

ASX Announcement – Australian Unity Office Fund

20 September 2021

Update on proposed merger

Australian Unity Investment Real Estate Limited (AUIREL), as Responsible Entity of Australian Unity Office Fund (ASX: AOF) is pleased to provide an update on the proposed merger of AOF with Australian Unity Diversified Property Fund (DPF) to create 'Australian Unity Property Fund' (AUPF).

As announced on 7 July 2021, AUIREL identified a merger of AOF and DPF as a key initiative to deliver on AOF's refined strategy. AOF and DPF have reached in principle agreement on a merger ratio whereby if the merger proceeds, AOF unitholders will own ~54% (in aggregate) of AUPF and DPF unitholders will own ~46% (in aggregate) of AUPF¹.

AUIREL Chairman, Peter Day, said:

"The Board initiated a strategic assessment to examine options to maximise returns and value for unitholders. The Board believes AOF's proposed merger with DPF, identified as part of its strategic assessment, will provide AOF unitholders with a superior investment proposition and enhanced sustainability of income returns, relative to AOF on a standalone basis."

AOF Fund Manager, Nikki Panagopoulos, said:

"The proposed merger presents a unique and financially compelling opportunity with strong strategic rationale which is expected to advance AOF's objectives and strategy."

"Management has engaged with various unitholders and feedback has been receptive to the proposed merger. We will continue to engage with unitholders regarding the merger. We are targeting signing an implementation agreement and will update the market by mid-October."

"In addition, AOF management will remain focussed on driving an active management strategy to deliver leasing outcomes and execution of asset refurbishment initiatives to provide sustainable returns for unitholders."

Further detail of the proposed merger is provided in the investor presentation accompanying this announcement.

A copy of the DPF announcement can be found in the announcements section of the [DPF website](#)

¹ The proposed merger remains subject to negotiations and the execution of a binding implementation agreement.

Issuer:

Australian Unity Investment Real Estate Limited
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Melbourne VIC 3000
ABN 86 606 414 368
AFSL: 477434

Registry Enquiries:

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ASX Announcement – Australian Unity Office Fund

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

Authorised by:

AUIREL Disclosure Committee

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About AOF

AOF is an ASX-listed REIT that wholly owns a diversified portfolio of 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 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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5 Eden Park Drive, Macquarie Park



468 St Kilda Road, Melbourne



1 Technology Place Williamstown



Woodvale Boulevard Shopping Centre, Woodvale



Busselton Central Shopping Centre, Busselton

Proposed merger to create Australian Unity Property Fund

September 2021

AOF.ASX

**Australian
Unity** 
Real Wellbeing

Executive summary

The proposed merger¹ of AOF and DPF presents a unique and financially compelling opportunity with strong strategic rationale

- Australian Unity Office Fund (**AOF**) and Australian Unity Diversified Property Fund (**DPF**) are in advanced discussions regarding the opportunity to merge and create Australian Unity Property Fund (**AUPF**)²
 - The proposed merger is consistent with AOF's refined strategy of owning quality Australian real estate assets offering affordable accommodation with excellent amenity and accessibility
- AOF and DPF have reached in principle agreement on a merger ratio whereby AOF unitholders will own ~54% of AUPF and DPF unitholders will own ~46% of AUPF
 - AOF and DPF have established separate internal teams and appointed separate financial and legal advisers, to assist with the assessment and progression of the proposed merger
 - AOF and DPF will continue to engage with unitholders regarding implementation of the proposed merger

The Board of AOF believes the proposed merger with DPF to create AUPF will provide AOF unitholders with a superior investment proposition and enhanced sustainability of income returns relative to AOF on a standalone basis

1. The proposed merger remains subject to a number of conditions; including execution of a binding implementation agreement, final board approvals and recommendations and unitholder approval. There can be no certainty that these conditions will be satisfied
2. All references to Australian Unity Property Fund / AUPF assumes the proposed merger of AOF and DPF proceeds

AOF Objectives and Strategy

Key Objectives

To provide sustainable income returns via quarterly distributions and the potential for capital growth over the long-term by investing in a diversified portfolio of Australian properties

Strategy

Focus on owning Australian office properties in metropolitan and CBD markets, complemented by a targeted and diversified portfolio of Australian real estate assets offering affordable accommodation with excellent amenity and accessibility

Investment Return

Delivered via quarterly distributions underpinned by a portfolio of assets diversified by geography with strong tenant covenants and a balanced lease expiry profile

Portfolio Management

Maximise returns through active management, proactive leasing, value add initiatives, including developments, asset repositioning, acquisitions and divestments

Capital Management

A robust capital structure, with conservative gearing that can withstand cycles and enable growth

Asset Focus

Delivered through a quality property portfolio focused on affordability, amenity and accessibility

The proposed merger is consistent with and is expected to advance AOF’s objectives and strategy

Strategic rationale

The proposed merger is expected to provide potential benefits to both AOF and DPF unitholders

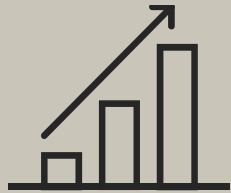
AOF	DPF
✓ Enhanced medium term income and growth prospects	✓ Distribution accretion
✓ Larger, more diversified portfolio	✓ Greater liquidity from ASX listing
✓ Distribution accretion and increased sustainability	✓ Reduced gearing and increased availability of capital sources
✓ Scale, relevance and liquidity with potential index inclusion	✓ Opportunity to continue to deliver value-add opportunities
✓ Mandate flexibility to drive income and value-add opportunities	✓ Lower base fees and no performance or asset acquisition fees
✓ Opportunity to diversify debt facilities	✓ Expected lower cost of debt funding
✓ Independent Board, Australian Unity managed, stable team, delivering continuity of asset management and tenant relationships	

Refer to appendix for further detail on the expected benefits of the proposed merger for AOF and DPF unitholders

Merger highlights¹

The merger, if implemented, is expected to advance AOF's key objectives and strategy

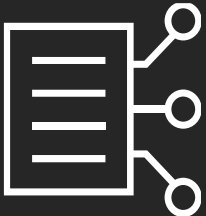
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\$1.2bn portfolio

Introduction of high quality tenants including Ampol and Woolworths

2



5.7% portfolio capitalisation rate

Diversified portfolio of 19 properties²

3



5.0-year WALE³

+ 2.1 years – significantly enhancing sustainability of income

4



FY22 DPU 15.5c⁴

+2% accretion

5



~\$735 million market cap⁵

Presenting opportunity for future index inclusion

1. Subject to the merger proceeding and based on 30 June 2021 book values and portfolio metrics, adjusted for acquisition of 96 York Street, Beenleigh and proposed divestment of 32 Phillip Street, Parramatta
2. Certain DPF properties consolidated for reporting purposes
3. WALE means weighted average lease expiry in years by gross property income, as at 30 June 2021, adjusted for subsequent executed leases and signed heads of agreements
4. AOF first half FY22 distribution per unit (DPU) of 7.6c (in line with AOF guidance) plus forecast second half FY22 AUPF DPU of 7.9c. This forecast is subject to no material change in current market conditions and no unforeseen events
5. Implied based on midpoint of AUPF pro forma Net Tangible Asset (NTA) range, refer to pro forma balance sheet in appendix

AUPF portfolio – overview¹

Increasing diversification and sustainability of income

68% of the portfolio weighted to office and multi-use (office/industrial) assets

29% of the portfolio weighted towards convenience and infrastructure retail assets

3% of the portfolio weighted towards industrial assets

97% occupancy by net lettable area (NLA)

5.0yr weighted average lease expiry²

Value add opportunities across multiple assets, including:

