

DEXUS Property Group (ASX: DXS)

ASX release

21 March 2016

Independent Board Committee of Investa Office Fund releases response to IOM Document

DEXUS Property Group ("DEXUS") refers to Investa Office Fund's ("IOF") announcement dated 18 March 2016 ("IOF Announcement"), which IOF is dispatching to IOF Unitholders.

This announcement concerns the review completed by the Independent Board Committee of IOF ("Independent Board Committee") of a document published by Investa Office Management (the "Platform") dated 15 March 2016 ("IOM Document") in relation to the DEXUS proposal to acquire 100% of the units in IOF ("DEXUS Proposal").

DEXUS notes the following in respect of the IOF Announcement (which is attached for ease of reference):

- the Independent Board Committee has expressed concerns in relation to the IOM Document, including the failure to disclose the conflicts of interest that exist between the Platform and Investa Commercial Property Fund ("ICPF") and the lack of alignment with IOF Unitholders in the outcome of the DEXUS Proposal
- the Independent Board Committee continues to recommend that IOF Unitholders vote in favour of the DEXUS Proposal, in the absence of a superior proposal
- the Independent Expert confirmed on 18 March 2016, in a letter attached to the IOF Announcement, that it remains of the opinion that the DEXUS Proposal is fair and reasonable to, and in the best interests of, IOF Unitholders in the absence of a superior proposal
- if an IOF Unitholder wishes to vote on the DEXUS Proposal, they should use the proxy form which was approved by the Independent Board Committee and which was attached to the IOF Notice of Meeting dispatched on 14 March 2016 ("IOF EM")
- IOF Unitholders should read the IOF Announcement carefully if considering the IOM Document

DEXUS also draws to the attention of IOF Unitholders that the IOM Document fails to acknowledge key financial and strategic benefits of the DEXUS Proposal. DEXUS reiterates the benefits of the DEXUS Proposal, which were set out in the IOF EM, for both new and existing DEXUS Security holders including:

- **A strong value proposition providing substantial accretion while maintaining balance sheet strength and an expected greater relevance to equity and debt investors.** The DEXUS Proposal is expected to deliver annualised accretion to Underlying FFO of 7.9% per IOF unit and annualised FY16 FFO accretion of 17.5% per IOF Unit¹. [see pages 4, 24, 35 and 38 of the IOF EM]
- Based on DEXUS's closing price of \$7.94 on 18 March 2016, the standard consideration implied value is \$4.19², reflecting a 5.3% premium to IOF's last stated NTA.
- **Investment in a higher quality, more diversified office portfolio with scope for substantial synergies and with a combined Management Expense Ratio ("MER") reducing to sub 35 basis points.** [see pages 31-35 of the IOF EM]

¹ Underlying FFO excludes Trading profits (net of tax). Headline FFO includes Trading Profits (net of tax).

² The standard consideration implied value per IOF unit varies depending upon the trading price of DEXUS securities. As the trading price of DEXUS securities has increased between 3 March 2016 (being the last practicable trading date before the date of the IOF EM) and 18 March 2016, the standard consideration implied value has also increased.

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- **Enhanced growth opportunities.** In addition to the Merged Group's investment portfolio, IOF Unitholders will benefit from ongoing exposure to DEXUS's \$1.1 billion development pipeline, leading Third Party Funds Management platform, with \$10.6 billion of property managed on behalf of Third Party clients, and Trading business. [see pages 34-35 and 58 of the IOF EM]
- **A certain outcome for IOF Unitholders and an internalised management structure,** with an experienced and stable team of more than 360 property professionals with a proven track record and established, efficient systems and aligned processes. [see pages 25 and 59 of the IOF EM]

IOF Unitholders are encouraged to read the Explanatory Memorandum carefully, which sets out the benefits, risks and disadvantages of the DEXUS Proposal.

IOF Unitholders are encouraged to exercise their vote by attending the meetings relating to the DEXUS Proposal which will be held on 8 April 2016 in person or voting by proxy using the proxy form which formed part of the IOF EM. If you wish to vote by proxy, you must lodge the proxy form with IOF's registry by no later than 10.00am on 6 April 2016.

For further information please contact:

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About DEXUS

DEXUS Property Group is one of Australia's leading real estate groups, investing directly in high quality Australian office and industrial properties. With \$21.1 billion of assets under management, the Group also actively manages office, industrial and retail properties located in key Australian markets on behalf of third party capital partners. The Group manages an office portfolio of 1.8 million square metres located predominantly across Sydney, Melbourne, Brisbane and Perth and is the largest owner of office buildings in the Sydney CBD, Australia's largest office market. DEXUS is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange under the stock market trading code 'DXS' and is supported by more than 32,000 investors from 20 countries. With more than 30 years of expertise in property investment, development and asset management, the Group has a proven track record in capital and risk management, providing service excellence to tenants and delivering superior risk-adjusted returns for its investors. www.dexus.com

Download the DEXUS IR app to your preferred mobile device to gain instant access to the latest stock price, ASX Announcements, presentations, reports, webcasts and more.



