

ASX Release

6 October 2015

Indicative, non-binding cash proposal update

Fife Capital Funds Limited ("**Fife Funds**" or "**Responsible Entity**"), the responsible entity for the Australian Industrial REIT ("**ANI**" or the "**Fund**") announces that it has received the attached letter in relation to the indicative, non-binding cash proposal to acquire all units in ANI for \$2.40 as announced to the ASX on 21 September 2015 (the "**Cash Proposal**").

The Cash Proposal has been put forward by a consortium comprising The Pivotal Fund Limited and Redefine Properties Limited ("**Consortium**").

Since the Cash Proposal was first announced, the Consortium has been progressing its due diligence investigations and has been focused on satisfying the pre-conditions to a binding formal offer. The Consortium has stated that it expects all remaining pre-conditions can be satisfied by 9 October 2015 and subject to the satisfaction of those pre-conditions it is proposing to release a Bidder's Statement prior to 24 October 2015.

The Responsible Entity notes that one of the Consortium's pre-conditions is the agreement of a market standard break fee. The Responsible Entity has given no assurance that a break fee will be provided and will be discussing this with the Consortium and its advisers in the coming days.

Fife Funds intends to continue to engage with the Consortium to progress the Cash Proposal so that a viable cash alternative to the predominately scrip offer made by 360 Capital Investment Management Limited in its capacity as responsible entity of 360 Capital Industrial Fund ("**TIX**") can be put to ANI unitholders in a timely manner.

No action is required by ANI unitholders at this time. Fife Funds will be providing ANI unitholders with a further update later today in relation to the Cash Proposal and the unsolicited, off-market, predominantly scrip offer for all the units in ANI made by TIX.

The Responsible Entity will provide further updates to the market as appropriate.

– ENDS –

For further information please contact:

Rod Pearce
Independent Chairman
Fife Capital Funds Limited

Telephone: +61 2 9251 2777
Website: www.aireit.com.au

Susan Vuong
Company Secretary
Fife Capital Funds Limited

Telephone: +61 2 9251 2777
Website: www.aireit.com.au

About the Australian Industrial REIT (ASX: ANI)

ANI is an Australian real estate investment trust that offers investors exposure to a quality portfolio of industrial properties. ANI owns 16 properties which are independently valued at approximately \$330.1 million located across Sydney, Melbourne and Perth. ANI's earnings are underpinned by the portfolio's long average lease term, with leases to a range of quality tenants.



5 October 2015

Mr Rod Pearse OAM
Independent Chairman
Fife Capital Funds Limited as Responsible Entity for
the Australian Industrial REIT
Level 12, 89 York Street
Sydney NSW 2000
Australia

Dear Rod,

Re: Non-binding indicative proposal to acquire 100% of Australian Industrial REIT ("ANI")

On behalf of The Pivotal Fund Limited ("**Pivotal**") and Redefine Properties Limited ("**Redefine**"), we provide the following update regarding the indicative, non-binding proposal for Pivotal and Redefine (together referred to as the "**Bidders**") to jointly acquire 100% of the issued units of ANI, either directly or through wholly-owned subsidiaries (the "**Proposed Transaction**" or "**Proposal**"), as outlined in our letter dated 17 September 2015.

In particular, this letter summarises our previous correspondence and provides an update on our Proposal including the pre-conditions and timetable. We trust that you will find this Proposal compelling for ANI unitholders.

1. Transaction Rationale

The Bidders have jointly agreed a strategy to invest in high quality industrial property assets in Australia. Both Redefine and Pivotal are major listed property companies incorporated in South Africa.

Redefine, a REIT, is a Top 40 company listed on the Johannesburg Stock Exchange with a market capitalisation of ~ZAR54.9bn (A\$5.7bn). Redefine actively manages a property asset base in excess of ZAR60bn (A\$6.2bn) comprising local and offshore property investments. Redefine's international investment strategy is to deepen its presence in Australia for the long term, and has a proven track record in supporting Australian property companies through substantial growth phases, as demonstrated by its long term relationship with Cromwell Property Group (ASX:CMW) in which Redefine has a substantial (circa 25.6%) equity interest as well as co-investments in certain direct assets.

