

ASX Announcement – Australian Unity Office Fund

4 February 2020

IBC's position in relation to Starwood's Intended Offer for AOF

Australian Unity Investment Real Estate Limited (**AUIREL**), as Responsible Entity of Australian Unity Office Fund (ASX: **AOF**), refers to the announcement released on 29 January 2020 by SOF-XI Legs Holdings Limited (**Starwood**), a member of the Starwood Capital Group, in relation to its intention to make, itself or through an affiliate, an unsolicited all-cash off-market takeover offer for all outstanding units in AOF for \$2.98 per unit reduced by any future distributions paid by AOF (**Intended Offer**).

An independent board committee (**IBC**), comprising the Independent Directors of AUIREL (Mr Peter Day, Mr Don Marples and Ms Eve Crestani), has been established by AUIREL to consider the Intended Offer.

The IBC is being advised by UBS AG, Australia Branch as financial adviser and Ashurst Australia as legal adviser.

Consideration under the Intended Offer

Under the Intended Offer, AOF unitholders would receive consideration of \$2.98 cash per unit (**Offer Consideration**), reduced by any future distributions paid by AOF. There is the potential for the Intended Offer, once made, to extend past the March 2020 quarter. AUIREL expects to declare and pay a distribution of 4 cents per AOF unit for the quarter ending March 2020 in line with full-year distribution guidance of 16 cents per AOF unit provided in August 2019 which, if the Intended Offer extends past the March 2020 quarter, would reduce the Offer Consideration.

At \$2.98, and assuming that the Intended Offer completes before the end of the March 2020 quarter, the Offer Consideration represents a:

- 2.0% discount to the consideration of \$3.04 offered under the CHAB Scheme¹;
- 2.4% premium to AOF's last close price of \$2.91 on 28 January 2020, the day prior to announcement of the Intended Offer; and
- 4.6% premium to AOF's expected net tangible assets (**NTA**) per AOF unit of \$2.85 as at 31 December 2019².

ASX code:

AOF

Issuer:

Australian Unity Investment Real Estate Limited

ABN 86 606 414 368

AFSL 477434

Enquiries:

Australian Unity Office Fund Investor Services

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(outside Australia)

Contact details:

271 Spring Street

Melbourne VIC 3000

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¹ CHAB Scheme refers to the trust scheme pursuant to which CHAB Office Pty Limited acting as trustee for CHAB Office Trust (**CHAB**) would acquire all of the units in AOF. The unitholder vote to consider the CHAB Scheme occurred on 18 November 2019.

² Includes an increase in AOF's NTA, from \$2.79 per unit as at 30 June 2019, of 6 cents per unit as a result of revaluations of four properties announced on 20 December 2019.

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Current position of the IBC

The IBC does not believe the Intended Offer represents compelling value for AOF unitholders and based on the current terms, the IBC is presently minded to advise AOF unitholders to reject the Intended Offer once made. In forming this view, the IBC and its advisers have considered a number of points:

1. The Offer Consideration is 6 cents per unit lower than the consideration offered under the CHAB Scheme. AOF Unitholders voted not to proceed with the CHAB Scheme on 18 November 2019, with unitholders representing approximately 19% of AOF units on issue (or approximately 37% of those AOF units which voted) voting against the resolutions to approve the CHAB Scheme. This is important given the 90% minimum acceptance condition of the Intended Offer.
2. AUIREL announced on 20 December 2019 an increase in AOF's NTA of 6 cents per AOF unit as a result of revaluations of four properties within the portfolio, resulting in an expected NTA of \$2.85 per AOF unit as at 31 December 2019. The remaining five properties have not yet had a refreshed revaluation at that date as it is AOF's normal policy to revalue half its properties every six months on a twelve-month cycle.
3. The Intended Offer is subject to a number of conditions, including FIRB approval and a 90% minimum acceptance condition. Additionally, there are a number of operational conditions which the IBC believes overly restrict AOF's ability to manage its portfolio effectively in the ordinary course of business in light of its growth strategy. These include significant restrictions on:
 - i. leasing;
 - ii. development;
 - iii. re-financing; and
 - iv. acquisitions and disposals.

In the normal course of its business, AOF continues to be currently active across each of these operational and strategic elements.

The IBC accordingly believes that it is in the best interests of all AOF unitholders for AOF to continue to focus on managing its portfolio and executing on its growth strategy including exploring potential acquisitions that meet the strategic objectives of AOF, including negotiation of leases across the portfolio, and further progressing the development opportunity at 2 Valentine Avenue, Parramatta, where AOF is in the final stages of receiving a development consent for a ~28,000 sqm building.

Given AOF will continue to be managed in the ordinary course of business, the IBC notes this will highly likely result in some of the conditions of the Intended Offer not being satisfied.

The IBC refers to AOF's announcement dated 31 January 2020 noting the change in ownership of AUIREL. As noted in that announcement, a condition of the Intended Offer was that a change of control does not occur or is not agreed to occur in respect

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of AUIREL. The IBC notes that the agreements entered into by Australian Unity Limited in relation to the ownership of AUIREL with Keppel Capital Two Pte Ltd, a wholly owned subsidiary of Keppel Capital Holdings Pte Ltd, will mean that this condition will not be satisfied. The IBC further notes the announcement from Starwood dated 3 February 2020 that, based on the information in the AOF announcement dated 31 January 2020, it will not rely on this change in ownership of AUIREL to lapse the Intended Offer.

Full details of the conditions of the Intended Offer are set out in the Starwood announcement dated 29 January 2020.

Statement of intention from AOF's largest unitholder

The IBC, through its advisers, has sought feedback on the Intended Offer from AOF's largest unitholder, Hume Partners Pty Limited and its associates (**Hume**). Hume holds 23,786,465 units representing 14.61% of units on issue and has indicated that they will not accept the Intended Offer on its current terms. Given this position, the 90% minimum acceptance condition under the Intended Offer will not be satisfied.

Hume has consented to the inclusion of the above statement of their intentions in this announcement.

No action is required by AOF unitholders at this time and the IBC will keep AOF unitholders fully informed of any material developments.

Authorised by the AUIREL Independent Board Committee.

Contact information

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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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