

## ASX/Media Announcement

21 September 2018

**Propertylink receives non-binding indicative proposal from ESR.  
Securityholders, take no action.**

Propertylink Group (ASX:PLG) has overnight received a letter from ESR Real Estate (Australia) Pty Limited (ESR) setting out a non-binding indicative offer to acquire all of the stapled securities of Propertylink for \$1.15 cash per stapled security by way of an agreed off-market takeover offer (the **Proposal**). The Proposal states that the indicative offer price would be reduced by the value of any distributions announced by Propertylink following receipt of the Proposal.

The Proposal is subject to a number of conditions, including, without limitation, due diligence, ESR and Propertylink agreeing the terms of an implementation agreement and Propertylink not proceeding with the proposal to acquire Centuria Industrial REIT.

There is no guarantee that the Proposal or any discussions with ESR will lead to a formal binding offer. Propertylink will keep the market informed of material developments. Propertylink securityholders need not take any action at this point.

A copy of the letter setting out the Proposal is attached.

## Further Enquiries

### Investors

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## About Propertylink

Propertylink is an A-REIT, listed on the Australian Securities Exchange under the code "PLG". Propertylink is an internally managed real estate group that owns and manages a diversified portfolio of logistics, business park and office properties and is a leading investment and asset management business with A\$1.8 billion of assets under management. Propertylink's integrated, in-house approach to active asset management is aimed at maximising the performance and value of assets under management for our global investors from North America, Europe, the Middle East, Asia and Australia.



20 September 2018

Mr Peter Lancken  
Chairman

Mr Stuart Dawes  
Managing Director and CEO

Propertylink Group  
Level 29  
20 Bond Street  
Sydney NSW 2000

Dear Mr Lancken and Mr Dawes

### **Non-binding indicative all cash proposal to acquire Propertylink Group**

ESR Real Estate (Australia) Pty Limited (**ESR**) is pleased to submit this non-binding indicative proposal to acquire, by way of an agreed off-market takeover offer, all the stapled securities in Propertylink Group (**PLG**) which it does not already own, for all cash consideration of A\$1.15 per PLG security, on the terms and conditions set out in this letter (**Indicative Proposal**)<sup>1</sup>.

The 100% cash consideration contemplated by our Indicative Proposal represents attractive value for PLG securityholders, being:

- a 9.5% premium to the closing price of PLG securities on 20 September 2018, being the date of this Indicative Proposal;
- a 14.7% premium to PLG's adjusted net tangible assets per security as at 30 June 2018<sup>2</sup>;
- a 10.4% premium to the 6 month VWAP of PLG securities to 20 September 2018; and
- a 32.9% premium to the price of PLG securities as at the trading day prior to the Centuria Industrial REIT (**CIP**) and Centuria Capital Group's acquisition of a 17% interest in PLG<sup>3</sup>.

Our proposed consideration is also higher than the all-time high trading price of PLG securities of \$1.12 (on 27 June 2018).

Our Indicative Proposal is subject to the terms, conditions and requirements set out below, including that PLG's indicative proposal to acquire CIP announced on 13 September 2018 (**CIP Proposal**) does not proceed. It is our strong belief that, for the reasons we have set out in this letter, the CIP Proposal is not in the best interests of PLG securityholders.

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<sup>1</sup> Under the Indicative Proposal, the consideration offered will be reduced by the amount of any distributions that PLG securityholders become entitled to receive after the date of this Indicative Proposal.

<sup>2</sup> Based on adjusted net tangible assets of PLG of \$1.00 per security, being stated NTA of \$1.04 per security as at 30 June 2018 less the distribution of 3.7 cents per security declared after 30 June 2018 and paid on 4 September 2018.

<sup>3</sup> ESR considers that since that date, PLG securities have arguably traded at a premium reflecting speculation about PLG being the subject of a potential control transaction.

## **ESR's Indicative Proposal represents a superior outcome for PLG securityholders**

ESR believes that its Indicative Proposal provides full and fair value for PLG stapled securities, with 100% cash consideration providing certainty of value and the ability for PLG securityholders to monetise their investment at a very attractive premium.

## **CIP Proposal not in the best interests of PLG securityholders**

The disadvantages of, and risks involved in, the CIP Proposal, from the perspective of current PLG securityholders, include:

