

Centuria Metropolitan REIT (ASX:CMA) proposed merger with Centuria Urban REIT (ASX:CUA)

3 March 2017



Disclaimer

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CMA comprises Centuria Metropolitan REIT No. 1 ('**CMR1**') and Centuria Metropolitan REIT No. 2 ('**CMR2**'). CMA announced on 15 February 2017 its simplification proposal, which if effected will de-staple CMR1 from CMR2, and have CMR2 become a wholly-owned subsidiary of CMR1. References in this document to 'CMA Securities' are made on the basis that this simplification proposal has been implemented.

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All dollar values are in Australian dollars (\$ or A\$) unless stated otherwise.

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SECTION 1:

Overview

Executive summary

- > On 3 March 2017, Centuria Property Funds Limited (**CPFL**) as Responsible Entity for Centuria Metropolitan REIT (**CMA**) announced that it has entered into a scheme implementation agreement (**SIA**) with Centuria Property Funds No. 2 Limited (**CPF2L**) as Responsible Entity for Centuria Urban REIT (**CUA**) to undertake an “NTA-for-NTA” merger of equals transaction between CMA and CUA via a trust scheme (the **Merger**)
- > The Merger is consistent with CMA’s strategy to invest in metropolitan office markets in Australia and combines two highly complementary property portfolios to provide CMA securityholders with an enhanced investment proposition relative to CMA on a standalone basis including:
 - Material increase in scale with CMA’s investment property portfolio increasing 54% to over \$602 million¹;
 - Generation of accretion to CMA’s FY17 distributable earnings per security²;
 - Enhanced portfolio and tenant diversification;
 - Cost efficient acquisition structure minimises net tangible asset dilution compared to acquiring assets in the direct market; and
 - Improved trading liquidity and increased market capitalisation with the potential for ASX / S&P 300 index inclusion.
- > CPFL has established an independent Board committee (**IBC**), comprising directors Matthew Hardy and Darren Collins, to consider the relative merits of the Merger
- > Additionally, CPF2L has established an independent Board committee (**CUA IBC**) to consider the merits of the Merger on behalf of CUA unitholders. The CUA IBC believes that the Merger has merit, offers a number of potential benefits to CUA unitholders and it is in the best interests of CUA’s unitholders that the Merger Proposal be put forward for CUA unitholders’ consideration
 - Subject to the satisfaction of certain conditions precedent regarding satisfactory due diligence and an independent expert finding the Merger is in the best interests of CUA’s unitholders, the CUA IBC intends to recommend that CUA’s unitholders vote in favour of the Merger in the absence of a superior proposal

1. As at 31 December 2016 with pro forma adjustments to reflect the sale of 14 Mars Road announced on 21 December 2016

2. See page 19 for assumptions

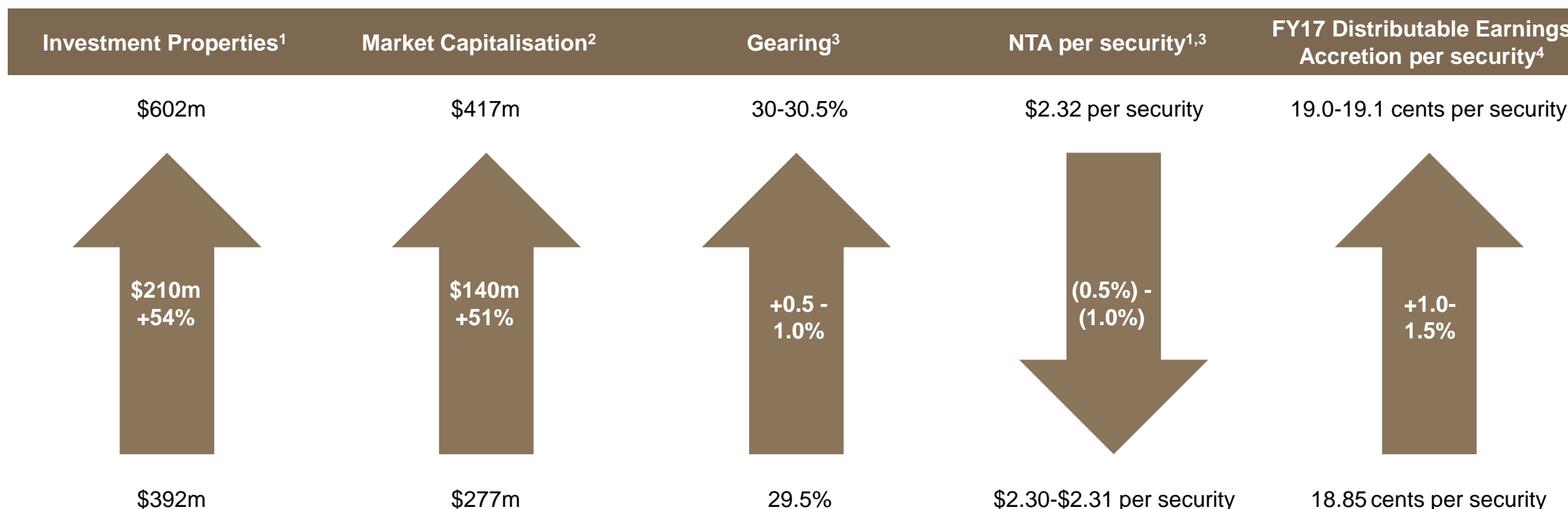
SECTION 2:

