For personal use only

21 December 2018

Dear Securityholder,

I am pleased to invite you to an Extraordinary General Meeting (**EGM**) of Centuria Capital Group (**ASX: CNI**) which is to be held:

Date: 31 January 2019

Time: 10:00 am AEDT

Location: Level 39, 100 Miller Street, North Sydney, NSW

Registration will commence at 9:30 am. To assist with registration formalities, please bring the enclosed proxy form with you to the EGM.

The following documents are enclosed with this letter:

- Notice of Meeting including:
  - Item of Business
  - Voting Instructions
  - Explanatory Notes
  - Independent Expert's Report
- Appointment of Proxy Form

Reasons for this EGM:

As you may be aware, ESR Real Estate Australia Pty Ltd (a subsidiary of ESR Cayman Limited) (**ESR**) recently made a conditional takeover offer to buy all the stapled securities in Propertylink Group (**ASX: PLG**) (**PLG Securities**) that it does not currently own. Centuria Capital Group (**Centuria**) currently holds 117,610,846 PLG Securities, constituting 19.5% of the total PLG Securities on issue.

Simultaneously, ESR, together with its parent and related bodies corporate, has a relevant interest in 14.9% of the Centuria Securities on issue.

Should Centuria choose to accept the offer from ESR to buy its PLG Securities, Centuria would be selling a 'substantial asset' to a 'substantial securityholder' for the purposes of the ASX Listing Rules. Such a transaction requires the approval of you, the Centuria securityholders, before the Board can be given the opportunity to approve the sale of the PLG Securities to ESR.

The Board wishes to stress that, whilst the approval of securityholders is being sought in respect of this transaction, the Resolution seeks to confer on the Board the ability to decide whether to ultimately sell into the ESR bid.

Centuria Capital Group
Consisting of:
Centuria Capital Limited ABN 22 095 454 336
and Centuria Capital Fund ARSN 613 856 358

Level 12,
225 George Street,
SYDNEY NSW 2000

GPO Box 3993,
SYDNEY NSW 2001

P: 1800 182 257 or 02 9290 9689
F: 02 9279 0664
CNI.Enquiry@CenturiaInvestor.com.au
centuria.com.au

Your approval is being sought under the ASX Listing Rules so as not to prevent the Board from being able to accept the offer from ESR, should it resolve to do so, prior to the expiry of the Offer Period (including any extension of the Offer Period).

Due to the timing of the bid and current acceptance dates, the Board considers it necessary to commence the process now which would give it the requisite authorisation under the ASX Listing Rules to accept the offer should it decide to do so following consideration of its merits. At this stage, the takeover bid is still conditional and there is no guarantee that it will become unconditional at any time or that the Board will decide to accept the takeover bid.

For absolute clarity, the Resolution that needs to be considered by securityholders at this EGM is important to provide authorisation but it will not bind the Board to accept the Takeover Bid by ESR.

The Centuria directors unanimously recommend that you vote in favour of the Resolution.

Yours sincerely,

Garry Charny
Chairman
21 December 2018

For personal use only

For personal use only

CENTURIA CAPITAL GROUP

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that:

- an Extraordinary General Meeting of shareholders of Centuria Capital Limited ACN 095 454 336 (**Company**); and

- an Extraordinary General Meeting of unitholders of Centuria Capital Fund ARSN 613 856 358 (**Fund**),

(together, the **EGM**) will be held concurrently at Level 39, 100 Miller Street, North Sydney on Thursday, 31 January 2019 at 10:00 am AEDT.

This Notice of Meeting is issued by the Company and by Centuria Funds Management Limited ACN 607 153 588 (**CFML**) in its capacity as responsible entity for the Fund.

The Company's constitution and the Fund's constitution provide that meetings of shareholders of the Company and unitholders of the Fund may be held concurrently whilst shares in the Company are stapled to the units in the Fund. Accordingly, the meeting will be an extraordinary general meeting of Securityholders of both the Company and the Fund (together, the **Centuria Capital Group**).

Terms and abbreviations are defined in the Glossary at the end of this Notice of Meeting and Explanatory Notes.

For further information including definitions of capitalised terms, please refer to the Explanatory Notes which accompany and form part of this Notice of Meeting.

ITEMS OF BUSINESS

Item 1. Approval sought under ASX Listing Rule 10.1

To consider and, if thought fit, to pass the following as an ordinary resolution of the Centuria Capital Group:

> *"That, subject to the approval by the boards of the Company and CFML, for the purpose of ASX Listing Rule 10.1 and all other purposes, approval is given for Centuria Capital Group to dispose of all PLG Securities held by the Centuria Capital Group or on behalf of the Centuria Capital Group to ESR Australia by accepting its Takeover Bid, on the terms and conditions described in the Explanatory Notes accompanying this Notice of Meeting."*

VOTING EXCLUSION STATEMENTS

The *Corporations Act 2001* (Cth) (**Corporations Act**) and the ASX Listing Rules require that certain persons must not vote, and the Company must disregard any votes cast by or on behalf of certain persons, on the item to be considered at the EGM. This voting exclusion is described below.

Voting Exclusion: Item 1 — Approval sought under ASX Listing Rule 10.1

In respect of the Resolution set out in Item 1, in accordance with the ASX Listing Rules, the Centuria Capital Group will disregard any votes cast by:

- ESR; or
- an associate of ESR,

unless the vote is cast as proxy for a person who is entitled to vote on the Resolution:

- in accordance with a direction on the Proxy Form; or
- by the Chairperson of the EGM pursuant to an express authorisation to exercise the proxy.

Please read the information under the headings 'Proxies and authorised representatives' and 'Undirected proxies' below.

VOTING INSTRUCTIONS

Voting entitlement

The Directors of the Company and CFML have determined that persons holding Securities in the Group at 7.00pm (Australian Eastern Daylight Time) on Tuesday, 29 January 2019 will, for the purposes of determining voting entitlements at the EGM, be taken to be the Securityholders of the Centuria Capital Group.

How to vote

Securityholders may vote by attending the meeting in person, by proxy or by authorised representative.

Proxies and authorised representatives

A Securityholder who is entitled to attend and vote at the EGM has the right to appoint a proxy to attend and vote for them. The proxy does not have to be a Securityholder of the Centuria Capital Group.

Securityholders holding two or more Securities can appoint either one or two proxies. Where two proxies are appointed, the appointing Securityholder can specify the number of votes or the proportion of the Securityholder's votes they want each proxy to exercise. If no number or proportion is specified, each proxy may exercise half of the Securityholder's votes. Neither proxy may vote on a show of hands.

Corporate Securityholders must provide the Centuria Capital Group with satisfactory evidence of the appointment of any corporate representative, prior to the commencement of the EGM.

For personal use only

A proxy can be either an individual or a body corporate. Should you appoint a body corporate as your proxy, that body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at meetings; and
- provides the Centuria Capital Group with satisfactory evidence of the appointment of its corporate representative prior to commencement of the EGM.

If a proxy appointment is signed by the Securityholder but does not name the proxy or proxies in whose favour it is given, the Chairperson may either act as proxy or complete the proxy appointment by inserting the name or names of one or more Directors or the Secretary. In addition, if you direct your proxy how to vote and your nominated proxy does not attend the EGM, or attends but does not vote on a poll on the Resolution, the Chairperson of the EGM will act in place of the nominated proxy and vote in accordance with any instructions.

A proxy form is enclosed with this Notice of Meeting. If you wish to appoint two proxies, please obtain an additional form from the Centuria Capital Group's Registry or make a photocopy of the enclosed proxy form. To be effective, a duly completed proxy form and the power of attorney (if any) under which the proxy form is signed or a certified copy of the relevant authority must be received at the Registry or at the Centuria Capital Group's registered office at least 48 hours before the start of the EGM (being no later than 10:00 am (Australian Eastern Daylight Time) on Tuesday, 29 January 2019).

Proxies may be returned to BoardRoom Pty Limited as follows:

By mail:

GPO Box 3993, Sydney NSW 2001

In person:

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000

By facsimile to:

(+61 2) 9290 9655 (outside Australia)

Online at:

https://www.CenturiaInvestor.com.au/CNIEGM
To use this facility please follow the instructions on your enclosed proxy form.

Undirected proxies

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on each item by marking either "For", "Against" or "Abstain" against each item of business on the Proxy Form. If in respect of any of the items of business against which you do not direct your proxy how to vote, you are authorising your proxy to vote as they decide, subject to any applicable voting exclusions.

As per clause 51.6(c) of the Company's constitution and section 252Y(4)(c) of the Corporations Act (applying in respect of the Fund by way of operation of clause 17.1(b) of the Fund's constitution), if the Chairperson of the EGM is your proxy and the appointment directs the way the Chairperson is to vote, the Chairperson must vote on a poll, and must vote as directed, for each item of business on the Proxy Form.

For personal use only

However, if the Chairperson is your proxy and you do not direct the way the Chairperson is to vote, then by signing and returning the proxy form you will be expressly authorising the chairperson to vote as he sees fit in respect of the Resolution. The Chairperson intends to vote available undirected proxies in favour of the Resolution.

By order of the Board of Directors of Centuria Capital Limited and Centuria Funds Management Limited.

Anna Kovarik
Company Secretary
21 December 2018

For personal use only

For personal use only

EXPLANATORY NOTES

These Explanatory Notes have been prepared to provide Securityholders with sufficient information to assess the merits of the Resolution and the business to be conducted at the EGM. You should read the Explanatory Notes in full before making any decisions in relation to the Resolution.

Item 1: Approval sought under ASX Listing Rule 10.1

Why Securityholder approval is being sought:

ASX Listing Rule 10.1 requires Centuria Capital Group to obtain Securityholder approval for the disposal of a ‘substantial asset’ by the Centuria Capital Group to a ‘substantial securityholder’, where the substantial holder and its associates have a ‘relevant interest’ in at least 10% of the total votes attached to voting securities in the Centuria Capital Group. As ESR, together with its associates, has a 14.9% relevant interest in the Centuria Capital Group, transactions between Centuria Capital Group and ESR involving the acquisition or disposal of ‘substantial assets’ will be subject to ASX Listing Rule 10.1.

Under Listing Rule 10.2, an asset is a ‘substantial asset’ if its value, or the value of consideration for it, is 5% or more of the equity interest of the Centuria Capital Group, as set out in the latest accounts given to ASX under the ASX Listing Rules. Centuria Capital Group’s PLG Securities are a ‘substantial asset’ for this purpose.

The Board is seeking Securityholder approval under ASX Listing Rule 10.1 to allow the Board to accept the Takeover Bid, if it considers it in the best interests of Securityholders to do so. The Board wishes to stress to Securityholders that any decision to accept the Takeover Bid is solely a matter for the Board, but seeks Securityholder approval at this EGM such that it is not precluded from doing so by way of operation of the ASX Listing Rules.

Securityholders should be aware that it is a real possibility that, even if the Resolution is passed, the Board may decide not to accept the offer made for the Centuria Capital Group’s PLG Securities under the Takeover Bid. Given the time required to convene the EGM, including for the completion of the Independent Expert’s Report, lodgement of the EGM material with ASX and providing Securityholders with the requisite notice, the Board was concerned that, if it did not seek to commence the process of convening the EGM when it did, it would not be possible to seek Securityholder approval to accept into the Takeover Bid if the Board had resolved to do so in January 2019.

The Board appointed Deloitte Corporate Finance Pty Limited to complete an Independent Expert’s Report to assist Securityholders in determining whether or not to approve the Resolution. In that report, the Independent Expert has concluded that the Resolution is fair and reasonable.