- **CIP Proposal is NTA dilutive for PLG securityholders:** ESR estimates that the transaction would be c.9% dilutive to NTA per security<sup>4</sup> for current PLG securityholders, on a pro forma basis, as a result of the 18.8% premium to NTA being offered to CIP unitholders.
- **CIP Proposal materially increases PLG gearing:** We estimate that if the CIP Proposal were implemented and 100% of CIP were acquired, PLG's gearing could increase from 29.6% as at 30 June 2018 to c.46% on a pro forma basis (excluding potential asset sales)<sup>5</sup>, which significantly increases the financial risk profile of PLG. PLG has, in its announcement of the CIP Proposal, assumed that it will achieve (post-transaction) the sale of \$160 million of assets. There is no certainty that these asset disposals will materialise, or be completed at the prices that PLG has assumed. Furthermore, PLG has not identified the assets to be sold or the cap rate assumptions upon disposal to enable PLG securityholders to assess the likelihood of achieving these sales proceeds. If those asset sales cannot be achieved, we note that the pro forma gearing of c.46% is outside of PLG's stated target gearing range of 30% to 40%.
- **Earnings dilutive in the absence of an increase in gearing:** PLG has announced that if the CIP Proposal were implemented and 100% of CIP were acquired, the accretion to FY2019 EPS would be 2.6%. We believe that this earnings accretion is materially aided by the increase in PLG gearing from 29.6% as at 30 June 2018 to c.46% on a pro forma basis as at 30 June 2018 (excluding potential asset sales). By way of comparison, we estimate that if no incremental gearing was applied to the combination of PLG and CIP, the CIP Proposal would be dilutive to FY2019 EPS, if 100% of CIP were acquired<sup>6</sup>.
- **Value transfer from PLG securityholders to CIP unitholders:** Under the CIP Proposal, PLG is offering an 18.8% premium to NTA for CIP. The CIP Proposal appears to be marginally earnings accretive to PLG securityholders<sup>7</sup>, whereas PLG have stated that the transaction is 19.8% accretive to forecast FY2019 earnings per unit

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<sup>4</sup> Based on adjusted net tangible assets of PLG of \$1.00 per security, being stated NTA of \$1.04 per security as at 30 June 2018 less the distribution of 3.7 cents per security declared after 30 June 2018 and paid on 4 September 2018. Assumes the cash component of the CIP Proposal is reduced by CIP's announced September distribution of 4.6 cents per unit, pro forma NTA is adjusted to reflect estimated concessional stamp duty and transaction costs for the CIP Proposal and \$160m of asset sales at book value.

<sup>5</sup> Based on a pro forma increase in PLG debt of c.\$249 million, including 17.7% CIP stake acquisition, exercise of put and call agreement to acquire vacant land in Lane Cove, payment of PLG 3.7 cents per security distribution, cash consideration under CIP Proposal (assuming 100% of CIP units acquired and cash consideration of \$0.2840 per unit which has been adjusted for the CIP distribution of 4.6 cents per unit), and estimated concessional stamp duty and transaction costs in relation to the CIP Proposal.

<sup>6</sup> To illustrate the impact on gearing of the CIP Proposal, in this scenario we assume that CIP and PLG are combined, without any incremental debt or asset sales.

<sup>7</sup> If PLG acquires 100% of CIP units, PLG has identified earnings accretion of 2.6% on a pro forma FY2019 basis.

for CIP unitholders, representing a significant transfer of value from PLG securityholders to CIP unitholders.

- **Benefits of CIP Proposal for PLG securityholders are uncertain:** PLG has cited expected benefits of the CIP Proposal including increased geographical and tenant diversification, economies of scale and improved growth prospects. We believe that the value upside to PLG securityholders of any such benefits will take significant time to materialise – if they materialise at all. In addition, PLG management have indicated that they do not expect to incur material incremental cost to manage the CIP portfolio. We query whether this assumption is reasonable, given that as at 30 June 2018, CIP's \$1.0 billion property portfolio<sup>8</sup> consists of 38 assets, with at least 45 tenants, spread across 6 States and Territories.
- **Reduced exposure to active earnings:** If PLG acquires 100% of CIP, it will reduce its exposure to funds management earnings (excluding performance fees) from c.14% to c.8% of total income, based on pro forma FY2018 total income<sup>9</sup>. In our view, this reduced exposure to active earnings from funds management and relative increase in passive earnings, has the potential to reduce PLG's return on equity and future growth prospects.

Given the clear disadvantages of the CIP Proposal to PLG securityholders, ESR's Indicative Proposal is conditional on PLG not proceeding with the CIP Proposal. Accordingly, ESR considers that it would be appropriate, and in the best interests of current PLG securityholders, for PLG to cease to pursue the CIP Proposal and engage with ESR on our Indicative Proposal.

## Centuria Capital Announcement

ESR also notes the announcement this afternoon by significant PLG securityholder Centuria Capital Group expressing its opposition to the CIP Proposal and seeking to requisition a meeting of PLG securityholders to vote on the removal and replacement of all of PLG directors (other than Stuart Dawes) (**Board Spill Proposal**). Notwithstanding the Board Spill Proposal, ESR is ready and willing to work with the current PLG board and management to facilitate the implementation of the Indicative Proposal.

## About ESR

ESR is a subsidiary of ESR Cayman Limited (the head entity of the ESR group). We are one of the leading "pure-play" pan-Asia logistics real estate platforms, focusing on developing and managing institutional-quality logistics facilities that cater to third-party logistics providers, e-commerce companies, bricks-and-mortar retailers, cold-chain logistics providers and industrial companies. Our platform represents one of the largest in the Asia-Pacific region with over 10 million square metres of projects owned, managed and under development across China, Japan, Singapore, South Korea, India, and Australia with capital and funds management offices in Hong Kong and Singapore. Current assets under management are valued at over US\$13 billion.