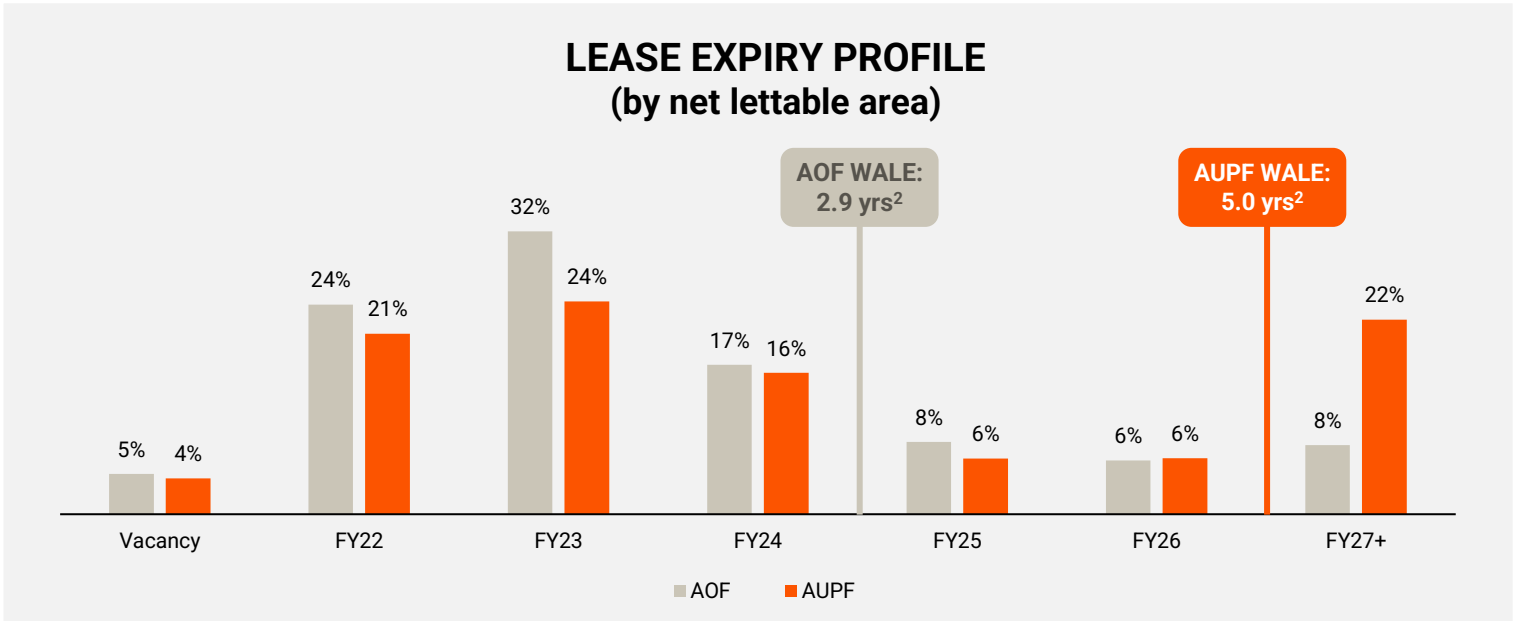
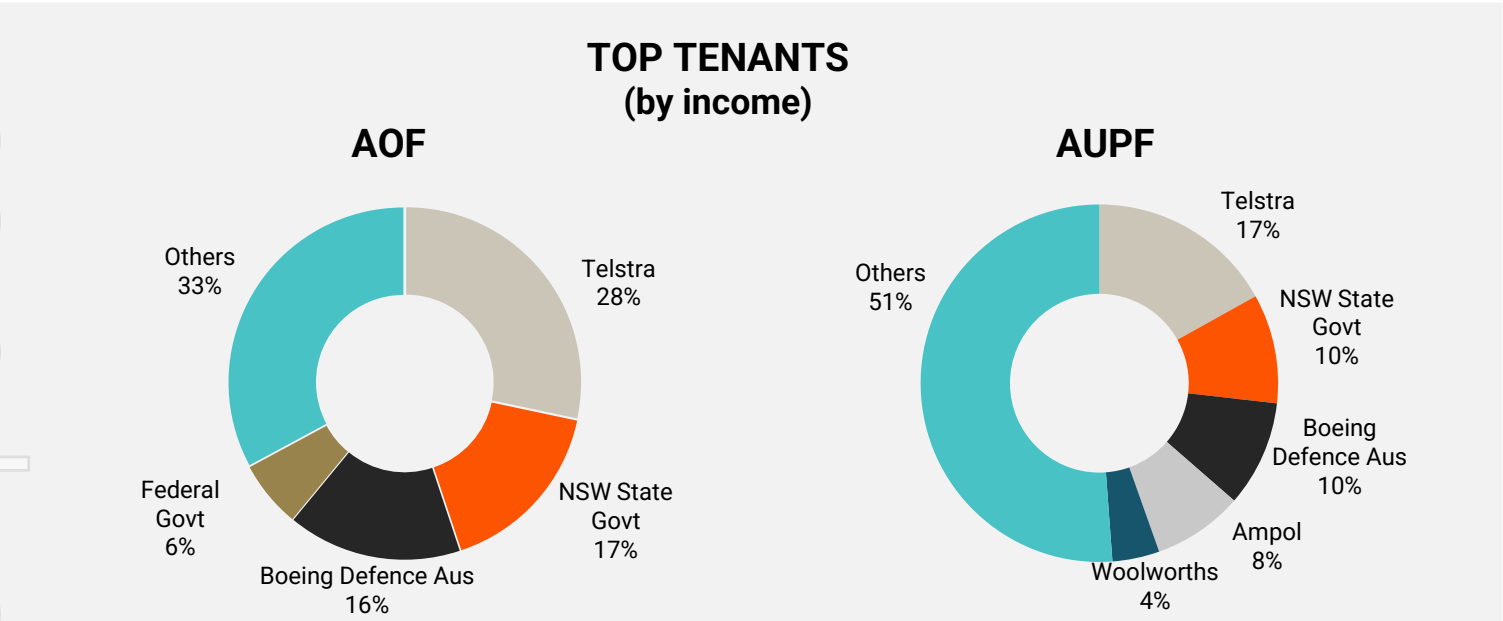
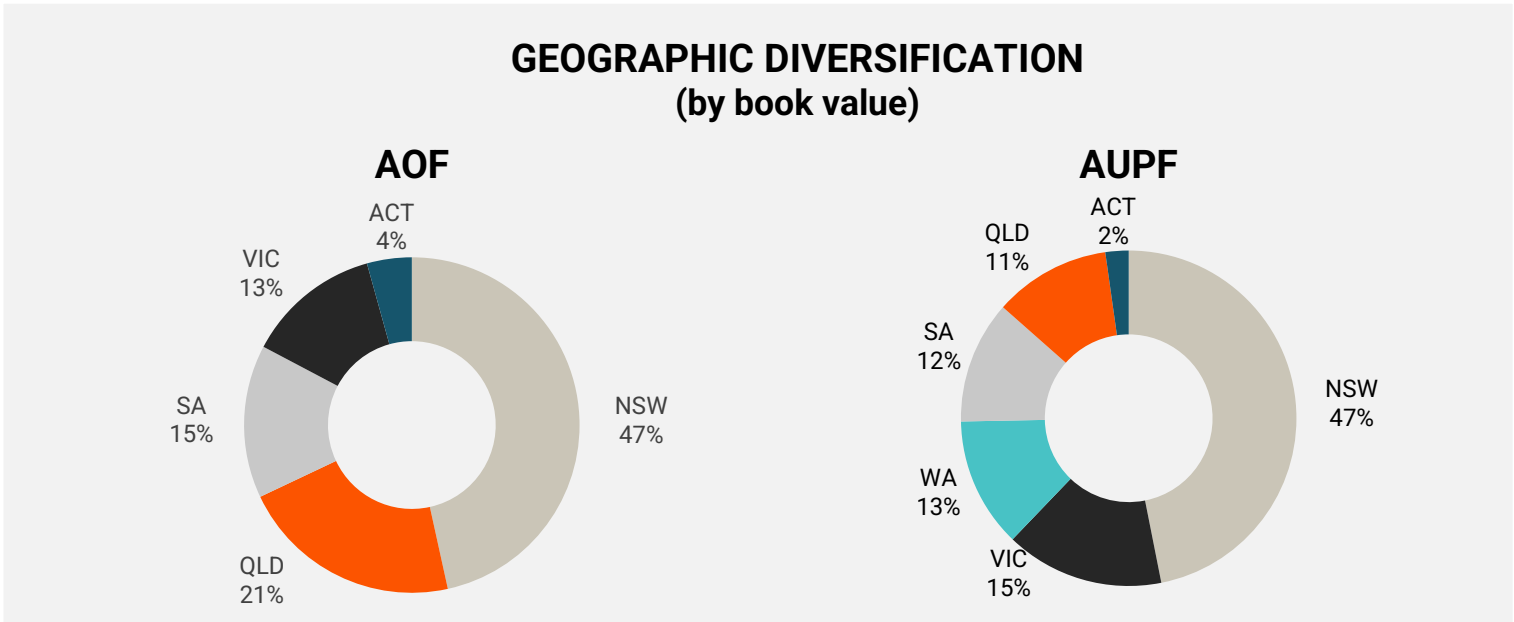
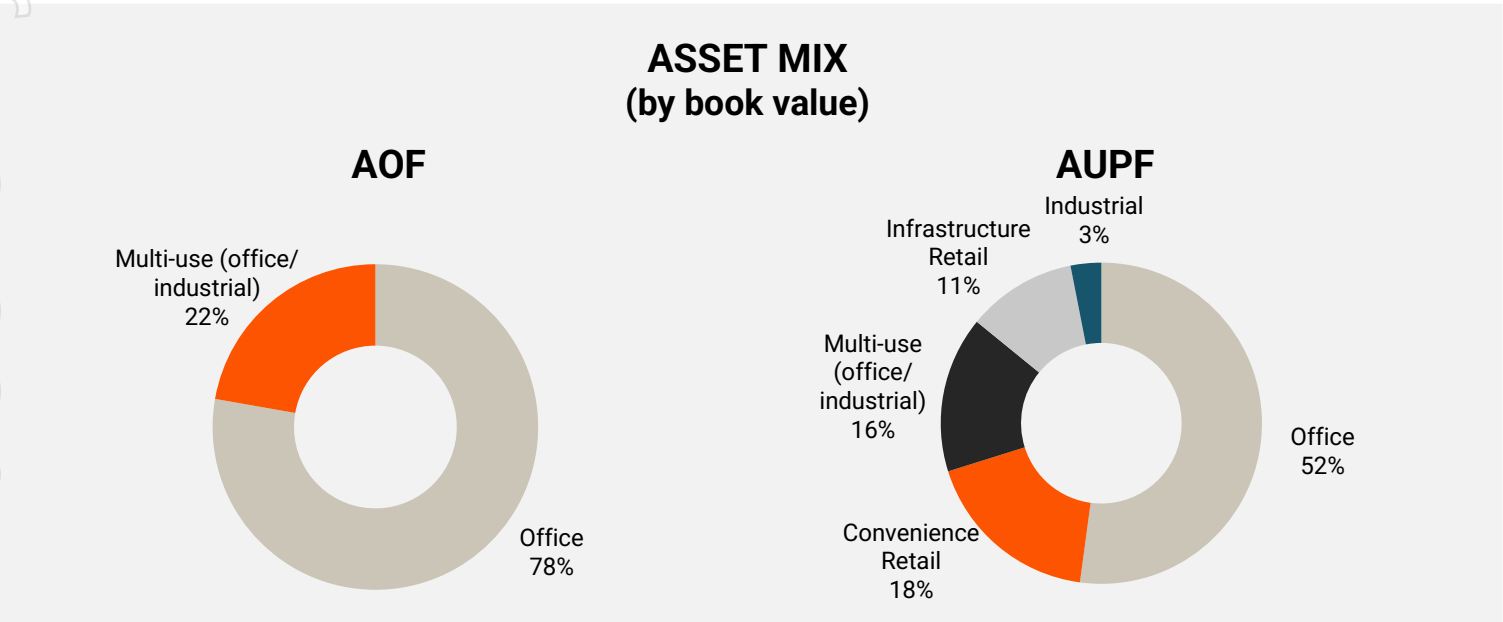
- 2 and 10 Valentine Avenue, Parramatta (proposed)
- North Blackburn Shopping Centre, Victoria (underway)
- Busselton Central Shopping Centre, Western Australia (underway)
- 620 Mersey Road, Osborne South Australia (proposed)
- Continue active asset management and portfolio construction to maximise returns

