

ASX Announcement – Australian Unity Office Fund

17 January 2022

Market update

Australian Unity Investment Real Estate Limited (AUIREL) as responsible entity of Australian Unity Office Fund (ASX: AOF) provides the following market update.

Summary

- Mutual termination of the Merger Implementation Deed (MID) dated 4 October 2021
- AOF to continue to focus on initiatives to maximise value for unitholders
- Preliminary independent valuations for December 2021 reflect c.\$10 million uplift to the prior independent valuations and c.\$4 million uplift on prior book value
- FY22 Funds From Operations (FFO) guidance of 18.0 – 18.5 cents per unit (cpu) reaffirmed
- FY22 Distribution guidance of at least 15.2 cents per unit

MID termination

AUIREL refers to the various announcements regarding the adjournment of the unitholder meetings to consider the proposed merger of AOF with Australian Unity Diversified Property Fund (DPF) (Merger Proposal).

As disclosed on 6 December 2021, feedback received from a small number of AOF's largest unitholders was that they were not supportive of the Merger Proposal. Noting the Merger Proposal did however receive support from the majority of unitholders who voted, AUIREL determined that further engagement with relevant stakeholders was required to understand if there were opportunities to make refinements to obtain the support required to proceed with the Merger Proposal. To facilitate this engagement, the AOF and DPF unitholder meetings were adjourned.

AUIREL has concluded this engagement and determined that it is not possible to make sufficient refinements to the Merger Proposal in an appropriate time frame, to obtain the support necessary from the small number of AOF's largest unitholders. Based on proxies received to date, inclusive of statements from certain AOF unitholders as to these proxies representing their definitive voting intentions with respect to the Merger Proposal, the unitholder resolutions set out in AOF's Notice of Meeting and Explanatory Memorandum dated 15 November 2021 (a condition to the Merger Proposal) will not pass. Accordingly, AOF and DPF have agreed to mutually terminate the MID pursuant to clause 3.5 of the MID. As such, the Merger Proposal will no longer be pursued.

Maximising value for unitholders

Over the course of 2021, AUIREL undertook a strategic assessment and sought to implement initiatives, including the Merger Proposal, to deliver on AOF's key objectives of providing sustainable income returns and the potential for capital growth.

Issuer:

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(outside Australia)

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Although the Merger Proposal is no longer being pursued, AUIREL will continue to focus on initiatives to maximise value for AOF unitholders. These initiatives include:

- Active portfolio management of the existing assets, including asset refurbishment and development at 10 Valentine Avenue, Parramatta and 30 Pirie Street, Adelaide, to deliver optimal leasing outcomes;
- Exploring new partnerships to provide an opportunity to unlock value add initiatives at 2 – 10 Valentine Avenue, Parramatta;
- Investigating further asset sales and options to return capital to AOF unitholders, including by way of buyback, special distribution(s) and a potential wind up of AOF; and
- Assessment of other opportunities in conjunction with Australian Unity.

AUIREL will keep AOF unitholders updated as the consideration of these value maximisation initiatives are progressed.

December 2021 preliminary valuations

Preliminary independent valuations have been received for all seven assets held by AOF as at 31 December 2021. The valuations reflect an increase of approximately \$10 million above prior independent valuations and approximately \$4 million above the immediately preceding book value. The preliminary December 2021 total portfolio value of \$586.5 million reflects a weighted average capitalisation rate of 5.74%.

FY22 guidance

AOF's FY22 FFO guidance of 18.0 cpu – 18.5 cpu is confirmed. AOF's FY22 distribution guidance of 15.2 cpu excludes the impact of any special distributions that may be declared during FY22. FFO and distribution guidance are subject to no material change in AOF's portfolio, no material change in current market conditions and no unforeseen events.

Australian Unity Keppel Capital Joint Venture (AUKC JV)

AUIREL is owned equally by subsidiaries of Australian Unity Limited (**Australian Unity**) and Keppel Capital Holdings Pte Ltd (**Keppel Capital**) as part of a joint venture established in 2020 (**AUKC JV**).

AUIREL has been advised by Australian Unity that it has commenced discussions with Keppel Capital regarding the future of the AUKC JV. The Board of AUIREL will work with Australian Unity through this process and update the market as appropriate.

Half year FY22 results

AOF expects to release its results for the half year 2022 on Tuesday, 22 February 2022.

Advisers

AUIREL is being advised by Highbury Partnership as financial adviser and MinterEllison as legal adviser.

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About AOF

AOF is an ASX-listed REIT that wholly owns a diversified portfolio of 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 owned equally by subsidiaries of Australian Unity Limited ABN 23 087 648 888 and Keppel Capital Holdings Pte Ltd CRN 201302079N, the asset management arm of Singapore-based Keppel Corporation Limited CRN 196800351N.

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