The Independent Expert’s Report is attached to the Explanatory Notes accompanying this Notice of Meeting. Any Securityholder who would like to request a hard copy of the Independent Expert’s Report can do so by contacting Centuria Capital Group’s share registry.

Terms of the Takeover Bid

ESR’s Takeover Bid is for all PLG Securities ESR does not already own, for cash consideration of $1.20[1] per security, by way of an agreed off-market takeover bid.

---

[1] The price paid for each PLG Security will, in accordance with 11.7(c) and 11.7(d) of the Bidder’s Statement, be reduced by the cash amount of any dividends or distributions that the Centuria Capital Group receives or becomes entitled to receive. All references to the Takeover Bid consideration in this Notice of Meting are to the consideration subject to any such reduction.

For personal use only

As outlined in the Target's Statement, the price of $1.20 (as qualified by footnote 1) per security represents a:

- 14.3% premium to the closing price of PLG Securities at 20 September 2018 of $1.05, being the day prior to the announcement of ESR's initial proposal to acquire PLG; and

- 15.2% premium to the 6 month volume weighted average price of PLG Securities to 20 September 2018 of $1.04.

Conditions of the Takeover Bid

The Takeover Bid is conditional upon a number of matters set out in the Bid Implementation Agreement, including a minimum acceptance condition of at least 50.1% of all PLG Securities (on a fully diluted basis). The Takeover Bid is also conditional on there being, in respect of PLG, no material adverse change, no prescribed occurrences, no regulatory action or material acquisitions, disposals, capital expenditure or change in the conduct of business, amongst other conditions.

ESR has confirmed that it has received notification from FIRB that the Australian Government has no objection to the Takeover Bid in terms of its foreign investment policy and the Takeover Bid is therefore not conditional on obtaining approval from FIRB.

Offer Period

Unless withdrawn, the Takeover Bid will remain open for acceptance until 7.00pm (AEDT) on the later of:

- 31 January 2019; or

- any date to which the offer period is extended in accordance with the Corporations Act.

Changes to the terms and conditions of the Takeover Bid:

ESR can, subject to relevant laws, regulatory approvals and the terms of the Bid Implementation Agreement, alter the terms and conditions of the Takeover Bid.

- The consideration offered by ESR for Centuria Capital Group's PLG Securities can be increased prior to the expiry of the Offer Period.

- Variations to the Takeover Bid must comply with both the Corporations Act and any restrictions that apply under the Bid Implementation Agreement.

- ESR may declare the Takeover Bid, and any contract resulting from its acceptance, free from any conditions, either generally or by reference to a particular fact, matter, event, occurrence or circumstances by giving a notice to PLG and to ASX, in accordance with section 650F of the Corporations Act. The terms under which that notice can be given are set out in section 11.12 of the Bidder's Statement.

- ESR may withdraw the Takeover Bid with consent in writing from ASIC. Such consent may be subject to conditions. If ASIC gives consent, ESR will give notice of the withdrawal to ASX and PLG and will comply with any other conditions imposed by ASIC.

- If at the time the Takeover Bid is withdrawn, all of the conditions have been satisfied or waived, all contracts arising from acceptance before it was withdrawn will remain enforceable.

For personal use only

- If, at the time the Takeover Bid is withdrawn, it remains subject to one or more conditions, all contracts arising from its acceptance will become void (whether or not the events referred to in the relevant conditions have occurred).

- A withdrawal pursuant to section 11.14 of the Bidder's Statement will be deemed to take effect:

  – If the withdrawal is not subject to conditions imposed by ASIC, after the date that consent in writing is given by ASIC; or

  – If the withdrawal is subject to conditions imposed by ASIC, after the date those conditions are satisfied.

Advantages and disadvantages of Centuria Capital Group accepting the ESR Takeover Bid:

Set out below are a range of factors for Securityholders to consider in relation to the Resolution, framed as advantages and disadvantages of Centuria Capital Group accepting the Takeover Bid and risks to Centuria Capital Group posed by ESR gaining control of PLG and the Centuria Capital Group not accepting the Takeover Bid.

Advantages:

Below are a range of potential advantages for Securityholders in approving the Resolution. These advantages are described on the basis that Centuria Capital Group accepts the Takeover Bid and the Takeover Bid becomes unconditional. Securityholders should consider these factors in deciding how to direct their votes on the Resolution.

1. **Centuria Capital Group would receive a certain cash value at a premium to the historical trading performance of PLG:**

   Centuria Capital Group currently holds a 19.5% stake in PLG. If Securityholders approve the Resolution under item 1, Centuria Capital Group will receive approximately $141 million[2] in cash proceeds that can be re-invested into new opportunities or other capital management initiatives.

2. **Centuria Capital Group would generate a material profit on the sale of its PLG Securities:**

   It is estimated that the Centuria Capital Group will generate an $11.4 million[3] cash profit after costs on its investment in PLG.

3. **Centuria Capital Group would not be exposed to the risks and uncertainties associated with a continued investment in PLG:**

   Centuria Capital Group will no longer be exposed to certain risks associated with PLG as a securityholder of PLG which include:

   a. In Centuria Capital Group's view, a high level of gearing. As mentioned in Centuria Capital Group's ASX announcement of 20 September 2018, it estimated PLG had increased gearing to unsustainable levels since it acquired its 17.7% interest in CIP (and

---

[2] As set out in footnote 1, the price paid for each PLG Security will, in accordance with 11.7(c) and 11.7(d) of the Bidder's Statement, be reduced by the cash amount of any dividends or distributions that the Centuria Capital Group receives or becomes entitled to receive. This figure could therefore be reduced by way of operation of that mechanism.

[3] Subject to the same qualifications set out at footnotes 1 and 2.

estimated pro forma look-through gearing to be approximately 49% as a result of the acquisition of the CIP stake).[4]

b. As outlined at 7.5(c) of the Bidder's Statement, ESR may decide to cause PLG to seek removal from the official list of ASX in accordance with the ASX Listing Rules and guidance, where ESR is entitled to do so, and such removal may occur. If Centuria Capital Group continues to hold PLG Securities in those circumstances, it may hold an illiquid stock.

4. The Independent Expert has concluded that the Takeover Bid is fair and reasonable

The report of the Independent Expert dated 19 December 2018 is attached to the Explanatory Notes accompanying this Notice of Meeting.

The report concludes that the Takeover Bid is fair and reasonable to Non-Associated Securityholders (as defined in the Independent Expert's Report). The Board encourages Securityholders to read the Independent Expert's Report in full.

5. The price of PLG Securities may fall if the Takeover Bid lapses:

While there are many factors that influence the market price of PLG Securities, the Board considers that, prior to the ESR Takeover Bid, there was a takeover premium reflected in price of PLG Securities which has been enhanced after the ESR Takeover Bid. There is a risk that the trading price of PLG Securities on ASX will fall, at least in the short term, if the Takeover Bid does not succeed and no other alternative offer or proposal emerges.

6. Avoidance of risks associated with ESR gaining control of PLG without Centuria Capital Group accepting the Takeover Offer

Accepting the Takeover Offer would help reduce some of the risks and uncertainty associated with Centuria Capital Group's holding of PLG Securities in the event ESR gains control of PLG, as detailed below under the heading 'Risks if ESR gains control of PLG and Centuria Capital Group does not accept the Takeover Bid'.

Disadvantages:

Below are a range of potential disadvantages for Securityholders in approving the Resolution. Items 2 - 4 are described on the basis that the Centuria Capital Group accepts the Takeover Bid and the Takeover Bid becomes unconditional. Securityholders should consider these factors in deciding how to direct their votes on the Resolution.

1. ESR may not reach the 50.1% minimum condition acceptance threshold and may not proceed with the PLG Takeover Bid:

It may be the case that Centuria Capital Group accepts ESR's offer under the Takeover Bid but that the Takeover Bid is ultimately unsuccessful due to the minimum acceptance condition or another condition not being satisfied or waived. In those circumstances, Centuria Capital Group will be restricted from dealing in its PLG Securities for a period of time following its acceptance, unless a withdrawal right arises under the Corporations Act.

[4] PLG held a 17.7% interest in CIP, as at 20 September 2018. Following the completion of CIP's institutional and early retail entitlement offer and as at 18 December 2018, PLG's interest in CIP has reduced to 17.3%.

For personal use only

2. **Loss of Centuria Capital Group's strategic investment in PLG**

   Centuria Capital Group would cease to hold its strategic stake of 19.5% in PLG and therefore may lose whatever influence or other commercial benefit a stake of that size would otherwise confer.

3. **ESR could gain a strategic investment in CIP, while owning a competing industrial platform**

   As at 18 December 2018, PLG holds approximately 17.3% of the issued units in CIP, ESR holds approximately 14.9% of the securities in Centuria Capital Group and Centuria Capital Group holds approximately 23.5% of the issued units in CIP. Through its acquisition of PLG, ESR would increase its economic interest in CIP, while also owning an industrial property platform (i.e. PLG) that competes with CIP in Australia.

4. **Lost co-investment income from PLG distributions**

   Centuria Capital Group's investment in PLG Securities presently contributes investment income through distributions. Centuria Capital Group will receive cash for its PLG Securities which will be re-invested in other investments. There may be a period before some or all of this cash will be deployed into investments and therefore a delay before they yield income. Additionally, depending on the availability of suitable opportunities at that time there may be a period where that capital could generate a higher or lower return than it is currently earning as an investment in PLG.

Risks if ESR gains control of PLG and Centuria Capital Group does not accept the Takeover Bid:

Below are a range of potential risks of not approving the Resolution, the Centuria Capital Group not accepting the Takeover Bid and the Takeover Bid proceeding. Securityholders should consider the potential exposure of Centuria Capital Group to the following risks and uncertainties in deciding how to direct their votes on the Resolution.

1. **A possible reduction in the liquidity of PLG Securities**

   In the event ESR acquires a significant holding of PLG Securities other than those owned by Centuria Capital Group, there may be a material reduction in the liquidity of PLG Securities which may make it more difficult for Centuria Capital Group to sell its PLG Securities outside the Takeover Bid at the current trading price on ASX.

2. **Potential that PLG will no longer be included in relevant indexes**

   As a result of the Takeover Bid proceeding, PLG may fall out of the indices which may also have a correspondingly negative impact on the trading price of PLG Securities, impacting the value of Centuria Capital Group's PLG Securities.

3. **ESR may apply for PLG's de-listing from ASX**

   As mentioned above, and as outlined at 7.5(c) of the Bidder's Statement, ESR may decide to cause PLG to seek removal from the official list of ASX in accordance with the ASX Listing Rules and guidance, where ESR is entitled to do so, and such removal may occur. If Centuria Capital Group continues to hold PLG Securities in those circumstances, it may hold an illiquid stock.

4. **Potential reduction in PLG's distribution payout ratio**

For personal use only

For personal use only

ESR's current intention (as expressed at 7.5(f) of the Bidder's Statement) is to reduce PLG's distribution payout ratio in order to reduce the leverage of PLG in the absence of any more favourable capital management initiative that may be available at the relevant time. Distributions to PLG Securityholders, including Centuria Capital Group may be reduced in this circumstance.

Directors' recommendation

The Directors unanimously recommend that Securityholders vote in favour of the Resolution.

The Directors intend to vote their Securities in favour of the Resolution.

The Chairperson intends to vote all available proxies in favour of the Resolution.