Portfolio Metrics	AOF	DPF	AUPF
Number of properties	8	11 ³	19 ³
Occupancy (by NLA)	95.6%	98.7%	97.0%
Portfolio value (\$m)	609.6	566.2	1,175.8
Weighted average cap rate (%)	5.9%	5.6%	5.7%
WALE (years) ²	2.9	8.1	5.0
Capital Value/lettable area (\$/sqm)	6,352	7,128	6,703

1. AUPF portfolio is subject to the merger proceeding and is based on 30 June 2021 book values and portfolio metrics, adjusted for acquisition of 96 York Street, Beenleigh and proposed divestment of 32 Phillip Street, Parramatta
2. WALE means weighted average lease expiry in years, by gross property income as at 30 June 2021, and adjusted for subsequent executed leases and signed heads of agreements
3. Certain properties consolidated for reporting purposes, refer to appendix

AUPF – significantly enhanced portfolio metrics¹

AUPF is expected to deliver strong sustainable income from a diversified asset and tenant base



1. AUPF portfolio is subject to the merger proceeding. AOF and DPF portfolio data as at 30 June 2021, adjusted for AOF acquisition of 96 York Street, Beenleigh and AOF proposed divestment of 32 Phillip Street, Parramatta. Totals may not add up due to rounding
2. WALE means weighted average lease expiry in years, by gross property income as at 30 June 2021, and adjusted for subsequent executed leases and signed heads of agreements

AUPF – increased scale, relevance and liquidity¹

AUPF implied market capitalisation of ~\$735 million²

- AUPF is expected to be positioned for S&P/ASX 300 Index inclusion and potentially the FTSE EPRA Nareit Global Developed Index, which may provide increased relevance, liquidity and improved cost of capital

Market capitalisation of S&P/ASX 200 and S&P/ASX 300 A-REIT Index constituents (\$bn)³



1. Subject to the merger proceeding
2. Implied based on midpoint of AUPF pro forma NTA range, refer to pro forma balance sheet in appendix
3. Source: Capital IQ as at 17 September 2021

DPF portfolio – overview¹

Sustainability of income from a portfolio of diversified real assets with value-add opportunities

Income underpinned by strong tenant covenants: Ampol, Woolworths, Coles and Aldi

37% of the portfolio weighted towards convenience retail assets, with 45% of income underpinned by 9.7 yr WALE

