

Overview

“We are continuing to reduce potential refinancing exposure by issuing our first MTN and our financial position remains robust. With a portfolio that is well let and diversified across the country, we can be selective with acquisitions and seek out the best risk-adjusted returns.”

TOBY PHELPS, FUND MANAGER

FINANCIAL PERFORMANCE

	31 Dec 2012	30 Jun 2012
Total Assets	\$2,606.2m	\$2,502.6m
Total Liabilities	\$677.2m	\$575.8m
Market Capitalisation	\$1.82bn	\$1.66bn
Gearing (look-through)	24.9%	21.9%
Net Tangible Assets per unit (NTA)	\$3.14	\$3.14

OPERATING EARNINGS RECONCILIATION

	31 Dec 2012 (\$m)	Cents per unit	31 Dec 2011 (\$m)	Cents per unit ¹
Operating earnings for the year is calculated as follows:				
Statutory profit attributable to Unitholders	53.7	8.7	172.3	26.1
Adjusted for:				
Net (gain)/loss on change in fair value in:				
Investments	15.1	2.5	(99.3)	(15.1)
Derivatives	3.6	0.6	15.7	2.4
Net gain on disposal of investments	(0.1)	–	(0.3)	–
Net foreign exchange gain	(0.5)	(0.1)	(15.1)	(2.3)
Other (primarily straight-lining and tax)	(0.9)	(0.2)	(10.0)	(1.5)
Operating Earnings	70.9	11.5	63.3	9.6

4.7yrs

Weighted average lease expiry

11.5^c

Operating earnings per unit

Australian Portfolio

9%

Like-for-like net property income growth

1.7%

Average face rental increase on renewals

97%

Occupancy

Outlook

The Fund continues to demonstrate the strength of the Investa management platform by executing stated strategies of IOF. We have upgraded FY13 earnings guidance by 10.4% to 22.2 cents per unit and increased the full year distribution to 17.75 cents per unit. We are focused on taking advantage of market opportunities to continue to improve the quality of the portfolio with strategic acquisitions.

STRATEGY 1

PORTFOLIO REPOSITIONING: FOCUS ON AUSTRALIA

Create and maintain a quality portfolio of investment grade Australian office assets in major CBD markets.

Continue the transition to a 100% Australian portfolio and enhance the composition and returns of the portfolio IOF's target weightings are 70-80% core, 15-25% value-add and 5-15% tactical assets

- > Sell the remaining European assets
- > Leverage the capability of Investa's integrated platform to continue to acquire investment grade Australian office assets
- > Acquire assets with attractive risk-adjusted returns.

STRATEGY 2

OPTIMISATION OF PORTFOLIO PERFORMANCE: FOCUS ON DELIVERING LEASING AND TOTAL RETURNS

Leverage the strength of Investa's integrated management platform and market-leading position to enhance IOF's portfolio returns.

- > Address short-term lease expiries and vacancy risks – undertake new leases of short to medium term expiries to further de-risk income or position assets for upside
- > Continued upgrade of assets through disciplined value-add capital expenditure programmes
- > Continued focus on operational efficiencies by leveraging Investa's management platform
- > Ongoing focus on environmental performance
- > Improved tenant communications and service

STRATEGY 3

CAPITAL MANAGEMENT: FOCUS ON DIVERSITY AND EFFICIENCY OF FUNDING

Optimise investment returns through prudent and disciplined capital management.

- > Further diversifying sources and extending term of debt funding using the Fund's BBB+ credit rating, as evidenced by the inaugural MTN issuance of A\$125m in November 2012
- > Leverage the low cost of debt to acquire accretively
- > Maintain a disciplined approach to capital expenditure with a focus on yield on cost and value creation
- > Target upper end of IOF's stated gearing range of 25-35%

STRATEGY 4

MAINTAIN MARKET LEADING CORPORATE GOVERNANCE: FOCUS ON TRANSPARENCY

Maintain the highest standards of corporate governance and ethical conduct.

- > Market capitalisation based RE fee of 0.55% per annum equivalent to a management expense ratio of 35 basis points
- > Ratification of Independent Director by Unitholders
- > Continued commitment to clear and transparent reporting
- > IOF's website has been enhanced to provide a more focused and informative Unitholder experience

For any questions please contact us

If you have any questions about your unitholding, distribution statements or any change of details, you may call the Unitholder information line on 1300 851 394 (within Australia) or +61 2 8280 7912 (outside Australia).

