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New A\$300 million Exchangeable Notes Offering

SYDNEY (Thursday, 16 February 2023) – Centuria Industrial REIT (**ASX: CIP**) is pleased to announce the launch of a fully underwritten A\$300m guaranteed exchangeable notes offering¹ (**Notes**), with net proceeds used to repay existing debt facilities and for general corporate purposes.

- A fully underwritten A\$300m guaranteed exchangeable notes offering¹ due 2028 with a 3.45%–3.95% p.a. coupon and 25% exchange premium
- The minimum initial exchange price of \$4.16 represents a 2.0% premium to last reported NTA of \$4.08
- Reduces average cost of debt; diversifies capital structure
- Weighted average hedge maturity increases from 2.0 years to 2.6 years and the proportion of hedged debt increases from 77% to c.100% for the remainder of FY23; c.91% hedged at the commencement of FY24²

Jesse Curtis, CIP Fund Manager and Centuria Head of Industrial, said, “The Notes build on CIP’s ongoing proactive capital management strategy and provide further diversity to its capital structure. Significantly, the issuance of these Notes reduces CIP’s average cost of debt through the repayment of more expensive debt facilities. CIP’s balance sheet metrics are also improved with weighted average hedge maturity increasing to 2.6 years and the proportion of hedged debt further increasing to c.100% for the remainder of FY23 and c.91% hedged at the commencement of FY24”.

Key features of the Notes include:

- a maturity date in March 2028 (5 years from settlement of the Notes);
- an investor put option, providing the holder with the option to redeem the Notes for 100% of the principal amount, in March 2026 (3 years from settlement of the Notes);
- a coupon of 3.45% to 3.95% per annum;
- an option for the holder to exchange the Notes into the units of CIP at the exchange price. The initial exchange price will be set at a premium of 25% above the Reference Price described below. Any Notes not exchanged before their maturity will be redeemed by CIP at 100% of their principal amount on the maturity date;
- unsubordinated and unsecured obligations of CIP, in line with CIP’s other existing debt; and
- an expected rating of Baa2 by Moody’s.

The final coupon is expected to be announced on 17 February 2023, following completion of the offer bookbuild.

Merrill Lynch Equities (Australia) Limited and Morgan Stanley & Co. International Plc are acting as Joint Global Coordinators, Bookrunners and Underwriters to the issue of the Notes (**Joint Global Coordinators**).

In conjunction with the issue of the Notes, the Joint Global Coordinators will conduct a delta placement (**Delta Placement**) to sell existing CIP units to facilitate hedging activity by investors in the Notes. The clearing price of the Delta Placement will determine the reference price for the Notes (**Reference Price**). The Joint Global Coordinators have underwritten the Reference Price at no less than A\$3.33, representing a 4.0% discount to the A\$3.47 closing price of CIP units on 16 February 2023. The size of the delta placement, and the Reference Price, will be determined following completion of the Delta Placement bookbuild.

Key terms of the Notes are outlined in Appendix A and key risks are set out in Appendix B.

FINANCIAL IMPACT

The issuance of Notes and repayment of outstanding indebtedness is not expected to have a material impact on CIP's gearing. Including the impact of the Notes, CIP reaffirms FY23 funds from operations (**FFO**) guidance of 17.0 cents per unit (**cpu**)³ and a distribution guidance of 16.0 cpu³.

REGULATORY APPROVALS

To proceed with the issue of the Notes as contemplated CIP must obtain:

- relief from the Australian Securities and Investments Commission (**ASIC**); and
- relevant confirmations from the ASX in relation to the application or non-application of the ASX Listing Rules, in relation to the issuance of the Notes and issuance of Units of Centuria Industrial REIT on exchange of the Notes (together, the **Regulatory Approvals**).

CIP has submitted to each of ASIC and ASX an application for the necessary Regulatory Approvals. CIP will provide an update on the Regulatory Approvals in due course. If the Regulatory Approvals are not obtained, or are subject to conditions not acceptable to CIP, then CIP and the Joint Global Coordinators may determine to not proceed with the issue of Notes. CIP and the Joint Global Coordinators may also amend the timetable as necessary to accommodate the finalisation of the Regulatory Approvals.