KEY BENEFITS

Compelling Proposal for CMA securityholders

- ✓ Material increase in scale with CMA's investment property portfolio increasing 54% to over \$602 million
- ✓ Will generate accretion to CMA's FY17 distributable earnings per security
- ✓ Enhanced portfolio and tenant diversification
- ✓ Cost efficient acquisition structure minimises net tangible asset dilution compared to acquiring assets in the direct market
- ✓ Improved trading liquidity and increased market capitalisation with the potential for ASX / S&P 300 index inclusion

Summary of Financial Impact



1. As at 31 December 2016 with pro forma adjustments to reflect the sale of 14 Mars Road announced on 21 December 2016

2. Market capitalisation of merged entity based on the total anticipated CMA securities on issue upon completion of the Merger, if successful, multiplied by the closing price of CMA securities of \$2.34 on 2 March 2017 (being the last trading day prior to the date of announcement)

3. Based on the unaudited balance sheet as at 31 December 2016 with pro forma adjustments to reflect the sale of 14 Mars Road announced on 21 December 2016. See page 18 for assumptions

4. Mid-point of FY17 distributable earnings guidance of 18.7-19.0 cps as listed on page 25 of CMA's 1H17 Results Presentation released on the ASX on 9 February 2017. See page 19 for assumptions

Enhanced portfolio and tenant diversification

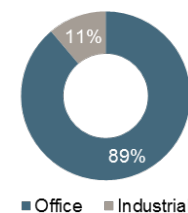
- > Tenant diversification from leading multi-nationals, ASX-listed groups and government bodies
- > Increased geographic diversification

Top 20 tenants of Merged entity¹

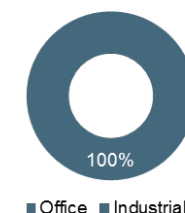
Tenant	% NOI	Classification
Austar Entertainment Pty Limited	7.8%	CMA
Bluescope Steel Limited	6.3%	CMA
Department of Housing (QCAA)	4.8%	CUA
GE Capital Finance Australasia	4.8%	CUA
Minister for Infrastructure	4.5%	CMA
Department of Housing (DOJ)	3.8%	CUA
Minister for Transport & Infrastructure	3.4%	CMA
CSC Australia	3.3%	CMA
Domino's Pizza Ltd	3.2%	CUA
Forever New Clothing Pty Ltd	3.1%	CUA
Devine Ltd	3.0%	CUA
Royal District Nursing Service	2.7%	CMA
SMEC Australia Pty Ltd	2.6%	CUA
Primary Health Care	2.3%	CMA
Cardno	2.2%	CMA
Verizon Australia Pty Ltd	2.0%	CMA
State Mercantile	1.9%	CMA
Frasers Property Limited	1.5%	CUA
Collins Restaurants Pty Ltd	1.5%	CUA
Woolworths Ltd	1.1%	CUA

