



Australian Unity Office Fund 2022 Full Year Results

August 2022

(ASX: AOF)

Webcast | Teleconference





Acknowledgement of Country

We acknowledge the traditional owners of the lands and waters within Australia and recognise the important connection to Country that Aboriginal and Torres Strait Islander People have.

A quality,
metropolitan and
CBD portfolio
offering
affordable
accommodation
with **amenity,**
accessibility and
repositioning
opportunities



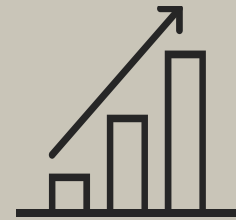
AOF Overview

Agenda

1. Portfolio Highlights
2. Financial Results
3. Portfolio Overview
4. Outlook and Guidance
5. Appendices

Portfolio Highlights

1



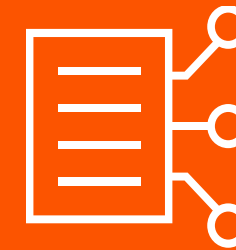
18.8 cpu FFO¹
Top end of guidance

2



84.4% occupancy²

3



15.4%, 14,100sqm³
leased

4



Distributions
15.2cpu

5



Refined Strategy

1. For the year ended 30 June 2022. FFO means Directors' assessment of Funds From Operations
2. By net lettable area, as at 30 June 2022
3. ~14,100 sqm leased during the financial year 2022, excluding 96 York St, Beenleigh

Portfolio focus

Refined Strategy

1. Owning Australian real estate assets in metropolitan and CBD markets
2. Generating income by delivering and maintaining sustainable occupancy levels
3. Divesting assets to make capital available
4. As appropriate, recycle available capital to refurbish and reposition assets
5. Exploring other value maximisation initiatives

Expressions of Interest Campaign

1. Three assets, 150 Charlotte St Brisbane, 64 Northbourne Ave Canberra, and 96 York St Beenleigh, proposed to be divested
2. The sales campaign has commenced
3. Proceeds from the asset sales will initially be used to repay debt and, as appropriate, recycled into refurbishment and repositioning initiatives



Financial Results



Financial Results 2022

FFO above guidance

FFO¹ Per Unit	18.8cpu	Above guidance of 18.0cpu – 18.5cpu +0.1cpu increase from FY21 driven by fixed rent reviews
Distribution Per Unit	15.2cpu	In line with guidance and +0.2cpu increase from FY21
Profit attributable to unitholders	-\$48.4m	Driven by revaluation of investment properties
NTA² Per Unit	\$2.26	-\$0.45 per unit reduction from June 2021

1. FFO means Directors' assessment of Funds From Operations

2. NTA means Net Tangible Assets

Property Portfolio¹

Property	Independent Valuation (\$'m)	Change in valuation ² (\$'m)	Capitalisation rate (%)	Change in capitalisation rate (%) ³
2-10 Valentine Avenue, Parramatta	98.00	(49.80)	5.50% ⁴	-
150 Charlotte Street, Brisbane	77.10	(19.90)	6.25%	0.25%
30 Pirie Street, Adelaide	73.00	(17.00)	6.75%	(0.50%)
468 St Kilda Road, Melbourne	83.20	4.20	5.125%	(0.125%)
5 Eden Park Drive, Macquarie Park	80.00	6.50	5.25%	(0.25%)
2 Eden Park Drive, Macquarie Park	62.50	0.00	5.50%	-
96 York Street, Beenleigh ⁵	33.52	n/a	6.625%	
64 Northbourne Avenue, Canberra	32.50	6.20	5.75%	(1.25%)
Total (T) / Weighted Average (W)	539.82 (T)	(69.80)	5.69% (W)	

All properties were independently revalued at 30 June 2021 and 30 June 2022; except 96 York Street which was valued at 31 March 2022

Valuation reductions at:

- 2-10 Valentine Avenue, Parramatta;
- 150 Charlotte Street, Brisbane; and
- 30 Pirie Street, Adelaide

driven by the major tenant at these buildings informing AOF that they will not be renewing their leases on expiry

Increase in valuations at:

- 468 St Kilda Road, Melbourne;
- 5 Eden Park Drive, Macquarie Park; and
- 64 Northbourne Avenue, Canberra

as a result of strong leasing outcomes, improved occupancy and capitalisation rate compression

1. As at 30 June 2022, unless otherwise stated

2. Change in independent valuations between 30 June 2021 and 30 June 2022

3. Change in capitalisation rate between 30 June 2021 and 30 June 2022

4. Refers to 10 Valentine Avenue only. The capitalisation rate for 2 Valentine Avenue is 5.00%

5. The acquisition of 96 York Street completed on 25 February 2022 and as such no prior year comparison is available. The independent valuation is as at 31 March 2022

Capital Management¹

Debt book refinanced to March 2025

Gearing²	30.4%	<p>On 31 March 2022 AOF refinanced \$150 million of its debt book with its existing lenders The refinancing was on a similar line fee and margin to the prior facility</p> <p>All tranches of AOF \$250 million debt facility now expire on 17 March 2025, equating to a weighted average debt expiry of 2.7 years</p> <p>The facility is secured against the assets of the Fund \$79.7 million of headroom in the debt facility at 30 June 2022</p>
Drawn Debt³	\$170.3m	
Cost of Debt	2.9%	<p>The 2.9% cost of debt is expected to increase in FY23 due to higher forecast interest rates</p>
Hedging	76.3%	<p>AOF's debt is 76.3% hedged with a weighted average hedge maturity of 2.3 years</p>
Debt covenants	5.5x / 31.5%	<p>Significant debt covenant headroom with interest cover ratio 5.5x against a minimum 2.0x covenant and Loan to Value ratio of 31.5% against a 50% maximum covenant</p>

1. As at 30 June 2022, unless otherwise stated

2. Gearing is interest bearing liabilities (excluding unamortised establishment costs) less cash divided by total tangible assets less cash

3. Total facilities limit of \$250.0 million as at 30 June 2022



Portfolio Overview

Active management driving leasing success



5 Eden Park Drive

- Leasing success continues with 2,934sqm of lettable area leased in financial year 2022, increasing occupancy to 100% (96.3% at 30 June 2021); with the independent valuation increasing by +\$6.5 million during financial year 2022
- A 6-year lease over 1,251 sqm has been executed which will commence when the existing tenant vacates in March 2023
- Another 1,988sqm of net lettable area is under heads of agreement



2 Eden Park Drive

- Leasing success continues with 1,885sqm of lettable area leased in financial year 2022, with occupancy 97% at 30 June 2022



468 St Kilda Road

- Active leasing has maintained strong occupancy of ~94% as at 30 June 2022 with 2,049sqm of leasing completed in the financial year
- Active management has delivered a WALE of 4.4 years and driven the independent valuation to increase by \$4.2 million during financial year 2022

Refurbishment and Repositioning Opportunities

10 Valentine Ave, Parramatta



Artist's impression subject to change

The opportunity involves a new lobby with contemporary end of trip & wellness facilities along with refurbished base building

The objective is to create a workplace that is attractive to tenants, delivers contemporary and flexible workplace solutions, enhances the Parramatta public domain and is suitable for long term ownership

- Basement, Ground, 13 Office Levels, Roof plant, Workplace Density 1:10, including amenities
- A development application is underway offering an opportunity to reclad the existing façade, creating additional net lettable area

30 Pirie St, Adelaide



Artist's impression, subject to change

The opportunity involves refurbishment of the property to reposition to current Property Council Australia (PCA) A grade in the heart of the Adelaide CBD on an island site of 3,040sqm

The objective is to create a workplace that is attractive to tenants, delivers contemporary and flexible workplace solutions, enhances the Adelaide public domain and is suitable for long term tenant occupation and ownership