ADDITIONAL INFORMATION

Additional information about the Notes will be contained in an Offering Circular to be released to the ASX closer to the issue date of the Notes.

-Ends-

For more information or to arrange an interview, please contact:

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Authorised for release by Anna Kovarik, Company Secretary.

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About Centuria Industrial REIT

CIP is Australia's largest domestic pure play industrial REIT and is included in the S&P/ASX 200 Index. CIP's portfolio of high-quality industrial assets is situated in key metropolitan locations throughout Australia and is underpinned by a quality and diverse tenant base. CIP is overseen by a hands on, active manager and provides investors with income and an opportunity for capital growth from a pure play portfolio of high-quality Australian industrial assets.

Centuria Property Funds No. 2 Limited (CPF2L), is the Responsible Entity for the ASX-listed Centuria Industrial REIT (CIP). CPF2L is a wholly owned subsidiary of Centuria Capital Group (CNI). CNI is an ASX-listed specialist investment manager with more than \$21 billion in total assets under management as at 31 December 2022 and strong offerings across listed real estate investment trusts, unlisted real estate funds and investment notes.

www.centuria.com.au

Summary Information

The following disclaimer applies to this announcement and any information contained in it (the Information). The Information in this announcement is of general background and does not purport to be complete. It should be read in conjunction with CIP's other periodic and continuous disclosure announcements lodged with ASX Limited, which are available at www.asx.com.au. You are advised to read this disclaimer carefully before reading or making any other use of this announcement or any Information contained in this announcement. In accepting this announcement, you agree to be bound by the following terms and conditions including any modifications to them.

Forward Looking Statements

This announcement may include forward-looking statements. These forward-looking statements are based on CIP's expectations and beliefs concerning future events. Forward looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of CIP, which could cause actual results to differ materially from such statements. CIP makes no undertaking to subsequently update or revise the forward-looking statements made in this announcement, to reflect the circumstances or events after the date of this announcement.

Not for Release or Distribution in the United States

This release does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States and may not be distributed or released in the United States. The Notes to be offered and sold have not been and will not be registered under the Securities Act, or under the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States, except in compliance with the registration requirements of the Securities Act and any other applicable securities laws of any state or other jurisdiction of the United States or pursuant to an exemption from, or in a transaction exempt from or not subject to, such registration requirements and any other applicable securities laws.

This release is also not for distribution, directly or indirectly, in or into the European Economic Area (EEA) or the United Kingdom (UK). The Notes are not being offered or sold, and may not be offered or sold, directly or indirectly, to or into the EEA or the UK.