Glossary

In this Notice of Meeting (including the Explanatory Notes):

AEDT	means Australian Eastern Daylight Time.
EGM	means the Extraordinary General Meeting of the shareholders of the Company which will be held in conjunction with an extraordinary general meeting of unitholders of the Fund (as adjourned from time to time) on 31 January 2019 at 10:00 am.
ASIC	means Australian Securities and Investments Commission.
ASX	means ASX Limited or the Australian Securities Exchange operated by ASX Limited, as the context requires.
Bid Implementation Agreement	means the bid implementation agreement between ESR and PLG dated 12 November 2018.
Bidder's Statement	means the ESR bidder's statement issued to PLG Securityholders on 19 November 2018 (available on ASX).
Board	means the board of directors of Centuria Capital Group.
Centuria Capital Group or Centuria	means the stapled group comprising Centuria Capital Limited (ACN 095 454 336), Centuria Capital Fund (ARSN 613 856 358) and Centuria Funds Management Limited (ACN 607 153 588) as responsible entity for Centuria Capital Fund and the controlled entities of Centuria Capital Limited and Centuria Capital Fund (including their subsidiaries).
Chairperson	means the Chairperson of Centuria Capital Group, currently Mr Charny.
CIP	means Centuria Industrial REIT (ASX: CIP).
Company	means Centuria Capital Limited (ACN 095 454 336).
Corporations Act	means the *Corporations Act 2001* (Cth).
Director	means a director of the Company or of Centuria Funds Management Limited, as the context requires.
ESR	means ESR Real Estate (Australia) Pty Ltd (ACN 625 761 962).
FIRB	means Foreign Investment Review Board.
Fund	means Centuria Capital Fund ARSN 613 856 358.
Independent Expert	means Deloitte Corporate Finance Pty Limited (A.B.N. 19 003 833 127, AFSL 241457)

Independent Expert's Report	means the report by the Independent Expert, dated 19 December 2018 and attached to the Notice of Meeting.
Listing Rules	means the listing rules of the ASX.
Notice of Meeting	means this Notice of Meeting.
Offer Period	means the period commencing 21 November 2018 until 7.00pm (EADT) on the later of: • 31 January 2019; or • Any date to which the offer period is extended in accordance with the Corporations Act.
PLG	means Propertylink (Holdings) Limited (ACN 092 684 798) and Propertylink Investment Management Limited (ACN 136 865 417) (as responsible entity of Propertylink Trust (ARSN 613 032 750) and Propertylink Australian Industrial Partnership (ARSN 613 032 812)).
PLG Security	means a fully paid ordinary share in Propertylink (Holdings) Limited (ACN 092 684 798), one fully paid ordinary unit in Propertylink Australian Industrial Partnership (ARSN 613 032 812) and one fully paid ordinary unit in Propertylink Trust (ARSN 613 032 750).
Resolution	means the Resolution for Securityholders set out at Item 1 in this Notice of Meeting.
Secretary	means the company secretary of Centuria Capital Group.
Security	means a fully paid ordinary share in the Company stapled to a fully paid ordinary unit in the Fund.
Securityholder	means a holder of a Security.
Takeover Bid	means the offer set out in the Bidder's Statement and summarised in this Notice of Meeting by ESR for all of the fully paid ordinary stapled securities in PLG, including any amendments to the offer as permitted by law and the terms of the offer.
Target's Statement	means the PLG target's statement issued to PLG securityholders on 20 November 2018 (available on ASX).

For personal use only

Questions and comments

You may wish to give advance notice of any question(s) you would like to have considered at the forthcoming Extraordinary General Meeting. If so, please detach and return this slip to Centuria Capital Group at Suite 39.01 Level 39, 100 Miller Street, North Sydney, NSW 2060. We will do our best to answer as many questions as possible at the Extraordinary General Meeting. Please attach extra pages if necessary.

Name: ....

Address: ....

....

1. for Chairperson

....

....

....

....

....

....

....

....

....

For personal use only

Deloitte.

For personal use only

Centuria Capital Group

Independent expert's report and Financial Services Guide

19 December 2018

The Proposed Transaction is fair and reasonable to Non-Associated Securityholders

Financial Services Guide (FSG)

What is an FSG?

An FSG is designed to provide information about the supply of financial services to you.

Why are we providing this FSG to you?

Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance) (AFSL 241457) has been engaged by Centuria Capital Group (CNI) to prepare an independent expert's report (our Report) in connection with the proposed disposal of its interest in Propertylink Group (PLG) to entities associate with ESR Pte Limited (the Proposed Transaction). CNI will provide our Report to you.

Our Report provides you with general financial product advice. This FSG informs you about the use of general financial product advice, the financial services we offer, our dispute resolution process and our remuneration.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

We are providing general financial product advice

In our Report, we provide general financial product advice as we have not taken into account your personal objectives, financial situation or needs, and you would not expect us to have done so. You should consider whether our general advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is in connection with the acquisition of a financial product, you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we remunerated?

Our fees are usually determined on a fixed fee or time cost basis plus reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us. You are not responsible for our fees.

We will receive a fee of $75,000 exclusive of GST in relation to the preparation of our Report. This fee is not contingent on the outcome of the Proposed Transaction.

Apart from these fees, Deloitte Corporate Finance, our directors and officers, and any related bodies corporate, affiliates or associates, and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary, and, while eligible for annual salary increases and bonuses based on overall performance, they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our Authorised Representatives reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

The Deloitte member firm in Australia (Deloitte Touche Tohmatsu) controls Deloitte Corporate Finance. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

Deloitte Touche Tohmatsu and entities associated with Deloitte Touche Tohmatsu have been previously engaged to provide other services to Centuria Capital Group. None of these services were connected with the Proposed Transaction. Total fees received by entities associated with Deloitte Touche Tohmatsu from CNI in the last 2 years were approximately $325,000.

We, and other entities related to Deloitte Touche Tohmatsu, do not have any formal associations or relationships with any entities that are issuers of financial products. However, we may provide professional services to issuers of financial products in the ordinary course of business.

What should you do if you have a complaint?

If you have a concern about our Report, please contact us:

The Complaints Officer
PO Box N250
Grosvenor Place
Sydney NSW 1220

complaints@deloitte.com.au
Phone: +61 2 9322 7000

If an issue is not resolved to your satisfaction, you can lodge a dispute with the Financial Ombudsman Service (FOS).

FOS provides fair and independent financial services dispute resolution free to consumers.

www.fos.org.au
1800 367 287 (free call)
Financial Ombudsman Service
GPO Box 3 Melbourne VIC 3001

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services we provide. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Member of Deloitte Touche Tohmatsu Limited

For personal use only

For personal use only

Deloitte.

Deloitte Corporate Finance Pty Limited
A.B.N. 19 003 833 127
AFSL 241457
Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0)2 9254 1198
www.deloitte.com.au

The Independent Directors
Centurial Capital Group
Level 39, 100 Miller Street
North Sydney NSW 2060
Australia

19 December 2018

Dear Independent Directors

Re: Independent expert's report in respect of the proposed disposal of CNI's interest in PLG to ESR

1 Introduction and background

Centuria Capital Group (CNI) is listed on the Australian Securities Exchange (ASX) and has operations in the industrial and commercial property funds and asset management sector, along with direct and indirect ownership interests in properties. Entities associated with ESR Pte Limited (ESR) own 45.4m securities in CNI and consequently ESR is viewed as a substantial holder (of CNI) so far as the listing rules of the ASX (the Listing Rules) are concerned.

CNI also owns 117.6m securities in Propertylink Group (PLG), representing 19.5% of the securities on issue by PLG. PLG is also listed on the ASX and has received a takeover offer from ESR (the PLG Takeover Offer). CNI's interest in PLG is viewed as a substantial asset so far as the Listing Rules are concerned.

CNI may elect to dispose its securities in PLG into the PLG Takeover Offer (the Proposed Transaction). It should be noted that the directors of CNI have not made a decision as to whether they will elect for CNI to sell the PLG securities it owns into the PLG Takeover Offer.

Chapter 10.1 of the Listing Rules requires, when the divestment of a substantial asset to a substantial holder is proposed, the preparation of a report by an independent expert stating whether the proposed transaction is fair and reasonable to the non-associated securityholders. The independent directors of CNI (the Independent Directors) have requested that Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance) provide an independent expert's report advising whether, in our opinion, the Proposed Transaction is fair and reasonable to those CNI securityholders not associated with ESR (the Non-Associated Securityholders) should it elect to sell the PLG securities it owns into the PLG Takeover Offer.

This Report is to be included in the explanatory notes to be included in the notice of the extraordinary general meeting (Explanatory Notes) prepared by the directors of CNI to be sent to securityholders of CNI (the Securityholders) and has been prepared for the exclusive purpose of assisting Non-Associated Securityholders in their consideration of the Proposed Transaction in connection with the resolution being considered at the extraordinary general meeting. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Non-Associated Securityholders and CNI, in respect of this report, including any errors or omissions however caused.

For personal use only

2 Basis of evaluation of the Proposed Transaction

2.1 Guidance

We have prepared this report having regard to Chapter 10 of the Listing Rules and the Australian Securities and Investments Commission (ASIC) Regulatory Guide 76 (RG 76), ASIC Regulatory Guide 111 (RG 111) and ASIC Regulatory Guide 112 (RG 112).

Chapter 10 of the Listing Rules

Neither the Listing Rules, nor the Corporations Act 2001 (Cth) provides a definition of fair and reasonable for the purposes of Listing Rule 10. However, Listing Rule 10 can encompass a wide range of transactions. Accordingly, fair and reasonable must be capable of broad interpretation to meet the particular circumstances of each transaction. This involves judgement on the part of the expert as to the appropriate basis of evaluation to adopt given the particular circumstances of the transaction.

As Chapter 10 of the Listing Rules provides little guidance on how related party transactions should be assessed, we have also had regard to RG 76, as discussed below.

RG 76

According to RG 76, a related party transaction is any transaction through which a public company provides a financial benefit to a related party. As noted in paragraph RG 76.1, related party transactions involve conflicts of interest because related parties are often in a position to influence the decision of whether the benefit is provided to them, and the terms of its provision.

RG 76 refers to RG 111 and RG 112 for guidance on how the independent expert should assess related party transactions.

RG 111 and RG 112

RG 111 provides guidance in relation to the content of independent expert's reports prepared for a range of transactions. RG 111 notes that a related party transaction is:

- fair, when the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the benefit being received. In valuing the financial benefit given and the consideration received by the entity, an expert should take into account all material terms of the proposed transaction
- reasonable, if it is fair, or, despite not being fair, after considering other significant factors, shareholders should vote in favour of the transaction.

RG 112 primarily focuses on the independence of experts and provides little guidance on evaluating transactions.

2.2 Basis of evaluation

In evaluating whether or not the Proposed Transaction is fair and reasonable to Non-Associated Securityholders, pursuant to Listing Rule 10.1, we have made a separate assessment of whether, or not, the Proposed Transaction is 'fair' and 'reasonable' as required by RG 111.56.

We have taken into account the following factors in determining whether, or not, the Proposed Transaction is fair and reasonable to the Non-Associated Securityholders:

Fairness

- Whether the value of the securities in PLG owned by CNI is greater or less than the price CNI will receive for those securities under the PLG Takeover Offer

Reasonableness

- whether the Proposed Transaction is consistent with the broader investment strategy of CNI
- what implications the Proposed Transaction has for CNI
- what are the alternatives available and what are the consequences of those alternatives.