Pivotal is listed on the Johannesburg Stock Exchange with a market capitalisation of ~ZAR5.8bn (A\$0.6bn). It is an internally managed property investment and development fund with an A-grade portfolio of income-producing and development properties. Pivotal's property portfolio consists of ZAR9.3bn (A\$1.0bn) of completed properties and a development pipeline with an expected value on completion of ZAR7.3bn

(A\$0.8bn). Pivotal has a strategic desire to build a significant Australian real estate portfolio and sees the Proposed Transaction as a first major step in achieving that strategy.

Both Redefine and Pivotal see the Proposed Transaction as an attractive opportunity for ANI unitholders to realise a cash premium and value certainty for their units in ANI, after a prolonged period of uncertainty which has restricted ANI's ability to pursue its corporate strategy including growth through the investment in additional Australian industrial properties. Pivotal and Redefine are committed to assisting ANI realise this strategy.

2. Proposed Offer Price

Under the Proposed Transaction, the Bidders would offer all unitholders of ANI a cash payment of A\$2.40 per unit ("**Offer Price**"). This would value the equity of ANI at A\$231m, based on 96,288,031 units outstanding on a fully diluted basis.

The Offer Price represents:

- a 6.7% premium to ANI's closing unit price of \$2.25 on 17 September 2015, being the closing price on the trading day preceding the announcement by ANI of the Proposal;
- a 12.7% premium to ANI's last reported net tangible asset value of \$2.13 as at 30 June 2015;
- a 2.1% premium to the value of the TIX offer of \$2.35 based on the TIX share price on 5 October 2015;
- an 11.4% premium to ANI's unit price of \$2.15, being the weighted average price over the 30 days preceding the announcement of 360 Capital Group becoming a substantial unitholder in ANI as a precursor to the 360 Capital Takeover Offer ("**TIX Transaction**") on 5 December 2014; and
- a 6.1% premium to the volume weighted average trading price of ANI's units over the twelve months prior to the date of this Proposal.

The Offer Price is based on the assumption that there is no distribution declared or paid prior to, or during, the offer period.

We believe the Offer Price represents a compelling value proposition for ANI's unitholders and has limited execution risk. In particular, we believe that the Proposal will offer a better outcome with greater certainty for ANI unitholders than the TIX Transaction. The reasons for this are as follows:

- the premium available to all ANI unitholders;
- the full cash nature of the Offer Price compared to that available under the TIX transaction; and
- the limited conditions associated with a formal offer from the Bidders.

3. Proposed Offer Structure

Under the Proposed Transaction, the Bidders would make an offer to acquire 100% of the issued units of ANI by way of an Off-market Takeover Offer (the "**Offer**"), with the full support of the IBC, including a unanimous recommendation from the IBC that unitholders accept the Offer in the absence of a superior proposal.

The Bidders have every faith in Fife as Responsible Entity and in its management of the property and intend to continue the existing arrangements with Fife post completion of the Proposed Transaction.

4. Proposed Offer Pre-conditions

As outlined in our previous letter, the Bidders require the satisfaction of a limited number of pre-conditions prior to announcement of a binding offer. The Bidders recognise the importance of satisfying these pre-

conditions in a timely manner and are focused on this process, with the expectation that all pre-conditions can be satisfied by 9 October 2015. This will allow unitholders to make a decision on the merits of the Offer when compared to the TIX Transaction, before the closing of the TIX Transaction.

The following offer pre-conditions have been satisfied as at the date of this letter:

- Funding facilities: The Bidders have obtained committed facilities (subject to long-form documentation) to fund the Proposed Transaction;
- Confirmation has been received from ANI's existing lenders that the existing loan facilities and available headroom can be relied upon following a change of control as contemplated by our Proposal; and
- Internal approvals: Pivotal and Redefine final Board approvals have been received subject only to satisfaction of the remaining confirmatory due diligence.

