



## **CHAIRMAN'S ADDRESS – SCHEME MEETING TO APPROVE ACQUISITION OF FOLKESTONE BY CHARTER HALL**

Good morning Ladies and Gentlemen and welcome to the Scheme Meeting of Folkestone Limited to approve the acquisition of Folkestone by the ASX Listed Charter Hall (ASX:CHC).

As it is 11.30am and a quorum is present I declare the meeting open. If you have not registered your attendance with our share registry at the door, could you please do so now.

My name is Garry Sladden and I am your Chairman. In attendance with me today are:

- Greg Paramor, your Managing Director;
- Non-executive Directors Mark Baillie and Ross Strang; and
- members of our senior management team.

On behalf of the Board I would like to thank you for your attendance today.

Today is a significant day in the history of Folkestone.

Folkestone listed in 2000 and it is:

- seven and a half years since Folkestone acquired Equity Real Estate Partners,
- Folkestone was recapitalised; and
- a new strategy was implemented to transform Folkestone into a leading real estate funds manager and developer.

Since that time, Folkestone has:

- grown its funds under management to \$1.6bn;
- acquired in 2012 the Austock property funds platform – the manager of Folkestone Education Trust and the Folkestone CIB Fund;
- undertaken a range of successful developments across retail, commercial, residential, hotel and seniors living; and
- turned around the profitability of Folkestone from a statutory loss of \$12.2m in FY11 to a statutory profit after tax of \$13.9m in FY18.

Today, Shareholders are being asked to vote on a proposed Scheme of Arrangement under which Charter Hall will acquire Folkestone.



On 22 August 2018, Folkestone announced that it had entered into the Scheme Implementation Agreement with Charter Hall Limited (a member of the Charter Hall Group) under which it is proposed that Charter Hall Limited (“Bidder”) will acquire all of the issued share capital of Folkestone by way of a Scheme of Arrangement for a Scheme Consideration of \$1.39 cash per Folkestone Share.

The Scheme Consideration of \$1.39 will comprise:

- the Bidder Consideration of \$1.354 cash per Scheme Share; and
- a Special Dividend of \$0.036 cash per Folkestone Share held on the Special Dividend Record Date and which Folkestone will pay if the Scheme is approved and implemented. The Special Dividend is expected to be fully franked.

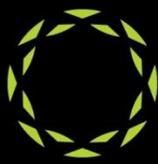
The Scheme Consideration reflects an attractive value for Folkestone Shares, representing:

- 25.2% premium to the closing price of Folkestone Shares of \$1.110 on the last trading day prior to the Announcement Date;
- 28.7% premium to the 30 June 2018 NTA of Folkestone;
- 25.6% premium to the 30-day VWAP of Folkestone Shares of \$1.107 up to the last trading day prior to the Announcement Date; and
- 25.6% premium to the 3-month VWAP of Folkestone Shares of \$1.107 up to the last trading day prior to the Announcement Date.

The Folkestone Board has been considering a range of strategic options to maximise Shareholder value, including maintaining the status quo or the sale of selected assets. After receiving and evaluating the proposed Scheme from Charter Hall, Folkestone’s Board has unanimously concluded that the sale of Folkestone at a significant premium to market is the most certain value proposition for all Folkestone Shareholders.

The Folkestone Board has concluded that the Scheme is compelling for Folkestone Shareholders for the following reasons:

- the Independent Expert, Lonergan Edwards & Associates, has concluded that the Scheme is fair and reasonable and in the best interest of Folkestone Shareholders in the absence of a Superior Proposal;
- the Scheme Consideration represents a significant premium to recent trading performance of Folkestone Shares;
- the Scheme Consideration exceeds all historical trading prices of Folkestone since 2011;
- the Scheme Consideration is all cash which delivers certainty and immediate value for Folkestone Shareholders;
- Folkestone Shareholders will receive a Special Dividend of \$0.036 per Folkestone Share. The Special Dividend is expected to be fully franked. Depending on the individual circumstances of Folkestone Shareholders this may be an additional benefit. Folkestone



has applied to the ATO requesting a class ruling on the tax implications of the Scheme, including the availability of franking credits and a tax offset in respect to the Special Dividend as outlined in the Explanatory Memorandum. It is anticipated that the ruling will be finalised and the result will be available on the Folkestone website after the Scheme implementation date. Folkestone sees no reason to anticipate that it will be inconsistent with tax outcomes described in the PwC letter included in the Explanatory Memorandum; and

- finally, if the Scheme does not proceed, the price of Folkestone Shares is likely to fall.