APPENDIX A

KEY TERMS OF THE NEW EXCHANGEABLE NOTES	
Issuer	CIP Funding Pty Limited (ACN: 654 243 928) (100% owned subsidiary of Centuria Property Funds No. 2 Limited (ABN 38 133 363 185, AFSL 340304) as responsible entity of Centuria Industrial REIT (ARSN 099 680 252))
Securities Offered	Australian Dollar denominated 3.45–3.95% Guaranteed Exchangeable Notes due 2028, exchangeable into the Units of Centuria Industrial REIT listed on ASX Limited ("ASX") under the code "CIP"
Guarantors	The Guarantors are the same Guarantors as for the Issuer's existing Australian dollar-denominated debt issuance programme, including Centuria Property Funds No. 2 Limited (ABN 38 133 363 185, AFSL 340304) as responsible entity of Centuria Industrial REIT (ARSN 099 680 252)
Rating of CIP	Baa2 by Moody's
Notes Rating	The Notes are expected to be rated Baa2
Use of Proceeds	Repayment of existing financial indebtedness and general corporate purposes
Currency	Australian Dollars (AUD)
Issue Size	A\$300m
Status	Direct, unconditional, unsubordinated and unsecured obligations of the Issuer and the Guarantors (pari passu with all other unsecured and unsubordinated obligations of the Issuer and the Guarantors, other than those mandatorily preferred by law). For the avoidance of doubt, the Notes will be pari passu to the existing Australian Dollar MTNs
Maturity Date	On or about 2 March 2028 (5 years from the Settlement Date)
Investor Put Option	On or about 2 March 2026 (3 years from the Settlement Date)
Issue Price	100.00% of the principal amount
Coupon	3.45-3.95% per annum, payable on a quarterly basis in arrear
Yield to Put/Maturity	3.45-3.95% per annum, payable on a quarterly basis in arrear
Put/Maturity Price	100.00% of the principal amount
Exchange Premium	25.0% above the Reference Price
Minimum Reference Price	AUD 3.33 (being the Concurrent Delta Placement Price)
Minimum Initial Exchange Price	AUD 4.16
Delta Placement Price	The Joint Bookrunners and/or their designated affiliates will facilitate some or all of the hedging activities that may be executed by eligible investors in the Notes offering. The clearing price of the Delta Placement will be used as the Reference Unit Price to determine the Initial Exchange Price of the Notes. The manner of conducting the Delta Placement will be determined by the Joint Bookrunners in consultation with the Issuer. The Delta Placement is underwritten by the Joint Global Coordinators at a minimum price of AUD 3.33, representing a discount of 4.0% to the AUD 3.47 closing price of the CIP Units on 16 February 2023
Exchange Period	Exchangeable at any time on or after 41 days from the Settlement Date until 10 days prior to the Maturity Date, unless previously redeemed, exchanged, or repurchased and cancelled (excluding closed periods)
Distribution Protection	Adjustment to the Exchange Price in the Event of an Extraordinary Distribution. Extraordinary Distribution is defined as the amount by which the Relevant Distribution (including cash distributions) made or paid in respect of any financial year ending 30 June of Centuria Industrial REIT (when taken together with any Relevant Distribution previously made or paid in respect of the same financial year) exceeds A\$0.08 on a per Unit basis (the "Threshold")

ASX Announcement

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Cash Alternative Election	Yes, the Issuer may, in full or in part, elect to make payment of the Cash Alternative Amount (as defined in the Terms and Conditions) to exchanging holders of Notes in lieu of delivering Units
	Issuer Soft Call - Yes, on any time after 16 March 2026, the Issuer may redeem all and not some only of the Notes, at their principal amount plus accrued and unpaid interest, if the closing price of the Units for each of any 20 out of 30 consecutive dealing days, the last of which occurs not more than 5 calendar days prior to the date upon which notice of such redemption is published, is at least 130% of the applicable Exchange Price
Redemption at the Option of the Issuer	Clean Up Call – Yes, the Issuer may redeem all and not some only of the Notes, at their principal amount plus accrued and unpaid interest, if the aggregate principal amount of the Notes outstanding is less than 15% of the aggregate principal amount originally issued (which for these purposes include any further notes consolidated and forming a single series with the Notes)
	Tax Call - Yes, the Issuer may redeem all and not some only of the Notes, at their principal amount plus accrued and unpaid interest if additional amounts are payable as a result of any change in the laws or regulations of the Commonwealth of Australia. Holders of Notes have the right to elect for their Notes not to be redeemed but with no entitlement to any additional amounts
	Noteholder Put – Yes, on or about 2 March 2026 at 100.0% of the principal amount of the Notes
Redemption at the Option of Bondholders	Change of Control Put - Yes, following the occurrence of a Change of Control, the Noteholders have the option to require the Issuer to redeem all or some only of their Notes at their principal amount plus accrued and unpaid interest within the period of 30 days following the relevant Change of Control. The Issuer shall give notice to the holders of Notes that a Change of Control has occurred within 7 days following the occurrence of such Change of Control
	Delisting/Suspension of Trading Put - Yes, holders of Notes have the option to require the Issuer to redeem all or some only of their Notes at their principal amount plus accrued and unpaid interest if the Units officially cease to be listed or admitted for trading or are suspended from trading for a period equal to or exceeding 30 consecutive Trading Days on the ASX
Listing Exchange	SGX

