

ASX Announcement – Australian Unity Office Fund

16 April 2020

Withdrawal of FY20 FFO guidance and revised distribution guidance

Australian Unity Investment Real Estate Limited (**AUIREL**), as Responsible Entity of Australian Unity Office Fund (ASX: **AOF**), provides the following update to the market following the announcement on 7 April 2020 by the National Cabinet in relation to the Mandatory Code of Conduct for SME Commercial Leasing Principles during COVID-19 (**the Code**).

The Code of Conduct can be viewed at:

<https://www.pm.gov.au/sites/default/files/files/national-cabinet-mandatory-code-of-conduct-sme-commercial-leasing-principles.pdf>

It is not presently possible to accurately determine the potential impact of the measures outlined in the Code on AOF's Funds from Operations (**FFO**), in particular the requirement to waive (instead of defer) at least 50% of the rent reduction given to SME Tenants¹, as defined in the Code. While the Code has not yet been legislated by the States and Territories, we are currently working with our tenants to establish their likely eligibility under the Code.

At this stage, SME Tenants could account for up to approximately one-third of the gross income of AOF, however we anticipate the actual position may be lower once the required legislation has been passed and a thorough eligibility assessment has been completed. As such, the Board has determined the most prudent course of action is to withdraw its FY20 FFO guidance.

The Board has also determined to revise its FY20 distribution guidance. The Board currently expects to pay a distribution for the quarter ending 30 June 2020 of approximately 3.0 cents per unit, taking the full year FY20 distribution to approximately 15.0 cents per unit².

AOF remains in a strong capital position. As at 31 December 2019, gearing was 29.9% and the interest coverage ratio was 4.4x, providing significant headroom to its debt covenants. Following the refinancing and extension of its debt facility announced on 19 March 2020, AOF has a weighted average debt term of 3.7 years³ and no debt expiring until October 2022.

James Freeman, Fund Manager of AOF commented, "We will continue to engage with our tenants in this challenging period to determine their eligibility under the Code and agree an appropriate solution for their business. We are focused on supporting the viability of our tenants to ensure they make it through the COVID-19 pandemic whilst achieving an outcome that is appropriate for AOF's unitholders."

¹ The Code applies to all tenancies that are suffering financial stress or hardship as a result of the COVID-19 pandemic as defined by their eligibility for the Commonwealth Government's JobKeeper programme, with an annual turnover of up to \$50 million. The \$50 million annual turnover threshold will be applied in respect of franchises at the franchisee level, and in respect of retail corporate groups at the group level (rather than at the individual retail outlet level).

² For 12 months to 30 June 2020 subject to no further material change in market conditions and no further unforeseen events

³ As at 15 April 2020

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AOF

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Authorised by the AUIREL Board.

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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 owned by Australian Unity Keppel Capital Pty Ltd ABN 67 637 410 505, a joint venture company owned equally by subsidiaries of Australian Unity Limited ABN 23 087 648 888 and Keppel Capital Holdings Pte Ltd CRN 201302079N, the asset management arm of Singapore based Keppel Corporation Limited CRN 196800351N.

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