For personal use only

3 Profile of CNI

3.1 Overview

CNI is an ASX-listed specialist investment manager with 383.5m stapled securities on issue and a market capitalisation of approximately $506m based on the closing price of $1.32 per security as at 30 November 2018. CNI's stated strategy is to focus on value creation and offer investment opportunities in listed and unlisted property as well as investment bonds.

As at 10 October 2018, CNI had $5.5bn assets under management (AuM) plus $0.4bn in co-investments, broken down as follows:

Table 1: CNI AuM as at 10 October 2018

	Property Funds Management		Investment bonds	Co-Investments
	Listed property	Unlisted property		
AuM	$2.6bn[1]	$2.0bn	$0.9bn	$0.4bn
Composition	Centuria Industrial REIT (CIP): $1.1bn Centuria Metropolitan REIT (CMA): $1.5bn[1]	Centuria Diversified Property Fund 15 fixed term funds	Centuria Life: $0.4bn Over Fifty Guardian Friendly Society: $0.5bn	23.4%[2,3] in CMA 22.9%[2] in CIP 12.9%[4] in ASX-listed Propertylink Group (PLG)

Notes:
1. Includes 2 Kendall Street, Williams Landing, VIC, as if complete
2. Incudes the ownership by associates of CNI
3. Assumes CNI maintains pro rate holding in CMA post transaction
4. Only represents CNI's direct interest in PLG. As at the date of this report, CNI's direct and indirect interest totalled 19.5%

Source: CNI Platform Acquisition and $100 Equity Raising presentation dated 10 October 2018

The main operating segments of CNI are as follows:

- Property Funds Management: Management of listed and unlisted property funds
- Investment Bonds Management: Management of the benefit funds of Centuria Life Limited (Benefit Funds) and management of Over Fifty Guardian Friendly Society Limited. The Benefit Funds include a range of financial products, including single and multi-premium investments
- Co-Investments: Direct interests in property funds and other liquid investments.

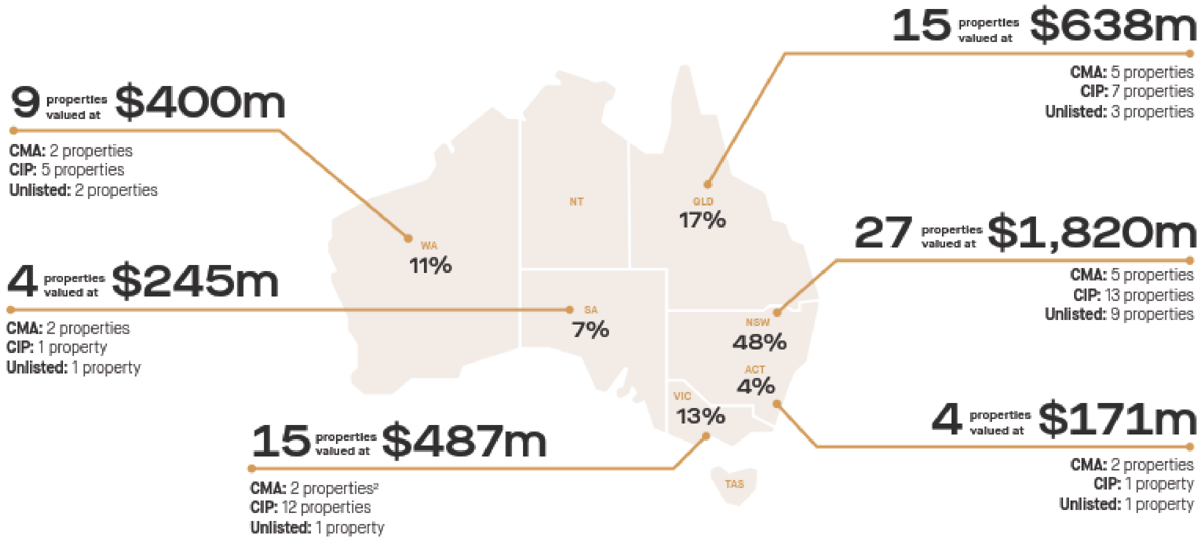
In addition, CNI also holds reverse mortgage receivables, which had a fair value of $48.1m as at 30 June 2018[1].

[1] For the year ended 30 June 2018, reverse mortgages are no longer considered as a separate operating segment on the basis that it is no longer significant to CNI.

For personal use only

CNI's Property Funds Management portfolio comprises properties across Australia as follows:

Figure 1: Property Funds Management portfolio as at 14 August 2018[1,2,3]



Notes:
1. Includes cash and other financial assets
2. Includes 2 Kendall Street, Williams Landing, VIC, as if complete
3. Exclusive of the acquisition of the Hines portfolio acquisition announced on 10 October 2018
Source: CNI FY2018 Results Presentation

On 23 November 2016, CNI announced the acquisition of the majority of the 360 Capital Group (360 Capital) real estate platform for $217m[2].

This transaction involved:

- the acquisition of 360 Capital Investment Management Limited, manager of the 360 Capital Industrial Fund ($923m FUM), 360 Capital Office Fund ($211m FUM), and four unlisted real estate funds ($262m FUM).
- the acquisition of 360 Capital Group's co-investment interests in 360 Capital Industrial Fund which is now known as Centuria Industrial REIT and 360 Capital Office Fund which is now owned by Centuria Metropolitan REIT

On 10 October 2018, CMA acquired a $645m portfolio[3] of four office assets from a subsidiary of Hines Global REIT, Inc (Hines Portfolio). The Hines Portfolio acquisition includes:

- 25%[4] of 465 Victoria Ave (NSW) valued at $166.5m (100% basis)
- 100% of 825 Ann St (QLD) valued at $169.5m
- 100% of 100 Brookes St (QLD) valued at $86.5m
- 100% of 818 Bourke St (VIC) valued at $223.3m

To partially fund the acquisitions, CMA undertook a $276m equity raising. CNI owns 23.4% of CMA and committed to provide the following support:

- $78m commitment to support the equity raising (by taking up its entitlement and sub-underwriting up to $50m of the retail component of the equity raising)
- $20m contribution to the acquisition of the Hines Portfolio.

---

[2] CNI's announcement – Acquisition of 360 Capital Group's real estate platform dated 23 November 2016

[3] Represents total portfolio value assuming a 100% interest in all four assets in the Hines Portfolio

[4] This asset is co-owned with the Lederer Group (75%)

For personal use only

3.2 Summary of the CNI's interest in PLG

In September 2017, CNI and CIP acquired a c.17% interest in PLG and made an indicative, conditional non-binding offer for 100% of the securities in PLG.

Based on PLG's calculations, CNI's offer implied a value of approximately $0.95 per PLG security. The offer was rejected by the board of PLG on the basis that the offer undervalued PLG.

As at the date of this report, CNI holds a 19.5% interest in PLG[5]. This interest represents a block ownership, giving CNI the ability to block an acquirer achieving a 90% interest in PLG, the threshold required to allow an acquirer to compulsorily acquire the remaining 10% interest.

However, we also note that on 20 September 2018, CNI sought to change the majority of the directors of PLG. The proposals put forward by CNI were not passed at the extraordinary general meeting (EGM) held on 15 November 2018.

3.3 Financial position

The following table sets out CNI's financial position as at 30 June 2016 (FY2016), 30 June 2017 (FY2017) and 30 June 2018 (FY2018).

Table 2: CNI's financial position

$m (unless stated otherwise)	Audited FY2016	Audited FY2017	Audited FY2018
Cash and cash equivalents	84.3	74.4	101.9
Receivables	17.5	16.4	21.2
Financial assets	383.4	535.5	644.8
Property held for development	35.7	-	-
Property held for sale	-	-	63.4
Investment properties	-	257.1	147.1
Other assets	1.9	1.6	2.2
Intangible assets	53.0	157.7	157.7
Total assets	**575.8**	**1,042.5**	**1,138.3**
Payables	(9.3)	(33.9)	(32.4)
Liability to 360 Capital Group	-	(56.5)	(41.2)
Provisions	(1.2)	(1.3)	(1.6)
Borrowings	(60.0)	(236.1)	(245.7)
Interest rate swaps at fair value	(20.8)	(19.3)	(23.4)
Benefit Funds policyholder's liability	(349.9)	(348.0)	(349.7)
Provision for income tax	(1.0)	(3.2)	-
Deferred tax liabilities	(6.1)	(2.3)	(3.1)
Total liabilities	**(448.1)**	**(700.6)**	**(697.1)**
Net assets[1]	**127.7**	**342.0**	**441.2**
Securities outstanding (millions)	76.6	229.8	304.8[3]
Net assets per security[1]	**$1.67**	**$1.49**	**$1.45**
NTA per security[1,2]	**$1.05**	**$0.81**	**$0.94[3]**

Notes:
1. Presented and/or calculated prior to outside equity interests

[5] Since September 2017, CIP sold down its interest in PLG and CNI increased its interest in PLG

2. Net Tangible Assets (NTA) is calculated as net assets less intangibles, deferred tax assets and deferred tax liabilities
3. Post the Hines acquisition, securities outstanding increased to 383.5m and NTA per security increased to $1.00 (($286.6m NTA + $100m equity raising - $3.4m transaction cost)/383.5m securities)
Sources: 2017 and 2018 Annual report, CNI Platform Acquisition and $100 Equity Raising presentation dated 10 October 2018

Financial assets as at 30 June 2018 are predominantly related to investments in related party unit trusts such as a 19.9%[6] interest in CIP, 18.9% interest in Centuria Diversified Property Fund, a 14.3%[7] interest in CMA and a 9.3%[8] interest in PLG.

Investment properties balance decreased between FY2017 and FY2018 as a result of:

- the sale of one investment property (441 Murray Street, Perth WA)
- the deconsolidation of one investment (Havelock House, West Perth WA)
- the classification of two investment properties as investment properties held for sale (Windsor Marketplace, Windsor NSW and City Centre Plaza, Rockhampton QLD)

Intangible assets relate to the acquisition of property funds management businesses (i.e. Centuria Property Funds Limited in 2007 and Centuria Strategic Property Limited in 2009), along with the acquisition of 360 Capital Investment Management Limited in FY2017.

The liability to 360 Capital Group relates to the liability booked as a result of consolidation of 111 St Georges Terrace and Retail Fund due to the exercise price on the put and call option over units in 111 St Georges Terrace and Retail Fund.

Borrowings increased between FY2016 and FY2017 as a result of:

- the issue of secured notes of $100m which consisted of $40m in floating rate secured notes and $60m in fixed rate secured notes
- effective 31 December 2016, CNI gained control over four unlisted property funds for total consideration of $129m. Each fund had debt facilities secured by a first mortgage over each of the fund’s investment properties and a first ranking fixed and floating charge over all assets of each of the funds.

During FY2018, borrowings further increased as a result of the issue of Tranche 2 fixed rate secured notes of $23m. Each controlled property fund has debt facilities secured by first mortgage over each of the fund’s investment property. The deconsolidation of Havelock House (and the related Centuria Havelock House Fund) and the sale of 441 Murray Street (and the related Centuria 441 Murray Street Fund) have consequently resulted in a decrease in borrowings.

Subsequent to the FY2018 year end, subsidiaries of CNI issued $80m worth of corporate bonds, comprising $45m fixed rate notes and $35m floating rate notes maturing in April 2023. The notes are secured against the CNI’s assets, including CNI’s interest in PLG.

The Benefit Funds policyholder's liability represents the guarantees to pay policy benefits to policyholders of its Benefit Funds.