23% of the portfolio weighted towards infrastructure retail assets – 100% of income underpinned by 17 yr WALE

33% of the portfolio weighted to office and multi use (office/industrial) assets – 35% of income underpinned by 8.5 yr WALE

8.1yr weighted average lease expiry³

Portfolio Metrics	DPF
Number of properties ²	11
Occupancy (by NLA)	98.7%
Portfolio value (\$m)	566.2
Weighted average cap rate (%)	5.6%
WALE (years) ³	8.1
Capital Value/lettable area (\$/sqm)	7,128

Convenience retail, office and industrial portfolio in metropolitan markets offering affordability, accessibility and amenity

- Value add opportunities, including:**
- North Blackburn Shopping Centre, Victoria (underway)
 - Busselton Central Shopping Centre, Western Australia (underway)
 - 620 Mersey Road, Osborne South Australia (proposed)

1. Based on 30 June 2021 book values and portfolio metrics
2. Certain properties consolidated for reporting purposes, refer to appendix
3. WALE means weighted average lease expiry in years, by gross property income as at 30 June 2021, and adjusted for subsequent executed leases and signed heads of agreements

DPF portfolio – Office and Industrial¹



20 Smith Street Parramatta, NSW

- \$83.5m modern eight level office building in Parramatta
- Contains a three-level carpark with capacity for 182 vehicles and ground level retail
- \$5m capital invested: NABERS Energy 4.5 stars, end of trip constructed 2015, full lift upgrade 2016, foyer upgrade 2017



1 and 2 Technology Place Williamtown, NSW

- \$54.9m campus-style commercial office park, adjacent to Newcastle Airport and the Williamtown Royal Australian Air Force Base, known as Williamtown Aerospace Centre
- Designed to service as a premier Defence office park precinct
- Acquired 31 May 2021, 100% occupied with a WALE of 3.3 years



620 Mersey Road Osborne, SA

- \$49.3m two level office and industrial warehouse, 330 carparks, located 21 km north-west of the Adelaide CBD
- Leased to Australian Naval Infrastructure (Commonwealth Government) until 2030
- Includes two vacant pad sites earmarked for future development



19 Corporate Avenue Rowville, VIC

- \$22.0m semi-modern industrial office and warehouse facility located in one of Melbourne's premier eastern industrial precincts ~26 km from the Melbourne CBD
- The two-level office and adjoining high clearance warehouse is on ~21,000 sqm
- The tenant has occupied the site since 1996, with a new 7-year lease commencing 1 July 2021








6-8 Geddes Street Balcatta, WA²

- \$14.3m industrial warehouse and distribution facility in the City of Stirling ~11 km north of Perth's CBD
- Includes an adjacent parcel of land (5 Kenhelm Street), providing opportunities for expansion of the facility

1. Based on 30 June 2021 book values and portfolio metrics

2. Geddes Street, Balcatta consolidated for reporting purposes with Kenhelm Street, Balcatta

DPF portfolio – Retail¹

	Ampol (Caltex) Twin Service Stations, Wyong NSW	<ul style="list-style-type: none">▪ \$130.0m twin service centres positioned on either side of the M1 Pacific Motorway at Wyong between Sydney and Newcastle▪ Caltex has leased the premises since the 1990s with a new 20-year lease agreed in 2018
	North Blackburn Shopping Centre, VIC	<ul style="list-style-type: none">▪ \$79.0m convenience-based neighbourhood shopping centre located ~16 km east of the Melbourne CBD▪ Anchored by Woolworths with 35 specialties▪ In place value-add development opportunity with detail provided on the following slides
	Dog Swamp Shopping Centre, WA	<ul style="list-style-type: none">▪ \$52.8m neighbourhood shopping centre in Yokine ~5 km north of Perth CBD anchored by Woolworths and ALDI with 36 specialties▪ Recent capital investment of \$9m, addition of new ALDI, food and beverage precinct and end of trip amenities have resulted in an increase in WALE from 3.0 to 8.2 years
	Woodvale Boulevard Shopping Centre, WA	<ul style="list-style-type: none">▪ \$33.5m single level shopping centre in Joondalup ~17 km north of Perth CBD▪ Anchored by Woolworths with 27 specialties▪ Internal mall refurbishment completed in 2015-2016
	Busselton Central Shopping Centre, WA²	<ul style="list-style-type: none">▪ \$47.0m neighbourhood centre in Busselton, WA anchored by Coles on a 15-year lease from 2019, with 21 specialties▪ In place value-add development opportunity on adjoining vacant land

1. Based on 30 June 2021 book values and portfolio metrics
2. Busselton Central Shopping Centre is consolidated for reporting purposes with adjoining 21 Prince Street Busselton and vacant Lots 121, 122 and 309

DPF – current value add development opportunities

North Blackburn Shopping Centre – convenience centre anchored by Woolworths – Coles and ALDI supermarkets coming



Stage 1 - Before

Convenience based neighbourhood shopping centre located in the suburb of North Blackburn approximately 16 kilometres east of Melbourne CBD

Repositioning strategy to enhance the centre includes a 2 stage development

Total development cost for stages 1 and 2 ~\$70 million



Stage 1 – Artist's Impression

Stage 1 commenced in May 2020 comprising a new Coles Supermarket, 11 new specialties with fresh food mini-major, upgraded tenant amenities and re-graded parking facilities.

Practical Completion is February 2022

Stage 1 is 100% pre-leased (by income), which will provide a substantial uplift to the WALE in February 2022



Stage 2 – Artist's Impression

Stage 2 will see the remainder of the Centre re-furbished and expanded with additional specialty retailers, childcare, gymnasium and mini-major tenancies to complete the re-positioning of the asset

70% of the Stage 2 income is pre-committed with 10+ year lease terms to childcare, medical, ALDI and Woolworths supermarkets

Commencing November 2021, estimated completion February 2023

DPF – current value add development opportunities

Busselton Central Shopping Centre – convenience centre anchored by Coles and Best and Less



Stage 1 - Before

Convenience Centre of ~9,000sqm located in the Geographe Bay region, 230kms south west of the Perth CBD

Repositioning strategy commenced in 2018, includes a 4 stage development to enhance future income and capital value

Total development costs for stages 1 to 3 ~\$50 million



Stage 1 & 2 - After

Stage 1 & 2 completed February 2020, including Coles, Liquorland, Best and Less mini major, a new link mall and 6 new specialties, includes adjacent land acquisitions to commence Stage 3

Retail Metrics:

- 25% growth to Moving Annual Turnover since stage 2 completed - \$52 million
- Current valuation \$47.0 million at 6.25% cap rate



Stage 3 – Artist's impression

Interactive entertainment, food & beverage precinct with unique CBD and community amenity adjoining Mitchell park

60% of the Stage 3 income is pre-committed which includes a 5 Screen Cinema on level 1, Cotton on Mega, a dining precinct including local operators; Tavern, Café & Restaurants opening onto Mitchell Park