- Activated vibrant forecourt and ground floor lobby with concierge and hub style meeting rooms with touchless end-of-trip facilities and amenity
- 5 Star NABERS Energy, 4 Star NABERS Water, 3 Star NABERS Waste, green star rating of 6 Star Greenstar, a Wells rating of Platinum and PCA A grade rating

Asset sales

Three asset sales present an opportunity to recycle capital and progress refurbishment strategies



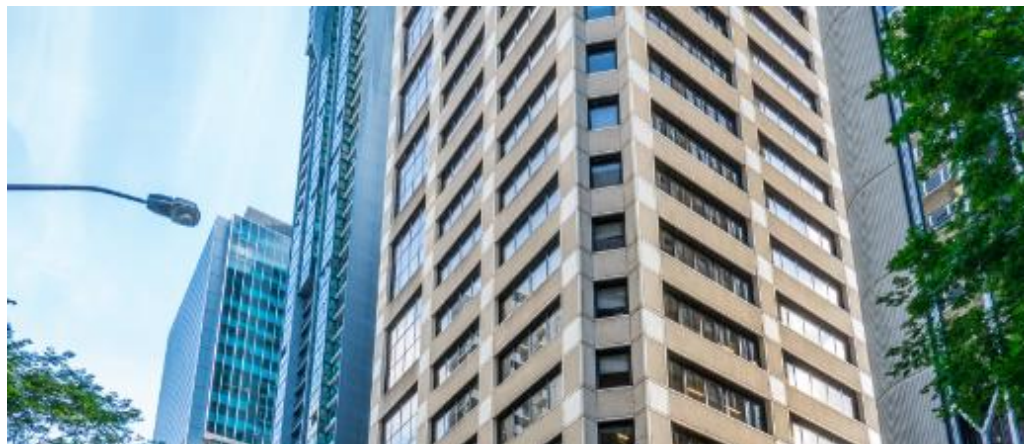
64 Northbourne Avenue

- B-grade property comprising 6,375sq m of fully-leased office space over six levels of office accommodation on an approximately 1,500sqm site
- Located on a prominent corner in the Canberra CBD with three street frontages within the prime retail precinct, the City Bus Interchange and the main station of the Canberra Light Rail Network
- 64 Northbourne and neighbouring properties comprise a prime CBD block in the core of the Canberra CBD. The combined site is adjacent to the recently completed light rail terminus
- The asset's 100% occupancy and 2.5 year WALE should appeal to a wide range of potential buyers



96 York Street

- Modern newly constructed A-grade office property, with sustainability initiatives including solar panels and rainwater harvesting
- Located in a central government hub in Beenleigh, approximately 550 metres to the train station and easy connections to Brisbane and the Gold Coast
- Comprises seven floors of office accommodation, 4,011sqm leased to the Logan City Council for 10-years with two 5-year options
- The asset's strong covenant and almost 10 year WALE should appeal to a wide range of potential buyers



150 Charlotte Street

- Centrally located in Brisbane's CBD, comprising 16 levels of office space and three levels of basement parking providing 110 car parking bays
- Adjacent to the city's Golden Triangle precinct, the midtown precinct location is undergoing a transformation, with some of Brisbane's largest infrastructure projects including Queen's Wharf and the Cross River Rail, a new train station approximately 200 metres from the asset
- The property offers a value add opportunity with the upcoming Boeing Defence Australia expiry and should be attractive to a wide range of potential buyers

Outlook and Guidance

Outlook and Guidance

Guidance

Distribution guidance¹ of **2.50cpu for the September 2022 quarter**. Distribution guidance will be provided on a quarterly basis until further notice

FFO guidance is not being provided at this time

Outlook

Maintain active management to deliver leasing and occupancy outcomes

Progress refurbishments and repositioning opportunities

Divest assets to make capital available for recycling or other value maximisation initiatives

