong portfolio expiry profile as follows\*:



\* After allowing for leasing update released 2 February 2004: 4.4 years as at 31 December 2003

# Operations – IP Leasing market update

## Office Markets Property Clock



- ◆ **Sydney** – Early signs of increased tenant enquiries
- ◆ **Melbourne** – Market will remain weak in medium term
- ◆ **Brisbane** – Tenant demand expected to be maintained
- ◆ **Perth** – Soft leasing market
- ◆ **Canberra** – Continue strong performance

# Operations – IP Current vacancies

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- ◆ Current vacancy list as follows:

Property	Building Area	Vacancy (m <sup>2</sup> ) Dec 2003	Vac (%) Dec 2003
420 St Kilda Road, Melbourne	10,558	502	4.8%
109 St Georges Terrace, Perth	14,041	538	3.8%
410 Ann Street, Brisbane	20,489	636	3.1%
Kings Row, Brisbane	20,710	1,336	6.5%
485 La Trobe Street, Melbourne	34,045	1,123	3.3%
Grosvenor Place, Sydney	85,783	4,296	5.0%
St Martins Tower, Sydney	25,422	1,309	5.1%
441 St Kilda Road, Melbourne	16,030	1,416	8.8%
55 Market Street, Sydney	22,613	1,463	6.5%
1 Market Street, Sydney	29,745	4,164	14.0%
120 Collins St, Melbourne	63,381	2,436	3.8%
QV1, Perth	62,862	5,090	8.1%
Kindersley House, Sydney	18,815	2,593	13.8%
Centennial Plaza Tower C, Sydney	21,515	4,383	20.4%
Centennial Plaza Tower B, Sydney	18,058	7,084	39.2%
Balance of portfolio		1,010	2.4%
<b>Grand Total</b>		<b>39,379</b>	

- ◆ 15 properties with vacancy over 500m<sup>2</sup>

1. IPT has a 50% interest in this building
2. IPT has a 30% interest in this building
3. Includes leasing announced 2 February 2004

# Operations – IP Expiries (next 18 months)

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Address	Tenant	Area	Expiry
1 Market St, Sydney	JTB	2,268 <sup>1</sup>	Feb-05
109 St Georges Terrace, Perth	WBC	4,965 <sup>2</sup>	Nov-04
110 George St, Sydney	Procter & Gamble	4,827	Jun-05
120 Collins St, Melbourne	Avanade Aust.	1,941	Jun-05
120 Collins St, Melbourne	BHP Steel	1,937	Jun-05
120 Collins St, Melbourne	MITSUBISHI AUST LTD	1,142	Jan-05
255 Elizabeth St, Sydney	PF Lawyers	7,708	Aug-04
400 George St, Sydney	Western Union Financial	1,221	Jun-05
400 George St, Sydney	Telstra	12,839	Apr 04-Mar 05
410 Ann St, Brisbane	Telstra	11,437	Dec-03
420 St Kilda Rd, Melbourne	Salmat	1,051	Mar-04
420 St Kilda Rd, Melbourne	Intergraph Public Safety	1,051	Nov-04
441 St Kilda, Melbourne	Hitachi	523 <sup>3</sup>	Feb-04
441 St Kilda, Melbourne	SAP	2,674	Oct-04
469 La Trobe St, Melbourne	RK&C Services	3,036	May-04
55 Market St, Sydney	Legalco	1,064	Apr-04
55 Market St, Sydney	St George Bank	3,192	Jun-04
589 Collins St, Melbourne	Department of Finance	14,298 <sup>1</sup>	Jun-04
64 Northbourne, Canberra	KFPW	2,557	Jul-04
64 Northbourne, Canberra	DEWR	3,387	Jul-04
73 Miller St, Sydney	Open Telecommunications	1,382	Oct-04
Centennial Plaza Tower C, Sydney	NAB	6,506	Jun-05
Grosvenor Place, Sydney	General Reinsurance Ltd	1,916 <sup>4</sup>	Jun-04
Kings Row, Brisbane	Thiess	2,967 <sup>1</sup>	Dec-04
Maritime Trade Towers, Sydney	Austrade	2,650 <sup>1</sup>	Apr-04
St Martins Tower, Sydney	L & W Facilities	1,171	Oct-04

