

ASX Announcement – Australian Unity Office Fund

4 November 2019

Update following divestment of CHAB stake

Australian Unity Investment Real Estate Limited (**AUIREL**), as Responsible Entity of Australian Unity Office Fund (ASX: **AOF**), refers to its announcement released to the ASX on 31 October 2019 that CHAB Office Pty Limited acting as trustee for the CHAB Office Trust (**CHAB**), an entity owned by the Abacus Property Group (ASX: **ABP**) and Charter Hall Group (ASX: **CHC**) (together the **Consortium**), has divested its 19.9% interest in AOF for \$2.95 per unit.

The Independent Board Committee (**IBC**) established by the board of AUIREL has carefully considered CHAB's divestment of its 19.9% holding in AOF and the implications for AOF unitholders in the context of the Scheme meeting currently scheduled for 10.00am (Melbourne time) on 7 November 2019.

Background

On 4 June 2019, CHAB acquired a 19.9% interest in AOF for a total consideration of \$95.6 million, which was equivalent to \$2.95 per unit. At the same time, CHAB made its original unsolicited indicative non-binding proposal to acquire all of the units in AOF that it did not already hold for \$2.95 per unit.

On 2 September 2019, AUIREL entered into a Scheme Implementation Agreement with CHAB in relation to a trust scheme pursuant to which CHAB would acquire all of the issued units in AOF for \$3.04 cash per unit, reduced by any distributions declared or paid with respect to AOF (**Scheme**). An Explanatory Memorandum in respect of the Scheme was released on 4 October 2019 (**Explanatory Memorandum**) and sent to AOF unitholders.

The IBC notes that notwithstanding the divestment of CHAB's 19.9% interest in AOF, the Consortium has announced that it remains fully committed to pursuing the Scheme. The divestment by CHAB of its 19.9% interest does not change the terms of the Scheme or the consideration offered under the Scheme.

Implications on voting entitlements, funding and disclosure

At the meeting of unitholders to consider the Scheme, CHAB and its associates are effectively not able to cast votes in favour of the resolutions to implement the Scheme as CHAB is the acquirer of AOF units under the Scheme. Accordingly, prior to the divestment by CHAB, 19.9% of the units would have been excluded from voting.

However, the parties who have purchased those units may be eligible to vote those units. Accordingly, the IBC was concerned to ensure that those parties were not associates of CHAB and has sought and obtained confirmation from CHAB that it has not entered into any relevant agreement or understanding with any of those parties in relation to how they would vote in respect of the Scheme. CHAB instructed its broker to advise those parties that they would need to determine their eligibility to vote on the

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Scheme and to make an independent assessment whether to vote in favour or vote against the Scheme.

The aggregate scheme consideration payable by CHAB to AOF unitholders under the Scheme has increased following the divestment by CHAB of its 19.9% interest in AOF. This is because CHAB must fund an additional approximately \$98.5 million to acquire a further 19.9% of AOF at \$3.04 per unit. Based on the total number of issued AOF units as at the date of this announcement, the maximum consideration payable by CHAB in connection with the Scheme will be approximately \$495 million. At the request of the IBC, CHAB has also confirmed that it has sufficient funding to meet its obligations under the Scheme.

Independent Directors' recommendation

The Independent Directors of AUIREL (Mr Peter Day, Mr Don Marples and Ms Eve Crestani) have carefully considered the implications of CHAB selling its 19.9% holding in AOF and continue to unanimously recommend that AOF unitholders vote in favour of the Scheme, in the absence of a 'superior proposal'¹.

In making their recommendations, the Independent Directors have assessed the Scheme having regard to the reasons to vote in favour of, or against, the Scheme outlined in Sections 2.3 and 2.4 of the Explanatory Memorandum and their assessment has not changed.

AOF unitholders should consider all of the reasons to vote for, or against, the Scheme set out in the Explanatory Memorandum but as CHAB no longer holds a 19.9% interest in AOF, the Independent Directors draw your attention to:

- one of the reasons to vote in favour of the Scheme set out in section 2.3(e) of the Explanatory Memorandum, that it is possible that the price of the AOF units may fall if the Scheme is not implemented; and
- one of the reasons to vote against the Scheme set out in section 2.4(d) of the Explanatory Memorandum, is that you may believe that a superior proposal may emerge in the future. As CHAB has sold its 19.9% interest in AOF there are no longer the same challenges to a third party successfully launching a superior proposal. As at the date of this announcement, no competing or superior proposal has emerged.

Independent Expert's opinion

The IBC has also asked the Independent Expert, Deloitte Corporate Finance Pty Limited, whether the divestment by CHAB of its 19.9% interest in AOF causes a change in its opinion expressed in the Independent Expert's Report. The Independent Expert has confirmed that the divestment by CHAB of its 19.9% interest in AOF does not change its opinion that the Scheme is fair and reasonable and is in the best interests of AOF unitholders.

¹ As defined in the Scheme Implementation Agreement dated 2 September 2019.

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However, the Independent Expert notes that in assessing whether the Scheme was reasonable there were two factors connected with CHAB's ownership of 19.9% of AOF that are no longer relevant. These were:

- there would be challenges to a third party successfully launching a superior proposal; and
- trading liquidity could decrease which could result in a further decrease in the AOF unit price if the Scheme does not proceed.

A copy of this letter is attached to this announcement.