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<sup>8</sup> Metrics are adjusted for the sale of 39-45 Wedgewood Drive, Hallam, Victoria and acquisition of 616 Boundary Road, Richlands, Queensland.

<sup>9</sup> Active income defined as income from investment management, property management and acquisitions (excludes impact of one-off performance fees). Total income defined as active income plus net property income and co-investment income, excluding revaluation gains.

Co-founded by senior management and Warburg Pincus, ESR is backed by some of the world's pre-eminent investors including APG, CPPIB, Goldman Sachs, JD.com, Ping An, SK Holdings and CLSA.

In August 2018, ESR completed its acquisition of leading Australian logistics and industrial development business, Commercial and Industrial Property Pty Ltd (**C&I**). C&I has a portfolio of development projects across Australia's eastern seaboard with a fully developed end value of A\$1.1 billion over the next five years and gross floor area at completion of 520,000 sqm.

### **Key assumptions**

ESR has formulated the Indicative Proposal based of the following key assumptions:

- the financial information publicly reported by PLG accurately describes the key financial and operating attributes and conditions of PLG;
- PLG's issued securities comprise 602,780,330 stapled securities and 3,362,610 performance rights; and
- consistent with the anticipated offer conditions set out in the annexure to this letter, PLG will not pursue the CIP Proposal, undertake any other material transactions, undertake any restructure, make any capital returns, or issue any additional securities (prior to the close of any takeover offer made by ESR).

### **Sources of finance**

ESR has access to sufficient financial resources to fund an acquisition of 100% of PLG from internal resources and new debt facilities. In this respect, ESR has a Highly Confident letter from Credit Suisse to finance ESR's Indicative Proposal and any debt refinancing required by PLG as a result of this Indicative Proposal.

### **Due diligence**

ESR has already undertaken a significant amount of work to assess PLG based on publicly available information. Our Indicative Proposal is conditional on ESR completing satisfactory confirmatory due diligence investigations on PLG and its business and assets, including to confirm the assumptions set out above.

This due diligence will require PLG to provide ESR with access to the materials and information set out in the list provided with this letter.

ESR is committed to dedicating the resources required to complete its due diligence in a timely and efficient manner. Upon gaining access to the requested information, ESR anticipates that it would be able to complete its due diligence within 10 business days.

### **Implementation agreement, approvals & other conditions**

We do not require any investor approvals to implement the Indicative Proposal. Our Executive Committee has approved the submission of this Indicative Proposal. The final approval of the ESR Cayman Limited Board will be required prior to execution of a definitive implementation agreement.

As ESR intends for the Indicative Proposal to proceed by way of an agreed, recommended off-market takeover offer, following completion of ESR's confirmatory due diligence to its satisfaction, any proposed transaction would also be subject to the execution of a satisfactory implementation agreement on customary terms and conditions, including with respect to exclusivity, deal

protection (including a break fee and no-talk, no-shop, matching rights and notification provisions), representations/ warranties, and business covenants, and to the unanimous recommendation of PLG directors.

The anticipated conditions to any subsequent takeover offer to effect the Indicative Proposal are set out in the annexure to this letter. These proposed conditions are substantially similar to the conditions proposed by PLG in respect of the CIP Proposal, with two key additional conditions:

- the requirement that PLG not proceed with the CIP Proposal; and
- receipt by ESR of FIRB approval.

ESR reserves the right to include, remove or vary any conditions, including based on the results of its confirmatory due diligence investigations.

### **Non-binding proposal**

This Indicative Proposal is intended as an expression of ESR's interest and is an incomplete proposal, containing current intentions only. It is not an offer capable of acceptance or otherwise capable of giving rise to a binding contract. Unless a definitive agreement is entered into between ESR and PLG regarding the proposal, ESR will not be under any obligation to PLG with respect to the proposed transaction (including, without limitation, to negotiate terms of the proposed transaction with PLG). This Indicative Proposal does not constitute a proposal to make a takeover bid for the purposes of section 631 of the *Corporations Act 2001* (Cth).

### **Release of Indicative Proposal**

Notwithstanding the non-binding nature of the Indicative Proposal, ESR recognises that, particularly in the context of the CIP Proposal, information about the Indicative Proposal may be material to PLG securityholders, as well as CIP unitholders. On this basis, ESR confirms that it has no objection to PLG providing a copy of this letter to CIP and/or publicly announcing receipt of the Indicative Proposal and releasing this letter to the market (provided that this letter is released in full and it is made clear that the Indicative Proposal is non-binding) to ensure that PLG securities and CIP units are traded on a fully-informed basis. ESR reserves the right to publicly release this letter should PLG choose not to do so.

### **Advisers**

ESR has engaged Credit Suisse as financial adviser, Corrs Chambers Westgarth as legal adviser and PwC as tax adviser to assist ESR with the Indicative Proposal.

### **Summary and next steps**

ESR considers the potential transaction outlined in this Indicative Proposal to be an exciting opportunity for ESR, PLG and PLG's securityholders – in particular that it offers substantially greater value, and certainty of value, to PLG securityholders than the proposed CIP Proposal.