APPENDIX B

KEY RISK FACTORS

Group specific risks

	Interest cost of CIP and its subsidiaries as a whole (collectively, the Group) on floating rate debt will increase if benchmark interest rates increase. This would reduce earnings and cash flow available for distribution to holders of the Notes.
Impact of interest rates	The Group manages some of its exposure to adverse fluctuations in floating interest rates by entering into interest rate hedge instruments, however the impact of interest rate hedging may be negative, depending on the extent, timing or direction of movements in underlying rates.
Transaction and business opportunities	<p>At any time, the Group may be undertaking due diligence on a number of potential transaction opportunities both on its own account, or with joint venture parties. When the Group proceeds with any opportunity, it is possible that the Group may not uncover issues that may later have an adverse impact on the Group, or joint venture partners. Risks which may arise in pursuing new opportunities or acquisitions which may adversely affect future value or profitability, include:</p> <ul style="list-style-type: none"> • any acquisition or business opportunities performing below expectations; • capital expenditure required in any of the acquisition or business opportunities being greater than expected; • a breakdown in the relationship with a joint venture partner; • delay in realising the full benefits of an acquisition and/or business opportunity; • a downturn in the relevant local market conditions, including if interest rates are higher than expected; or • in relation to potential divestments, there is no guarantee that divestments will be secured on the terms expected by the Group and any divestments may be subject to settlement risk.
Development activities	The Group has two development projects underway. These development projects have inherent risks, including market risk, valuation risk, latent liabilities or contingencies emerge such as the existence of hazardous substances (for example, asbestos) or other environmental liabilities, completion delays and cost overruns. The Group endeavours to manage these risks using policies, procedures and contracts. For example, under certain contracts entered into under these development projects, the contractors assume certain financial risks relating to completion delays and cost overruns except for tenant and owner requested contract variations. The Group also holds bank guarantees from its contractors. However, there can be no assurance that the Group will not be adversely impacted by the failure of a contractor to deliver the project as agreed.
	The Group has two development projects underway. While the Group believes that it will be able to secure tenants on completion of these developments, there can be no guarantee that the Group will be able to do so. The earnings, cash flows and valuations of certain development projects are impacted by a number of factors including construction costs, actual completion dates, post-completion occupancy, rentals achieved and the ability of tenants to meet rental obligations. The Group has a pipeline of future and prospective development projects which have not yet commenced and in some instances, have not yet secured necessary authority approvals and consents. There is no certainty that these approvals will be secured or that the projects will be activated. Where certain development projects are only partially leased, there is no income guarantee on any remaining vacancies at practical completion.
Refinancing requirements	The Group is exposed to risks relating to the refinancing of existing debt instruments and facilities.
	The Group has approximately A\$155 million of debt maturing in the 12 months from the date of this notice. It may be difficult for the Group to refinance all or some of these and other debt maturities.