Sector diversification²

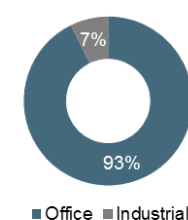
CMA Standalone



CUA Standalone

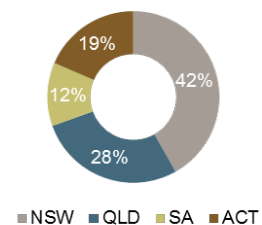


Merged entity

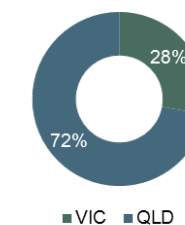


Geographic diversification²

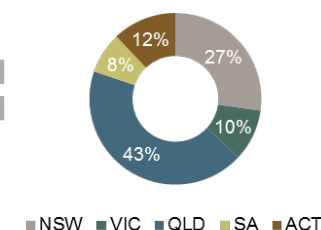
CMA Standalone



CUA Standalone



Merged entity



1. Based on management estimates as at 2 March 2017

2. By investment property value as at 31 December 2016

Improved trading liquidity and increased market capitalisation with potential for ASX / S&P 300 index inclusion

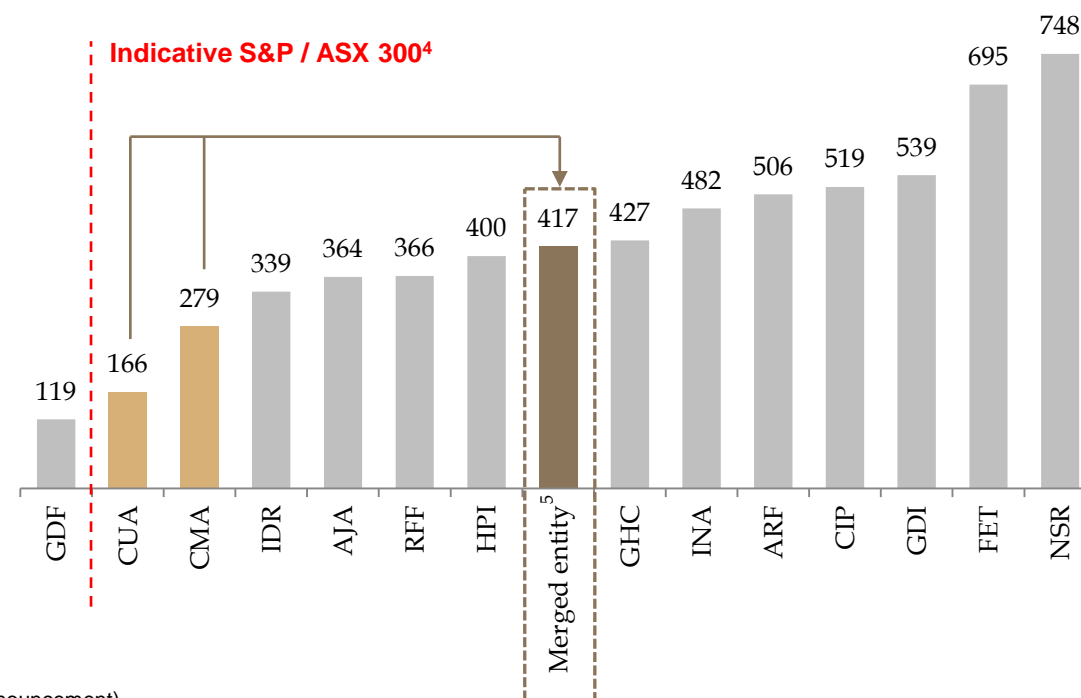
- > The merged entity would have a market capitalisation of approximately \$417m making one of the largest metropolitan office focused A-REITs listed on ASX
- > It is anticipated that the merged entity would be eligible for the S&P / ASX 300 index inclusion, which may provide increased relevance and improved liquidity

Merged entity portfolio metrics

	CMA	CUA	Merged entity
Portfolio Valuation	A\$391.5m ¹	A\$210.4m	A\$601.9m
WACR	7.57%	6.86%	7.29%
NLA (sqm)	102,064	28,953	131,017
Occupancy²	98.7%	99.2%	98.8%
WALE	4.1	4.6	4.2
# of properties	12	3	15