The following pre-conditions to an offer therefore remain outstanding and with your assistance we are seeking to satisfy them as soon as possible and by no later than 9 October 2015:

- IBC Support:
 - the IBC undertakes to unanimously recommend the Bidders' proposal to unitholders and agrees to typical deal protection and exclusivity arrangements (including a market standard break fee); and
 - the directors of the IBC indicating publicly that they will accept the Offer, in respect of all units that they hold or control, in the absence of a superior offer.
- Due diligence:
 - satisfactory completion of financial due diligence. Pivotal and Redefine have substantially completed financial due diligence which is expected to be finalised imminently
 - satisfactory completion of a limited legal and technical confirmatory due diligence review and property inspections. A team from Pivotal and Redefine is currently in Australia conducting physical asset due diligence.

To the extent that you have any queries about any of the above pre-conditions, we would be pleased to make available our financial and legal advisers to discuss them with you.

5. Proposed Timetable

Date	Action
Friday 9 October	Completion of all remaining due diligence
	Satisfaction of all pre-conditions
	Announcement of binding offer
As soon as possible thereafter	Full form financing documents
	Receipt of regulatory approvals
	Dispatch of Bidders' Statement to ANI unitholders

With your assistance we propose to release the Bidders' Statement with abridged timing, potentially concurrently with the Target's Statement, targeting dispatch prior to the submission of proxies on 24 October 2015 in relation to the ANI Unitholder Meeting to be held on 26 October 2015.

6. Proposed Offer Conditions

The Bidders wish to provide the greatest certainty to the IBC and unitholders of ANI and have endeavoured to keep the proposed offer conditions, which are summarised in Annexure A, to a minimum.

In particular, further SARB approval is not required for Redefine and is expected to be received imminently for Pivotal. Additionally, Pivotal and Redefine have lodged their application to FIRB.

To the extent that you have any queries about any of the conditions, we would be pleased to make available our financial and legal advisers to discuss them with you.

7. Proposed Funding

The Bidders propose to fund the acquisition from cash, existing and new debt facilities. The Bidders have obtained the committed facilities (subject to long-form documentation) required to fund the Proposed Transaction.

8. Nature of Proposal

This Proposal is an expression of our interest, and constitutes a non-binding indicative proposal. It does not constitute a legally binding offer. Statements of our intent are based on our current knowledge and, as such, this is an incomplete proposal, subject to a number of conditions, including the support of the IBC.

The Bidders consent to the public release of this letter.

9. Next Steps

We very much look forward to engaging with you in discussions to finalise a proposal that can be put to your unitholders, and will make ourselves available as and when required. The Bidders are working with Rothschild as financial advisers and Corrs Chambers Westgarth as legal counsel. The Bidders are excited about the opportunities presented by the Proposed Transaction. We look forward to working with you to agree a transaction that we are sure your unitholders will find highly compelling.

Yours sincerely,



Andrew Konig
Chief Executive Officer
Redefine Properties Limited



Aaron Suckerman
Financial Director
The Pivotal Fund Limited

Annexure A: **PROPOSED CONDITIONS TO BE CONTAINED IN FORMAL OFFER***

- Regulatory Approvals:
 - South African Reserve Bank (“**SARB**”) approval: We have submitted our application to SARB on behalf of Pivotal and we expect approval to be imminent. Further Redefine approval is not required;
 - Foreign Investment Review Board (“**FIRB**”) approval: We have submitted our FIRB application. We do not consider the Proposed Transaction is controversial and would expect that FIRB approval will be forthcoming.
- Minimum acceptance condition: the acceptance of the Offer from at least 50.1% of total outstanding ANI units on issue
- No matter, change, condition occurs which has or is reasonably likely to have a material adverse effect
- No regulatory action: no regulatory action which restrains, impedes, prohibits or otherwise materially adversely impact on the making of the offer and the acquisition of the ANI units
- No Prescribed Occurrence: Between the announcement date and the end of the offer no Prescribed Occurrence occurs

*Subject to the outcome of confirmatory due diligence