Should you have any questions regarding the Fund, or this Half Year Review please call Investor Relations on 1300 130 231 or email: investorrelations@investa.com.au

More information about the Fund can be accessed and downloaded at investa.com.au/IOF

>investa.com.au

Disclaimer: This Half Year Review was prepared by Investa Listed Funds Management Limited (ACN 149 175 655 and AFSL 401414) on behalf of the Investa Office Fund, which comprises the Prime Credit Property Trust (ARSN 089 849 196) and the Armstrong Jones Office Fund (ARSN 090 242 229). Information contained in this Review is current as at 28 February 2013 unless otherwise stated. This Review is provided for general information purposes only and has been prepared without taking account of any particular recipient's financial situation, objectives or needs. Nothing contained in this Review constitutes investment, legal, tax or other advice. Accordingly, recipients should conduct their own due diligence in relation to any information contained in this Review and, before acting on any information in this Review, consider its appropriateness, having regard to their objectives, financial situation and needs, and seek the assistance of their financial or other licensed professional adviser before making any investment decision. This Review does not constitute an offer, invitation, solicitation or recommendation with respect to the subscription for, purchase or sale of any security, nor does it form the basis of any contract or commitment. Except as required by law, no representation or warranty, express or implied, is made as to the fairness, accuracy or completeness of the information, opinions and conclusions, or as to the reasonableness of any assumption, contained in this Review. This Review may include forward-looking statements, which are not guarantees or predictions of future performance. Any forward-looking statements contained in this Review involve known and unknown risks and uncertainties which may cause actual results to differ from those contained in this Review. By reading this Review and to the extent permitted by law, the recipient releases Investa and its affiliates, and any of their respective directors, officers, employees, representatives or advisers from any liability.



IOF

INVESTA OFFICE FUND

Half Year Review

31 December 2012

Investa Office Fund (ASX code:IOF) is an ASX-listed real estate investment trust (A-REIT) and is included in the S&P/ASX100 index. The Fund is a leading owner of investment grade office buildings and receives rental income from a tenant register comprising predominantly Government and blue chip tenants. IOF has total assets under management of \$2.6 billion, with investments located in core CBD markets throughout Australia and select offshore markets in Europe. IOF's aim is to reposition the portfolio to an Australian-only focus, where it can actively enhance returns via its asset management strategies.

INVESTA 

review

Fund Manager's Letter and Key Fund Achievements



Toby Phelps
Fund Manager



Dear Unitholder,

We are pleased to provide you with the Investa Office Fund Review for the six months to 31 December 2012. During this period we have continued to implement our stated strategies, further demonstrating the execution ability of the Investa management team.

We are outperforming

For the first half of FY13 we have delivered a strong operating earnings result of \$70.9m. On an earnings per unit (EPU) basis, the result of 11.5 cents is a 19.8% increase on the previous corresponding period (pcp). Acquisitions and leasing transactions over the past 12 months have underpinned our earnings growth, with 126 Phillip Street, Sydney, 242 Exhibition Street, Melbourne, 66 St Georges Terrace, Perth, and the now fully let 10-20 Bond Street, Sydney, contributing additional earnings during the period. The Fund also benefited from lower interest costs thanks to a prudent hedging strategy.

We are confident with the FY13 outlook for the Fund and have upgraded our operating earnings guidance to 22.2 cents per unit, based on higher than forecast net property income and lower debt costs. This will take earnings growth per unit for FY13 to 10.4%, and we anticipate paying a distribution of 17.75 cents per unit.

We are delivering on our strategy

We continue to actively manage the balance sheet and in November 2012 completed the Fund's inaugural 5 year A\$125m Medium Term Note (MTN) at a competitive margin of 210 basis points. This diversifies IOF's sources of debt away from bank debt, extends the debt duration and reduces the quantum of refinancing required in 2015. Going forward, we will continue to leverage the Fund's S & P BBB+ credit rating to further improve the Fund's debt profile.

High portfolio occupancy was maintained during the period, with the Fund's Australian assets 97% leased at 31 December 2012, underpinned by few expiries. In addition to Investa's ongoing asset management initiatives, a key focus for management in the next period will be the refurbishment of 16-18 Mort Street, Canberra, which will begin in 4Q FY13 following the departure of the tenant, who has been in occupation for 20 years. The building will undergo a 6 month refurbishment and upgrade to refresh the building internally and externally, bringing it up to an A-grade standard.