The Scheme is subject to a number of conditions which are outlined in the Explanatory Memorandum and must be satisfied before the Scheme becomes effective. As at the date of this meeting, all such conditions have been satisfied or are expected to be satisfied by the date of the second court hearing, with the exception of the approval of the Folkestone Shareholders to the Scheme which is to be finalised at this meeting and the approval of the Federal Court of Australia at the Second Court hearing which is scheduled for Monday, 22 October 2018.

The proposal has been outlined in detail in the Notice of Meeting and Explanatory Memorandum which has been made available to Shareholders in accordance with the orders made by the Federal Court at the Direct Court hearing held on 12 September 2018.

Copies of the Notice of Meeting and Explanatory Memorandum are available at the Registry desk outside.

If the resolution is passed the timetable on this slide will apply to the implementation of the Scheme.

I would now like to invite Greg Paramor, Managing Director to make a short speech in relation to Folkestone and the proposal from Charter Hall.

**Greg Paramor speech.**



## BUSINESS OF THE MEETING

### Resolution - Approval of Scheme

I will now commence the formal part of the meeting. I will take the Notice of Meeting as read.

The purpose of this meeting is to consider and, if thought fit, pass the following resolution:

**“That, pursuant to and in accordance with the provisions of section 411 of the Corporations Act, the members approve the arrangement between Folkestone Limited and the holders of its fully paid ordinary shares, designated the “Scheme”, as contained in and more particularly described in the Explanatory Memorandum accompanying the Notice of Scheme Meeting (with or without any modifications or conditions approved at this meeting or approved by the Federal Court of Australia after this meeting, and which are acceptable to Folkestone).**

Your Directors have carefully considered the Proposed Scheme and unanimously recommend that you vote in favour of the resolution that is proposed today. Each Director intends, in relation to any shares held or controlled by them, to vote in favour of the Scheme at today’s meeting.

The Independent Expert, Lonergan Edwards & Associates, has concluded that the Scheme is fair and reasonable and in the best interest of Folkestone Shareholders in the absence of a Superior Proposal. A copy of the Independent Experts report was included in the Notice of Meeting and Explanatory Memorandum booklet.

As of today, I can confirm that no Superior Proposal has been received by the Directors of Folkestone and the Directors are not in discussions with any interested parties.

In order for the resolution to be passed, it must be agreed by:

- a majority in number of Shareholders of Folkestone present and voting at the meeting (either in person, by corporate representative, by attorney or by proxy); and
- at least 75% of the total number of votes cast by Shareholders (in person, by corporate representative, by attorney or by proxy) entitled to vote on this resolution are in favour of the resolution.

I will now take questions from any Shareholders in relation to the proposed Scheme.

### Take Questions

I believe there are no further questions in relation to the Scheme and I therefore conclude discussion on this item of business.



I now wish to advise that the proxies submitted for this Resolution are as follows:

- **For – 103,890,886 shares**
- **Open – 2,698,414 shares**
- **Against – 424,873 shares**
- **Abstain – 4,000 shares**

As outlined in the Notice of Meeting, I intend to vote all open proxies in favour of this Resolution.

There being no further questions, I now ask that Boardroom Pty Limited, the unit registry of the Company take over this meeting to conduct the poll.

The Second Court hearing will take place on 22 October 2018 at the Federal Court of Australia. The Court's approval is the final condition.

If the Court approves the Scheme, a Court order approving the Scheme will be lodged with the ASX and the Scheme will become effective. It is expected that suspension of trading in Folkestone Shares on the ASX will occur from close of trading on the 23 October 2018.

Shareholders on the register on 26 October 2018 will be entitled to receive the cash consideration of \$1.354 and the Special Dividend of \$0.036 per share in respect of the Shares they hold at that point. This payment is expected to be made on 7 November 2018.

I would now like to invite Shareholders to raise any questions or make any further comments.

As there is no further business, I thank you for attending the meeting today and your support of the Folkestone Board and management over the past seven and half years. We look forward to the many exciting and rewarding opportunities that lay ahead for the Charter Hall Group, our funds that will now be managed by Charter Hall, and our staff who will be transferring across to Charter Hall.

I formally declare the meeting closed.