ESR would welcome the opportunity to move forward to negotiate a binding implementation agreement with PLG so that it can make a takeover offer directly to the securityholders of PLG.

ESR is prepared to move expeditiously towards making binding offers to PLG securityholders in a manner that minimises disruption to PLG's business.

We and our advisers have the ability to negotiate an implementation agreement concurrently with due diligence and we would seek to work with you to announce an agreed transaction within 10

business days of being granted access to required due diligence information, with the aim of lodging and dispatching a bidder's statement shortly thereafter.

We look forward to discussing our Indicative Proposal with you at your earliest convenience.

Yours sincerely

A handwritten signature in black ink that reads "Philip Pearce". The signature is written in a cursive style and is underlined with a single horizontal line.

**Philip Pearce**  
Managing Director  
ESR Real Estate (Australia) Pty Limited

## **Annexure – Offer conditions**

### **(a) Foreign Investment Review Board approval**

Before the end of the Offer Period, one of the following occurring:

- (i) the Treasurer (or his delegate) advises ESR in writing, on an unconditional basis, to the effect that there are no objections to the acquisition of PLG Securities under the Offer; or
- (ii) the Treasurer (or his delegate) has not made any order or decision, and has become precluded by the passage of time from making any order or decision, under Division 2 of Part 3 of the FATA in respect of the acquisition of PLG Securities under the Offer,

**(FIRB Approval).**

### **(b) Regulatory approvals**

Before the end of the Offer Period, all approvals, waivers, exemptions, declarations, statements of no objection, orders, notices or consents (other than the FIRB Approval) that are required by law, or by or from any Public Authority, as are necessary to permit:

- (i) the Offer to be lawfully made to and accepted by PLG Securityholders; and
- (ii) the Takeover Bid to be completed,

are:

- (iii) granted, given, made or obtained on an unconditional basis, remain in full force and effect in all respects, and do not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same; or
- (iv) no longer required, including as a result of the expiry of any statutory period.

### **(c) No regulatory action**

Between the Approach Date and the end of the Offer Period (each inclusive):

- (i) there is not in effect any preliminary or final decision, order or decree issued by any Public Authority;
- (ii) no action or investigation is announced, commenced or threatened by any Public Authority; and
- (iii) no application is made to any Public Authority (other than by the Bidder or any Associate of the Bidder),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, or action or investigation by, ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or materially impact upon, the making of the Offers and the completion of the Takeover Bid or which requires the divestiture by the Bidder of any PLG Securities or any material assets of the PLG Group.

(d) **Minimum acceptance**

At the end of the Offer Period, the Bidder has a Relevant Interest in at least 50.1% of all PLG Securities (on a fully diluted basis).

(e) **No material adverse change**

(i) Between the Approach Date and the end of the Offer Period (each inclusive) none of the following occurs:

- (A) an event, change, condition, matter or thing occurs or will or is reasonably likely to occur;
- (B) information is disclosed or announced by PLG concerning any event, change, condition, matter or thing that has occurred or is reasonably likely to occur; or
- (C) information concerning any event, change, condition, matter or thing that has occurred or is reasonably likely to occur becomes known to the Bidder (whether or not becoming public),

(each of (A), (B) and (C), a **Specified Event**) which, whether individually or when aggregated with all such events, changes, conditions, matters or things of a like kind that have occurred, will occur or are reasonably likely to occur, has had or would be considered reasonably likely to have:

- (D) a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of the PLG Group, taken as a whole; or
- (E) without limiting the generality of paragraph (e)(i)(D)
  - (1) the effect of a diminution in the value of the consolidated net assets of the PLG Group, taken as a whole, by at least \$47,400,000 against what it would reasonably have been expected to have been but for such Specified Event;
  - (2) the effect of a diminution in the consolidated earnings before interest, tax, fair value movements and one-off performance fees of the PLG Group, taken as a whole, by at least \$3,400,000 in any financial year for the PLG Group against what they would reasonably have been expected to have been but for such Specified Event;
  - (3) the effect of a diminution in the distributable earnings of at least \$4,200,000 in any financial year for the PLG Group against what they would reasonably have been expected to have been but for such Specified Event; or
  - (4) a material adverse effect on any Australian Financial Services Licence held by a PLG Group Member, including the revocation, cancellation, suspension, or adverse modification of the terms of, such licence.

(ii) For the purposes of paragraph (e)(i), the Bidder shall not be taken to know of information concerning any event, change, condition, matter or thing before the

Approach Date, unless the information has been fairly disclosed by PLG in its public filings with ASX before the Approach Date.