Works anticipated to commence October 2021

Estimated completion November 2022

AUPF Pro Forma Outlook¹

Distribution yield of 6.0% and FFO² yield 7.1%³

FY22 FFO Per Unit²

18.0 – 18.5cpu

AUPF FFO forecast is in line with current AOF guidance¹

FY22 Distribution Per Unit⁴

15.5cpu

+2% accretion in FY22, with second half FY22 distribution of 7.9cpu

Gearing⁵

34.3%

+2% increase with a strategy to maintain conservative gearing

NTA Per Unit⁶

\$2.56 – \$2.59

NTA dependent on final transaction costs, including stamp duty

Market Capitalisation⁷

~\$735m

+ ~80% increase presenting opportunity for future index inclusion

1. Assumes merger proceeds with implementation by 31 December 2021 and subject to no material change in current market conditions and no unforeseen events. If the merger does not proceed there is no change to AOF's current FY22 guidance
2. FFO means Directors' assessment of Funds From Operations and assumes merger proceeds and no material change in current market conditions and no unforeseen events
3. Based on midpoint of AUPF pro forma NTA range and assuming a distribution in FY22 of 15.5cpu and the mid-point of FY22 FFO per unit guidance. Assumes merger proceeds and no material change in current market conditions and no unforeseen events
4. AOF first half FY22 distribution per unit (DPU) of 7.6c (in line with AOF guidance) plus forecast second half FY22 AUPF DPU of 7.9c. This forecast is subject to no material change in current market conditions and no unforeseen events
5. Pro forma 30 June 2021 assuming the sale of 32 Phillip Street, Parramatta at book value, see pro forma balance sheet in appendix for gearing range, with gearing dependent on actual transaction costs
6. NTA 30 June 2021 pro forma for the acquisition of 96 York Street, Beenleigh and proposed divestment of 32 Phillip Street, Parramatta. A range has been provided with pro forma NTA dependent on actual transaction costs, refer to pro forma balance sheet in appendix
7. Implied based on midpoint of AUPF pro forma NTA range, refer to pro forma balance sheet in appendix

Indicative implementation path

- AOF and DPF are in advanced discussions regarding the opportunity to merge and create AUPF
- AOF and DPF are considering structuring options available to implement the proposed merger. Options to implement the proposed merger include:
 - a stapling of AOF and DPF units
 - an acquisition of units
- Each option has different legal, structural, tax and duty implications that are currently being assessed, with different unitholder approval thresholds:
 - an ordinary resolution requiring 50% of those who vote; or
 - a special resolution requiring 75% of those who vote
- AOF and DPF will continue to engage with unitholders regarding the proposed merger and are targeting signing an implementation agreement by mid-October to enable the proposed merger to be put to unitholders

Appendices

AUPF Pro Forma Balance Sheet¹

(\$m)	AOF 30 Jun-21	96 York St acquisition	AOF pro forma	DPF 30 Jun-21	Merger adjustments ²	AUPF	32 Phillip St sale ³	AUPF pro forma ¹
Assets								
Cash and cash equivalents	9		9	23		31		31
Receivables	2		2	5		6		6
Financial assets	-		-	25	(25)	-		-
Investment properties	639	34	672	570		1,242	(63)	1,179
Total assets	649	34	683	622	(25)	1,280	(63)	1,217
Liabilities								
Distributions payable	6		6	13		19		19
Payables	7		7	12		19		19
Financial liabilities held at fair value	1		1	-		1		1
Borrowings	190	36	226	261	15 – 24	501 – 510	(63)	439 – 448
Total liabilities	205	36	240	285	15 – 24	541 – 550	(63)	478 – 487
Net assets	445	(2)	443	337	(49) – (40)	730 – 739	-	730 – 739
Number of units on issue (m)	164		164	288 ⁴	(10)	286		286
Net Tangible assets per unit (\$)	2.71		2.69	1.17 ⁴		2.56 – 2.59		2.56 – 2.59
Gearing ⁵	28.3%		32.2%	39.7%		37.6% – 38.4%		34.3% – 35.1%

1. The AUPF pro forma balance sheet assumes the merger of AOF and DPF occurred on 30 June 2021, adjusted for the acquisition of 96 York St, Beenleigh, the assumed sale of 32 Phillip St, Parramatta and other merger adjustments as described below. The pro forma balance sheet is illustrative only and is not an audited statement of financial position. The pro forma balance sheet is based on assumptions that are subject to no material change and no unforeseen events
2. DPF currently holds ~9.7m units in AOF, this ~\$25m investment is included in DPF's 30 June 2021 balance sheet. If the merger proceeds it is assumed these units are cancelled resulting in a ~\$25m reduction in financial assets and a ~9.7m reduction in units on issue. The other merger adjustment is an increase in Borrowings reflecting an estimate of transaction costs, including stamp duty and adviser fees, and write-off of unamortised borrowing costs. The movement in Borrowings has been provided as a range as actual transaction costs are dependent on the implementation structure
3. Assumed sale of 32 Phillip St, Parramatta at 30 June 2021 book value
4. DPF existing number of units and NTA per unit will be adjusted by the merger ratio of 0.455 AOF units for 1 DPF unit
5. Gearing is interest bearing liabilities (excluding unamortised establishment costs) less cash divided by total tangible assets less cash

Strategic rationale for AOF unitholders¹

Key potential benefits for AOF unitholders of the proposed merger:

- **Enhanced medium term income prospects** – portfolio combination is expected to mitigate risks arising from medium term lease expiries; materially improve income profile with potential significant upside from re-leasing initiatives
- **Larger, more diversified portfolio** – 19 assets with a ~\$1.2 billion value across office, convenience and infrastructure retail, multi-use and industrial assets. The portfolio will also have a significantly longer WALE of 5.0 years and higher occupancy at 97%²
- **Increased distributions and enhanced growth outlook** – FY22 DPU guidance of 15.5 cpa³ reflecting 2% accretion, with cashflows from a diverse and defensive tenant base and a lease profile that provides sustainability of income with potential upside
- **Opportunity to refinance debt facilities** – opportunity to refinance existing debt facilities and put in place ~\$600m of new debt facilities with a 3–5 year maturity profile; discussions with multiple lenders well advanced
- **Increased scale, relevance and liquidity** – ~\$735 million market capitalisation⁴ and a broad unitholder base presenting the opportunity for future index inclusion including the ASX/S&P 300 Index and FTSE EPRA Nareit Global Developed Index
- **Mandate flexibility to drive income and value-add opportunities** – including Valentine Avenue, Parramatta and North Blackburn Shopping Centre, North Blackburn, with a focus on key asset attributes of affordability, accessibility and amenity
- **Managed by Australian Unity** – familiarity with and track record of managing existing DPF portfolio

The creation of Australian Unity Property Fund through the proposed merger is expected to create an investment opportunity with a quality property portfolio diversified nationally, accessible by affordable accommodation and superior amenity

1. AUPF portfolio is subject to the merger proceeding

2. Based on 30 June 2021 book values and portfolio metrics, adjusted for acquisition of 96 York Street, Beenleigh and proposed divestment of 32 Phillip Street, Parramatta

3. AOF first half FY22 distribution per unit (DPU) of 7.6c (in line with AOF guidance) plus forecast second half FY22 AUPF DPU of 7.9c. This forecast is subject to no material change in current market conditions and no unforeseen events. If the merger does not proceed there is no change to AOF's FY22 guidance

4. Implied based on midpoint of AUPF pro forma NTA range, refer to pro forma balance sheet in appendix

Strategic rationale for DPF unitholders¹

Key potential benefits for DPF unitholders of the proposed merger:

- **Distribution accretion** – enhanced income from a more diversified portfolio of 19 assets with a ~\$1.2bn² valuation across office, convenience retail and industrial sectors and 9% accretion to distributions³
- **Greater liquidity** – the potential to facilitate a liquidity facility as part of the merger in addition to ongoing liquidity through ASX listing is superior to DPF's existing arrangements
- **Reduced gearing and increased availability to capital sources** – improved capital structure flowing from a larger, more diversified portfolio with greater access to incremental capital sources
- **Value-add opportunity** – exposure to value-add opportunities in both AOF and DPF portfolios, enlarged portfolio and balance sheet should facilitate development funding on more attractive terms
- **Reduced fees** – lower base management fee, no performance fee and no asset acquisition fee
- **Expected lower cost of debt funding** – opportunity to refinance existing debt facilities and put in place ~\$600m of new debt facilities with 3 – 5 year maturity profile
- **Potential to benefit from improvement in trading price** – given enhanced prospects and outlook for the merged entity
- **Managed by Australian Unity** – familiarity with and track record of managing existing AOF portfolio