Scheme Meeting

To ensure that AOF unitholders have adequate time to consider CHAB's divestment of its 19.9% interest in AOF before they decide how to vote (or, for those AOF unitholders that have already lodged their proxy form, whether to change their vote), AUIREL intends to apply to the Supreme Court of Victoria for an order that the chair of the Scheme meeting (**Chair**) would be justified in adjourning the Scheme meeting from 7 November 2019 to 18 November 2019 or such other date after 18 November 2019 as determined by the Chair.

Currently unitholders who are entitled to attend and vote at the adjourned Scheme meeting are those registered on the register of AOF unitholders at 7.00pm (Melbourne time) on Tuesday, 5 November 2019. If the Scheme meeting is adjourned, AOF will announce if there will be any change to this.

All AOF unitholders are encouraged to vote by completing and lodging the proxy form that accompanied the Notice of Meeting, attending the Scheme meeting in person, or appointing an attorney to attend on your behalf.

A copy of the Explanatory Memorandum can be viewed [here](#). It contains important information you should read before deciding how to vote and should be read together with this announcement. The Independent Expert's Report is contained in Attachment D to the Explanatory Memorandum. The Independent Expert's report should be read together with the letter from the Independent Expert attached to this announcement.

If the Scheme meeting is adjourned, the relevant proxy voting deadline will also be deferred. For proxy votes to be considered, they must be lodged with Boardroom Pty Limited by the relevant proxy voting deadline. AOF will announce the proxy voting deadline together with the date of the Scheme meeting after a decision has been made as to when the adjourned Scheme meeting will be held. AOF unitholders that wish to lodge a proxy form, or revoke an existing proxy, can lodge their proxy forms by the current proxy voting deadline of 10.00am (Melbourne time) on Tuesday, 5 November 2019 to ensure their voting instructions are received.

AOF unitholders that have already voted and do not wish to change their vote, do not need to take any action.

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AOF unitholders who have already lodged a proxy vote and would like to change their vote can request another proxy form by calling the AOF Unitholder Information Line on +61 1800 179 970. A new proxy will be taken to revoke any existing proxy and may be lodged up until the proxy voting deadline. Alternatively, AOF Unitholders who have already lodged a proxy vote and would like to change their vote, who are not able to lodge a new proxy by the relevant voting deadline may attend the Scheme meeting and vote in person.

AOF Unitholder Information Line

For further information in relation to the Scheme, AOF unitholders can contact AOF Unitholder Information Line on +61 1800 179 970, from Monday to Friday between 8.15am and 5.30pm (Melbourne time), or consult their investment, legal, taxation or other professional adviser.

About AOF

AOF is an ASX-listed REIT that wholly owns a diversified portfolio of nine office properties located across Australian metropolitan and CBD markets in Sydney, Adelaide, Melbourne, Brisbane and Canberra.

This announcement is issued by Australian Unity Investment Real Estate Limited ABN 86 606 414 368 AFSL 477434 (AUIREL). AUIREL is a wholly owned subsidiary of Australian Unity Limited ABN 23 087 648 888.

Australian Unity is a health, wealth and living organisation providing products and services designed to help people thrive. More than one million Australians have created a bright future with us. Our businesses span operations providing healthcare, financial services, and retirement and living services, employing more than 7,500 people across Australia.

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3 November 2019

The Independent Board Committee (IBC)
Australian Unity Investment Real Estate Limited as responsible entity of
Australian Unity Office Fund
Level 15
271 Spring Street
Melbourne VIC 3000

Dear Directors

CHAB announcement dated 31 October 2019 and our Independent Expert's Report dated 30 September 2019

We refer to our Independent Expert's Report dated 30 September 2019, the Explanatory Memorandum to which it was appended and the announcement by the Consortium dated 31 October 2019 (the Consortium Announcement).

Capitalised Terms in this letter have the same meaning as that in our Independent Expert's Report.

The Consortium Announcement noted that the Consortium has divested its 19.9% interest in the Fund but the Consortium remains fully committed to pursuing the Proposed Scheme.

You have asked us whether the Consortium Announcement causes a change in our opinion as expressed in our Independent Expert's Report, which is that the Proposed Scheme is fair and reasonable to, and therefore in the best interests, of AOF unitholders.

We are of the opinion that the Consortium Announcement does not change our opinion as expressed in our Independent Expert's Report. The factors we considered are as follows:

- The Consortium Announcement is not relevant to our assessment of the fairness of the Proposed Scheme. Our assessment of fairness is based on our valuation of an AOF unit and a comparison of that valuation to the price being offered by the Consortium. Neither of these change as a result of the Consortium Announcement and on this basis, our assessment of the Proposed Scheme continues to be fair
- Given our assessment of the Proposed Scheme being fair, we are also of the opinion that the Proposed Scheme continues to be reasonable
- Within our assessment of reasonableness, there were two factors we highlighted in our Independent Expert's Report which were connected with the Consortium's ownership of a 19.9% interest in the Fund:
 - there would be challenges for a third party to successfully launch a superior offer
 - trading liquidity of the units could decrease which could result in a further decrease in the unit price if the Proposed Scheme did not proceed
- These two reasonableness factors were advantages of the Proposed Scheme that are no longer relevant

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- Notwithstanding the Consortium Announcement, the Proposed Scheme remains reasonable because in our opinion it is fair.

An individual unitholder's decision in relation to the Proposed Scheme may be influenced by his or her particular circumstances. If in doubt the unitholder should consult an independent adviser, who should have regard to their individual circumstances.

This letter should be read in conjunction with our Independent Expert's Report.

Yours faithfully



Tapan Parekh
Authorised Representative
AR Number: 461009