(f) **No prescribed occurrences**

Between the Approach Date and the end of the Offer Period (each inclusive), none of the following happen:

- (i) PHL, PAIP or PT (where applicable, acting through its responsible entity) converting all or any of its shares or units (as applicable) into a larger or smaller number of securities;
- (ii) PHL, PAIP, PT or any other PLG Group Member (where applicable, acting through its responsible entity or trustee) resolving to reduce its capital in any way;
- (iii) PHL, PAIP, PT or any other PLG Group Member (where applicable, acting through its responsible entity or trustee):
  - (A) entering into a buyback agreement; or
  - (B) resolving to approve the terms of a buyback agreement;
- (iv) PHL, PAIP, PT or any other PLG Group Member (where applicable, acting through its responsible entity or trustee) issuing securities (including PLG Securities), or granting an option over securities or a performance right convertible into securities, or agreeing to make such an issue or grant such an option or performance right, other than PLG Securities issued as a result of the exercise, conversion or vesting of:
  - (A) options over PLG Securities; or
  - (B) performance rights convertible into PLG Securities,in each case, which are on issue as at the Approach Date, and in accordance with their terms as of the Approach Date;
- (v) PHL, PAIP, PT or any other PLG Group Member (where applicable, acting through its responsible entity or trustee) issuing, or agreeing to issue, convertible notes;
- (vi) PHL, PAIP, PT or any other PLG Group Member (where applicable, acting through its responsible entity or trustee) disposing or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (vii) PHL, PAIP, PT or any other PLG Group Member (where applicable, acting through its responsible entity or trustee) granting, or agreeing to grant, a Security Interest in the whole, or a substantial part, of its business or property;
- (viii) PHL, PAIP or PT (where applicable, acting through its responsible entity) resolving that any of them be wound up or any other PLG Group Member resolving to be wound up;
- (ix) the appointment of a liquidator or provisional liquidator of PHL, PAIP, PT, PIML or any other PLG Group Member or any responsible entity or trustee of any other PLG Group Member;

- (x) the making of an order by a court for the winding up of PHL, PAIP, PT, PIML or any other PLG Group Member or any responsible entity or trustee of any other PLG Group Member; or
- (xi) the appointment of a receiver, receiver and manager, other controller (as defined in the Corporations Act) or similar official in relation to the whole, or a substantial part, of the property of PHL, PAIP, PT, PIML or any other PLG Group Member or any responsible entity or trustee of any other PLG Group Member.

(g) **No material acquisitions, disposals, capital expenditure or changes in the conduct of business**

Between the Approach Date and the end of the Offer Period (each inclusive), neither PHL, PAIP, PT nor any other PLG Group Member (where applicable, acting through its responsible entity or trustee):

- (i) acquires or disposes of, or enters into or announces any agreement for the acquisition or disposal of, any asset or business, or enters into any corporate transaction, which would or would be likely to involve a material change in:
  - (A) the manner in which PHL, PAIP, PT or any other PLG Group Member (where applicable, acting through its responsible entity or trustee) conducts its business; or
  - (B) the nature (including balance sheet classification), extent or value of the assets or liabilities of PHL, PAIP, PT or any other PLG Group Member (where applicable, acting through its responsible entity or trustee);
- (ii) without limiting the generality paragraph (g)(i), enters into or agrees to enter into or announces any transaction which would, or would be likely to, involve PHL, PAIP, PT or any other PLG Group Member (where applicable, acting through its responsible entity or trustee):
  - (A) acquiring or disposing of, or agreeing to acquire or dispose of, one or more companies, trusts or businesses (or any interest therein);
  - (B) acquiring or disposing of, or agreeing to acquire or dispose of, any assets (including any real property) which have an aggregate value in excess of \$10,000,000; or
  - (C) entering into any contract or commitment (including the acquisition of, or agreement to acquire, any asset or entering into a lease or agreement for lease) that is not in the ordinary course of business;
- (iii) without limiting the generality of paragraphs (g)(i) and (g)(ii):
  - (A) makes, publicly proposes to make, or issues a bidder's statement in respect of, a takeover bid for CIP Units;
  - (B) enters into, or announces any intention or proposal to enter into, any transaction or agreement that would involve or result in any PLG Group Member directly or indirectly acquiring, or obtaining a right to acquire:
    - (1) a Relevant Interest in CIP Units or Voting Power in CIP;