1. Pro forma adjustments to reflect the sale of 14 Mars Road announced on 21 December 2016
2. Based on Net Lettable Area (NLA)
3. Market capitalisation based on closing prices of securities on 2 March 2017 (being the last trading day prior to the date of the announcement)
4. Based on the market capitalisation of the lowest constituents by market capitalisation currently in the S&P / ASX 300 as at 2 March 2017 (being the last trading day prior to the date of the announcement)
5. Market capitalisation of merged entity based on the total anticipated CMA securities on issue upon completion of the Merger, if successful, multiplied by the closing price of CMA securities of \$2.34 on 2 March 2017 (being the last trading day prior to the date of announcement)

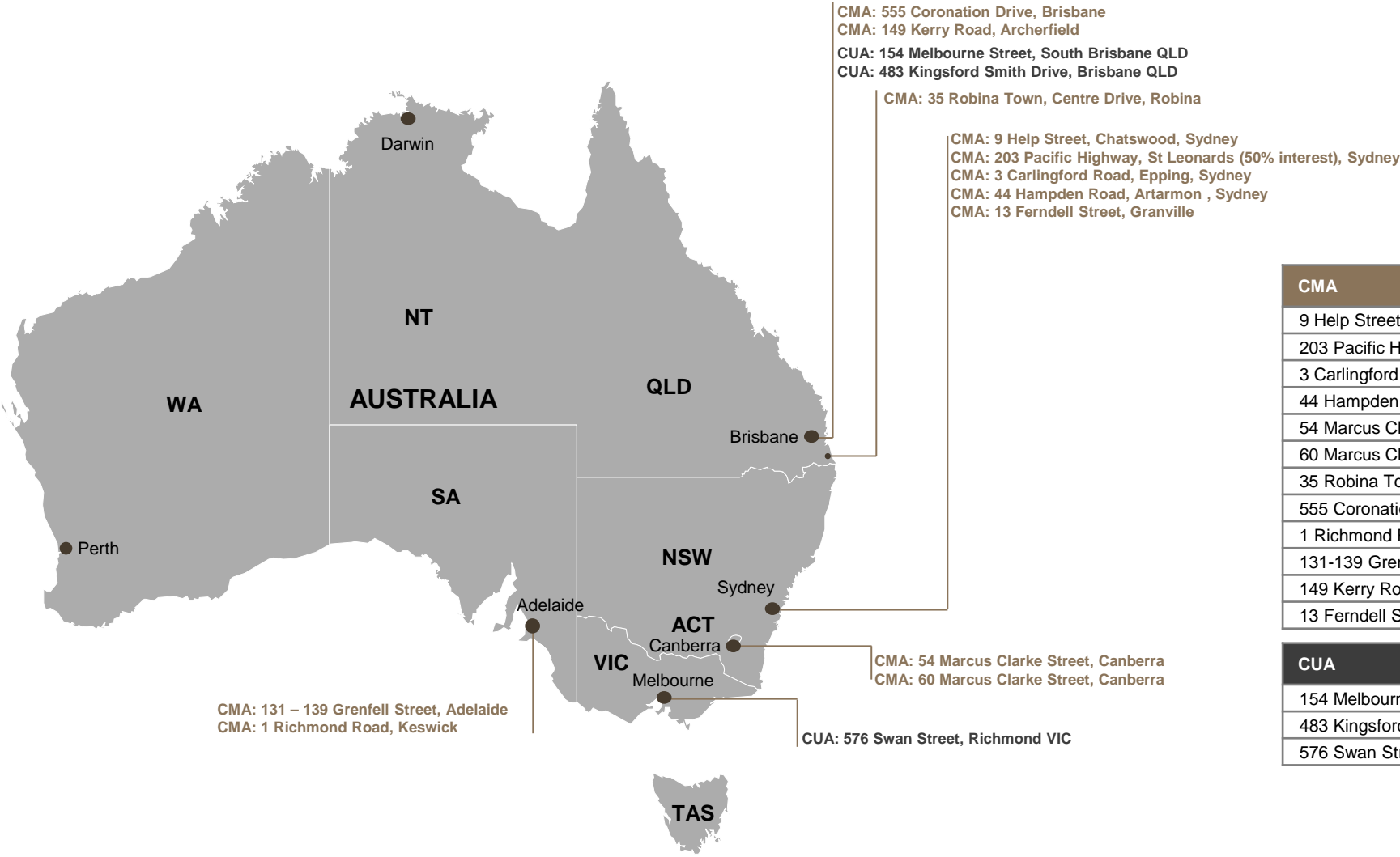
Market Capitalisation of S&P / ASX 300 A-REIT Constituents < A\$1.5bn (A\$m)³