1. IPT has a 50% interest in this building

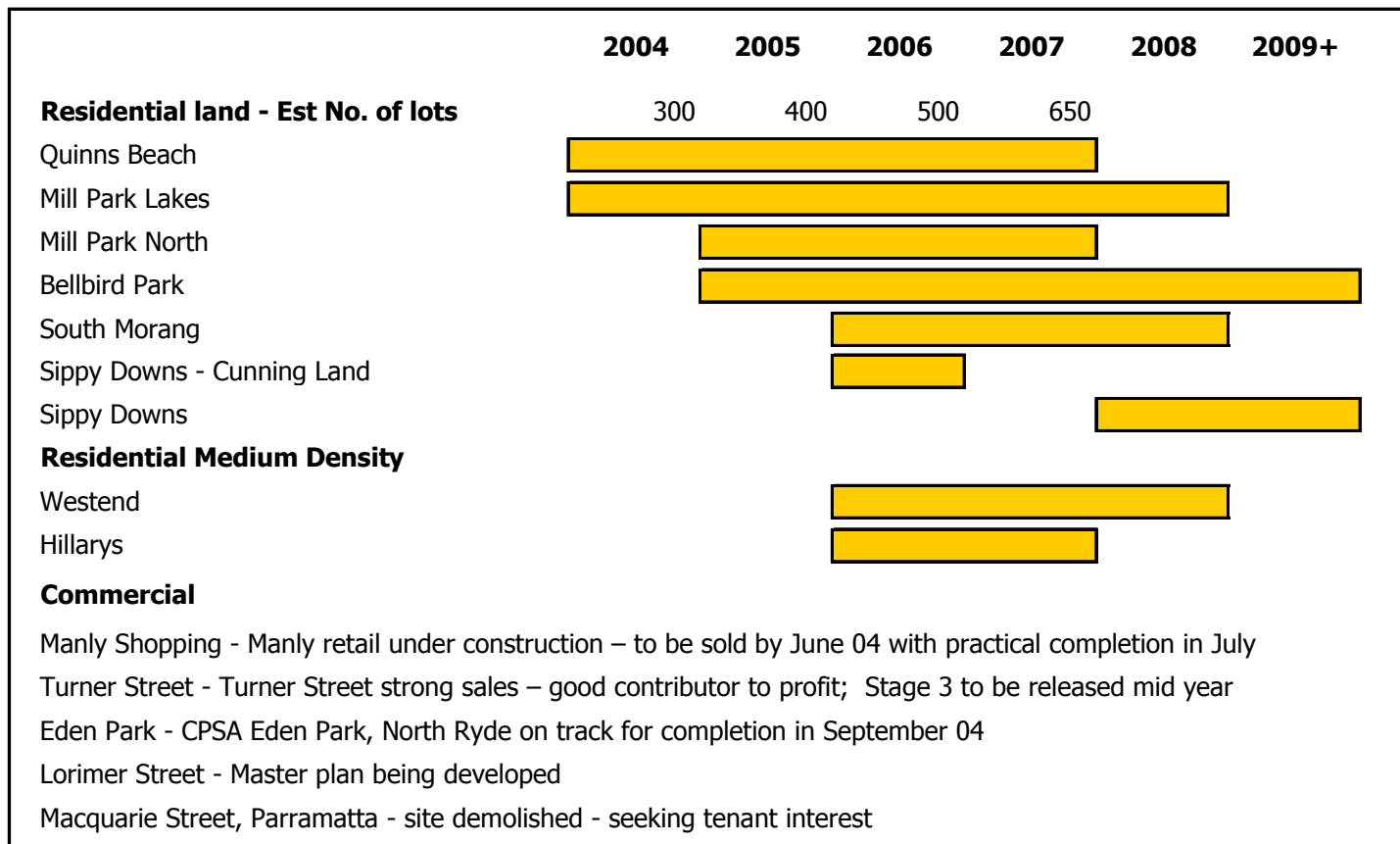
2. Adjusted for new WBC lease

3. Includes leasing announced 2 February 2004

4. IPT has a 30% interest in this building

# Operations – Development future pipeline

- ◆ Restocking continues – Approx. 6,500 lots under control (2,000 lots at 12/02)
- ◆ Pipeline lengthened beyond 2008



# Operations – 126 Phillip Street

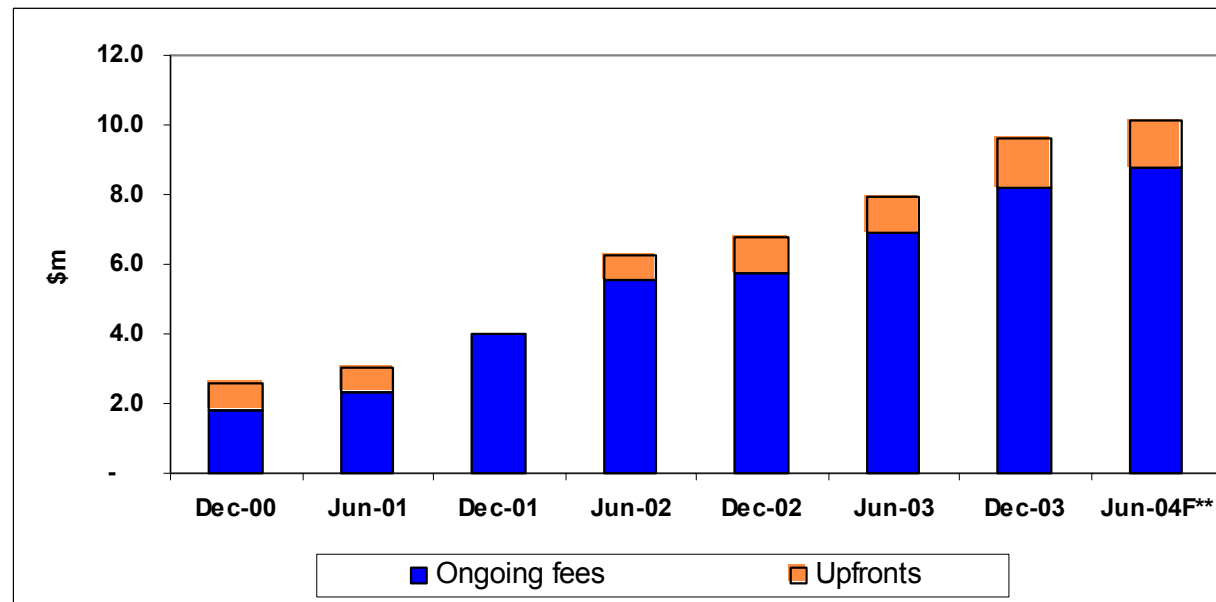
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- ◆ 40% leased to Deutsche Bank with a further 12% to Ebsworth & Ebsworth agreed subject to documentation
  
