

26 November 2018

Revised Proposal from Starwood

Australian Unity Investment Real Estate Limited (**AUIREL**) as Responsible Entity of the Australian Unity Office Fund (ASX: **AOF**), refers to its announcement dated 8 October 2018 in relation to an unsolicited, indicative and non-binding proposal that it had received from Starwood Capital Asia Limited, on behalf of funds managed or advised by Starwood Capital Group or its affiliates (collectively **Starwood**) to acquire all of the issued units in AOF for \$2.95 cash per AOF unit plus accrued ordinary course distributions up until the date of scheme implementation (**Original Proposal**).

AUIREL announces that it received a revised proposal from Starwood on Saturday, 24 November 2018 via email reflecting a revised offer consideration of \$2.95 cash per AOF unit to be reduced by the value of any distribution or capital return declared by AOF on and from the date of the Implementation Agreement until the implementation of the scheme (**Revised Proposal**). The net effect of this adjustment is a potential reduction of 7.9 cents per unit assuming the transaction is implemented post 31 March 2019¹. AUIREL has determined that the Revised Proposal represents approximately \$2.87 cash per AOF unit.

The table below outlines the differences between the Original Proposal and the Revised Proposal.

	Original Proposal	Revised Proposal
Headline price	\$2.95	\$2.95
Treatment of Distributions	AOF unitholders will receive value for ordinary course accrued distributions up to the date of scheme implementation	The headline price will be adjusted for any distribution or capital return declared by AOF on and from the date of the Implementation Agreement until implementation of the scheme
Distribution adjustment ¹	n.a.	-\$0.079
Offer value	\$2.95	\$2.871
Value reduction	n.a.	(2.7%)
Offer premiums		
Close price ²	9.7%	6.7%
3 month VWAP ³	10.0%	7.1%
NTA ⁴	10.5%	7.5%
Asset value ⁵	7.2%	5.1%

¹ Assumes implementation of the scheme after 31 March 2019 and a December 2018 quarter distribution of 3.95 cents per unit and March 2019 quarter distribution of 3.95 cents per unit based on AOF's guidance

² Based on AOF's closing price of \$2.69 on 5 October 2018, which was the last trading day prior to announcement of the Original Proposal.

³ Based on AOF's 3 month VWAP of \$2.60 up until 5 October 2018

⁴ Based on AOF's last reported NTA per unit of \$2.67 as at 30 June 2018 Based on AOF's investment property valuation as at 30 June 2018 of \$635.6 million holding all other assets and liabilities constant

⁵ Based on AOF's investment property valuation as at 30 June 2018 of \$635.6 million holding all other assets and liabilities constant

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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The independent board committee (**IBC**) formed by AUIREL to consider the Original Proposal is currently considering the Revised Proposal. It is the IBC's view that this is a materially different offer to the Original Proposal and it is the present intention of the IBC to recommend to the Board of AUIREL to reject the Revised Proposal. No action is required by AOF unitholders at this time and AUIREL will keep AOF unitholders fully informed as required.

The IBC notes that prior to granting Starwood a two week extension to its due diligence period, which was announced to the market on 13 November 2018, the IBC obtained a written confirmation from Starwood that nothing had arisen in its due diligence investigations that altered its position from the proposal announced to the market on 8 October 2018.

In the IBC's view, there are no matters of which they are currently aware that would materially impact the current valuation of the assets of AOF or its FFO guidance of 17.2 – 17.4 cents per unit⁶ that have been previously disclosed to the market.

The Board of AUIREL and its management team remain committed to delivering unitholders sustainable income returns via quarterly distributions and the potential for capital growth over the long term as demonstrated by the track record of leasing and improving the valuation of the portfolio since the initial public offer in 2016.

The Board of AUIREL and its management team are also excited by the prospects of the material redevelopment at 2 Valentine Avenue Parramatta, including progressing development approval for a ~25,000 sqm commercial office development. Management is actively seeking pre commitments for the new development and is in advanced discussions with a number of tenants about leasing part or all of the proposed development.

AOF reconfirms its FY19 FFO guidance of 17.2 – 17.4 cents per unit⁷ and FY19 distribution guidance of 15.8 cents per unit⁶.

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

Contact information

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⁶ Subject to no material change in market conditions and no unforeseen events

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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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