1. Distribution guidance is subject to no material change in AOF's portfolio, no material change in current market conditions and no unforeseen events



Appendices

Income Statement

\$'000	2022	2021	Change	Note
Rental income ¹	52,843	56,822	(3,979)	i
Property expenses ²	(12,881)	(16,379)	3,498	i
Straight lining of rental income and amortisation of leasing commissions and tenant incentives	(6,196)	(5,944)	(252)	
Net property income	33,766	34,499	(733)	
Interest income	1	1	0	
Net gains on financial instruments held at fair value	9,679	3,136	6,543	ii
Net gains/(losses) on disposal of investment property	1,927	(501)	2,428	iii
Net fair value decrement of investment properties	(79,169)	(1,657)	(77,512)	iv
Management fees	(3,690)	(4,110)	420	
Borrowing and other related costs	(5,645)	(6,643)	998	i
Other expenses	(5,224)	(1,468)	(3,756)	v
Profit / loss for the year	(48,355)	23,257	(71,612)	

i. Reduction in rental income, property expenses and borrowing costs driven by the sale of 241 Adelaide Street, Brisbane and 32 Phillip Street, Parramatta

ii. Movement in the mark to market value of interest rates swaps driven by movements in the swap curve

iii. 32 Phillip Street, Parramatta was sold in December 2021, realising a ~\$1.9 million net gain

iv. Reduction driven by the major tenant expiries at 2-10 Valentine Avenue, Parramatta; 30 Pirie Street, Adelaide and 150 Charlotte Street, Brisbane

v. 2022 includes costs associated with assessing options to maximise returns for unitholders; including the proposed merger with the Australian Unity Diversified Property Fund, corporate transactions and assets sales.

1. Rental income excludes amortisation of leasing commissions and tenant incentives and excludes the impact of straight lining of rental income

2. Property expenses includes expected credit losses

Balance Sheet

\$'000	30 June 2022	30 June 2021	Change	Note
Assets				
Cash and cash equivalents	3,261	8,935	(5,674)	
Receivables	1,357	592	765	
Other Assets	873	999	(126)	
Financial assets held at fair value through profit or loss	8,689	-	8,689	i
Investment Properties	539,820	638,850	(99,030)	ii, iii
Total Assets	554,000	649,376	(95,376)	
Liabilities				
Distributions Payable	6,247	6,164	(83)	
Payables	6,677	7,232	555	
Financial Liabilities held at fair value through profit and loss	-	991	991	i
Borrowings	169,585	190,157	20,572	iv
Total Liabilities	182,509	204,544	22,035	
Net assets	371,491	444,832	(73,341)	
Number of units on issue (thousand)	164,383	164,383	0	
Net Tangible Assets per unit	\$2.26	\$2.71	(\$0.45)	v

i. Interest rate swaps were “in the money” at 30 June 2022 but “out of the money” 30 June 2021

ii. Reduction in Investment properties reflects the sale of 32 Phillip Street, Parramatta; acquisition of 96 York Street, Beenleigh and updated valuations.

iii. The valuation of 2-10 Valentine Ave, Parramatta; 30 Pirie Street, Adelaide and 150 Charlotte Street, Brisbane significantly reduced during the year, after the major tenant at each property informed AOF that they would not be renewing their lease upon expiry

iv. Reduction in borrowings driven by sale of 32 Phillip Street, Parramatta for \$66.0 million, excluding transaction costs; partly offset by the acquisition of 96 York Street, Beenleigh for \$33.52 million, excluding transaction costs

v. \$0.45 per unit reduction in net tangible assets, predominately due to valuation movements at 2-10 Valentine Ave, Parramatta, 30 Pirie Street, Adelaide, 150 Charlotte Street, Brisbane