SECTION 3:

PROFILE OF MERGED GROUP

Map of properties



CMA	Portfolio Value (31 December 16)
9 Help Street, Chatswood, NSW	\$62.2m
203 Pacific Highway St Leonards, NSW (50% owned)	\$47.5m
3 Carlingford Road, Epping, NSW	\$27.0m
44 Hampden Road, Artarmon, NSW	\$8.8m
54 Marcus Clarke Street, Canberra, ACT	\$18.0m
60 Marcus Clarke Street, Canberra, ACT	\$54.5m
35 Robina Town, Centre Drive, Robina, QLD	\$50.7m
555 Coronation Drive, Brisbane, QLD	\$32.3m
1 Richmond Road, Keswick, SA	\$27.3m
131-139 Grenfell Street, Adelaide, SA	\$19.5m
149 Kerry Road, Archerfield, QLD	\$25.5m
13 Ferndell Street, Granville, NSW	\$18.2m

CUA	Portfolio Value (31 December 16)
154 Melbourne Street, South Brisbane, QLD	\$77.5m
483 Kingsford Smith Drive, Brisbane, QLD	\$74.4m
576 Swan Street, Richmond, VIC	\$58.5m

Property summary

	Ownership Interests	Type	Valuation	Cap Rate	NLA	WALE (by income)	Occupancy	Built	Latest Refurbishment	Car park spaces
CMA¹										
9 Help Street, Chatswood, NSW	100%	Office	\$62.2m	6.75%	9,400	2.6	100.0%	1991	2010	142
203 Pacific Highway St Leonards, NSW	50%	Office	\$47.5m	7.00%	11,734	4.0	100.0%	2000	2016	150
3 Carlingford Road, Epping, NSW	100%	Office	\$27.0m	6.25%	4,702	2.3	100.0%	1986	Periodic	74
44 Hampden Road, Artarmon, NSW	100%	Office	\$8.8m	8.25%	2,306	1.8	100.0%	1992	Periodic	71
54 Marcus Clarke, Canberra, ACT	100%	Office	\$18.0m	9.00%	5,169	2.4	88.0%	1986	2016	48
60 Marcus Clarke, Canberra, ACT	100%	Office	\$54.5m	8.00%	12,120	3.3	94.5%	1988	2016	133
35 Robina Town, Centre Drive, Robina, QLD	100%	Office	\$50.7m	7.25%	9,814	6.8	100.0%	2001	2015	268
555 Coronation Drive, Brisbane, QLD	100%	Office	\$32.3m	8.25%	5,591	3.8	100.0%	1990	Over last 4.5yrs	175
1 Richmond Road, Keswick, SA	100%	Office	\$27.3m	9.00%	8,100	2.6	100.0%	1985	2011	326
131-139 Grenfell Street, Adelaide, SA	100%	Office	\$19.5m	8.50%	4,052	2.9	100.0%	2009	N/A	10
149 Kerry Road, Archerfield, QLD	100%	Industrial	\$25.5m	7.25%	13,774	8.0	100.0%	1991	Periodic	Multiple Bays
13 Ferndell Street, Granville, NSW	100%	Industrial	\$18.2m	7.75%	15,302	3.3	100.0%	1960's	Periodic	Multiple Bays
			\$391.5m	7.57%	102,064	4.1	98.7%			
CUA¹										
154 Melbourne Street, South Brisbane, QLD	100%	Office	\$77.5m	7.00%	11,300	2.3	100.0%	n.d. ²	n.d. ²	n.d. ²
483 Kingsford Smith Drive, Brisbane, QLD	100%	Office	\$74.4m	7.00%	9,322	6.9	97.6%	n.d. ²	n.d. ²	n.d. ²
576 Swan Street, Richmond, VIC	100%	Office	\$58.5m	6.50%	8,331	5.2	100.0%	2013	n.d. ²	n.d. ²
			\$210.4m	6.86%	28,953	4.6	99.2%			

1. Based on 31 December 2016

2. "n.d." = not disclosed

Source: Company Announcements

SECTION 4:

SUMMARY OF SIA

Summary of the SIA – key terms and conditions

- > CPF2L and CPFL have entered into a SIA in relation to the proposed Merger of CUA and CMA