For personal use only

---

[6] Of which 0.4% is held by the Benefit Funds

[7] Of which 2.9% is held by the Benefit Funds. This excludes interests held by associates

[8] Only represents CNI’s direct interest in PLG as at 30 June 2018

For personal use only

3.4 CNI's equity

CNI has approximately 383.5m stapled securities on issue. The substantial holders account for 41.9% of securities on issue.

Table 3: Substantial holders

Holder	Securities held (m)	Ownership (%)
ESR	57.1	14.9%
Magic TT Pty Ltd	42.7	11.1%
Ellerston Capital Limited	33.4	8.7%
Affinity managed accounts	21.6	7.1%
Subtotal – Substantial holders	**154.8**	**41.9%**
Others	228.7	58.2%
Total securities	**383.5**	**100.0%**

Sources: CNI Financial Report FY2018, ASX Announcements for notice of change of interests of substantial holder

ESR acquired its interest in CNI in October 2017 and subsequently maintained its percentage ownership through participation in equity raisings undertaken by CNI.

Since 30 June 2016, 306.8m securities have been issued by CNI. The table below sets out the issue price of the six main security issuances:

Table 4: CNI's securities issuance

Issuance date	Securities issued (m)	Price per security	Total number of securities (m)
6 January 2017	150.0	$1.00	227.2
16 October 2017	31.0	$1.28	261.6
27 October 2017	16.1	$1.28	277.7
27 December 2017	27.0	$1.42	304.8
23 October 2018	53.6	$1.30	360.0
2 November 2018	23.4	$1.30	383.5

Note: The security issuances shown above exclude several smaller issuances since 30 June 2016, of 5.7m securities in aggregate which relate to securities issued to executives under the long-term incentive plan
Source: ASX releases

For personal use only

4 Profile of PLG

This section has been compiled and the work associated with PLG has been undertaken by Deloitte Corporate Finance based on information in the public domain on PLG and its assets. Similar to all other shareholders of PLG (with the exception of ESR who were provided access to its information and records in advance of the PLG Takeover Offer), CNI only has access to information that is publicly available. Accordingly, in completing this work, Deloitte Corporate Finance has not had access to PLG executives and directors, nor information or records of PLG.

4.1 Overview

PLG is an internally managed real estate business that owns a diversified portfolio of industrial and commercial properties and an investment and asset management business. PLG invests in logistics and industrial real estate and commercial office assets. PLG manages over $1.8bn of assets in Sydney, Melbourne, Brisbane and Perth[9].

PLG listed on the ASX on 5 August 2016 at an offer price of $0.89 per security[10].

PLG's portfolio is comprised of three main components, as follows:

- a wholly-owned industrial portfolio comprising 30 industrial assets which are geographically dispersed across Australia[11] (76% of PLG's revenue in FY2018[12])
- an investment and asset management business that manages 5 external funds with 28 assets, generating 15% of PLG's revenue. This business generates management fee income, from the management of the external funds and distributions arising from its co-investments in external funds, and performance fee income, where the returns to external funds investors exceed the predetermined investment hurdle returns
- minority co-investments in property funds. These funds generate 9% of PLG's revenue, through capital appreciation of the underlying properties.

In the following sections, we set out a brief overview of each of the above.

PLG's gearing and reported NTA per security, on a consolidated basis, are set out in the following table.

Table 5: Key metrics of PLG (consolidated)

	Unit	As at 30 June 2018
Gearing[1]	%	29.6
Reported NTA per security	$	1.04

Note:
1. Gearing is defined as net debt / total tangible assets
Source: FY2018 Results presentation dated 14 August 2018

[9] As per company website on 4 December 2018

[10] As per ASX Announcement – Admission to official list dated 5 August 2016

[11] New South Wales 48%, Victoria 35%, Queensland 13% and Western Australia 4% as per FY2018 results presentation dated 14 August 2018

[12] As per FY2018 results presentation dated 14 August 2018

For personal use only

4.2 Overview of PLG's industrial property portfolio

PLG owns 30 industrial assets located on east coast infill locations.

The key metrics of PLG's portfolio are as follows:

Table 6: Key metrics for PLG's wholly owned industrial portfolio

	Unit	As at 30 September 2018
Number of properties	#	31
Reported Fair Market Value of investment properties[1]	$m	701.3
Reported Fair Market Value of property, plant and equipment[2]	$m	114.5
Reported Fair Market Value of development assets[3]	$m	25.3
Weighted Average Capitalisation Rate (WACR)[4]	%	6.49
Occupancy[4]	%	97.5
Weighted Average Lease Expiry (WALE)[4]	Years	3.9

Notes:
1. Investment properties relate to freehold land and buildings
2. Property, plant and equipment relate to leasehold market buildings located in Melbourne
3. Development assets relate to 14-16 Orion Road, Lane Cove and 1-5 Lake Drive, Dingley, VIC
4. Excludes to 14-16 Orion Road, Lane Cove and 1-5 Lake Drive, Dingley, VIC as these are development assets.
Source: PLG Target's Statement dated 20 November 2018

The figures below presents the composition and the geographical location of the PLG portfolio.

Figure 2: PLG portfolio

Source: PLG Target's Statement dated 20 November 2018

As at 30 September 2018, there were 171 tenants in the industrial portfolio with no single tenant contributing more than 5% of total annual rental income. PLG's top ten tenants represented approximately 26% of the portfolio annual rental income. 98.5% of all income is the subject of annual rent reviews of 2.5% or more with 53.7% being more than 3.0%.

Further information on the portfolio is contained in the PLG Target's Statement and KPMG IER.

4.2.1 Property valuation policy

As set out in PLG's FY2018 annual report, PLG has a property valuation policy for the owned properties. The key principles of the policy are as follows:

- PLG management provide PLG directors with a view of the market value of each property as each six-monthly reporting date approaches;
- where there is an indication that the market value of a property may materially differ from the current carrying value, PLG Directors require that management procure an independent external valuation; and
- all properties in the portfolio are subject to an independent external valuation at least once in any 24-month period.

For personal use only

PLG follows a detailed process to arrive at the internal directors' valuation which requires the following assumptions and process:

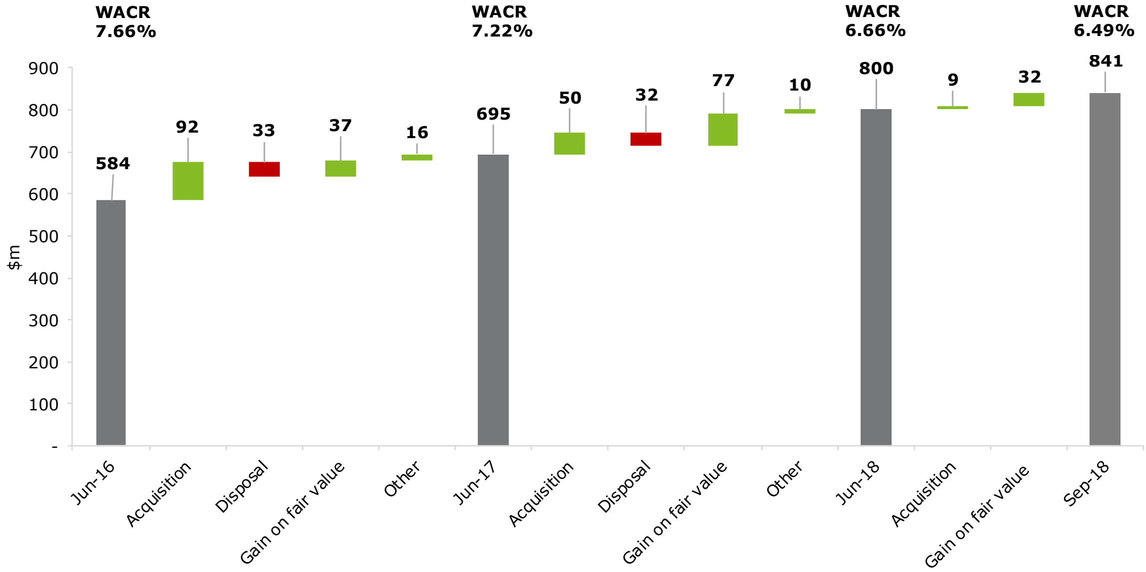
- highest and best use: For investment property that is measured at fair value, the current use of the property is considered the highest and best use.
- valuation techniques used to derive fair values: The fair value is measured using capitalisation of net market income, discounted cash flow approaches and comparable sales where appropriate.

In accordance with policies, PLG has regularly valued the portfolio on a rotation basis with five properties (representing approximately 28% of the total investment property portfolio value) being independently valued by external valuers, and the remaining 25 properties (representing 72% of the investment property portfolio) internally assessed. Over the past three months, all of the portfolio was independently valued as at 30 September 2018 with the exception of the two development assets, 80 Mount Street (which was divested in September 2018) and the recently acquired 14-16 Orion Road property.

4.2.2 Valuation of PLG portfolio

The following figure illustrates PLG's portfolio value movement from June 2016 to September 2018:

Figure 3: PLG portfolio value movement[1,2]



Notes:
1. Includes Melbourne Market which is classified as property, plant and equipment (PPE) in the statutory accounts
2. Others relate to capital expenditure, capitalised straight-lining of fixed increases in operating leases inclusive of lease incentives and in ground leases and depreciation.
Sources: PLG's FY2017 and FY2018 annual reports, ASX announcement on PLG portfolio and co-investment's valuations dated 30 October 2018

PLG's portfolio value has increased by approximately 44% from $584m at 30 June 2016 to $841m at 30 September 2018. $146m or more than 50% of the increase can be attributed to increases in valuations.

During FY2017, the value of the portfolio decreased as a result of the sale of four properties. This was offset by the increase in the value of the balance of the portfolio and acquisition.

During FY2018, the value of the portfolio increased as a result of the acquisition of 18-20 Orion Road, Lane Cove, NSW and the increase in the value of the balance of the portfolio. This increase was offset by the divestment of 150-156 McCredie Road, Smithfield NSW in July 2017 and 8 Sylvania Way, Lisarow, NSW in November 2017.

For personal use only

On 30 October 2018, PLG announced that it had commissioned and received independent valuations for 29 of the 31 properties[13] in the PLG portfolio. As a result, the value had increased by $30.9m[14] reflecting a portfolio WACR of 6.49%.

Over the past 18 months, we have observed a general decrease in capitalisation rates among other REITs with exposure to industrial properties. The increase in values from gains on fair value are directionally consistent with market trends to decreasing capitalisation rates.

4.3 Overview of PLG's funds and asset management business

PLG provides a range of real estate management services to global institutional investors. These services include investment management, asset management, asset acquisition, property development and property leasing. PLG can also earn performance fees from investments managed on behalf of global institutional investors.