Property details¹

Market	Property	State	Independent Valuation (\$'m)	Capitalisation rate (%)	NLA ² (sqm)	Value \$/sqm	WALE ³ (years)	Occupancy (by NLA)
Parramatta	2-10 Valentine Ave, Parramatta ⁴	NSW	98.00	5.50% ⁵	16,020	6,117	0.4	18.2%
Brisbane CBD	150 Charlotte St, Brisbane	QLD	77.10	6.25%	11,081	6,958	2.2	98.0%
Adelaide CBD	30 Pirie St, Adelaide	SA	73.00	6.75%	24,665	2,960	0.8	100.0%
Sub-Total (T) / Weighted Average (W)			248.10 (T)	6.07% (W)	51,766(T)	4,793 (W)	1.3 (W)	74.3% (W)
Melbourne Fringe	468 St Kilda Rd, Melbourne	VIC	83.20	5.13%	11,211	7,421	4.4	93.7%
Macquarie Park	5 Eden Park Dr, Macquarie Park	NSW	80.00	5.25%	11,556	6,923	3.9	100.0%
Macquarie Park	2 Eden Park Dr, Macquarie Park	NSW	62.50	5.50%	10,346	6,041	2.4	97.0%
Beenleigh	96 York St, Beenleigh ⁶	QLD	33.52	5.63%	4,650	7,209	9.6	86.3%
Canberra CBD	64 Northbourne Ave, Canberra	ACT	32.50	5.75%	6,375	5,098	2.5	100.0%
Sub-Total (T) / Weighted Average (W)			291.72 (T)	5.37% (W)	44,138(T)	6,609 (W)	4.1 (W)	96.3% (W)
Portfolio	Total (T) / Weighted Average (W)		539.82 (T)	5.69% (W)	95,904(T)	5,629 (W)	2.5 (W)	84.4% (W)

1. All information is as at 30 June 2022 unless otherwise noted

2. NLA means net lettable area

3. WALE means weighted average lease expiry in years, by gross property income

4. 2 & 10 Valentine Ave, Parramatta are on a single title with 10 Valentine Ave comprising a 14 level office building with basement parking for 25 cars; and 2 Valentine Ave comprising an adjacent six level car park for 282 cars. The independent valuation of 10 Valentine Ave is \$82.0 million, with a capitalisation rate of 5.50% and 2 Valentine Ave \$16.0 million, with a capitalisation rate of 5.00%

5. Refers to 10 Valentine Ave, Parramatta only

6. 96 York Street, Beenleigh independent valuation is as at 31 March 2022. The property benefits from a 2-year rental guarantee over the vacant space which expires on 21 February 2024

