



**INVESTA**  
Property Group

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

Dear Madam,

**INVESTA PROPERTY GROUP 31 DECEMBER 2004 HALF YEAR RESULTS**  
**Business Momentum Continuing to Build**

Investa Property Group is pleased to announce a solid operating and financial result for the six months ended 31 December 2004.

During the period Investa produced a profit after tax of \$114.6 million, an increase of 11.6% over the previous corresponding period. This result was driven by the inclusion of the full six months contribution of Delta Office Fund (formerly Principal Office Fund) and was partly offset by reduced profits from the sale of short term investments.

Distributions for the period were 8.25 cents per security, up from 8.15 cents per security in the previous corresponding period, and Earnings<sup>1</sup> per security were 8.22 cents (8.35 cents per security in the previous corresponding period).

The Investment Portfolio continued to contribute the bulk of Group Earnings<sup>2</sup> (86%) with business activities, including Funds Management, Asset Management, Development and Short Term investments, contributing 14%. Gearing at 31 December 2004 was 33.4%, down from 36.3% at 30 June 2004.

Commenting on the result, Mr Chris O'Donnell, Managing Director said: "Whilst earnings per security have remained flat the focus over the past 6 months has been to position Investa for future growth by increasing the proportion of earnings derived from business activities. The acquisition of 40% of CPG Australia Pty Limited (CPG) and securing the corporate property services agreement with Suncorp Metway are important steps in this direction.

"At the same time, there has been continued focus on the performance of the investment portfolio which has delivered 2.3% growth in like for like property income, and significant leasing success," he said.

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<sup>1</sup> Earnings after tax and before revaluations and amortisation

<sup>2</sup> Earnings after tax and before revaluation, interest, amortisation and depreciation

## RESULTS FOR THE HALF YEAR

	December 2004	December 2003	Change
<b>Revenue</b>	\$414.9 million	\$372.6 million	+11.3%
<b>Profit after tax</b>	\$114.6 million	\$102.7 million	+11.6%
<b>Earnings per Security<sup>1</sup></b>	8.22 cents	8.35 cents	- 1.6%
<b>Distribution per Security</b>	8.25 cents	8.15 cents	+1.2%
<b>NTA per Security</b>	\$1.80	\$1.78	+ 1.1%
<b>Gearing</b>	33.4%	36.6%	- 3.2%

The Financial Statements for Investa Property Group are attached together with Appendix 4E, a Summary Distribution Statement and a breakdown of the Investment Portfolio net operating income. A separate release contains the Financial Statements for Investa Property Trust and Investa Properties Limited.

## INVESTMENT PORTFOLIO – Good demand for Investa office space

The Investment Portfolio continues to contribute the bulk of Group Earnings<sup>2</sup> (86%) and delivered a solid like for like increase in property income of 2.3%.

Leasing activity has held up well with 83,100 square metres leased in the past six months. At 31 December 2004 the average lease term of the Portfolio stood at 4.3 years and occupancy levels remained high at 96.1%.

Lease Expiry Profile (by area)

As at 31 December 2004	Vacant	2005	2006	2007	2008	2009	2010+
Percentage of Portfolio expiring	3.9%	5.0%	15.5%	17.5%	12.7%	9.7%	35.7%

Independent valuations were adopted for 9 investment properties resulting in a net revaluation increment for the half year of \$1.5 million.

Investa's flagship CBD office building, 126 Phillip Street, Sydney is now over 80% leased following the signing of the Heads of Agreement with Allens Arthur Robison in December 2004 and Bain International in October 2004. Completion is expected in September 2005.

<sup>1</sup> Earnings after tax and before revaluations and amortisation

<sup>2</sup> Earnings after tax and before revaluation, interest, amortisation and depreciation

## **BUSINESS ACTIVITIES – Positioning for future growth**

Investa's strategy is to extract maximum value from each link in the property value chain and to derive up to 25% of its earnings from business activities.

A major initiative in implementing this strategy over the past 6 months was the acquisition of a 40% interest in CPG, with a Put and Call Agreement with the vendors in respect of the residual 60% of the CPG equity exercisable between July and September of 2005.