The proposed merger has merit and offers a number of potential benefits to DPF unitholders

1. AUPF portfolio is subject to the merger proceeding

2. Based on 30 June 2021 book values and portfolio metrics, adjusted for acquisition of 96 York Street, Beenleigh and proposed divestment of 32 Phillip Street, Parramatta

3. AUPF distribution in FY22 of 15.5cpu assumes the merger proceeds, no material change in current market conditions, no unforeseen events and a merger ratio of 0.455 AOF units for 1 DPF unit

AUPF Property Portfolio

\$1.2 billion portfolio diversified across office, multi-use, industrial and infrastructure / convenience retail¹

 DPF assets  AOF assets

Property	Lettable area (sqm)	Occupancy level (by NLA)	WALE (yrs) ²	Major tenant	Book value (\$m)	Cap rate	Capital Value / lettable area (\$/sqm)
Office							
2-10 Valentine Avenue, Parramatta	16,020	97.3%	1.0	Property NSW	147.8	5.50%	\$9,226
150 Charlotte Street, Brisbane	11,081	97.4%	2.6	Boeing Defence Australia	97.0	6.00%	\$8,754
30 Pirie Street, Adelaide	24,665	96.1%	1.7	Telstra	90.0	7.25%	\$3,649
20 Smith St, Parramatta	7,392	97.3%	2.3	GHD	83.5	5.38%	\$11,296
468 St Kilda Road, Melbourne	11,211	92.7%	4.2	EGA Corporate Advisors	79.0	5.25%	\$7,047
1 and 2 Technology Place Williamtown, NSW	7,557	100.0%	3.4	Boeing, Raytheon, Lockheed Martin	54.9	6.00%	\$7,263
96 York Street, Beenleigh	4,661	100.0%	10.0	Logan City Council	33.5	5.63%	\$7,192
64 Northbourne Avenue, Canberra	6,429	80.2%	3.5	Commonwealth of Australia	26.3	7.00%	\$4,091
Multi-use (office/industrial)							
5 Eden Park Drive, Macquarie Park	11,556	96.3%	4.9	Aegros	73.5	5.50%	\$6,360
2 Eden Park Drive, Macquarie Park	10,346	100.0%	3.0	NuSkin Australia	62.5	5.50%	\$6,041
620 Mersey Road, Osborne	8,006	100.0%	9.0	Australian Naval Infrastructure	49.3	5.00%	\$6,152

1. AUPF portfolio is subject to the merger proceeding. AOF and DPF portfolio data as at 30 June 2021 adjusted for AOF acquisition of 96 York St, Beenleigh and AOF disposal of 32 Phillip St, Parramatta. Geddes St Balcatta, consolidated for reporting purposes with Kenhelm St and Busselton Central SC, consolidated for reporting purposes with adjoining 21 Prince St and vacant Lots 121, 122 and 309. Totals may not add up due to rounding
2. WALE means weighted average lease expiry in years, by gross property income as at 30 June 2021, and adjusted for subsequent executed leases and signed heads of agreements

AUPF Property Portfolio

\$1.2 billion portfolio diversified across office, multi-use, industrial and infrastructure / convenience retail¹

DPF assets

AOF assets

Property	Lettable area (sqm)	Occupancy level (by NLA)	WALE (yrs) ²	Major tenant	Book value (\$m)	Cap rate	Capital Value / lettable area (\$/sqm)
Industrial							
19 Corporate Avenue, Rowville	12,398	100.0%	7.0	Regal Beloit Australia	22.0	4.75%	\$1,774
6-8 Geddes Street, Balcatta	9,992	100.0%	2.4	Metcash	14.3	6.00%	\$1,429
Convenience retail							
North Blackburn Square Shopping Centre, North Blackburn ³	6,329	100.0%	8.4	Woolworths	79.0	6.00%	\$12,482
Dog Swamp Shopping Centre, Yokine	8,035	96.5%	8.7	Woolworths	52.8	6.00%	\$6,571
Busselton Central Shopping Centre, Busselton	9,062	96.9%	7.7	Coles	47.0	6.25%	\$5,182
Woodvale Boulevard Shopping Centre, Woodvale	6,378	96.4%	4.5	Woolworths	33.5	6.50%	\$5,254
Infrastructure retail							
Wyong Services Centres, Wyong ⁴	4,286	100.0%	17.0	Caltex-Ampol	130.0	5.00%	\$30,331
Total (T) / Weighted average (W)	(T) 175,405	(W) 97.0%	(W) 5.0		(T) 1,175.8	(W) 5.74%	(T) \$6,703

1. AUPF portfolio is subject to the merger proceeding. AOF and DPF portfolio data as at 30 June 2021 adjusted for AOF acquisition of 96 York St, Beenleigh and AOF disposal of 32 Phillip St, Parramatta. Geddes St Balcatta, consolidated for reporting purposes with Kenhelm St and Busselton Central SC, consolidated for reporting purposes with adjoining 21 Prince St and vacant Lots 121, 122 and 309. Totals may not add up due to rounding

2. WALE means weighted average lease expiry in years, by gross property income as at 30 June 2021, and adjusted for subsequent executed leases and signed heads of agreements

3. The North Blackburn shopping centre is under redevelopment

4. Comprises two separate properties – Wyong Northbound Services Centre and Wyong Southbound Services Centre

AOF portfolio¹



10 Valentine Ave, Parramatta NSW

- 16,020sqm A-grade office property comprising 14 levels of office space, located approximately 100 metres from the Parramatta Bus and Railway Interchange and Westfield Parramatta
- Predominantly leased to the NSW State Government (PNSW) who have occupied the property since construction in 1987



2 Valentine Ave, Parramatta NSW²

- Adjacent to 10 Valentine, Avenue, a development approved office tower which will provide approximately 28,000 sqm of A grade accommodation over 24 office levels with two outdoor terraces
- A further development approval application has been lodged to provide an opportunity to join 2 and 10 Valentine Avenue together into a campus style office accommodation, providing further flexibility



32 Phillip Street, Parramatta NSW

- 6,759sqm B-grade office building, comprising 8 levels of office accommodation and 104 car parking bays on levels 1–4, located within the northern portion of the Parramatta commercial precinct in close proximity to the Church Street retail strip
- GE has sublet the ground floor and levels 5–10 to various tenants (representing approximately 77% of the NLA)



5 Eden Park Drive, Macquarie Park NSW

- 11,556sqm A-grade modern office and warehouse property comprising three levels of office accommodation and a hi-tech production and warehouse area
- In close proximity to the Macquarie Park railway station on the Sydney Metro Northwest railway link

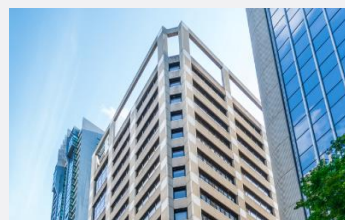


2 Eden Park Drive, Macquarie Park NSW

- 10,346sqm Industrial complex comprising 16 attached office and warehouse units. The three level office areas are at the front of the property with the warehouse at the rear, split over two levels
- The unique nature of the property, being predominantly small quality offices attached to high clearance warehouse, has meant the property has sustained a relatively high level of occupancy since construction