	Further, if some or all of these debt maturities can be refinanced, these may be on less favourable terms than is currently the case.
Availability of capital (including debt finance)	The Group operates in a sector which is highly capital intensive. The Group's ability to raise funds in the future (including obtaining additional debt finance to fund acquisitions and ensuring sufficient debt funding headroom is retained within its capital management policies) on favourable terms depends on a number of factors including general economic conditions, political, capital and credit market conditions and the reputation, performance and financial strength of the Group's business. Many of these factors are outside the Group's control and may increase the cost and availability of capital. The Group is also exposed to risks commonly associated with refinancing debt. Such risks include the credit or financial market becoming subject to adverse economic or industry conditions. CIP holds an investment grade credit rating of Baa2 with a stable outlook from Moody's. Any downgrade to CIP's credit rating may impact access to capital.
Impact of financing covenants	The Group's financiers require it to maintain certain gearing and other ratios under various debt covenants. As at the date of this notice, the Group was in compliance with all covenants under its debt facilities. However, should the Group become non-compliant, this may have a negative impact on the Group's financial condition, and on its ability to meet its debt obligations. For example, lenders may seek to exercise enforcement rights under debt documentation immediately which may have a material adverse impact on the Group's performance and the execution of its business strategy.
Financial forecasts and forward looking statements	There is no guarantee that the assumptions contained within forward-looking statements or estimates (including as to the Group's future earnings and earnings guidance) released to the market will ultimately prove to be accurate. The forward-looking statements and forecasts depend on a variety of factors, many of which are beyond the Group's control.
Australian Real Estate Investment Trust (A-REITs) sector risks	
Inflation	Higher than expected inflation rates generally or specific to the property sector could be expected to increase operating costs and/or development costs.
Illiquid assets	Property assets are by their nature illiquid investments. If property assets are required to be disposed in order to raise liquidity, it may not be possible to dispose of assets in a timely manner or at an optimal price. This may affect net tangible assets or the market price of Notes. A-REITs with broad geographical diversity may be less exposed to this risk than those concentrated in one location.
Returns from investments	The value, expectations of capital growth, and returns from the Group's property assets will fluctuate depending on property market conditions. Rental and occupancy levels may change as a result of changes in the property market and general economic conditions, and this may affect the distributions paid by the Issuer and the market price of Notes.
Changing investor demand for property investments	<p>The ability to procure tenants (including timing and rental paid), demand for property from investors and the expenses in operating, refurbishing and maintaining properties, may influence the value of the Group's assets. The supply of competing buildings, both existing and new, may also affect the ability to secure lease renewals, retain existing tenants or obtain new tenants. If the Group cannot negotiate lease renewals or maintain existing lease terms, income and book values may be adversely impacted.</p> <p>The demand for property and listed property securities may change as investor preferences for particular sectors and asset classes change.</p> <p>The demand for property as an asset class changes over time and can be influenced by general economic factors such as interest rates, inflation, stock market cycles and exchange rates.</p>
Asset and land values	<p>Independent valuations are carried out for each individual property on a periodic basis to determine their fair market value.</p> <p>Asset values are affected by many factors including prevailing market conditions, risk appetite, volume of sales, the ability to procure tenants, contracted rental returns, operating, maintenance and refurbishment expenses and the funding environment. Changes in the fair market value of the Group's properties may have an adverse effect on the Group's financial results where there is a significant decrease in the valuation of the Group's properties.</p>

	<p>From time to time unanticipated events occur that affect the value of land or development costs which may in turn affect the financial returns from property investment, projects and property related business.</p>
Time delays and cost escalation	<p>Development approvals, slow decision making by counterparties, complex construction specifications and changes to design briefs, legal issues and other documentation changes may give rise to delays in completion of projects, loss of revenue and cost overruns. Delays in completing projects may also result in increased construction and funding costs as result of inflation and may also adversely impact contracted builders (including increased risk of builder default). Additionally, delays in completion of projects may in turn, result in liquidated damages and termination of lease agreements and pre-sale agreements which may have a negative effect on a property developer's financial returns.</p> <p>Other time delays which may arise in relation to construction and development projects include supply of labour, scarcity of construction materials, lower than expected productivity levels, inclement weather conditions, land contamination, difficult site access or industrial relations issues.</p> <p>Objections raised by community interest groups, environmental groups and neighbours may also delay the granting of planning approvals or the overall progress of a project. Major infrastructure requirements or unanticipated environmental issues may affect financial returns.</p>
Property leasing	<p>There is a risk that tenants default on their rent or other obligations under leases, leading to capital losses or a reduction in income from those assets. This risk can be greater where there is a higher tenant concentration.</p> <p>There is also a risk that it may not be possible to negotiate lease renewals or maintain existing lease terms. If this occurs, income, book values, timings of projects and the Group's financial condition may be adversely impacted.</p>
Counterparty / credit risk	<p>A-REITs are exposed to the risk that third parties, such as tenants, developers, service providers and financial counterparties (including in relation to debt and foreign exchange and interest rate hedging instruments) and other contracts may not be willing or able to perform their obligations.</p>
Fixed nature of costs	<p>Many costs associated with the ownership and management of property assets are fixed in nature. The value of assets may be adversely affected if the income from the asset declines and these fixed costs remain unchanged</p>
Capital expenditure	<p>A-REITs are exposed to the risk of higher or unforeseen capital expenditure requirements in order to maintain the quality of the buildings and tenants.</p>
Environmental matters	<p>A-REITs are exposed to a range of environmental risks which may result in damage to the environment, project delays or additional expenditure. In such situations, they may be required to undertake remedial works and potentially be exposed to third party liability claims and/or environmental liabilities such as penalties and fines.</p> <p>A-REITs are also subject to extensive regulation under environmental laws, including in respect of contamination and pollution. These laws vary by jurisdiction and are subject to change, and therefore require continuous monitoring from a risk control perspective.</p>
Insurance	<p>A-REITs purchase insurance, customarily carried by property owners, managers, developers and construction entities that provides a degree of protection for its assets, liabilities and people. Such policies include material damage of assets, contract works, business interruption, general and professional liability and workers compensation. There are however certain risks that are uninsurable (e.g. nuclear, chemical or biological incidents) or risks where the insurance coverage is reduced (e.g. cyclone, earthquake).</p> <p>A-REITs may face risk associated with the financial strength of their insurers to meet indemnity obligations when called upon which could have an adverse impact on earnings.</p> <p>Further, insurance may be materially detrimentally affected by economic conditions so that insurance becomes more expensive or in some cases, unavailable. If an uninsured loss occurs, the purchaser could lose both its invested capital in, and anticipated profits from, the affected property.</p>
Regulatory issues	<p>The Group operates in a highly regulated environment and is subject to a range of industry specific and general legal and other regulatory controls. Regulatory breaches may affect the</p>