DEXUS Funds Management Ltd ABN 24 060 920 783, AFSL 238163, as Responsible Entity for DEXUS Property Group (ASX: DXS)

Investa Office Fund (ASX: IOF)

Independent Board Committee review of IOM Document

IOF Unitholders should have recently received the Notice of Meeting and Explanatory Memorandum dated 9 March 2016 (“EM”) which sets out the Independent Board Committee (“IBC”) of Investa Listed Funds Management Limited (“ILFML”) as responsible entity of Investa Office Fund’s (“IOF”) recommendation to vote in favour of the proposal from DEXUS Property Group to acquire all of the units in IOF (“DEXUS Proposal”), in the absence of a Superior Proposal.

IOF Unitholders are encouraged to read the Explanatory Memorandum carefully.

On 15 March 2016, the IBC was made aware that Investa Office Management (the “Platform”), which is ultimately owned by the investors in Investa Commercial Property Fund (“ICPF”), had published its own document in relation to the DEXUS Proposal (“IOM Document”). The Platform owns ILFML and the manager of IOF.

The IBC has concerns with certain aspects of the IOM Document, including that it does not describe the conflicts of interest that exist in relation to the Platform and ICPF. The key concerns of the IBC include:

1. Conflicts of interest between the Platform (and its ultimate owners, the ICPF investors) and IOF Unitholders

The IOM Document has been prepared by the Platform which was recently acquired by a company that is owned by the investors in ICPF (being ICPF Holdco Pty Ltd). The Platform and its owners have an interest in retaining the management rights for IOF (as described more fully below). Implementation of the DEXUS Proposal is likely to result in the Platform losing those management rights over time. In preparing the IOM Document, the Platform has not disclosed this conflict of interest nor has it disclosed its lack of alignment with IOF Unitholders in the outcome of the DEXUS Proposal.

The Platform currently receives management fee revenue from IOF and would likely cease to receive these fees if the DEXUS Proposal was approved by IOF unitholders.

In addition, ILFML is advised by ICPF that ICPF does not own any units in IOF and ILFML is not aware that either the Platform or any member of the ICPF stapled structure is a unitholder of IOF and hence they do not have the same interests as IOF unitholders. Their interests relate to retaining the ongoing management of IOF. The IBC was established to ensure that parties that had a conflict of interest were not involved in making recommendations concerning IOF.

The IBC notes that DEXUS operates under an internal management structure, without the conflicts of interest and misalignment issues inherent in external management.

2. Statements by the Platform about the value of the DEXUS Proposal

The IOM Document ignores some of the key financial benefits of the DEXUS Proposal and contains various statements about the value of the DEXUS Proposal that are inconsistent with the analysis and approach undertaken by the Independent Expert who provided a detailed written report that is contained in the Explanatory Memorandum. As the IOM Document makes no reference to an independent review, it appears that the statements made by the

Platform have not been independently assessed, despite the apparent conflicts of interest that exist in the Platform making such statements, and should therefore not be relied on by IOF Unitholders. 2

The Independent Expert, KPMG Financial Advisory Service (Australia) Pty Ltd (“KPMG”), has confirmed that it had no involvement in the preparation of the IOM Document. KPMG having considered the information contained in the IOM Document remains of the opinion that the **“DEXUS Proposal is fair and reasonable to, and in the best interest of, IOF unitholders in the absence of a superior proposal.”** Please see attached the letter from KPMG in this regard.

The IBC believes the DEXUS Proposal offers a compelling value proposition when considered against all other alternatives.

3. Opportunity for IOF to jointly own the Platform

The IOM Document states that an opportunity may exist for IOF to acquire 50% of the Platform. The IBC considered this as an alternative for IOF when it was previously presented to the IBC by ICPF prior to the IBC entering the agreement with DEXUS. The IOM Document provided no new information that would influence the IBC’s view that the DEXUS Proposal is superior to the opportunity to acquire 50% of the Platform. Please refer to the IBC’s reasons set out in the EM. Statements in the IOM Document that the terms of the DEXUS Proposal make it difficult for this opportunity to be put to the IBC now are inaccurate.

As detailed in the EM, the IBC recommended the DEXUS Proposal following a strategic review which involved a comprehensive examination of an extensive range of potential alternatives having regard to the best interests of IOF Unitholders. This process involved engagement with a large number of parties, including ICPF, to ensure there was a clear understanding of each option available to IOF.

The IBC continues to recommend that IOF unitholders vote in favour of the DEXUS Proposal, in the absence of a superior proposal. The IBC confirms that in its view no superior proposal has been received.

A proxy form was attached to the IOM Document. It is not the proxy form for the DEXUS Proposal that is approved by the IBC or provided by ILFML. If you would like another copy of the proxy form approved by the IBC, please contact the IOF Unitholder Information Line on the details set out below.