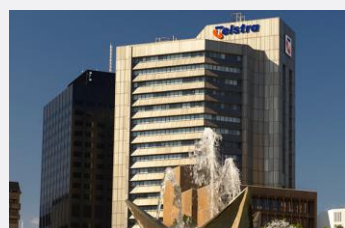
1. Based on 30 June 2021 book values and portfolio metrics
2. Image is an artist's impression and subject to change

AOF portfolio¹



150 Charlotte Street, Brisbane QLD

- 11,081sqm A-grade office building centrally located in Brisbane's CBD, with 16 levels of office space and the midtown precinct location with construction of a new train station 200 metres from the asset
- Boeing has recently installed new services in their premises with an integrated security system and enhancements have been completed in the stair corridors to create better connectivity within the Boeing tenancies



30 Pirie Street, Adelaide SA

- 24,665sqm A-grade office property that is centrally located in Adelaide's CBD, comprising 23 levels of office space
- Building predominantly leased to Telstra, who have occupied the property since its construction in 1987



468 St Kilda Road, Melbourne VIC

- 11,211sqm B-grade office building comprising 13 levels, with refurbishments carried out progressively since 2010
- Longer term, the asset will benefit from the Government's metro rail project, due in 2025, with ANZAC station located nearby



64 Northbourne Avenue, Canberra ACT

- 6,429sqm B-grade property comprising six levels of office accommodation
- Located on a prominent corner in the Canberra CBD within close proximity of the prime retail precinct, the City Bus Interchange and the main station of the Canberra Light Rail Network
- The façade has been repainted to improve the assets appearance



96 York Street, Beenleigh QLD

- 4,661sqm modern newly constructed A-grade office property, with sustainability initiatives including solar panels and rainwater harvesting
- Located in a central government hub in Beenleigh, within 550 meters of the train station and easy connections to Brisbane and the Gold Coast
- Comprises seven floors of office accommodation, 4,009sqm leased to the Logan City Council for 10-years with two 5-year options

1. Based on 30 June 2021 book values and portfolio metrics

Majority Independent Board



Peter Day, Independent Non-Executive Director and Chairman, member of Audit & Risk Committee

Mr Day was appointed as a director and Chairman in October 2015.

Mr Day’s professional career includes senior executive roles in finance and general management in the mining, manufacturing, food and financial services industries, at companies including Bonlac Foods, Rio Tinto, CRA and Comalco. He was Chief Financial Officer for Amcor for seven years until 2007.

Mr Day currently holds a number of non-executive director roles including Ansell, and is the non-executive Chairman of Alumina. He is a former non-executive director of Federation Centres, Orbital Corporation, Boart Longyear, SAI Global, former Chairman of the Australian Accounting Standards Board and was Deputy Chairman of the Australian Securities & Investments Commission (ASIC), and has been a member of the Takeovers Panel.

Mr Day holds a Bachelor of Laws LLB (Hons) and a Master of Administration. He is a Chartered Accountant (FCA), a Fellow of CPA Australia (FCPA) and FAICD.

Don Marples Independent Non-Executive Director, Chair of the Audit & Risk Committee

Mr Marples was appointed to the board in October 2015.

Mr Marples is an experienced director in both the public and private sectors, with more than 30 years’ experience in senior management positions working in real estate funds management, infrastructure, construction, banking and investment banking.

Mr Marples is currently a non-executive director of several companies including MPC Funding Limited.

Previously, Mr Marples held senior executive positions at Lend Lease Group, Commonwealth Bank and Fortius Funds Management, and was a non-executive director on Murray Irrigation Limited.

Mr Marples is a Fellow of the Australian Institute of Company Directors and a Senior Fellow of the Financial Services Institute of Australia (FINSIA). He holds a Masters of Commerce from the University of New South Wales.

Eve Crestani Independent Non-Executive Director, Member of the Audit & Risk Committee

Ms Crestani was appointed to the board in October 2015.

Ms Crestani is a professional director and business consultant with a background in law and management. Her career spans over 35 years with her primary focus being financial services and professional services industries.

Ms Crestani is a non-executive director of booking.com Pty Ltd (Australia & New Zealand), and Soils for Life Ltd, and non-executive chair of Acorn Capital Limited

Previously, Ms Crestani was a non-executive director of Australian Unity Limited (1996 – 29 February 2016), a former Chairman of Mercer Superannuation Australia Limited, and Mercer Outsourcing (Australia) Pty Limited, and Zurich Australia Limited.

Ms Crestani is a member of the ASX Appeal Tribunal, has a Diploma of Law and is a founding fellow of the Australian Institute of Company Directors. She is a business strategist, with 25 years’ experience consulting to large organisations on enterprise transformation and strategic change programs. She is highly regarded for her expertise in property strategies and specifically in the future of work and workplace concepts.

Greg Willcock Non-Executive Director

Mr Willcock was appointed to the board in October 2015, and is the director nominated by Australian Unity as a shareholder of AUIREL.

He has been a director of Australian Unity Limited since March 2012 and is a director of a number of Australian Unity Limited subsidiaries and a member of the Risk & Compliance Committee and the Audit Committee.

Mr Willcock has over 33 years’ experience in banking and financial services in Australia, United States of America and the United Kingdom including seven years in general management roles at National Bank of Australia in the areas of risk management, strategy and change management.

Mr Willcock was previously a director of the Customer Owned Banking Association (COBA).

Erle Spratt Non-Executive Director

Mr Spratt was appointed to the board in June 2020, and is the director nominated by Keppel Corporation as a shareholder of AUIREL.

Mr Spratt is currently the Australian Head of Keppel Capital, a property and infrastructure manager. Mr Spratt has extensive property development and funds management experience across Australia and Asia including roles with M&G Real Estate and Lend Lease.

Mr Spratt holds a Bachelor of Economics.

Proposed AUPF management will be the existing AOF and DPF teams¹



Nikki Panagopoulos, Fund Manager

Joined Australian Unity in 2004. Responsible for the strategy growth and commercial management of the Australian Unity Office Fund since 2021.

Nikki has more than 25 years’ experience in unlisted and listed property markets with a key focus on investor relations, setting and implementing strategy (including acquisitions, disposals, new and existing lease negotiations), project and development management as well as people leadership. Prior to joining Australian Unity, Nikki was an Investment Analyst for Deutsche Bank’s \$1.5 billion listed Deutsche Diversified Trust. Nikki also spent 12 years in Property Funds Management at AXA (formerly National Mutual. Nikki holds a Bachelor of Business (Accounting) from the Royal Melbourne Institute of Technology.

She is also an Associate with a Funds Manager Certification from the Australian Property Institute, holds a Real Estate of Victoria Licence and is a Member of the Australian Institute of Management.

**Simon Beake
Deputy Fund Manager**

Simon joined Australian Unity in 2011 and has over 25 years of funds management, asset management and investment experience in the property and infrastructure sectors. Simon is a Member of the Chartered Institute of Management Accountants (UK) and holds a Masters of Applied Finance and a Bachelor of Arts (Accounting and Finance).

**Victoria Padey
Senior Asset and
Transactions Manager**

Victoria joined Australian Unity in 2019 and is a corporate real estate specialist with over 20 years extensive property experience in both the Australian and New Zealand property industries. Victoria has a Bachelor of Business (Property) from RMIT and currently holds a Victorian Real Estate License.

**Giovanna Reale
Senior Asset Manager**

Giovanna joined Australian Unity in 2006, and is responsible for the asset management of the Fund. Giovanna has 20 years’ property experience, including in management and leasing gained with leading real estate agencies and owner managers. Giovanna has a Bachelor of Business in Property from RMIT.