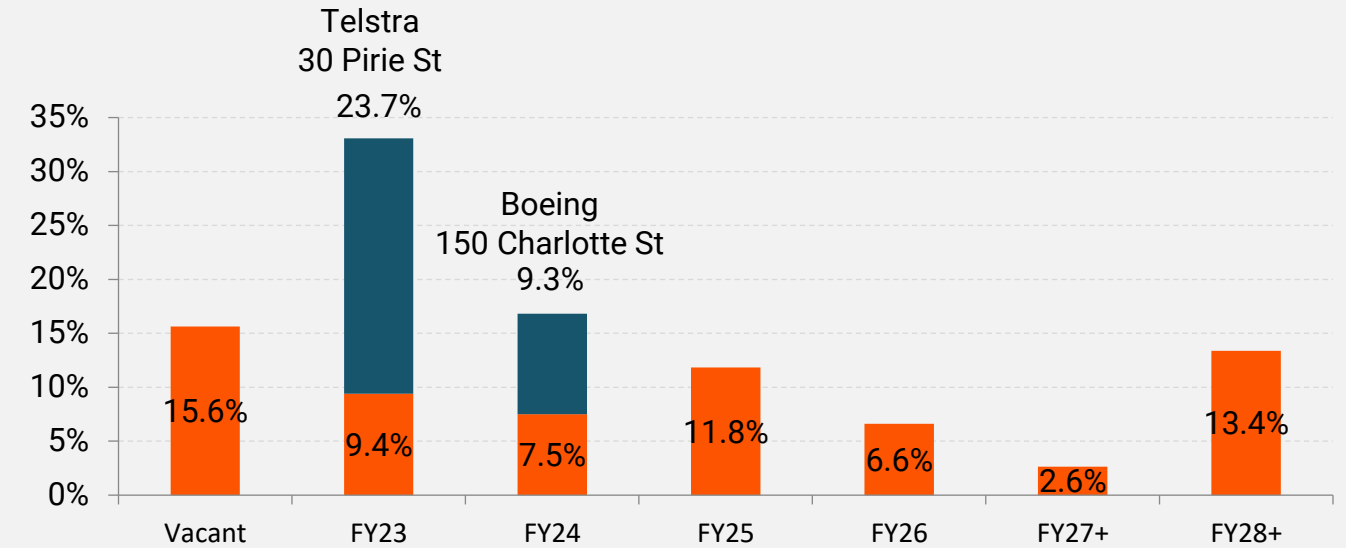
Property Portfolio

As at 30 June 2022

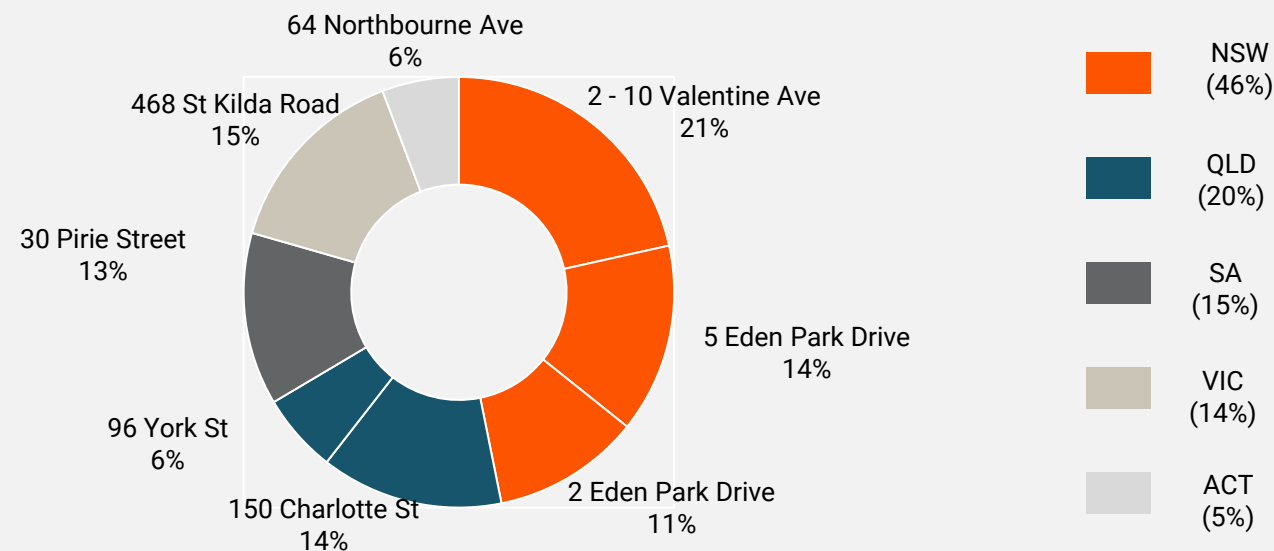
Key Portfolio Metrics

Number of properties	8
Occupancy ¹	84.4%
Portfolio Value	\$539.82m
Weighted Average Capitalisation Rate	5.69%
WALE ²	2.5 years
Net Lettable Area	95,904 sqm