Improving the quality of the portfolio continues to remain a focus and we remain disciplined in our investment decisions, concentrating on buying assets that will deliver attractive risk adjusted returns.

We are poised for further growth

The Fund is well positioned for growth and has a market leading management team committed to delivering value through performance. The IOF balance sheet remains strong, with low gearing of 25% and acquisition capacity of over \$350m, providing a platform to further grow earnings and continue to position IOF as the best performing Australian CBD office fund.

On behalf of the IOF team, thank you for your continued support.

Yours sincerely,

Toby Phelps
Fund Manager

6 MONTH KEY ACHIEVEMENTS

Financial

- > Statutory net profit decreased 68.8% to \$53.7 million
- > Operating earnings per unit increased 19.8% to 11.5 cents
- > Distributions per unit up 12.2% to 8.75 cents
- > Upgrading guidance to 22.2 cents, reflecting 10.4% growth for FY13

Australian portfolio

- > Like-for-like growth of 9%, boosted by 10-20 Bond St, Sydney
- > Maintaining high occupancy of 97%, underpinned by our de-risked lease expiry profile

Strategy

- > Acquiring assets with attractive risk-adjusted returns that improve portfolio quality
- > Target upper end of 25-35% leverage range
- > Further diversify sources and extend tenor of debt

Property Portfolio

“We’ve continued to deliver strong results in a period of soft tenant demand, underpinned by our de-risked lease expiry profile. Tightly managing our debt costs and driving revenue out of our asset base has allowed us to upgrade earnings guidance and reward our unitholders with projected 10.4% growth in FY13.”

TOBY PHELPS, FUND MANAGER

TOTAL PORTFOLIO

Property	Net lettable area (sqm)	Book value (\$m) ¹	Cap rate (%)	WALE (yrs)	Occupancy (%)	Net property income (\$m)
Deutsche Bank Place – 126 Phillip Street, Sydney, NSW (25%)	42,256	176.1	6.35	4.0	91	5.6
10-20 Bond Street, Sydney, NSW (50%)	37,007	169.7	6.88	5.3	100	3.6
388 George Street, Sydney, NSW (50%)	38,743	190.7	7.00	5.7	100	6.6
347 Kent Street, Sydney, NSW	26,261	254.4	7.00	6.2	100	10.9
151 Clarence Street, Sydney, NSW	16,863	82.0	8.25	0.7	88	3.0
Campus MLC – 105-151 Miller Street, North Sydney, NSW	27,102	159.2	7.90	7.2	100	5.5
111 Pacific Highway, North Sydney, NSW	18,639	122.5	8.00	3.3	93	4.4
Hitachi Complex – 239 George Street, Brisbane, QLD – 15 Adelaide Street, Brisbane, QLD	24,477 11,606	125.5 56.4	8.63 8.63	3.5 2.9	95 92	5.4 2.0
Australian Government Centre – 140 Creek Street, Brisbane, QLD – 295 Ann Street, Brisbane, QLD – 232 Adelaide Street, Brisbane, QLD	28,161 20,281 4,459	167.8 114.9 17.6	8.00 8.00 8.75	2.2 6.5 3.5	99 100 94	6.2 3.4 0.7
Telstra Global Headquarters – 242 Exhibition Street, Melbourne, VIC (50%)	65,915	217.5	7.00	7.3	100	7.8
QBE House – 628 Bourke Street, Melbourne, VIC	24,929	104.7	7.75	6.0	84	3.3
Royal Mint Centre – 383 Latrobe Street, Melbourne, VIC	9,679	52.0	8.00	4.5	100	2.5
800 Toorak Road, Melbourne, VIC (50%)	41,878	62.3	9.25	3.8	100	2.8
66 St Georges Terrace, Perth, WA	11,446	82.4	8.63	1.3	100	2.5
Wellington Central – 836 Wellington Street, Perth, WA	11,973	73.0	8.75	6.1	100	2.9
Times Square – 16-18 Mort Street, Canberra, ACT	14,309	37.0	9.75	0.2	100	2.5
Dutch Office Fund (14.2%)	826,211	244.6	5.80	5.0	89	1.9
Bastion Tower, Brussels	32,062	82.4	6.04	5.0	86	7.7
TOTAL IOF PORTFOLIO²	1,334,256	2,592.7	7.43	4.7	96	91.2

1. Book value based on IOF's ownership

2. Net lettable area IOF ownership as follows: Australia = 352,520sqm; Europe = 133,353sqm; Total = 485,872sqm

Case Study

347 KENT

Management best practice driving operational excellence

Electricity savings at 347 Kent Street, Sydney

Dramatic improvements in the management of electricity and water use are leading to reduced operational costs for tenants and improved NABERS ratings at 347 Kent Street, Sydney.