Proposal Structure	<ul style="list-style-type: none"> > Transaction to be implemented via a trust scheme
Merger Consideration per CUA unit	<ul style="list-style-type: none"> > Merger consideration of \$2.27 per CUA unit comprising: <ul style="list-style-type: none"> ▪ 0.88 CMA securities; and ▪ Cash payment of 23 cents
Conditions precedent	<ul style="list-style-type: none"> > Completion of due diligence investigations to both CUA and CMA's satisfaction > Implementation of the Simplification Proposal outlined in the CMA ASX announcement on 15 February 2017 > Recommendation by CUA independent directors that CUA securityholders approve the necessary resolutions > Conclusion by an independent expert that the Merger is in the best interests of CUA securityholders > CUA unitholder approval > No material adverse change > No prescribed occurrences > No regulatory intervention and all ASIC relief and ASX waivers being obtained in relation to the Merger and its implementation > Other customary conditions precedent
Other key provisions	<ul style="list-style-type: none"> > Customary termination rights > Obligations and responsibilities in relation to the preparation of notice of meeting and accompanied explanatory memorandum and conduct of business > Deal protection measures for CMA such as exclusivity, no-shop and no-talk obligations and matching rights > Reimbursement of costs by CUA and CMA in certain circumstances

Indicative implementation timetable

- > The expected key dates in relation to the Merger are outlined below:

Key Milestones	Date
> Dispatch of the notice of meeting and explanatory memorandum in relation to the Merger	12 April 2017
> CUA unitholder meeting to approve the Merger	9 May 2017
> Effective Date if Merger approved	10 May 2017
> Record Date if Merger approved	17 May 2017
> Implementation date – on which the Merger consideration is paid	24 May 2017

Note: These dates are indicative only and may be subject to change

Appendices

Key Gearing and NTA Assumptions

Gearing assumptions

CMA Standalone

- > Gearing is calculated as interest bearing liabilities less cash divided by total tangible assets less cash
- > CMA standalone 31 December 2016 gearing of 33.8% adjusted for Sale of 14 Mars Road for \$26.0m announced on 21 December 2016 resulting in gearing of 29.5%

Pro-forma CMA post implementation of the Merger

- > CMA adjusted 31 December 2016 gearing of 29.5% adjusted for the following cash payment of 23 cents per CUA unit and debt funding transaction costs

NTA Assumptions

CMA Standalone

- > 31 December 2016 NTA of \$2.32 per security

CUA Standalone

- > 31 December 2016 NTA of \$2.27 per unit

Pro-forma CMA post implementation of the Merger

- > CMA pro forma NTA less assumed transaction related costs being:
 - Transaction costs including advisor fees and stamp duty
 - Treasury costs such as interest rate swaps

Key Distributable Earnings Assumptions

CMA Standalone

- > 9 August 2016: FY17 distributable earnings guidance of 18.7 – 19.0 cps
- > Assumptions:
 - Assumes FY17 distributable earnings guidance mid-point of 18.85 cps

CUA Standalone

- > 9 February 2017: FY17 distributable earnings guidance of 16.0 cps
- > Assumptions:
 - Assumes no acquisitions as listed on page 18 of CUA 1H17 Results Presentation

Pro-forma CMA post implementation of the Merger

- > Total assumed debt at 4.50% cost of debt
- > Assumes concessional stamp duty available in QLD and VIC
- > A reduction of Management Fees chargeable on CUA assets from 0.60% p.a. to 0.55% p.a. and cost synergies of approximately \$0.3m as a result of a reduction in CUA corporate expenses and external fund fees as CUA would no longer be a listed trust

Overview of Centuria Capital Group

> Centuria is one of Australia's leading property fund managers, with four key differentiating factors

(1) Established & Successful Track Record

19 years

Centuria has been successfully managed through multiple property cycles

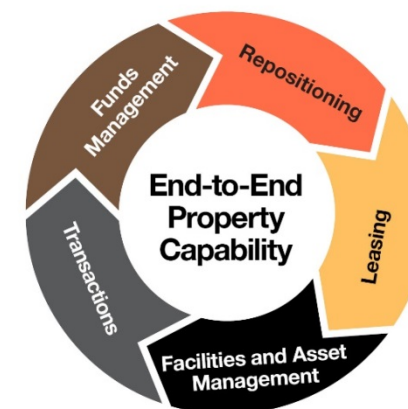
13.2%

Average investor total return p.a.¹

(3) Diversified Product Offering

- > ~A\$3.6bn AUM, 69 assets
- > 18 unlisted property funds including 17 assets
- > 3 ASX-listed REIT including 52 assets
- > 1 residential development fund