The table below summarises the fees that can be earned by PLG on external funds management:

Table 7: External funds fees

Type	Description	Typical range
Acquisition fees	Payable when PLG acquires property on behalf of the external fund. A one-off fee paid on settlement of an asset acquisition	0.45% to 0.50% of GAV per annum
Base fees	An ongoing base management fee. Typically paid on a quarterly basis in arrears in March, June, September and December	0.45% to 0.50% of GAV per annum
Performance fees	A performance fee payable to PLG, and based on the level of return PLG has generated for the investors in the external funds. Typically paid on the return of capital to external funds investor post an asset sale (or sales)	20.0% to 40.0% of fund outperformance above hurdles of 10.0% to 15.0% per annum
Property management fees	A fee payable for the day to day management of the properties in the external fund. Paid monthly in arrears	2.0% to 2.5% of fully let net passing rent per annum
Leasing fees	Payable when PLG signs a new tenant to the property or renews a lease, and may be based on the length of the tenancy. Paid on the successful execution of a new lease	Market standard rates
Project management fees	Payable when PLG oversees projects undertaken on properties (including developments and improvements). Paid as invoices are paid in relation to a project	Market standard rates which is typically 4.5% of project capex spend (per the KPMG IER)

Source: PLG prospectus, KPMG IER

In FY2018, revenue from these fees comprised:

- Completion of acquisitions of office and industrial assets totaling $171m. After completing asset sales of $426m, total AuM at financial year end was $973m
- Establishing a new investment fund, Propertylink Australian Commercial Trust I (PACT I) in December 2017 with Partners Group holding 85% of the equity and PLG holding 15% of the PACT I equity;
- Managing, on behalf of PACT I, the acquisition of 73 Miller Street, North Sydney NSW for $150m;
- Managing, on behalf of institutional partners, the disposal of three assets, resulting in performance fees of $22.3m being earned; and
- Managing on behalf of the external fund Propertylink Australian Industrial Partnership II (PAIP II), in which PLG has an interest, the acquisition of 12A Rodborough Road, Frenchs Forest, NSW for $20.8m.

[13] Excludes 14-16 Orion Road, Lane Cove NSW, the acquisition of which was settled in September 2018 and 1-5 Lake Drive, Dingley VIC, which is a development asset.

[14] Excludes development assets. The changes relative to PLG's carrying value at 30 September 2018.

For personal use only

The key metrics of PLG's external funds management operations are as follows:

Table 8: Key metrics of PLG's external funds management operations as at 30 September 2018

	Unit	Industrial	Office	Diversified	Total
Number of funds	#	2	2	1	5
Number of properties	#	15	4	9	28
Assets under Management	$m	358.0	321.0	349.0	1,028.0
WACR	%				6.26
Occupancy	%				94.9
WALE	Years				3.6

Source: PLG Target's Statement dated 20 November 2018

The above metrics only relate to externally owned assets.

4.4 Overview of PLG's co-investments

PLG also seeks to co-invest alongside its external funds investors in order to align its interests and share in the risk and return of the external funds.

During FY2018, the following events occurred:

- In July 2017, PLG invested an additional $20m in PAIP II, increasing its economic interest to 17.13%
- PLG established a new investment fund in December 2017, PACT I, and committed to an equity interest in that fund of 15%. The other 85% is held by Partners Group
- On 15 December 2017 PACT I acquired 73 Miller Street, North Sydney,NSW.

The key metrics of PLG's co-investments are as follows:

Table 9: Key metrics for PLG's co-investments in property funds as at 30 June 2018

	Number of Funds	Total ($m)
Reported market value of investment		
Co-investments in industrial funds	2	28.9
Co-investments in office funds	2	46.3
Co-investments in diversified funds	1	25.7
Total reported market value of investment		**100.9**

Sources: FY2018 Results presentation dated 14 August 2018 and FY2018 PLG Annual Report

Other investors in PLG co-invested funds include Partners Group, Goldman Sachs, Grosvenor, The Norinchukin Bank, Townsend Group and Fosun.

In June 2018, PLG announced that as a result of external valuations undertaken in respect of property assets owned by the above funds, the carrying value of PLG's investment in the funds had increased by $1.8m.

PLG's total co-investments increased by $8.6m[15] from $100.9m as at 30 June 2018 to $109.5m as at 30 September 2018 as a result of the 30 September 2018 valuations.

[15] ASX Announcement on PLG portfolio and co-investment valuations dated 30 October 2018

For personal use only

4.5 Financial position of PLG

The following table sets out PLG's financial position for the financial year FY2016 and FY2018:

Table 10: PLG financial position

$m	Audited FY2016	Audited FY2017	Audited FY2018
Cash and cash equivalents	4.0	20.0	17.2
Trade and other receivables	4.0	4.5	3.4
Investments properties held for sale	-	31.6	-
Equity accounted investments	39.4	63.3	100.9
Investment properties	6.5	572.8	696.2
Property, plant and equipment	0.6	98.1	113.1
Other assets	0.9	7.6	7.2
Intangibles	4.6	4.6	4.6
Total assets	**59.9**	**802.3**	**942.6**
Trade and other payables	(10.2)	(11.2)	(19.3)
Current tax liabilities	(0.4)	(3.8)	(2.4)
Employee benefits	(0.6)	(0.7)	(0.9)
Borrowings	(22.8)	(255.9)	(288.7)
Total liabilities	**(33.9)**	**(271.7)**	**(311.2)**
Net assets	**26.0**	**530.6**	**631.3**
Number of units	43,808	602,780	602,780
NTA per security	**$0.47**	**$0.86**	**$1.03**

Note:
1. NTA is calculated as the net assets adjusted for intangibles, deferred tax assets and deferred tax liabilities
Sources: FY2017 and FY2018 PLG Annual Report

Equity accounted investments relate to 28 properties held jointly with third parties under co-investor agreements (refer Section 4.4 for a discussion). The increase for FY2018 is attributable to an increase in the shareholding in PAIP II from 3.93% to 17.13%, the acquisition of a property asset in Sydney's French Forest ($21m) and net fair value gain on equity accounted investments.

Investment properties comprise property and property under construction or redevelopment (including integral plant and equipment) that are held to earn rentals and for capital appreciation (refer Section 4.2 for a discussion). The increase in the balance from FY2017 to FY2018 reflects acquisitions of 14-16 and 18-20 Orion Road ($59.0m) and net fair value gain on investment property ($57.3m).

Property, plant and equipment mainly relates to leasehold market buildings located in Melbourne, and the increase from FY2016 to FY2018 reflected a net fair value gain on leasehold property.

Borrowings relate to a secured bank loans priced at a margin over 90-day BBSY rate. The facility is secured against the PLG investment properties, property, plant and equipment, and by guarantees provided to debt financiers by other members of PLG. The facility is split into two tranches, a $190m facility drawn to $155m expiring on 15 February 2021, and a $150m facility drawn to $135m expiring on 15 February 2023.

4.6 PLG's equity

PLG has 602.8m securities on issue. As at 30 November 2018, the market capitalisation of PLG was $711.3m. Prior to the PLG Takeover Offer, 44.4% of the total securities on issue were held by substantial securityholders (those securityholders holding over 5.0% of the securities on issue).

For personal use only

Table 11: Substantial securityholders prior to the PLG Takeover Offer

Holder	Securities held (m)	Ownership (%)
ESR	119.9	19.9%
CNI	117.6	19.5%
Vinva Investment Management	30.3	5.0%
Total held by substantial securityholders	**267.8**	**44.4%**
Others	335.0	55.6%
Total securities	**602.8**	**100%**

Source: Bidder's Statement dated 19 November 2018

Following the lodgment of the Bidder's Statement, ESR's interest has increased to 24.74% as at 12 December 2018.

The volume weighted average price (VWAP) for the period up to 20 September 2018 (the last trading day before the announcement of the PLG Takeover Offer) and the period after this date until 14 December 2018, is set out in the following table.

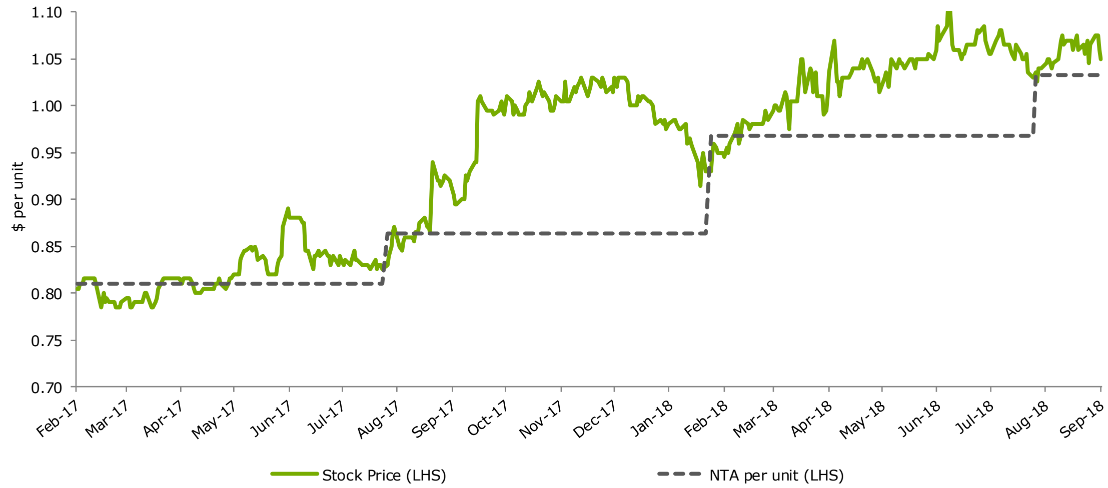
Table 12: Volume of trading in PLG securities

	Low ($ per share)	High ($ per share)	VWAP ($ per share)	Volume (millions)	Proportion of shares traded
Up to 20 September 2018 (Pre-Announcement Date)					
5 Days VWAP	1.05	1.08	1.06	17.3	2.9%
1 Month VWAP	1.04	1.08	1.06	27.8	4.6%
3 Months VWAP	1.03	1.11	1.06	110.0	18.2%
6 Months VWAP	0.98	1.11	1.05	140.9	23.4%
1 Year VWAP	0.90	1.11	1.02	256.1	42.5%
Post-Announcement Date up to 14 December 2018					
21 September 2018 to 14 December 2018	1.11	1.19	1.16	199.92	33.2%

Sources: Capital IQ, Deloitte Corporate Finance analysis

PLG security price relative to the reported NTA per PLG security from 20 February 2017 to 20 September 2018 is illustrated in the figure below.

Figure 4: PLG security price analysis compared to NTA[1] analysis



Note:
1. NTA is calculated as the net assets net of the intangibles, deferred tax assets and deferred tax liabilities
Sources: Capital IQ, PLG Annual Reports for FY17 and FY18, ASX Announcements, Deloitte Corporate Finance Analysis

PLG securities traded broadly around NTA from February 2017 to September 2017. From September 2017 onwards, PLG securities have traded at a premium to NTA except during the announcements of full-year earnings results in August and half-year earnings results in February. The increase in share price in September 2017 was due to CNI and CIP's on-market acquisition of PLG securities and the announcement of potential strategic initiative discussions.

On the announcement of the PLG Takeover Offer on 21 September 2018, PLG securities closed at $1.15, implying a 11.4% premium to 30 June 2018 NTA of $1.03 per PLG security. On 16 October 2018, the share price increased further to $1.17 and traded at 12.8% premium to 30 June 2018 NTA as a result of the announcement of ESR's revised offer price of $1.20 per security.

For personal use only

For personal use only

5 Background to the Takeover Offer

On 21 September 2018, ESR made a non-binding indicative offer to acquire all of the securities in PLG for cash consideration of $1.15 per PLG security. This offer was subject to certain conditions, including a due diligence process, agreeing terms of an implementation agreement, and PLG not proceeding with the acquisition of Centuria Industrial REIT (CIP).

On 16 October 2018, ESR increased its offer to $1.20 in cash per PLG security, to be reduced by any dividends or distributions PLG securityholders receive or are entitled to receive. On this date a process deed was entered between ESR and PLG, allowing ESR to conduct confirmatory due diligence for a period of three weeks, which was later extended to 9 November 2018. On this date the directors of PLG announced their intention:

- to recommend the proposal, subject to a "fair and reasonable" opinion by an independent expert
- not to proceed with the proposal to acquire Centuria Industrial REIT.