CPG is an integrated residential developer with 4,400 lots predominantly in Greater Sydney. Its operations focus on three key business areas, residential land, residential property development and contract housing.

CPG's homebuilding business operates under the recognised brands of Clarendon Homes, Domaine Homes, Bellevalle Homes and Greenway Homes and provides the ability to deliver residential product in built form, expanding the available development opportunities and enhancing potential returns - thus contributing towards maximising the value from each link in the property value chain.

The acquisition provides Investa with an immediate participation in the NSW market and, with the existing residential land operations of Investa in Queensland, Victoria and Western Australia, completes our presence in the major residential markets in Australia.

Other significant business activities during the past 6 months include:

### **▪ Development**

- Increased the commercial/industrial portfolio with the purchase of 194.5 hectares industrial land at Mt Derrimut Road, Deer Park in Melbourne's western suburbs.
- From sales of land from the existing landbank including 120 residential lots, achieved 55% margin on costs (up from 47%).

### **▪ Asset Management**

- **Corporate Property Services (CPS)** – Suncorp Metway appointed Investa to manage its national corporate property portfolio under a five year contract commencing 1 July 2004.
- **Portfolio Asset Management** – the integrated property and facilities management team continued to grow following the DOF acquisition. The past six months has largely focused on integrating sustainability practices as part of our philosophy which will continue to deliver increased value to our shareholders and tenants.
- **Property Solutions Service** – established to leverage the expertise that has been developed in the various sectors of Investa for the benefit of our clients.

## ▪ Funds Management

- Investa Commercial Property Fund (ICPF) continued to attract investment with a commitment of \$50m received from Prudential Assurance UK, joining two other new investors to take the number of external investors to six.
- The Group sold to Prudential a 25% interest in 400 George Street, Sydney.
- Future syndicate products are in planning stages and will reflect the focus on linking value chain opportunities with external investment.

## **CAPITAL MANAGEMENT – Strengthening balance sheet**

Investa strengthened its balance sheet through refinancing debt facilities and reduced leverage by selling non-core assets and continued operation of the distribution reinvestment plan.

Since acquiring the Principal Office Fund (now Delta) we have been carrying out a refinancing process, replacing our previously secured bank debt with a combination of unsecured bank debt, a \$325.5million private placement in the United States and domestic bond and commercial paper issues. At the same time, we have been working on reducing the level of gearing in the Group in order to strengthen the balance sheet for future growth opportunities.

The five year A\$175 million domestic bond issue completed on 1<sup>st</sup> September 2004 signalled the completion of the refinancing task which has resulted in a slight reduction in our average cost of debt funds while increasing the term, diversity of sources and flexibility of our loan arrangements.

Following the acquisition of CPG (40%) during the period, Investa's credit rating was affirmed BBB+ (Stable Outlook) by Standard and Poor's.

At 31 December 2004, Group gearing was 33.4% and the Group remains committed to further debt reduction. Interest rates for 75% of outstanding debt are hedged with a weighted term of 4.4 years and the weighted average interest rate of 6.2% (including margins and fees).

## **OUTLOOK - a solid basis for the future**

We have continued to implement our property value chain strategy and have taken significant steps in our plan to increase business earnings towards 25% of our total Group earnings. The 40% acquisition of CPG in December 2004 will enable Investa to take advantage of the changing nature of residential development toward higher density integrated built solutions.

This measured step into expanding our residential land development capability, with the addition of a highly skilled design and construction function, will provide many value adding opportunities for our existing portfolio.

The focus on increasing the scope of our development business, combined with our continued leasing activities, our progress in sustainability and the growth of our Property Solutions service, has positioned Investa well for the future. A full year distribution of 16.5 cents per security is anticipated.

For further information, please contact Chris O'Donnell on (02) 8226 9301 or Graham Monk on (02) 8226 9304.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Brian McGarry', with a long horizontal stroke and a vertical line extending downwards from the end.

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

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