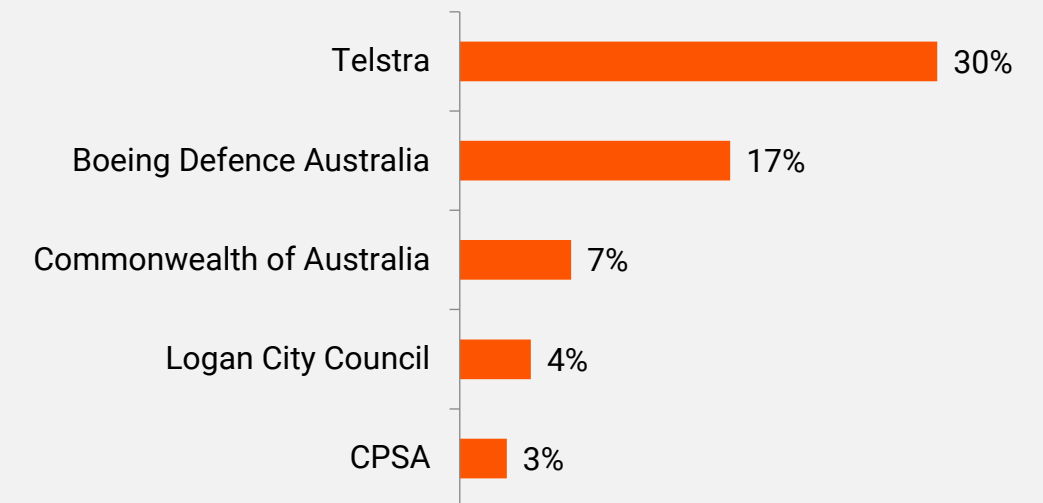
Lease expiry profile¹



Geographic diversification³



Top 5 Tenants⁴



1. By Net Lettable Area; 2. WALE weighted average lease expiry in years, by gross property income; 3. By book value; 4. By gross property income

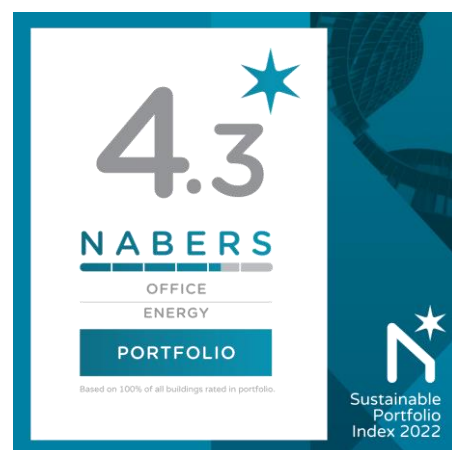
Environmental, Social & Governance Framework

<p>Environmental</p>	<p>Transparent NABERS – Water and Energy Efficiency Monitoring</p>	<p>Environmental Impacts Focus on green initiatives, solar</p>	<p>Collaborate with Tenants ESG measures and guidance to lease negotiations</p>	<p>Invest in long term sustainability Repositioning strategies implementing sustainable upgrades</p>
<p>Social¹</p>	<p>Community & Social Value framework Affordable empowerment with a strong community focus</p>	<p>Socially connected Part of a Wellbeing Health Organisation</p>	<p>Community focused Actively engage with community and councils to deliver community deliverables</p>	<p>Complemented Business Model Healthcare and Social Infrastructure funds create synergies with community offers</p>
<p>Governance</p>	<p>Board Majority Independent AUIREL Board of Directors</p>	<p>Modern Slavery Statement¹ Monitoring suppliers through Modern Slavery Risk Assessment criteria</p>	<p>Impact¹ Inaugural Impact Report on effect of products & services on customers, community & employees published 2021</p>	<p>Reconciliation¹ Reconciliation Action Plan launched in 2016</p>

1. Refers to Australian Unity Group, of which the investment manager and property manager are wholly owned subsidiaries

AOF – Portfolio Environmental Performance 2022

AOF - Year 1 Participation NABERS Sustainable Portfolio's Index Result 2022



SPI 2022 ENERGY PORTFOLIO RANK – 13th In Australia



SPI 2022 WATER PORTFOLIO RANK – 8th in Australia

Note: All energy ratings are without Green Power. Number of assets eligible for SPI 2022 – Six. Link to website - <https://www.nabers.gov.au/portfolio>