On 12 November 2018, the two parties entered into a binding bid implementation agreement formalising the off-market takeover. The official offer date was 21 November 2018, with a close date of 31 January 2019. The PLG Takeover Offer has various conditions but the most significant is that ESR must achieve a minimum relevant interest of 50.1%.

It is also worthwhile noting that in September 2018, CNI requisitioned a meeting of PLG securityholder in an attempt to remove the majority of PLG's directors. This attempt was not successful.

5.1 Background to ESR

ESR is a logistics real estate and funds management platform. ESR's focus is on the development and management of logistics facilities catering to third party logistics providers, e-commerce businesses, bricks and mortar retailers and industrial companies. Its operations span the Asia Pacific region, including China, Japan, Singapore, South Korea, Australia and India. As at 31 July 2018 ESR held approximately USD 12bn of assets under management and gross floor area (GFA) of in excess of 11 million sqm of projects owned and under development.

Further details on the ESR business are included in Section 5 of the Bidder's Statement.

5.2 Summary of the KPMG IER

PLG engaged KPMG Corporate Finance (KPMG) to act as an independent expert and opine on whether ESR's offer for PLG is fair and reasonable so far as PLG securityholders are concerned. The independent expert's report (KPMG IER) was published 20 November 2018 as part of PLG's target statement.

KPMG employed a sum-of-the-parts valuation approach, aggregating the net tangible assets of PLG and the market value of the investment management business amongst other components. We summarise KPMG's valuation in the table below:

For personal use only

Table 13: KPMG's PLG valuation summary

	Section	Unit	Low	High
NTA as at 30 June 2018	5.2.1	**$m**	**626.8**	**626.8**
Adjustments:				
30 September 2018 property revaluations	5.2.1	$m	39.5	39.5
FY18 final distribution	5.2.1	$m	(22.3)	(22.3)
Divestment of 80 Mount Street	5.2.1	$m	3.5	3.5
Pro forma NTA	5.2.1	**$m**	**647.5**	**647.5**
Estimated earnings from 1 July 2018 to 31 January 2019	5.2.2	$m	24.7	25.0
Estimated value of investment management business	5.2.3	$m	40.1	58.2
Estimated net movement in value of CIP shares	5.2.4	$m	(5.5)	-
Capitalised corporate overheads	5.2.5	$m	(17.4)	(10.3)
Estimated capitalised borrowing costs	5.2.6	$m	(1.3)	(1.3)
Adjusted NTA		**$m**	**688.0**	**719.0**
Securities on issue		m	602.8	602.8
Premium/discount to adjusted NTA	5.2.7		-	-
Adjusted NTA per PLG security		**$**	**1.14**	**1.19**

Source: KPMG IER

KPMG's valuation of a PLG security has been undertaken on a control basis.

5.2.1 PLG's pro forma NTA

The NTA of PLG was determined by reference to PLG's audited financial statements as at 30 June 2018, adjusted for the impact of:

- property revaluations between 30 June 2018 and 30 September 2018
- distributions paid (which were not reflected as payables in the PLG's net tangible assets as at 30 June 2018). These distributions were paid before the offer was made by ESR to acquire PLG, and therefore does not have an impact on the proposed purchase consideration of $1.20 per PLG security
- the net proceeds on the sale of 80 Mount Street.

The NTA of PLG is primarily comprised of the value of properties owned which are supported by valuation reports undertaken by independent property valuers. We understand that as part of their work, KPMG reviewed and interrogated a sample of the property valuation reports, and did not identify any issues. The NTA also includes the value of the co-investments held by PLG. We consider it unlikely that there have been substantial material movement in the valuation since 30 September 2018. Accordingly, we consider PLG's pro forma NTA to be a reasonable proxy for market value at offer close date.

5.2.2 Estimated earnings from 1 July 2018 to 31 January 2019

KPMG adjusted the NTA for earnings of the PLG business up to the end of the offer period. KPMG estimated the earnings of the business by apportioning management's distributable earnings guidance and making adjustments for the proceeds from 80 Mount Street, which KPMG considered in PLG forma NTA (above).

KPMG's estimate of earnings implies an annualised yield of 6.8% which we do not consider unreasonable.

5.2.3 Estimated value of PLG's investment management business

KPMG assessed the value of PLG's investment management division using the capitalisation of maintainable earnings methodology.

For personal use only

We summarise KPMG's valuation of PLG's investment management business in the table below:

Table 14: KPMG's valuation of PLG's investment management business

	Note	Unit	Low	High
Maintainable EBIT	a	$m	3.4	4.8
Capitalisation multiples	b	times	9.0	10.0
Value of investment management business (excluding performance fees)	**c=a*b**	**$m**	**30.5**	**48.0**
AuM as at 30 September 2018	d	$m	1,028.0	1,028.0
Implied percentage of AuM	**e=c/d**	**$m**	**3.0%**	**4.7%**
Present value of probability weighted performance fees	f	$m	9.6	10.2
Value of investment management business	**g=c+f**	**$m**	**40.1**	**58.2**

Source: KPMG IER

Non-recurring revenues (e.g. performance fees) were excluded, and an exercise undertaken to eliminate costs not attributable to the investment management's external funds. Cost savings that could be realised by potential purchasers in the Australian industrial space, assessed to be in the range of 40% to 60% of costs were also taken account of. A multiple based on market transactions between 2010 and 2018 in the range of 9 times to 10 times EBIT was adopted. KPMG cross-checked their valuation by reference to the EV / AuM industry rule of thumb, which was supportive of their primary valuation. We do not consider the above inputs to the valuation of PLG's investment management business unreasonable based on our experience.

Also considered was the value of non-recurring performance management fees earned, which are contingent on achieving a predetermined performance hurdle. Purchasers do not always attribute value to future performance based earnings and thus KPMG's attribution of value to this results in a higher value for PLG securityholders.

5.2.4 Estimated net movement in value of CIP shares

In the lower end of the range, KPMG has considered a potential decrease in CIP value based on recent trading in CIP since PLG started acquiring units in the trust. We consider this reasonable.

5.2.5 Capitalised corporate overheads

The property valuations included in the NTA assessment include only costs associated with managing the properties, and do not take account the ongoing corporate costs associated with running the PLG business. KPMG has considered these additional costs, including custodian and responsible entity fees, legal, audit and other trust expenses. However, a discount of 70% to 80% has been considered on the basis that other Australian property funds management platforms have the ability to absorb the PLG business and achieve cost savings. The potential costs net of savings were at a multiple of 8 times to 9 times. We consider this reasonable.

5.2.6 Estimated capitalised borrowing costs

The net debt included in the NTA assessment, is net of capitalised borrowing costs of $1.3m. The net borrowing costs have been considered in the adjusted NTA assessment. This is a reasonable adjustment.

5.2.7 Premium/discount to adjusted NTA

KPMG adopted no additional premiums/discounts to NTA on the basis that the valuation is already on a control basis and in light of the reduction in premiums observed in recent control transactions in the industrial and diversified A-REIT sector. There are arguments that given the size of the PLG portfolio, a premium may be warranted. However, this goes hand-in-hand with a variety of other considerations such as the strength of the underlying valuations of the properties and expectations of near term future movements in valuations. On balance, we consider KPMG's assumption reasonable.

For personal use only

6 Factors considered

In determining whether, or not, the Proposed Transaction is fair and reasonable to the Non-Associated Securityholders, we have considered the matters set out below.

6.1 Rationale for the Proposed Transaction

CNI originally acquired the interest in PLG with the intention of pursuing a proposal to effectively break-up PLG with CIP acquiring its investment properties and CNI acquiring the balance of the business. This proposal was rejected by the directors of PLG and subsequently ESR emerged with a competing proposal which was priced at a substantial premium to the price implied by CNI's proposal.

As such, and in the absence of CNI or another party launching a competing offer at a premium to ESR's current offer, ESR will likely proceed to acquiring the balance of the securities in PLG that it doesn't currently own. The directors of CNI are not currently contemplating making a competing offer for PLG. Depending on the specific circumstances at the time, the directors may also form the view that CNI continuing to own an interest in PLG with ESR holding more than 50% of the securities of PLG may not be in the best interests of CNI securityholders. Therefore, CNI is seeking Non-Associated Securityholder approval to dispose its interest in PLG to ESR should the directors be of the view that this is in the best interests of Non-Associated Securityholders.

6.2 The market value of CNI's interest in PLG

The directors of PLG engaged KPMG Corporate Finance to opine as to whether the PLG Takeover Offer is fair and reasonable to PLG securityholders. CNI is a securityholder of PLG and therefore KPMG's IER has been prepared for their benefit. However, the IER has not had specific regard to CNI and rather has considered PLG securityholders collectively.

We have reviewed the KPMG IER and for the following reasons, we consider that their opinion on market value arrived at by KPMG is reasonable:

- the KPMG IER was prepared for the benefit of PLG securityholders, of which CNI is one
- KPMG note that they consider themselves to be independent, in accordance with the requirements of RG 112
- KPMG do not note any material restriction on the scope of their work
- we consider the basis of assessment and the definition of value adopted by KPMG to be consistent with market value, which is defined as the amount at which assets or liabilities would change hands between a knowledgeable, willing buyer and a knowledgeable, willing seller, neither being under a compulsion to buy or sell. More specifically, we also consider the basis of assessment broadly aligned with the considerations a Non-Associated Securityholder would be concerned with and also aligned with the test of fairness set by ASIC
- the IER was prepared, and the work undertaken by, professionals who hold the appropriate qualifications and have experience in the valuation of businesses like PLG
- the methodology used in undertaking the valuation is consistent with methodologies generally applied in the industry. The sum of the parts approach, capitalisation of earnings and discounted cash flow approaches were used in arriving at the fair market value of PLG, and the outcomes from these approaches were cross-checked using funds from operations multiples and earnings yields. The assumptions and valuation metrics used by KPMG are not unreasonable and not inappropriate for the purposes of estimating the market value of PLG. Refer to Section 5.2 for a summary of the KPMG IER
- a substantial portion of the value of PLG can be attributed to properties owned by PLG. These properties were the subject of independent valuations undertaken by property valuation experts. KPMG undertook a review of the independent valuations and considered that the independent valuations are not unreasonable and are therefore appropriate to use in a net assets based valuation approach. We also undertook a review based on public market information (we did not have access to PLG and its information and records like KPMG did). The results of that review are set out in Section 4.2
- we have reviewed the KPMG IER report, however note that this did not include holding discussions with KPMG. Furthermore, we did not have access to PLG or its management team. Notwithstanding, nothing has come to our attention with respect to the methodologies, assumptions and inputs used that would cause us to question KPMG's work or their assessment.

For personal use only

6.3 The impact of the Proposed Transaction on CNI

If the directors of CNI choose to accept the PLG Takeover Offer, the Proposed Transaction will have the following implications for CNI and its securityholders:

- reduces exposure to the assets PLG owns and the markets in which it operates. Refer to Section 4.2 for a summary of PLG's asset portfolio. As CNI's operations were not integrated with those of PLG, this will not reduce economies of scale, however, will have the impact of reducing CNI's level of diversification
- CNI will crystalise a gain on its investment in CNI. We note that these gains will likely be subject to capital gains taxes in the hands of CNI securityholders
- it will free up cash allowing CNI to consider several options, including but not limited to:
  - grow the portfolio by acquisitions, potentially further improving portfolio diversification
  - pursue other value accretive capital programmes
  - reduce gearing.

It should also be noted that the combination of ESR and PLG could also have a negative impact on CNI's industrial property operations through the introduction of a larger player in the industrial property market in Australia.