- (2) an interest in all or a substantial part or material part of the business conducted by, or assets or property of, CIP or any of its Subsidiaries; or
    - (3) Control of CIP or any of its Subsidiaries;
  - (iv) waives any material third party default where the financial impact on the PLG Group will be in excess of \$1,000,000 (individually or in aggregate); or
  - (v) accepts as a compromise of a matter less than the full compensation due to a PLG Group Member where the financial impact of the compromise on that PLG Group Member is more than \$1,000,000 (individually or in aggregate).
- (h) **No destruction or damage to any Properties**
- Between the Approach Date and the end of the Offer Period (each inclusive), none of the Properties are destroyed or there is no physical damage to any Property such that the amount or value of the destruction or damage exceeds or would reasonably be expected to exceed \$1,000,000 after recovery of any insured amounts.
- (i) **Responsible entity and other changes**
- Between the Approach Date and the end of Offer Period (each inclusive), none of the following occurs:
- (i) PHL, PAIP or PT (where applicable, acting through its responsible entity) implements, or agrees or proposes to implement or otherwise participate in, any transaction, proposal or arrangement under which (if implemented) management of PAIP or PT is or would be 'externalised' in any way;
  - (ii) PIML is removed or replaced as responsible entity of PAIP or PT or an agreement is entered into to remove or replace PIML as responsible entity of PAIP or PT;
  - (iii) where any PLG Group member is a trustee or manager of any external investment fund:
    - (A) the PLG Group Member is removed or replaced as trustee or manager (as applicable) of such investment fund, or an agreement is entered into to remove or replace the PLG Group Member as trustee or manager (as applicable) of such investment fund; or
    - (B) the terms of the relevant trust deed, investment management agreement or any equivalent or related agreement in respect of such external investment fund are amended;
  - (iv) the trustee of any Subsidiary of PHL, PAIP or PT as at the Approach Date ceases to be the trustee of that Subsidiary;
  - (v) PHL, PAIP, PT or PIML (where applicable, acting through its responsible entity) enters into or amends any contract or commitment (or any series of related contracts or commitments) which relates to the provision of investment management, property management, administration or related services to PHL, PAIP, PT or PIML;
  - (vi) a change of Control occurs or is agreed to occur in respect of PHL, PAIP, PT or PIML, other than as a result of the Offer;

- (vii) a change is made or agreed to be made to any of the constitutional documents of PHL, PAIP, PT or of any other PLG Group Member; or
  - (viii) any special or extraordinary resolution is passed or agreed to be passed in respect of PHL, PAIP, PT or of any other PLG Group Member.
- (j) **No litigation on foot or pending**
- (i) Between the Approach Date and the end of the Offer Period (each inclusive) no litigation against any PLG Group Member which may reasonably result in a judgement of \$1,000,000 or more is commenced, is threatened to be commenced, is announced, or is made known to the Bidder (whether or not becoming public) or PLG, other than that which is in the public domain as at the Approach Date.
  - (ii) Between the Approach Date and the end of the Offer Period (each inclusive), neither:
    - (A) the consideration under the Offer is required to be increased from the amount stipulated in the Bidder's Statement; nor
    - (B) the Bidder or an Associate of the Bidder is required or reasonably likely to be required to pay any amount to any one or more PLG Securityholder(s) in connection with the Offer,
 as a result of:
    - (C) any litigation that is commenced, is threatened to be commenced, announced or is made known to the Bidder (whether or not becoming public); or
    - (D) any preliminary or final decision or order of any Public Authority,
 other than as a result of the Bidder publicly undertaking to increase the consideration under the Offer or the Bidder lodging a notice of variation under section 650D of the Corporations Act relating to an increase of the consideration under the Offer.
- (k) **Financing**
- (i) Except for any transaction fairly disclosed by PLG in its public filings with the ASX prior to the Approach Date, during the period from the Approach Date to the end of the Offer Period (each inclusive), no PLG Group Member (where applicable, acting through its responsible entity or trustee) incurs, increases or guarantees any financial indebtedness of any kind or provides any financial accommodation to any entity, in either case, of an amount in excess of \$4,000,000.
  - (ii) Between the Approach Date and the end of the Offer Period (each inclusive), in respect of any financing arrangement, agreement or instrument which a PLG Group Member has with any other person, neither PHL, PAIP, PT nor any other PLG Group Member (where applicable, acting through its responsible entity or trustee) does not:
    - (A) breaches any covenants or makes any misrepresentations which are not remedied in accordance with the cure rights under the arrangement, agreement or instrument;

- (B) relies on any waiver or amendment to avoid the potential breach of any covenant or to avoid the making of any misrepresentation or to avoid an event of default or potential event of default occurring;
- (C) allows an event of default or potential event of default to occur which is not remedied in accordance with the relevant cure rights under the arrangement, agreement or instrument;
- (D) allows an obligation to pay any amount to be accelerated; or
- (E) permanently reduces the amount of debt ahead of a maturity date.

This does not apply to any breach, misrepresentation, event of default, potential event of default, acceleration or reduction in the amount of debt as a consequence of a change of control event (or similar event) occurring as a result of the Offer, or the acquisition of PLG Securities pursuant to the Offer.

- (iii) Between the Approach Date and the end of the Offer Period (each inclusive), the Bidder does not become aware that the aggregate net Debt of the PLG Group exceeds \$450,000,000.

(l) **No untrue statements to ASX or ASIC**

Between the Approach Date and the end of the Offer Period (each inclusive), the Bidder does not become aware that any document filed or lodged by or on behalf of PLG, or by or on behalf of any person in relation to PLG, with ASX or ASIC:

- (i) contains a statement which is incorrect or misleading in a material particular; or
- (ii) from which there is a material omission.

(m) **Equal access**

Between the Approach Date and the end of the Offer Period (each inclusive), PLG promptly, and in any event within two Business Days, provides to the Bidder a copy of all information that is not generally available (within the meaning of the Corporations Act) relating to the PLG Group, or its assets, liabilities or operations, that has been provided by PLG or any of the directors, officers, agents or representatives of PHL or PIML to any person other than the Bidder, other than in the ordinary course of ordinary business, including for the purposes of soliciting, encouraging or facilitating any proposal with respect to a Competing Proposal.