**Anna Flavell
Senior Asset Manager**

Anna joined Australian Unity in 2017 and has over 15 years’ experience working in the retail sector across operations, property and leasing. Anna holds a Bachelor of Science from La Trobe University, a Masters in Business Management and a certificate in Project Management from Swinburne University.

**Michael Carabetta
Senior Asset Manager**

Michael has over 25 years’ experience in asset and property management, focusing on commercial, industrial and mixed-use asset classes in Australia and overseas. Michael holds a Bachelor of Commerce majoring in Land Economics and a Diploma of Facilities Management.

**Matthew Mitchell
Asset Manager**

Matthew has eleven year’s experience managing Commercial, Industrial and more particularly Retail Assets. He has a Masters Degree in Property Valuation and Management and qualified as a Member of the Royal Institution of Chartered Surveyors (Commercial Property) in 2011.

**Peter Hugh
Development Manager**

Peter has over 25 years’ experience in mixed use development and asset management in Australia and overseas, covering all stages of development. Peter holds an MBA from the AGSM and is a member of the Royal Institution of Chartered Surveyors.

**Jonathon Senior
Portfolio Manager**

Jonathon has over 20 years’ experience in property research and investment management. He holds Bachelor of Commerce and Science degrees from the University of Melbourne and has completed the CPA program and a Graduate Certificate of Applied Finance and Investment from FINSIA.

Supported by the broader Australian Unity group including debt capital markets, development management, capital transactions, valuation research and advisory, and wealth & capital markets support services

1. Assumes the proposed merger of AOF and DPF proceeds

Strategic Assessment – recap

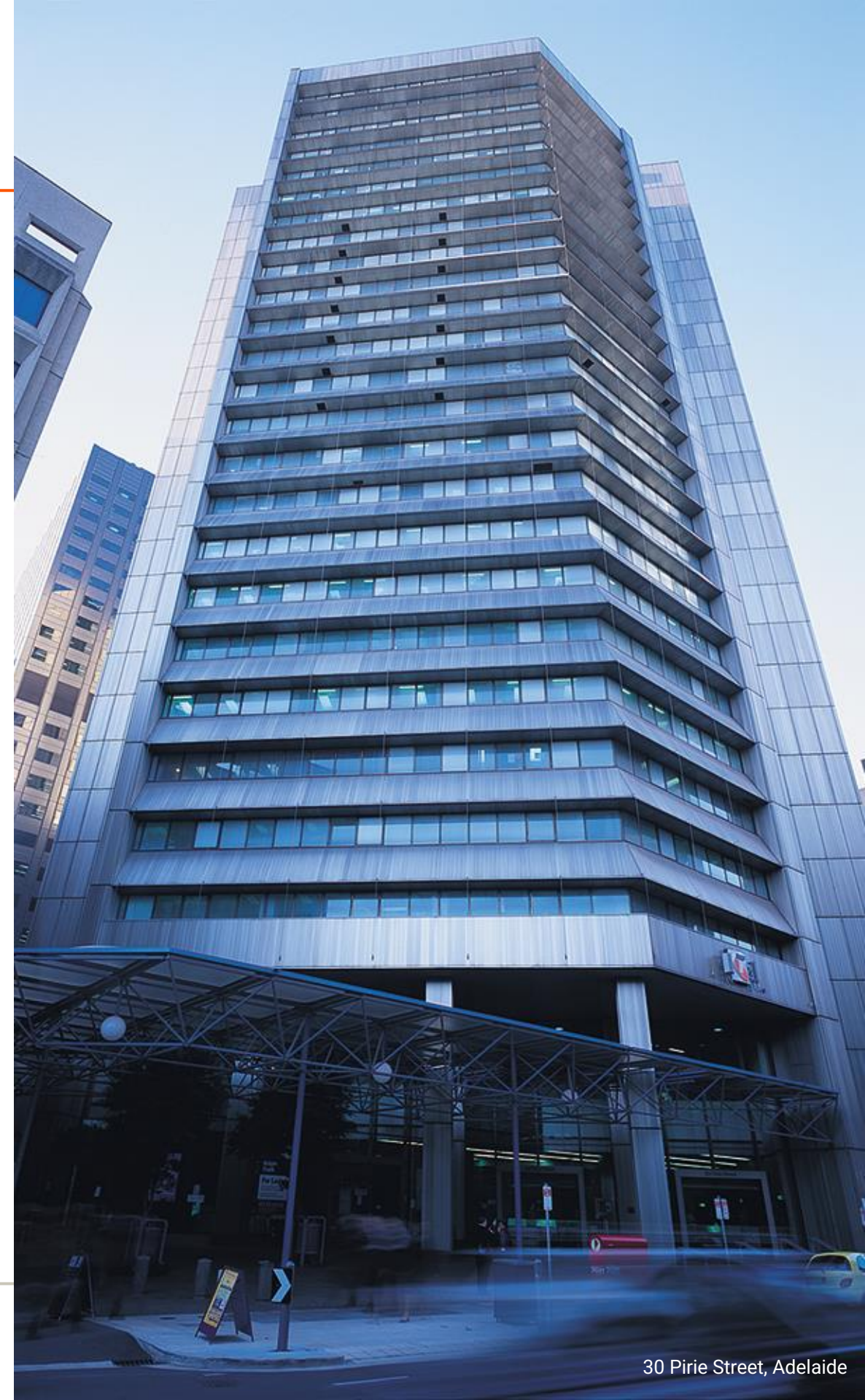
The strategic assessment was conducted to examine options to maximise returns and realise value for unitholders

Three broad categories were identified to assess a range of scenarios:

1. Grow and enhance the portfolio
2. Maintain the current portfolio
3. Divest the portfolio and return capital

Strategic priorities were identified, with the benefit of unitholder engagement

- Maintaining **sustainable income distributions** while maximising returns for unitholders
- Continuing to focus on key asset attributes of **affordability, accessibility and amenity**
- Retaining **an office focus complemented by a diversified asset** ownership mandate
- **Implementing value-add initiatives**, including developments and asset repositioning strategies
- **Targeting a growth strategy to diversify sources of income** in support of the other strategic priorities
- **Enhancing trading liquidity**; targeting index inclusion
- Further leveraging the **capabilities and investment opportunities** provided by the Australian Unity Group



Strategic Assessment – recap

Growing and enhancing the portfolio achieves the strategic priorities

Grow and enhance portfolio

Growing and enhancing the portfolio achieves the strategic priorities

- Provides sustainable distributions, enhances liquidity and allows for delivery of value-add initiatives maximising unitholder value

Options to grow and enhance the portfolio are being considered and delivered

- Redeploying the divestment funds of 241 Adelaide Street, Brisbane to the acquisition of 96 York Street, Beenleigh enhances the sustainability of distributions
- Recycling ageing assets, including exploring the divestment of 32 Phillip Street, Parramatta
- Development led value-add repositioning strategies are underway at Valentine Ave, Parramatta and 30 Pirie St, Adelaide
- The potential merger with DPF has financial and strategic merit with investigations ongoing

Maintain current portfolio

Does not achieve the strategic priorities

- Currently sub scale with limited liquidity
- Weighting to major tenants' presents risk at lease expiry to sustainability of distributions

Divest and return capital

Does not achieve the strategic priorities

- Does not deliver sustainable income distributions
- Full portfolio divestment presents significant uncertainty around net proceeds to be returned to unitholders given potential unrealised capital gain, value and timing risks
- Unit buy back remains an option if AOF trades at a material discount to net tangible assets

We will continue to assess options to maximise returns and value for unitholders

Important notice and disclaimer

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YEARS



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