7 Summary and conclusion

7.1 Fairness

KPMG IER has been prepared for the benefit of PLG securityholders, including CNI and based on points set out in Section 6.2, we consider it appropriate to use the market value of a PLG security assessed by KPMG in opining on fairness for Non-Associated Securityholders.

The offer price of $1.20 per PLG security is above KPMG's assessed valuation range of $1.14 to $1.19 per PLG security.

The offer price as against KPMG's assessed valuation range based on the number of PLG securities held by CNI is set out in the table below:

Table 15: Offer price compared to KPMG's assessed value translated for number of PLG securities held by CNI

	Low	High
Number of PLG securities held by CNI	117.6m	117.6m
KPMG's assessed value of a PLG security	$1.14	$1.19
Market value of PLG securities held by CNI	**$134.2m**	**$140.3m**
Offer price	$1.20	$1.20
Consideration being received by CNI for the PLG securities it owns	**$141.1m**	**$141.1m**
Difference	*$6.9m*	*$0.8m*

Sources: Bidder's Statement, KPMG IER, Deloitte Corporate Finance analysis

We also note the following:

- The offer price represents a significant premium to the trading price of PLG securities prior to announcement of the PLG Takeover Offer. In fact, PLG securities have never traded at the offer price
- The offer price represents a premium to the net tangible assets of PLG
- The distribution yield implied by the offer price is lower than that of comparable securities listed on the ASX and we see no reason why this should be the case. If a similar distribution yield to the comparable securities was used, the value of PLG would also be lower than the offer price.

On the basis of the above, we consider the offer price to be fair.

7.2 Reasonableness

In accordance with ASIC Regulatory Guide 111 an offer is reasonable if it is fair. On this basis, in our opinion the Proposed Transaction is reasonable. We also note the following factors relevant to the reasonableness of the Proposed Transaction.

The offer price may not appropriately capture the strategic value of PLG to CNI

Whilst we consider that the offer price represents market value (for the reasons set out above), the offer price may not appropriately capture the additional strategic value to CNI of owning PLG or an interest in PLG. The reasons that the ownership interest in PLG may be strategically valuable to CNI are set out below. However, such value is difficult to quantify and comes with a variety of risks. However, it may be the case that the directors of CNI form the view that the strategic value of CNI's interest in PLG outweighs the risks associated with continued ownership of the interest and as such determine not to dispose the interest.

The Proposed Transaction provides Non-Associated Securityholders with certainty

The cash offer allows CNI to realise $1.20 per PLG security. Conversely, if CNI continues to hold its interest in PLG, it will continue to remain exposed to the normal risks and rewards of holding an investment in PLG (which may be greater if ESR holds a controlling interest in PLG as well). Furthermore, there is uncertainty as to whether PLG will remain listed.

The Proposed Transaction will crystallise a capital gain for CNI

CNI acquired its securities in PLG at a price substantially lower than the offer price of $1.20 per PLG security. The Proposed Transaction will result in CNI crystallising a substantial gain that has been estimated by CNI to be $6.3m.

This gain will be subject to tax payments in the hands of CNI securityholders. In the absence of CNI making a special distribution, CNI securityholders will need to fund this tax payment through regular CNI distributions or other means.

CNI securityholders could be left with an illiquid minority interest in PLG

CNI has the power to block a compulsory takeover by ESR given their ownership interest is above 10%, and therefore sufficient to stop ESR from achieving the 90% threshold required to force a compulsory acquisition.

If CNI chooses not to accept the PLG Takeover Offer, and the remaining securityholders of PLG opt to accept the PLG Takeover Offer, ESR could hold an interest of up to 80.5%, leaving CNI and associated entities as a securityholder with 19.5% interest. As noted in Section 3.2, CNI, with its current ownership interest, currently has no board representation. Depending on what ownership interest ESR is able to acquire (outside of CNI's interest), it may be the case that there may not be sufficient free float in PLG securities and PLG securities may be forced to stop trading on the ASX.

ESR's stated intentions if it acquires an interest of between 50% and 90% includes:

- becoming actively involved in determining and controlling the strategic direction of PLG. With a securityholding of more than 75% ESR will hold sufficient votes to determine the outcome of a special resolution
- procure the appointment of a majority of ESR nominees to the board of directors
- consider whether it is appropriate to destaple and/or delist PLG securities from the Australian Securities Exchange.

Under the Proposed Transaction CNI would receive a control premium for their interest in PLG. Should CNI opt to reject the Proposed Transaction, there is uncertainty regarding the price that CNI could achieve if it wished to divest its interest in the future. The PLG security price could drop to levels observed before ESR's offer (and even lower levels with the presence of illiquid trading in PLG securities). We also note that a minority interest may not achieve a control value in the future (as is the case with ESR's proposal) and their interest may attract an illiquidity and/or marketability discount.

For personal use only

For personal use only

CNI may not be able to achieve its originally stated objectives with PLG

As noted in Section 3.2, CNI's intention in acquiring its initial equity interest in PLG was to acquire 100% of PLG, destaple the PLG entities and absorb it within CNI and its related entities' operations. If ESR is able to achieve certain ownership thresholds, this will prevent CNI from achieving its objectives.

ESR may no longer be a long-term investor in CNI

If ESR is successful with respect to the PLG Takeover Offer, then it may determine that it's ownership of CNI securities may not be aligned with its strategy and as such it may seek to dispose of those securities. In the absence of ESR making a statement, this may create uncertainity with respect to CNI securities and create downside pressure on the price of CNI securities during this period.

ESR may acquire a strategic interest in CIP without paying a control premium

PLG holds 18.1% of the securities of CIP. As a result of a successful takeover of PLG, ESR will gain control of this interest. CNI is also a securityholder in CIP owning 22.9%. ESR has not stated its intention with respect to PLG's interest in CIP and in the absence of ESR making a statement this may also create uncertainity with respect to CIP securities and create downside pressure on the price of CIP securities during this period.

CNI will incur transaction costs

Other costs CNI will incur are largely associated with seeking Non-Associated Securityholder approval and have been estimated at $200,000. These costs will be largely incurred by the time of the securityholder meeting.

7.3 Conclusion

In our opinion, and in the absence of a superior proposal, the Proposed Transaction is fair and reasonable to Non-Associated Securityholders.

Yours faithfully

Tapan Parekh
Authorised Representative
AR Number: 461009

For personal use only

Appendix 1: Context to the report

Individual circumstances

We have evaluated the Proposed Transaction for Non-Associated Securityholder as a whole and have not considered the effect of the Proposed Transaction on the particular circumstances of individual investors. Due to their particular circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Proposed Transaction is fair and reasonable to Non-Associated Securityholders. If in doubt investors should consult an independent adviser, who should have regard to their individual circumstances.

Limitations, qualifications, declarations and consents

The Report has been prepared at the request of the Independent Directors of CNI and is to be included in the Explanatory Notes to be given to Non-Associated Securityholders for approval of the Proposed Transaction in accordance with Listing Rule 10. Accordingly, it has been prepared only for the benefit of the Independent Directors and Non-Associated Securityholders in their assessment of the Proposed Transaction outlined in the report and should not be used for any other purpose. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Non-Associated Securityholders and the Independent Directors of CNI, in respect of this report, including any errors or omissions however caused. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Proposed Transaction.

Statements and opinions contained in this Report are given in good faith but, in the preparation of this report, Deloitte Corporate Finance has relied upon the completeness of the information provided by CNI and its officers, employees, agents or advisors (as set out below in 'Sources of Information'). Deloitte Corporate Finance has not had access to PLG's management records and information, nor PLG directors and executives. All information on PLG included in this Report has been based on publicly available information, including KPMG's IER. Deloitte Corporate Finance does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to CNI management for confirmation of factual accuracy.

In recognition that Deloitte Corporate Finance may rely on information provided by CNI and its officers, employees, agents or advisors, CNI has agreed that it will not make any claim against Deloitte Corporate Finance to recover any loss or damage which CNI may suffer as a result of that reliance and that it will indemnify Deloitte Corporate Finance against any liability that arises out of either Deloitte Corporate Finance's reliance on the information provided by CNI and its officers, employees, agents or advisors or the failure by and its officers, employees, agents or advisors to provide Deloitte Corporate Finance with any material information relating to the Proposed Transaction.

The KPMG IER was prepared for the benefit of PLG securityholders, of which CNI is one. Deloitte Corporate Finance, as an independent expert appointed by the independent Directors of CNI, has relied on the KPMG IER prepared by KPMG Corporate Finance in preparing this IER. Deloitte Corporate Finance assessed the professional competence and objectivity of KPMG and believes the work performed is appropriate and reasonable.

Deloitte Corporate Finance holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employees of Deloitte Corporate Finance principally involved in the preparation of this report was Tapan Parekh, Authorised Representative, B.Bus, M.Comm, CA, F.Fin. Tapan has many years of experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Consent to being named in disclosure document

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of 225 George Street, Sydney, NSW, 2000 acknowledges that:

For personal use only

- CNI proposes to issue the Explanatory Notes in respect of the Proposed Transaction
- the Explanatory Notes will be issued in hard copy and be available in electronic format
- it has previously received a copy of the draft Explanatory Notes (draft Explanatory Notes) for review
- it is named in the Explanatory Notes as the 'independent expert' and the Explanatory Notes includes its independent expert's report as an annexure to the Explanatory Notes.

On the basis that the Explanatory Notes is consistent in all material respects with the draft Explanatory Notes received, Deloitte Corporate Finance Pty Limited consents to it being named in the Explanatory Notes in the form and context in which it is so named, to the inclusion of its independent expert's report as an annexure to the Explanatory Notes and to all references to its independent expert's report in the form and context in which they are included, whether the Explanatory Notes is issued in hard copy or electronic format or both.

Deloitte Corporate Finance Pty Limited has not authorised or caused the issue of the Explanatory Notes and takes no responsibility for any part of the Explanatory Notes, other than any references to its name and the independent expert's report as included as an annexure to the Explanatory Notes.

Sources of information

In preparing this report, we have had access to the following principal sources of information:

- PLG prospectus dated 18 July 2016
- PLG bidder's statement dated 19 November 2018
- PLG target's statement dated 20 November 2018 (including the appended KPMG IER)
- PLG Annual reports for the financial years ending 30 June 2016 to 30 June 2018
- PLG FY2018 results presentation dated 14 August 2018
- CNI Annual reports for the financial years ending 30 June 2016 to 30 June 2018
- CNI FY2018 results presentation dated 14 August 2018
- CNI presentation on Hines Portfolio acquisition dated 10 October 2018
- CNI, PLG and ESR corporate websites
- other publicly available information, media releases and brokers reports on PLG, CNI, ESR and the property sector.

In addition, we have had discussions and correspondence with certain directors and executives, including Simon Holt, Chief Financial Officer; John McBain, Chief Executive Officer and Director; and Garry Charny, Director and Chairman, in relation to the above information and the Proposed Transaction.

For personal use only

Deloitte.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 225,000 professionals, all committed to becoming the standard of excellence.

About Deloitte Australia

In Australia, the member firm is the Australian partnership of Deloitte Touche Tohmatsu. As one of Australia's leading professional services firms, Deloitte Touche Tohmatsu and its affiliates provide audit, tax, consulting, and financial advisory services through approximately 6,000 people across the country. Focused on the creation of value and growth, and known as an employer of choice for innovative human resources programs, we are dedicated to helping our clients and our people excel. For more information, please visit Deloitte's web site at www.deloitte.com.au.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

© 2018 Deloitte Corporate Finance Pty Limited