(2) End-to-End Internal Property Capability



(4) Strong Alignment of Interests

- > Centuria has significant co-investments in its listed funds business
 - Largest investor in CMA and CUA

1. Centuria calculation of the average of returns across all funds managed to completion and (all real estate assets sold and debt repaid) by Centuria Property Funds since 1998 and includes capital gains as well as distributions paid during the life of the completed funds shown on a per annum basis

Board of Directors biographies



Peter Done
Chairman (Non-Executive Director)

- Peter is Independent Chairman of Centuria Property Funds Limited, appointed to the Board of CPFL in 2007; Previously Partner at KPMG for over 28 years; Peter is a Fellow of the Institute of Chartered Accountants Australia



Darren Collins
Independent Non-Executive Director

- Darren was appointed to the Board of CPFL in 2015; Darren has extensive experience in accounting, audit, financial management, corporate governance and regulation; Previously Vice President of Finance and Administration at Computer Sciences Corporation for over 16 years, working as lead financial executive for businesses operating in Asia, Australia and the United States of America



Matthew Hardy
Independent Non-Executive Director

- Matthew was appointed to the Board of CPFL in 2013; Currently founding Director of Conari Partners; Previously Head of Property Barclays Global Investors, Director of Property Investments for Mirvac Funds Limited, and Non-Executive Director of Mirvac Funds Management; Matthew is a member of the Royal Institution of Chartered Surveyors and the Australian Institute of Company Directors



Jason Huljich
Executive Director

- Jason is an Executive Director of Centuria Property Funds Limited, appointed to the Board of CPFL in 2001; Jason is responsible for providing strategic leadership and ensuring the effective operation of CPFL's unlisted property portfolio; Currently President of the Property Funds Association (PFA) and sits on its National Executive Committee

Key management biographies



Nicholas Collishaw
CEO, Listed Property Funds

- Nicholas is Chief Executive Officer at Centuria Property Funds Limited; Previously CEO and Managing Director at the Mirvac Group; Nicholas has over 31 years' experience in all major real estate markets within Australia and investment markets in the United States, United Kingdom and Middle East



Victor Georos
Head of Portfolio and Asset Management

- Victor is responsible for overseeing portfolio and asset management at Centuria, including managing the Centuria Property Funds Valuation program; He previously held senior positions with GPT Group and Lend Lease Group; Victor has extensive experience in asset and investment management, development and funds management, across the office, retail and industrial sectors



Nicholas Blake
Trust Manager, Centuria Metropolitan REIT

- Nicholas is responsible for the operation, strategic aspects and performance of the Trust's activities; Previously General Manager of Mirvac Industrial Trust; Nicholas has over 16 years of experience in the industry, having a comprehensive background in property funds management in both listed and unlisted funds, both in Australia and the United States



Scott Creelman
Finance Manager – Property Funds

- Scott is responsible for overseeing the financial management and reporting, tax compliance, treasury function and audits of Centuria's Property Funds; Previously worked in senior finance roles at Westpac and CBRE; Scott has over 18 years accounting and 11 years property experience; Graduated with a Bachelor of Business (Accounting and Finance) from the University of Technology Sydney (UTS) and is an associate of the Institute of Chartered Accountants in Australia.



Hengky Widjaja
Senior Trust Analyst

- Hengky is responsible for assisting the Trust Manager and CEO in assessing, monitoring and forecasting the performance of the Trust; He graduated with First Class Honours in Manufacturing System Engineering from RMIT University and holds a Master of Commerce (Investments) from University of New South Wales; Previously, he held positions within the Mirvac Group for over eight years



Shalome Ruiter
Manager Investor Relations

- Shalome manages investor relations for Centuria Metropolitan REIT and assists the Trust Manager and CEO in the investor relations strategy of the Trust; Previously Investor Relations Manager for FKP Property; Shalome has over 16 years' experience in the real estate and financial sectors, holding positions in property funds management in both listed and unlisted funds in Australia