- ◆ Construction on track – due to complete Sep 05
  - North core approaching level 13
  - 1<sup>st</sup> office level (level 4) is complete
  
- ◆ Continued focus on leasing with new marketing program



# Operations – Business Services

- ◆ Business services\* – generating ongoing fees



\* Includes syndicates, wholesale, asset management, CPS and IPT fund management

\*\* Includes upfront fees derived from the establishment of a new syndicate



# Operations – Short Term Investments

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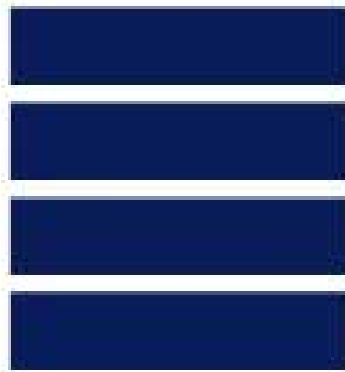
- ◆ Part of Group strategy
  - Investment income and profits
  - Further opportunities to be sourced
  
- ◆ Macarthur Central to be syndicated
  
  
- ◆ Wholesale sell down

# Key Priorities

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- ◆ Leasing
- ◆ Debt reduction
- ◆ Growth in business services earnings
- ◆ Maximise investment portfolio returns
- ◆ Culture and people



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# Appendix A: Property by property net income

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	31/12/03	31/12/02		31/12/03	31/12/02
<b>Property Net Income Performance</b>			<b>Property Net Income Performance (contd)</b>		
1 Market Street, Sydney (BT Tower)	2.7	3.6	589 Collins Trust	2.4	-
255 Elizabeth Street, Sydney	6.1	5.8	State Law Building	4.0	-
55 Market Street, Sydney	5.0	5.0	Grosvenor Place	6.9	-
60 Martin Place, Sydney	3.4	3.2	QV 1	5.0	-
73 Miller Street, North Sydney	3.5	3.5	400 George Street	13.2	-
110 George Street, Parramatta (The Octagon)	3.4	3.2	120 Collins Street	14.6	-
32 Phillip Street, Parramatta	0.9	1.0	Kindersley	1.5	-
50-60 Talavera Road, North Ryde	1.7	1.6	St Martins	4.7	-
485 Latrobe Street, Melbourne	4.3	4.0	Centennial A	2.5	-
469 Latrobe Street, Melbourne	2.7	2.2	Centennial B	3.0	-
420 St Kilda Rd, Melbourne	1.3	1.1	Centennial C	2.7	-
410 Ann Street, Brisbane (Cathedral Square)	3.1	2.8	Customs House	2.1	-
241 Adelaide Street, Brisbane	0.8	0.7	Maritime Trade Towers	4.6	-
62 Northbourne Ave., Canberra	1.4	1.4	441 St Kilda Rd	0.7	-
64 Northbourne Ave., Canberra	0.8	0.8	<b>Adjustments</b>		
73 Northbourne Ave., Canberra	0.9	0.9	Delta adjustment*	(14.3)	-
115 Grenfell Street, Adelaide (KPMG House)	1.5	1.5	Non-cash items	0.5	0.8
109 St. Georges Terrace, Perth	1.0	1.0	<b>Net rental income</b>	<b>122.9</b>	<b>60.7</b>
80 Pacific Highway, North Sydney	1.8	1.7			
242 Exhibition Street	10.4	7.5			
231 Elizabeth Street	2.3	3.4			
310 Pitt Street	5.1	2.4			
260 Queen Street	-	0.9			
Cairns	-	0.3			
Townsville	-	0.2			
Penrhyn House	0.9	0.1			
209 Kingsway	2.1	-			
Kings Row	1.5	-			
<b>Sub total</b>	<b>68.6</b>	<b>59.9</b>			



\* July and August income has been eliminated as Investa did not hold 100% of the units in POF