Important Information

The Explanatory Memorandum contains important information in relation to the DEXUS Proposal, and should be read carefully by IOF Unitholders before making a decision and voting at the meeting of IOF unitholders at 10am on 8 April 2016. This information includes a detailed analysis of the benefits, risks and disadvantages of the DEXUS Proposal.

IOF Unitholders are encouraged to seek advice from an independent, appropriately licensed and authorised professional adviser before making any investment decision in relation to IOF Units and how to vote on the Proposal Resolutions.

Votes may be cast in person, by proxy, by attorney or, in the case of a corporation, by its duly appointed corporate representative. Please see the Notice of Meeting and sections 2 and 5.5 of the Explanatory Memorandum for full details on how votes may be cast and timing requirements.

If IOF Unitholders have any questions in relation to the DEXUS Proposal, they should contact the IOF Unitholder Information Line on 1300 308 902 (callers in Australia) or +61 2 9098 9228 (callers outside Australia) between 8.30am and 5.30pm (Sydney time) Monday to Friday.

-ENDS-

About Investa Office Fund

Investa Office Fund (ASX code: IOF) is an ASX-listed real estate investment trust (A-REIT) and is included in the S&P/ASX100 index. IOF is a leading owner of investment grade office buildings and receives rental income from a tenant register comprised predominately of Government and blue chip tenants. IOF has total assets under management of AU\$3.49 billion with 22 investments located in core CBD markets throughout Australia. IOF's focus is on delivering attractive risk-adjusted returns to its unitholders from a portfolio of high quality assets located in the key CBD office markets of Australia.

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**The first
choice in
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The Directors
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18 March 2016

Dear Directors

INVESTA OFFICE FUND – CONFIRMATION OF OPINION

1 Introduction

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (KPMG Corporate Finance) prepared an independent expert's report in relation to the proposed acquisition of Investa Office Fund (IOF) by DEXUS Property Group (DEXUS) by way of a trust scheme (the DEXUS Proposal) dated 8 March 2016 (IER). The full report was included as Attachment 2 to the Notice of Meeting and Explanatory Memorandum (Explanatory Memorandum) dated 9 March 2016 sent to IOF Unitholders. KPMG Corporate Finance concluded that the DEXUS Proposal is fair and reasonable to, and in the best interests of, the IOF Unitholders in the absence of a superior proposal.

On 15 March 2016, Investa Office Management Holdings Pty Limited (IOMH), the current owner of the manager of IOF, released a document to IOF Unitholders detailing the reasons why they should consider rejecting the DEXUS Proposal and choose to remain with the Investa management platform (IOMH Document).

Regulatory Guide 111: Content of expert reports in RG 111.103 requires that if an expert becomes aware of a material change in circumstances, then depending on the circumstances, it may be appropriate for a commissioning party to send a supplementary report. KPMG Corporate Finance had no involvement in the preparation of the IOMH Document. As such, the Independent Directors of Investa Listed Funds Management Limited (ILFML), as responsible entity of IOF, have requested KPMG Corporate Finance to consider whether our opinion in relation to the DEXUS Proposal has changed as a consequence of the information contained in the IOMH Document.

In this respect, we note that the document contained new information regarding the terms on which IOMH is willing to offer IOF a 50% interest in the Investa platform in a joint venture with Investa

Commercial Property Fund (ICPF) should IOF Unitholders reject the DEXUS Proposal. The key terms of the proposed joint venture are:

- consideration of \$45 million for a 50% interest in the Investa platform, and
- pre-emptive rights to acquire the remainder of the Investa platform.

2 Opinion

Having considered the information contained in the IOMH Document, our opinion remains that the DEXUS Proposal is **fair and reasonable to, and in the best interests of, IOF Unitholders, in the absence of a superior proposal.**

3 Other matters

In forming our opinion, we have considered the interests of IOF Unitholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual IOF Unitholders. It is not practical or possible to assess the implications of the DEXUS Proposal on individual IOF Unitholders as their financial circumstances are not known. The decision of IOF Unitholders as to whether or not to approve the DEXUS Proposal is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual IOF Unitholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed resolutions may be influenced by his or her particular circumstances, we recommend that individual IOF Unitholders including residents of foreign jurisdictions seek their own independent professional advice.

This letter has also been prepared in accordance with the relevant provisions of the Corporations Act 2001 (Cth) (the Act) and other applicable Australian regulatory requirements. This letter has been prepared solely for the purpose of assisting IOF Unitholders in considering the DEXUS Proposal. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

Neither the whole nor any part of this letter or any reference thereto may be included in or attached to any document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

The above opinion should be considered in conjunction with and not independently of the information set out in our IER dated 8 March 2016 included as Attachment 2 to the Explanatory Memorandum. In particular, all limitations, disclaimers and declarations set out in that report apply in full to this letter.

Yours faithfully



Ian Jedlin
Authorised Representative



Sean Collins
Authorised Representative