(n) **No break fees**

Between the Approach Date and the end of the Offer Period (each inclusive), none of PHL, PAIP, PT or any other PLG Group Member (where applicable, acting through its responsible entity or trustee) agrees (whether conditionally or unconditionally) to:

- (i) make any payment by way of break fee, inducement fee, cost reimbursement or otherwise, to any person other than the Bidder; or
- (ii) forgo or otherwise reduce any payment or benefit to which it would otherwise be entitled,

in connection with any person (other than the Bidder) making or agreeing to participate in, or enter into negotiations concerning, a Competing Proposal.

## 2 Definitions

Term	Meaning
<b>Approach Date</b>	The date on which the Bidder approached PLG in relation to the proposed Takeover Bid, being 20 September 2018.
<b>ASIC</b>	The Australian Securities and Investments Commission.
<b>Associate</b>	The meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of the Corporations Act included a reference to the Bidder's Statement.
<b>ASX</b>	ASX Limited ABN 98 008 624 691 or the securities market conducted by it (as the context requires).
<b>Bidder</b>	ESR Real Estate (Australia) Pty Ltd ACN 625 761 962.
<b>Bidder's Statement</b>	The bidder's statement (if any) to be issued by the Bidder under Part 6.5 of the Corporations Act.
<b>Bill</b>	A bill of exchange as defined in the <i>Bills of Exchange Act 1909</i> (Cth), but does not include a cheque.
<b>Business Day</b>	A day on which banks are open for business in Sydney, excluding a Saturday, Sunday or public holiday in Sydney, New South Wales.
<b>CIP Unit</b>	A fully paid unit in the capital of the Centuria Industrial REIT ARSN 099 680 252.

<b>Competing Proposal</b>	<p>Any proposal, offer or transaction by any person party (other than the Bidder or its Related Entities) that, if completed, would mean:</p> <ul style="list-style-type: none"> <li>(a) a person would acquire a Relevant Interest in 15% or more of PLG Securities;</li> <li>(b) a person would acquire voting power of 15% or greater in PLG;</li> <li>(c) a person would enter into, buy, dispose of, terminate or otherwise deal with any cash settled equity swap or other synthetic, economic or derivative transaction connected with or related to 15% or more of PLG Securities;</li> <li>(d) a person would directly or indirectly acquire or obtain an interest (including an economic interest) in all or a substantially part or material part of the business conducted by, or assets or property of, the PLG Group;</li> <li>(e) a person would acquire Control of PHL, PAIP or PL;</li> <li>(f) a person may otherwise acquire, or merge with, PHL, PAIP or PT (including by way of takeover bid, trust scheme, capital reduction, sale of assets, sale of securities, stapling, strategic alliance, dual listed company structure, joint venture or partnership);</li> <li>(g) management of PAIP or PT is or would 'externalised' in any way;</li> <li>(h) any of PHL, PAIP or PT will issue, on a fully diluted basis, 10% or more of its capital as consideration for the assets or share capital of another person,</li> </ul> <p>or any proposal by PHL, PAIP or PT (where applicable, acting through its responsible entity) to implement any reorganisation of capital or dissolution. Each successive material modification or variation of any proposal, offer or transaction in relation to a Competing Proposal will constitute a new Competing Proposal.</p>
<b>Control</b>	The meaning given in section 50AA of the Corporations Act.
<b>Corporations Act</b>	The <i>Corporations Act 2001</i> (Cth).

<b>Debt</b>	<p>Any present or future actual or contingent debt or other monetary liability in respect of money borrowed or raised or any financial accommodation, including in respect of any:</p> <ul style="list-style-type: none"> <li>(a) Bill, bond, debenture, note or other financial instrument (whether or not negotiable);</li> <li>(b) indemnity obligation to the issuer of a guarantee, indemnity, bank guarantee, bond, letter of credit or similar instrument;</li> <li>(c) consideration for the acquisition of an asset or service payable more than 90 days after, as applicable, the date of the acquisition or the date on which the service is invoiced;</li> <li>(d) lease or hire purchase entered into primarily as a method of raising finance or financing the acquisition of the asset leased or hired (including any sale and lease back transaction);</li> <li>(e) obligation to deliver goods or other property or provide services paid for in advance by any financier or in relation to another financing transaction;</li> <li>(f) redeemable shares where the holder has the right (conditional or not) to require redemption;</li> <li>(g) receivables sold (other than to the extent they are sold on a non-recourse basis);</li> <li>(h) Hedge Transaction; or</li> <li>(i) Guarantee of other Debt described above.</li> </ul>
<b>FATA</b>	The <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth).
<b>Guarantee</b>	<p>A guarantee, indemnity, letter of credit, legally binding letter of comfort or other obligation of any kind:</p> <ul style="list-style-type: none"> <li>(a) to provide funds (whether by the advance or payment of money, the purchase of or subscription for shares or other securities, the purchase of assets or services, or otherwise) for the payment or discharge of;</li> <li>(b) to indemnify any person against the consequences of default in the payment of; or</li> <li>(c) to be responsible for,</li> </ul> <p>an obligation or monetary liability of another person or the assumption of any responsibility or obligation in respect of the solvency or financial condition of another person.</p>
<b>Hedge Transaction</b>	Any derivative, swap, forward contract, futures contract, financial option or other hedging or risk management transaction.
<b>law</b>	Includes any applicable law, legislation, regulation, common law, ASX Listing Rule or order of a Public Authority.
<b>Offer</b>	The offer for PLG Securities under the terms and conditions that will be contained in the Bidder's Statement.
<b>Offer Period</b>	The period during which the Offer will remain open for