After taking over management of the building in July 2011, Investa's facilities management team have adopted new energy efficient strategies. This has included tuning the building's air conditioning systems and manually over-riding the Building Management System with the assistance of an energy analytics data tool developed by Investa called *Buildings Alive*.

Strategic focus and operational works have concentrated on:

- > optimising heating, ventilation and cooling fan speeds;
- > adjusting temperature settings to reflect winter and shoulder season conditions to minimise energy use;
- > adopting a winter chiller strategy to reduce the number of chillers operating in the colder winter months, including switching off chillers in cool, low humidity conditions by using more sophisticated controls.

The graph below illustrates the improved electricity performance of 347 Kent Street against business as usual performance, as measured by the Buildings Alive data tool. In the first half of Financial Year 2013, a reduction in electricity use in the building of 342MWh, or 24% has been achieved. These savings are equivalent to removing 47 houses from the electricity grid for a year and have delivered a direct ongoing reduction of tenant operational costs.



347 Kent St, Sydney

4.0 Stars

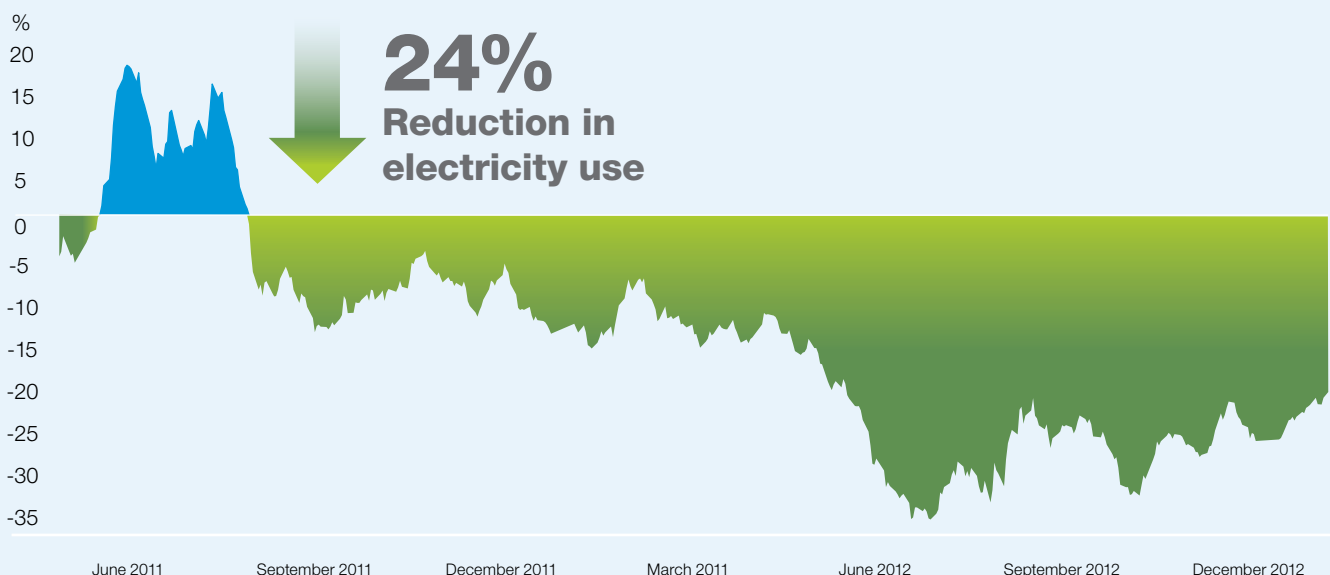
NABERS Energy Rating:
Improvement from
3.0 Stars in 2011

2.0 Stars

NABERS Water Rating:
Improvement from
1.5 Stars in 2011

For more information go to
> investa.com.au/sustainability

Electricity use compared to 'business as usual' performance



Source: Buildings Alive