Group's operational and financial performance, through penalties, liabilities, restrictions on activities and compliance and other costs.

Changes in relevant laws, accounting standards, other legal, legislative and administrative regimes, and government policies (including Government fiscal, monetary and regulatory policies), may have an adverse effect on the assets, operations and ultimately, the financial performance of the Group.

Changes in tax law (including goods and services taxes and stamp duties), or changes in the way taxation laws are interpreted may impact the future tax liabilities of the Group and/or holders of the Notes. For example, it is expected that the Notes should satisfy the definition of a 'debt interest' for tax purposes such that interest paid on the Notes is deductible in CIP's taxable income calculation and an exemption from interest withholding tax may be available when coupons are paid to non-residents. It is possible that interpretative or law changes in the future may result in the Notes no longer be treated in this manner for tax purposes.

Coupons paid to non-resident Noteholders are expected to be exempt from interest withholding tax. This position depends on the issuance of the Notes satisfying the requirements for interest withholding tax exemption under the 'public offer test' contained in section 128F. It is intended that the Notes are issued in a manner which satisfies the 'public offer' test under Section 128F.

Taxation

The Notes are exchangeable into units of CIP in accordance with the Terms and Conditions. Investors should be aware that CIP currently qualifies as a withholding managed investment trust (**MIT**) such that the taxable part of distributions to non-residents in certain jurisdictions are generally subject to a final withholding tax rate of 15% (but that rate can be higher or lower in certain circumstances). It also currently qualifies as an attribution managed investment trust (**AMIT**). Eligibility to be a withholding MIT and AMIT is tested in each income year. Some requirements to qualify as a withholding MIT and AMIT are outside of CIP's control, including the requirement that no non-resident individual has a 10% or greater stake in CIP. Although CIP does not expect to cease to qualify as a withholding MIT and AMIT, if CIP does cease to qualify then the rate of tax imposed on distributions to a non-resident holder of the Units may increase and the manner in which Unitholders are taxed in respect of the income of CIP may change.

¹ The Notes will be issued by CIP Funding Pty Limited, a wholly owned subsidiary of Centuria Property Funds No. 2 Limited, as responsible entity of CIP

² Pro forma as at 31 December 2022 assuming all of the net proceeds of the New Notes are used to repay existing floating rate debt

³ Guidance subject to unforeseen circumstances and material changes in operating conditions.