	acceptance in accordance with the Bidder's Statement.
<b>PAIP</b>	Propertylink Australian Industrial Partnership ARSN 613 032 812.
<b>PHL</b>	Propertylink (Holdings) Limited ACN 092 684 798.
<b>PIML</b>	Propertylink Investment Management Limited ACN 136 865 417.
<b>PLG</b>	The Propertylink Group (comprising PHL, PAIP and PT).
<b>PLG Group</b>	PHL, PAIP, PT, PIML and each of their respective Subsidiaries (and, where applicable, the responsible entity or trustee of each member of the PLG Group that is a trust in its capacity as trustee of the relevant member of the PLG Group), and <b>PLG Group Member</b> means a member of the PLG Group.
<b>PLG Security</b>	A fully paid Stapled security in the capital of PHL, PT and PAIP.
<b>PLG Securityholders</b>	A holder of PLG Securities from time to time.
<b>Properties / Property</b>	All properties owned or controlled by, or leased by, PLG Group Members.
<b>PT</b>	Propertylink Trust ARSN 613 032 750.
<b>Public Authority</b>	Any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity (including the Takeovers Panel, the Foreign Investment Review Board, ASIC and the Australian Competition and Consumer Commission), or any minister of the Crown in right of the Commonwealth of Australia or any State, any other federal, state, provincial, or local government, and including any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions, and the ASX or any other stock exchange.
<b>Related Entity</b>	In relation to an entity, an entity that is related to that entity within the meaning of section 50 of the Corporations Act or which is an entity under the Control of that entity.
<b>Relevant Interest</b>	The meaning given in sections 608 and 609 of the Corporations Act.
<b>Security Interest</b>	The meaning given in section 51A of the Corporations Act.
<b>Stapling</b>	In relation to two or more securities, being linked together so that one may not be dealt with without the other or others; <b>Stapled</b> has the corresponding meaning.
<b>Subsidiary</b>	<p>The meaning given to that term in the Corporations Act.</p> <p>However, the definition will also apply for purposes of determining whether an entity is a Subsidiary of another entity (where one or both of the relevant entities are not bodies corporate) as follows:</p> <ul style="list-style-type: none"> <li>(a) an entity will be a Subsidiary of a trust if it would have been a Subsidiary if the trust were a body corporate; and</li> <li>(b) a trust will be a Subsidiary of an entity if the trust would have been a Subsidiary if it were a body corporate, for the</li> </ul>

purposes of which a unit or other beneficial interest in the trust will be regarded as a share and the ability to control the appointment or removal of the trust's trustee was regarded as the ability to control the composition of the first body's board.

An entity (whether a body corporate, trust or other entity) will also be taken to be a Subsidiary of another entity if it Controls the other entity. For these purposes, in relation to a trust, the entity reference includes the trustee of the trust.

<b>Takeover Bid</b>	The off-market takeover bid constituted by the dispatch of the Offers in accordance with the Corporations Act.
<b>Takeovers Panel</b>	The peer review body that regulates corporate control transactions in widely held Australian entities, primarily by the resolution of takeover disputes.
<b>Treasurer</b>	The Treasurer of the Commonwealth of Australia.
<b>Voting Power</b>	The meaning given in section 610 of the Corporations Act.

## **Due diligence information**

### **1 General information**

- (a) Summary of financing facilities (including inter entity financing) and hedging arrangements for all balance sheet and fund assets, including change in control provisions
- (b) Details of PLG's FY2018 and FY2019F corporate expenses
- (c) Senior management employment contracts
- (d) Copies of correspondence between PLG and any federal or state tax or revenue authority over the last four income years

### **2 PAIP information**

- (a) Tenancy schedule for each asset
- (b) FY2018 historical outgoings and FY2019 outgoings budget
- (c) Committed and forecast capex for PAIP assets
- (d) Incentive schedule for PAIP assets
- (e) Update on major lease expiries in FY2019, FY2020 and FY2021

### **3 Funds management business information**

- (a) Investment information memorandums / offer documents, investment management agreements, investor registers, constitutions and shareholder agreements for existing funds
- (b) Details on property valuations of each property in managed funds
- (c) The most recent audited balance sheet for each fund and most recent management accounts for each fund
- (d) Calculations of estimated embedded performance fees within each managed fund as at 30 June 2018