Site Address	NABERS Rateable	Included in NABERS SPI 2022 Ranking	NABERS Energy Rating (No Greenpower Included, public rating only)	NABERS Water
10 Valentine Avenue, Parramatta, NSW	Yes	Yes	5.5	5.5
150 Charlotte Street, Brisbane, QLD	Yes	Yes	5	4
30 Pirie Street, Adelaide, SA	Yes	Yes	3.5	5
468 St. Kilda Road, Melbourne, VIC	Yes	Yes	3.5	4
5 Eden Park Drive, Macquarie Park, NSW	Yes	Yes	5	4
64 Northbourne Avenue, Canberra, ACT	Yes	Yes	4	5
2 Eden Park Drive, Macquarie Park, NSW	No	No	Commercial building disclosure exempt due to majority warehouse component	
96-98 York Street, Beenleigh, QLD	Yes	No	New Building 18 months of full operations required to complete ratings	

Note: Above ratings are correct as at 17th August 2022
Australian Unity

Asset Lifecycle – driving sustainability enhancements

Refurbish, Redevelop and Recycle

- Circular Economy:
 - Design out waste and pollution
 - Keep products and material in use
 - Regenerate natural systems

10 Valentine Ave, Parramatta

Refurbish, Redevelop and Recycle

- Furniture left behind by the prior tenant at lease expiry:
 - Over 100 items repurposed with local sporting clubs
 - Whiteboards, lockers and tables to be offered to local preschools
 - Green Furniture Hub to be engaged to remove desks, chairs and cabinets
- Services Upgrade – Electrification (proposed) provides for fossil fuel elimination and a reduction of green house gas emissions
- Embodied carbon reduction through design, material and product selection, and construction activities provides 20% contribution to carbon emission reduction
- Reclad offers over 60% retention of the existing structure, compared to a rebuild providing for an opportunity to save several tonnes of carbon emissions

Important notice and disclaimer

The information provided in this presentation is issued by Australian Unity Investment Real Estate Limited ABN 86 606 414 368 AFSL 477434 (AUIREL), as responsible entity for the Australian Unity Office Fund (AOF). 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.

The information provided is general information only. The information in this presentation is to be read in conjunction with the Australian Unity Office Fund financial report and directors' report for the year ended 30 June 2022 lodged with the Australian Stock Exchange on 29 August 2022. It is not intended to be investment or financial product advice and should not be relied upon as such. It does not take into consideration any persons individual needs, objectives or financial circumstances and investors or potential investors should make their own assessment of, or obtain professional advice to determine whether it is appropriate for them. The presentation is not an offer or invitation for subscription or purchase of units in AOF and has been prepared to comply with the requirements and laws of Australia only.

Certain statements in this presentation may constitute forward-looking statements or statements about future matters (including forecast financial information) that are based upon information known and assumptions made as of the date of this presentation. These statements are subject to internal and external risks and uncertainties that may have a material effect on future business. Actual results may differ materially from any future results or performance expressed, predicted or implied by these statements. As such, undue reliance should not be placed on any forward looking statements. Past performance is no guarantee of future performance. Nothing contained in this presentation nor any information made available to investors or potential investors is, or shall be relied upon as, a promise, representation, warranty or guarantee, whether as to the past, present or future state by AOF, AUIREL or any other person (including any director, officer or any related body corporate of AUIREL or Australian Unity Group), except as required by law.

All information in the presentation is current as at 30 June 2022 unless otherwise stated. All figures and amounts are in Australian dollars unless otherwise stated. Roundings of any figures may result in some discrepancies between the sum of components and the totals outlined within this document including any tables and percentage calculations.



**Australian
Unity**



Real Wellbeing